中國石化儀征化纖股份有限公司
SINOPEC YIZHENG CHEMICAL FIBRE COMPANY LIMITED

(a joint stock limited company established in the People's Republic of China)

(Stock code: 1033)

Announcement of the semi-annual results for the six months ended 30 June, 2011

The Board of Directors ("**the Board**") of Sinopec Yizheng Chemical Fibre Company Limited ("**the Company**") hereby presents the semi-annual results of the Company and its subsidiary ("**the Group**") for the six months ended 30 June 2011.

1. IMPORTANT NOTES

1.1 The Board and the Supervisory Committee of Sinopec Yizheng Chemical Fibre Company Limited and its directors, supervisors and senior management warrant that there are no false representations, misleading statements or material omissions in this semi-annual report and individually and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this semi-annual report.

1.2 The semi-annual financial report contained therein is unaudited.

1.3 Mr. Lu Li-yong, Chairman, Mr. Xiao Wei-zhen, Vice Chairman and General Manager, Mr. Li Jian-ping, Chief Financial Officer and Ms. Xu Xiu-yun, Supervisor of the Asset and Accounting Department of the Company warranted the authenticity and completeness of the financial statements contained in the semi-annual report.

2 BASIC INFORMATION OF THE COMPANY

2.1 Company profile

2.1.1 Places of listing, names and codes of the stock:
H share
-The Stock Exchange of Hong Kong Limited ("**HKSE**")
-Stock name: Yizheng Chemical
-Stock code: 1033

A share
-Shanghai Stock Exchange ("**SSE**")
-Stock name: S Yihua
-Stock code: 600871

2.1.2 Company Secretary:	Mr. Tom C.Y. Wu
Assistant Company Secretary:	Ms. Michelle M.Shi
Contact address:	Company Secretary Office Sinopec Yizheng Chemical Fibre Company Limite Yizheng City, Jiangsu Province, the People's Republic of China (the "**PRC**").
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2.2 Principal financial data and financial indicators

2.2.1 Extracted from the semi-annual financial report prepared in accordance with International Accounting Standard ("IAS") 34 *Semi-annual Financial Reporting* (Consolidated and unaudited)

	For the six months ended 30 June	
	2011 ***RMB '000***	2010 *RMB '000*
Turnover	**10,332,587**	7,596,517
Profit before taxation	**775,258**	239,113
Income tax expense	**189,961**	(190,428)
Profit attributable to equity shareholders of the Company	**585,297**	429,541
Basic and diluted earnings per share	**RMB 0.146**	RMB 0.107

2.2.2 Extracted from the semi-annual financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises (Consolidated and unaudited)

	As at 30 June 2011 *RMB '000*	As at 31 December 2010 *RMB '000*	Increase /(decrease) from last year (%)
Total assets	**11,303,036**	10,531,202	7.3
Total equity attributable to equity shareholders of the Company	**8,777,634**	8,312,337	5.6
Net assets per share attributable to equity shareholders of the Company	**RMB 2.194**	RMB 2.078	5.6
	For the six months ended 30 June 2011 ***RMB '000***	For the six months ended 30 June 2010 *RMB '000*	Increase/(decrease) from corresponding period of last year (%)
Operating profit	**719,379**	229,313	213.7
Profit before income tax	**774,719**	239,113	224.0
Net profit attributable to equity shareholders of the Company	**584,758**	429,541	36.1
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company	**531,654**	420,150	26.5
Basic earnings per share	**RMB 0.146**	RMB 0.107	36.1
Diluted earnings per share	**RMB 0.146**	RMB 0.107	36.1
Basic earnings per share net of extraordinary gain and loss	**RMB 0.133**	RMB 0.105	26.5
Return on net assets	**6.84%**	5.92%	Increased by 0.92 percentage points
Net cash inflow/(outflow) from operating activities	**(389,437)**	(447,019)	(12.9)
Net cash inflow/(outflow) from operating activities per share	**RMB (0.097)**	RMB (0.112)	(12.9)

2.2.3 Extraordinary gain and loss items and amount (figures are based on the semi-annual financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises)

(Consolidated and unaudited)

Extraordinary gain and loss	Amount *(RMB '000)*
Disposal of non-current assets	24,229
Government grants recognized in profit or loss during the current period	580
Employee reduction expenses	(93)
Gain on changes in fair value of investments held for trading	(310)
Investments income from purchase and disposal of financial assets	6,557
Other non-operating income and expenses excluding the aforesaid items	30,531
Effect of income tax*	(8,390)
Total	53,104

* YCFC Jingwei Chemical Fibre Co., LTD ("**YCFC Jingwei**") suffered loss before tax during the year and did not recognise deferred tax assets, and the income of national bonds are tax-free, therefore the above extraordinary gain and loss items relating to YCFC Jingwei and the proceeds from sale of national bonds did not result in tax effect.

2.2.4 Significant differences between the semi-annual financial report of the Group prepared in accordance with the PRC Accounting Standards for business Enterprises and International Financial Reporting Standards ("IFRSs") (Consolidated and unaudited)

	Net profit attributable to equity shareholders of the Company		Total equity attributable to equity shareholders of the Company	
	For the six months ended 30 June 2011 RMB '000	For the six months ended 30 June 2010 RMB '000	**As at 30 June 2011 RMB '000**	As at 1 January 2011 RMB '000
PRC Accounting Standards for Business Enterprises	584,758	429,541	8,777,634	8,312,337
IFRSs	585,297	429,541	8,738,004	8,272,707
Explanations for difference	Please refer to the section 7.3 of this semi-annual results announcement.			

3. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF MAJOR SHAREHOLDERS

3.1 During the reporting period, there was no change in the total number of shares or the shareholding structure of the Company.

3.2 As at 30 June 2011, there were 35,003 shareholders in the Company, including 34,475 shareholders holding social public share (A share), 2 shareholders holding legal person share (A share) and 526 shareholders holding H share.

3.3 As at 30 June 2011, the shareholdings of the top ten shareholders and circulating shareholders of the Company are respectively as follows:

Number of shareholders at the end of the reporting period	35,003
Details of the top ten major shareholders	

Names of shareholders	Nature of shareholders	Number of shares held at the end of the reporting period (shares)	Percentage to total share capital （%）	Number of non-circulating shares (shares)	Number of pledged or frozen share*
China Petroleum & Chemical Corporation (“**Sinopec**”)	Domestic legal person shareholder	1,680,000,000	42.00	1,680,000,000	Nil
Hong Kong Securities Clearing Company (“**HKSCC**”) (Nominees) Limited***	Overseas capital shareholder	1,385,193,005	34.63	Circulating shares	Nil
CITIC Group Corporation (“**CITIC**”) **	Domestic legal person shareholder	720,000,000	18.00	720,000,000	Nil
China Construction Bank-CIFM China Advantage Securities Investment Fund	Domestic circulating shares	32,603,413	0.82	Circulating shares	Not applicable
China Life Insurance Company Limited-Traditional-Ordinary Insurance Product-005L-CT001 Shanghai	Domestic circulating shares	4,045,811	0.10	Circulating shares	Not applicable
China Life Insurance Company Limited-Dividends-Personal Dividends-005L-FH002 Shanghai	Domestic circulating shares	2,115,170	0.05	Circulating shares	Not applicable
IP KOW	Overseas capital shareholder	1,900,000	0.05	Circulating shares	Not applicable
Chen Zhang-hua	Domestic circulating shares	1,643,290	0.04	Circulating shares	Not applicable
Lin You-ming	Domestic circulating shares	1,620,068	0.04	Circulating shares	Not applicable

Bank of Communications-Tianzhi Core Development Share-type Securities Investment Fund	Domestic circulating shares	1,494,592	0.04	Circulating shares	Not applicable

Details of the top ten circulating shareholders

Names of shareholders	Number of circulating shares held at the end of the reporting period (shares)	Classification
HKSCC (Nominees) Limited***	1,385,193,005	"H" shares
China Construction Bank-CIFM China Advantage Securities Investment Fund	32,603,413	Circulating "A" shares
China Life Insurance Company Limited-Traditional-Ordinary Insurance Product-005L-CT001 Shanghai	4,045,811	Circulating "A" shares
China Life Insurance Company Limited-Dividends-Personal Dividends-005L-FH002 Shanghai	2,115,170	Circulating "A" shares
IP KOW	1,900,000	"H" shares
Chen Zhang-hua	1,643,290	Circulating "A" shares
Lin You-ming	1,620,068	Circulating "A" shares
Bank of Communications-Tianzhi Core Development Share-type Securities Investment Fund	1,494,592	Circulating "A" shares
China Life Insurance (Group) Company-Traditional-Ordinary Insurance Product	1,352,365	Circulating "A" shares
Lu Bao-hong	996,600	Circulating "A" shares
Statement on the connected relationship or activities in concert among the above-mentioned shareholders	Except for China Life Insurance Company Limited-Traditional-Ordinary Insurance Product-005L-CT001 Shanghai, China Life Insurance Company Limited-Dividends-Personal Dividends-005L-FH002 Shanghai and China Life Insurance (Group) Company-Traditional-Ordinary Insurance Product, all of which are under the management of China Life Insurance Asset Management Company Limited, the Company is not aware of that there is any connected relationship or activities in concert among the above–mentioned shareholders.	

*Notes: * It represents the number of pledged or frozen shares held by shareholders who held more than 5 per cent of the Company's shares during the reporting period.*
*** Shares held on behalf of the State.*
**** Shares held on behalf of different customers.*

3.4 The interest or short position held by the substantial shareholders and other persons in the Company's shares or underlying shares

As at 30 June 2011, (according to the shareholders' register and related application documents received by the Company), so far as the Directors, Supervisors and Senior Management of the Company are aware, each of the following persons, not being a Director, Supervisor or Senior Management of the Company, had an interest in the Company's shares which is required to be disclosed to the Company and the HKSE under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("**SFO**"):

Names of shareholder	Number of share held (shares)	Percentage of shareholding in the Company's total issued share capital (%)	Percentage of shareholding in the Company's total issued domestic shares (%)	Percentage of shareholding in the Company's total issued H shares (%)	Short position (shares)
Sinopec*	1,680,000,000	42.00	64.62	N/A	-
CITIC	720,000,000	18.00	27.69	N/A	-

* *As at 30 June 2011, China Petrochemical Corporation ("**CPC**") holds 75.84% of the equity interest in Sinopec.*

Save as disclosed above and so far as the Directors, Supervisors and Senior Management of the Company are aware, as at 30 June 2011, no substantial shareholder (as such term is defined in the Rules Governing the Listing of Securities on the HKSE (the **"Listing Rules"**)) of the Company or other person held any interest or short position in the Company's shares or underlying shares (as the case may be) which are required to be disclosed to the Company and the HKSE under the provisions of Divisions 2 and 3 Part XV of the SFO.

4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Changes in Directors, Supervisors and Senior Management

The eighteenth meeting of the sixth session of the Board of the Company held on 9 May 2011 considered and approved the resolution regarding the request of Mr. Qin Wei-zhong to resign from his position as a Director. The Board announced that it has accepted the resignation of Mr. Qin Wei-zhong, a Director of the Company, from his position as a Director due to new working arrangement. The Board would like to express its gratitude to Mr. Qin for his hard work and contribution to the Company during his term of office.

Mr. Sun Yu-guo was elected as a Director of the sixth session of the Board at the Annual General Meeting for 2010 ("**2010 AGM**") held on 8 June 2011.

The seventeenth meeting of the sixth session of the Board of the Company held on 28 April 2011 appointed Mr. Liu Xiao-qin as the Deputy General Manager of the Company.

4.2 Directors', Supervisors' and Senior Management's interests in shares

At the end of the reporting period, Directors, Supervisors and Senior Management did not hold the Company's shares.

No Directors, Supervisors and Senior Management had any interests, whether beneficial or non-beneficial, in the issued share capital of the Company, and other associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance of Hong Kong) during the reporting period.

4.3. Directors', Supervisors' and Senior Management's rights to acquire shares and debentures and short position

As at 30 June 2011, none of the Directors, Supervisors or Senior Management of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of which the Company and the HKSE were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, Supervisor or Senior Management has taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or of which the Company and the HKSE were required to be informed the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("**Model Code**") as contained in

Appendix 10 to the Listing Rules.

At no time during the reporting period was the Company, any of its parent companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors, Supervisors or Senior Management of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

4.4. Independent Director and Audit Committee

As at 30 June 2011, the Company has four Independent Directors, one of whom are professionals in the accounting field and have experience in financial management.

The Audit Committee of the Board of the Company has been founded in accordance with requirements under the Listing Rules.

5. MANAGEMENT DISCUSSION & ANALYSIS

The following financial figures, except where specifically noted, are extracted from the Group's unaudited semi-annual financial report prepared in accordance with IAS 34 Semi-annual Financial Reporting.

5.1 Market review

In the first half of 2011, domestic polyester industry manifested good momentum of steady and relatively rapid development as a whole, and profit margin of polyester products had widely expanded compared the corresponding period of last year. In the first half of 2011, affected by the fact that international crude oil prices were ascending swiftly and running at high and volatile level, prices for polyester raw materials had increased significantly compared with the corresponding period of last year. At the same time, market demands for polyester products were stably boosting, so under the influence of rapid growing demands and costs, polyester products prices and profit margin also boosted sharply. But on one hand, in view of rapid increase in domestic polyester production capacity, the competitiveness for the polyester industry was being gradually harsh; on the other hand, quickly climbing costs and constrained pressure for energy and resources would also continuously expand business risks of domestic polyester industry.

In the first half of 2011, the newly-added polyester production capacity was about 2,060,000 tonnes, and total polyester production capacity amounted to 31.13 million tonnes at the end of first half of 2011. Total domestic supply volume of polyester fibre was 13,999,900 tonnes, an increase of 11.7 per cent compared with the corresponding period of last year, of which, the domestic production volume increased by 14.0 per cent. Meanwhile, Total domestic consumption volume of polyester fibre was 12,440,400 tonnes, an increase of 11.8 per cent compared with the corresponding period of 2010, the domestic demand for polyester fibre increased steadily as well.

5.2 Production operational review

In the first half of 2011, the Group further strengthened safe management, improved the combination of production, sales and research, endeavoured to expand its markets, optimised its products structure, strengthened fine management and made efforts to reduce its costs and expenses. As a result, the Group successfully achieved a better profit in its operational results.

Production volume (tonnes)

For the six months ended 30 June

	2011	2010	Increase/(decrease) （%）
Polyester products			
Polyester chips	527,485	512,741	2.9
Bottle-grade polyester chips	181,292	157,481	15.1
Staple fibre	263,206	238,446	10.4
Hollow fibre	18,350	24,584	(25.4)
Filament	99,943	108,614	(8.0)
Total	1,090,276	1,041,866	4.6

Sales volume (tonnes)

	For the six months ended 30 June		
	2011	2010	Increase/(decrease) (%)
Polyester products			
Polyester chips	330, 901	339, 430	(2.5)
Bottle-grade polyester chips	181, 602	156, 097	16.3
Staple fibre	266, 427	233, 848	13.9
Hollow fibre	17, 706	22, 805	(22.4)
Filament	77, 492	82, 208	(5.7)
Total	874, 128	834, 388	4.8

Average Prices for Products（RMB/tonne, excluding VAT）

	For the six months ended 30 June		
	2011	2010	Change（%）
Polyester products			
Polyester chips	10, 991	8, 430	30. 4
Bottle-grade polyester chips	11, 110	8, 681	28. 0
Staple fibre	12, 342	9, 178	34. 5
Hollow fibre	12, 413	10, 241	21. 2
Filament	12, 762	10, 191	25. 2
Weighted average price	11, 613	8, 910	30. 3

Turnover

	For the six months ended 30 June			
	2011		2010	
	Turnover	**Percentage of turnover**	Turnover	Percentage of turnover
	RMB'000	(%)	RMB'000	(%)
Polyester products				
Polyester chips	3, 636, 860	35. 2	2, 861, 501	37. 7
Bottle-grade polyester chips	2, 017, 508	19. 5	1, 355, 044	17. 8
Staple fibre	3, 288, 302	31. 8	2, 146, 320	28. 3
Hollow fibre	219, 780	2. 1	233, 545	3. 1
Filament	988, 929	9. 6	837, 774	11. 0
Others	181, 208	1. 8	162, 333	2. 1
Total	10, 332, 587	100. 0	7, 596, 517	100. 0

In the first half of 2011, the Group chased the favor opportunity of the increase in the profit margin of polyester products of the Company. Meanwhile, the Group increased profit by strengthening fine management, making efforts to reduce its costs and expenses and increasing profit contribution from differential products. The Group's profit before taxation was RMB 775,258,000, an increase of 224.2 per cent compared to RMB 239,113,000 for the corresponding period of 2010. Profit attributable to equity shareholders of the Company was RMB 585,297,000, an increase of 36.3 per cent compared to RMB 429,541,000 for the corresponding period of 2010.

As at 30 June 2011, the Group's total assets were RMB 11,303,036,000, total liabilities were RMB 2,565,032,000, and total equity attributable to equity shareholders of the Company was RMB 8,738,004,000. Compared with the assets and liabilities as at 31 December 2010 (hereinafter referred to as "compared with the end of last year"), the variations and main causes of such changes are described as follows:

Total assets were RMB 11,303,036,000, an increase of RMB 771,834,000 compared with the end of last year. Current assets were RMB 6,907,034,000, an increase of RMB 830,637,000 compared with the end of last year. The increase was mainly due to the increase in trade and other receivables by RMB 1,029,102,000 owing to the rise in the balance of bills receivables resulting from the domestic tightly monetary policy in the first half of 2011, and the increase in the Group's deposits with banks and other financial institutions by RMB 871,544,000, and Meanwhile, cash and cash equivalents decreased by RMB 1,1917,082,000. Non-current assets were RMB 4,396,002,000, a decrease of RMB 58,803,000 compared with the end of last year, mainly due to ordinary depreciation and amortization.

Total liabilities were RMB 2,565,032,000, an increase of RMB 306,537,000 compared with the end of last year. Current liabilities were RMB 2,505,664,000, an increase of RMB 307,043,000 compared with the end of last year, mainly due to the increase of RMB 377,888,000 in trade and other payables during the current period owing to the rise in the accrued bonuses and the accrue of RMB 72,000 in dividend payable. Non-current liabilities were RMB 59,368,000, a decrease of RMB 506,000 compared with the end of last year.

Total equity attributable to equity shareholders of the Company was RMB 8,738,004,000, an increase of RMB 465,297,000 compared with the end of last year, mainly due to the profit attributable to equity shareholders of the Group amounting to RMB 585,297,000 in the first half of 2011.

As at 30 June 2011, total liabilities to total assets ratio was 22.7 per cent, whereas 21.4 per cent as at 31 December 2010.

As at 30 June 2011, the Group's bank loans were nil (as at 31 December 2010: nil).

The debt-equity ratio of the Group was zero for the first half of 2011 (first half of 2010: zero). The ratio is computed by dividing long-term borrowings by the sum of long-term borrowings and shareholders' equity.

5.3 Statement of the operations by products

Polyester products contributed more than 10 per cent of the Group's income from operations and operating profit. The following is the statement of operations by products for the six months ended 30 June 2011 in accordance with the PRC Accounting Standards for Business Enterprises.

Products	Operating income RMB'000	Cost of sales RMB'000	Gross profit margin （%）	Increase/(decrease) in operating income as compared with the corresponding period of last year (%)	Increase/(decrease) in cost of sales as compared with the corresponding period of last year (%)	Gross profit margin as compared with the corresponding period of last year
Polyester products	10, 151, 379	8, 951, 752	11. 8	36. 6	32. 8	Increased by 2.5 Percentage points
Including:						
Polyester Chips	3, 636, 860	3, 123, 967	14. 1	27. 1	20. 9	Increased by 4.4 percentage points
Bottle-grade polyester chips	2, 017, 508	1, 825, 680	9. 5	48. 9	46. 7	Increased by 1.3 percentage points
Staple and hollow fibre	3, 508, 082	3, 075, 438	12. 3	47. 4	44. 5	Increased by 1.7 percentage points
Filament	988, 929	926, 667	6. 3	18. 0	17. 9	Increased by 0.2 percentage points

During the reporting period, the Company did not sell any products or provide any services to its controlling shareholder and their subsidiaries.

5.4 Operating income by regions

The following is the statement of operations by products for the six months ended 30 June 2011 in accordance with the PRC Accounting Standards for Business Enterprises.

Region	Operating income RMB’000	Increase /(decrease) from last year (%)
Mainland	9,908,978	39.4
Hong Kong, Macau, Taiwan, and overseas	423,609	(12.9)

5.5 Capital expenditure
In the first half of 2011, the Group’s capital expenditure amounted to RMB 141,518,000. The amount was mainly invested in the construction of 1,4-Butanediol project with an annual capacity of 100,000 tonnes and the first phase of high performance polyethylene fiber project with an annual capacity of 3,000 tonnes, and some technical reform so as to increase profit for the existing assets.

5.6 Business prospects
In the second half of 2011, owing to the sluggish economic recovery of main developed countries and increasingly growing instability and uncertainty of global economic growth, domestic inflationary pressure will further increase, so the company’s business operation will be confronted with tough and complicated situation. In terms of overall polyester industry chain, USA’s recent debt crisis will press international crude oil prices into an even more oscillating situation, whose influences will keep penetrating into the whole polyester industry, enhancing the corresponding industrial venture. Furthermore, compared with the natural fibre, such as cotton, whether in terms of prices or application area, polyester products enjoy great and wide superiority, thus market demands for polyester product will continue to maintain a stable growth.

In the second half of 2011, faced with a more complicated operation environment, the Group will continue to strengthen fine management, reduce costs and expenses and optimize products structure so as to achieve better operating results. The following will be set as priorities in the second half of 2011:

I. Strengthen production management and meticulously maintain safe and stable operation of production facilities

To ensure safe and stable operation of production facilities, the Group will further strengthen spot management, meticulously organize production and implement strict measures and controls over key facilities and areas. Priorities will be given to PTA facility to ensure a safe and stable production, and to achieve a target on increasing PTA production volume. The Group will continuously stabilize and improve product quality, and do well in technology service for consumers to fulfill their needs. In the second half of 2011, the Group’s projected production volume of polyester products is 1,074,000 tonnes, and the projected 2011 annual production volume of polyester products is 2,164,000 tonnes, 1.2 per cent higher than production volume in 2010. The Group’s projected production volume of PTA for the second half of 2011 is 522,000 tonnes. The projected 2011 annual production volume of PTA is 1,054,000 tonnes, 1.2 per cent higher than that in 2010.

II. Pay close attention to market change and better balance material supply, production and sales

The Group will pay close attention to market changes, further balance materials supply with, production and sales, make greater efforts in selling product, control the pace of raw material procurement and storage levels to reduce market risks and strive for greater profit. Meanwhile, the debt collection will be speeded up and the capital occupied will be cut down. In the second half of 2011, the Group’s projected sales volume of polyester products is 906,000 tonnes. The 2011 projected sales volume of polyester products is 1,780,000 tonnes, an increase of 3.0 per cent from that of 2010. The ratio of sales to production is expected to reach 100 per cent in the second half of 2011.

III. Improve product structure and profit contribution from differential products

The Group will try to develop new products to meet market demand, further optimize product structure, and expand the production of specialized and differential products which have strong profitability. Meanwhile, the Group will continue to concentrate the market expansion of new products and stable sales of key products so as to further improve the profit contribution from differential products. In the second half of 2011, the Group’s projected production volume of specialized polyester chips and differential fibre products is 460,000 tonnes and 332,000 tonnes respectively. Specialized rates are expected to be 85.2 per cent and differential rates are expected to be 90.6 per cent.

IV. Greatly reduce cost and expenses and actively carry out energy-consumption savings

The Group will continue to carry out the measures drafted at the beginning of 2011 for reducing costs and expenses. The Group will further implement overall budget management and strictly manage extrabudgetary expenses to meet the expense control target. The Group will strengthen the management of bills receivable and strictly control the settlement ratio of bills to reduce financial risks. The Group will continually improve energy efficiency, and reduce consumption of raw materials and energy. The Group will strive to realize the annual target on saving energy and reducing consumption of raw materials by organizing technical improvement and fine management.

V. Accelerate effective development and enhance continual competitiveness and profitability

The Group will speed up effective development and enhance continuous competitiveness and profitability. The Group will meticulously organize the production work of the first phase of high performance polyethylene fiber project with an annual capacity of 3,000 tonnes, and realize the stable and full operation of this project as soon as possible. Meanwhile, the Group will make preparation for the pre-sales and exert great efforts to expand the market and application fields of high performance polyethylene fiber products. The Group will well-organize and implement the construction of 1,4-Butanediol project with an annual capacity of 100,000 tonnes, which is expected to be put into operation in August 2012. The Group will start the construction of the polyester project with an annual capacity of 400,000 tonnes and the differential staple fibre project with an annual capacity of 200,000 tonnes as soon as possible.

The Group's capital expenditure for the second half of 2011 is projected to be approximately RMB 970,420,000. Including: 1,4-Butanediol project with an annual capacity of 100,000 tonnes, the polyester project with an annual capacity of 400,000 tonnes and the differential staple fibre project with an annual capacity of 200,000 tonnes amounting to RMB 527,980,000, RMB 50,000,000 and RMB89,000,000 respectively. In the second half of 2011, in order to maximize return on investment, the Group will arrange the schedule of capital expenditure in accordance with the prudential principle. The planned capital expenditures will be funded from cash generated from operations and bank credit facilities.

6. SIGNIFCANT EVENTS

6.1 As approved by 2010 AGM held on 8 June 2011, the Company paid a final cash dividend of RMB 0.03 per share (including tax) for the year ended 31 December 2010 on 5 July 2011. Details of dividend payments to domestic shareholders were disclosed in China Securities, Shanghai Securities News and Securities Times on 23 June 2011, while the details of dividend payments to international shareholders were included in the announcement of the resolutions passed in the 2010 AGM, which were disclosed in China Securities, Shanghai Securities News, Securities Times and on the website of HKSE on 9 June 2011.

In accordance with the Articles of Association of the Company, the Board resolved that no interim dividend be paid for the year ending 31 December 2011.

6.2 According relative laws or regulations of "Several Opinions of the State Council on Promoting the Reform, Opening-up and Stable Development of the Capital Market" (No. 3, 2004 of the State Council) and "Guidance Opinions on the Share Reform of Listed Companies" jointly promulgated by CSRC, State-Owned Assets Supervision and Administration Commission of the State Council, Ministry of Finance, People's Bank of China and Ministry of Commerce, the Company's non-circulating shareholders brought forward the proposal of share reform on 30 November 2007. After performing the operation process of share reform, the "Share Reform Scheme of Sinopec Yizheng Chemical Fibre Company Limited" was not passed by the shareholders' meeting of A share market relating to the share reform scheme held on 15 January 2008.

At present, the non-circulating shareholders are actively doing research in share reform and have not brought forward new proposal of share reform.

6.3 During the reporting period, the Group was not involved in any material litigation or arbitration.

6.4 During the reporting period, the Group had no material acquisition or disposals of assets, nor any merger and acquisitions activities.

6.5 Information on connected transactions

The Group's material connected transactions entered into during the period ended 30 June 2011 were as follows:

（a）The following is the significant connected transactions relating to ordinary operation during the reporting period:

Type of transaction	Transaction parties	Amount of transaction RMB'000	Proportion of the same type of transaction (%)
Purchase of raw materials	Sinopec and its subsidiaries	5,797,656	72.3

The Group believes that the above-mentioned connected transactions and related connected parties were necessary and continuous, and that the agreements governing these transactions met with the requirements of business operations and the market situation. The Group also believes that purchasing goods from the above related parties ensures a steady and secured supply of raw materials. These connected transactions are therefore beneficial to the Group. These transactions were mainly negotiated at market prices. The above transactions have no adverse effect on the profit of the Group and independence of the Company.

（b）During the reporting period, there were no significant connected transactions related to the transfer of assets or equity in the Group.

The Board believed that the above transactions were entered into in the ordinary course of business and in normal commercial terms or in accordance with the terms of agreements governing these transactions. The above applicable connected transactions fully complied with the related regulations issued by HKSE and the SSE.

For details of connected transactions during the reporting period, please refer to note 6 of the semi-annual financial report prepared in accordance with PRC Accounting Standards for Business Enterprises.

6.6 During the reporting period, there were no non-operating funds supplied by the Company to the controlling shareholders and its subsidiaries.

6.7 During the reporting period, the Company did not have any assets rented by, contracted out or held on trust for other companies. Furthermore, the Company did not rent or contract any assets from other companies and did not have assets held by other companies.

6.8 As at 30 June 2011, the Group did not have any designated deposits with any financial institutions or have any difficulties in collecting deposits upon maturity. The Group had no trusted financial matters during the reporting period.

6.9 The Company did not make any guarantee or pledge during the reporting period.

6.10 During the reporting period, the Company did not hold any shares of other listed companies or shares in financial enterprises such as commercial banks, securities companies, insurance companies, trust companies or futures companies. Neither did it hold shares in companies planning to list.

6.11 The Company and its shareholders who hold more than five per cent of the Company's shares did not have any undertakings which required disclosures.

6.12 Save as those disclosed above, during the reporting period, the Group did not have any major event, or disclosure matter referred to in the Article 62 of the Security Law of the PRC, Article 60 of the "Provisional Regulations of Administration of the Issuing and Trading of Shares of the PRC" and the Article 30 of "Disclosure of Information by Public Listing Companies".

7. SEMI-ANNUAL FINANCIAL REPORT (unaudited)

7.1 Semi-annual financial report prepared in accordance with IAS 34 "Semi-annual Financial Reporting"

The following financial information has been extracted from the Group's unaudited semi-annual financial report, prepared in accordance with IAS 34 "Semi-annual Financial Reporting", for the six months ended 30 June 2011.

Consolidated income statement
for the six months ended 30 June 2011 – *unaudited*

	Note	Six months ended 30 June **2011** ***RMB'000***	2010 *RMB'000* *(Restated)*
Turnover	*4*	10,332,587	7,596,517
Cost of sales		(9,265,994)	(7,084,439)
Gross profit		1,066,593	512,078
Other income	*5*	55,582	10,042
Distribution costs		(108,938)	(98,331)
Administrative expenses		(260,504)	(205,872)
Other expenses		(5,356)	(542)
Profit from operations		747,377	217,375
Finance income	*6(a)*	29,232	24,275
Finance expenses	*6(a)*	(1,351)	(2,537)
Net finance income	*6(a)*	27,881	21,738
Profit before taxation	*6*	775,258	239,113
Income tax	*7(a)*	(189,961)	190,428
Profit and total comprehensive income for the period attributable to equity shareholders of the Company		585,297	429,541
Basic and diluted earnings per share (in RMB)	*9*	0.146	0.107

Consolidated Statement of financial position
as at 30 June 2011- ***unaudited***

	Note	**At 30 June 2011** ***RMB'000***	At 31 December 2010 *RMB'000* *(Restated)*
Non-current assets			
Property, plant and equipment	*10*	3,297,614	3,471,168
Construction in progress		632,697	498,041
Lease prepayments		284,465	288,705
Deferred tax assets	7*(b)*	181,226	196,891
		4,396,002	4,454,805
Current assets			
Available-for-sale financial assets	*11*	500,000	-
Investments held for trading		-	699,713
Inventories		1,645,555	1,318,769
Trade and other receivables	*12*	2,617,629	1,588,527
Deposits with banks and other financial institutions	*13*	1,315,000	443,456
Cash and cash equivalents	*14*	828,850	2,025,932
		6,907,034	6,076,397
Current liabilities			
Trade and other payables	*15*	2,466,572	2,088,684
Current taxation		39,092	109,937
		2,505,664	2,198,621
Net current assets		4,401,370	3,877,776
Total assets less current liabilities		8,797,372	8,332,581
Non-current liabilities			
Deferred income	*16*	59,368	59,874
Net assets		8,738,004	8,272,707

Consolidated Statement of financial position
as at 30 June 2011 - *unaudited* *(continued)*

	Note	**At 30 June 2011** ***RMB'000***	At 31 December 2010 *RMB'000* *(Restated)*
Equity			
Share capital		4,000,000	4,000,000
Share premium		2,518,833	2,518,833
Reserves	*17*	146,476	145,182
Retained profits		2,072,695	1,608,692
Total equity attribute to equity shareholders of the Company		8,738,004	8,272,707

Consolidated Statement of Changes in Equity
for the six months ended 30 June 2011 – *unaudited*

	Share capital *RMB'000*	Share premium *RMB'000*	Reserves *RMB'000*	Retained profits *RMB'000*	Total equity attributable to equity shareholders of the Company *RMB'000*
Balance at 1 January 2010 (As previously reported)	4,000,000	2,518,833	(176,076)	569,722	6,912,479
Adjustments for change in accounting policy (Note 2)	-	-	204,415	(71,484)	132,931
Balance at 1 January 2010 (As restated)	4,000,000	2,518,833	28,339	498,238	7,045,410
Specific reserve accrued	-	-	324	-	324
Total comprehensive income for the period (As previously reported)	-	-	-	431,505	431,505
Adjustments for change in accounting policy (Note 2)	-	-	-	(1,964)	(1,964)
Total comprehensive income for the period (As restated)	-	-	-	429,541	429,541
Balance at 30 June 2010 (As restated)	4,000,000	2,518,833	28,663	927,779	7,475,275

Consolidated Statement of Changes in Equity
for the six months ended 30 June 2011 – *unaudited* *(continued)*

	Share capital *RMB'000*	**Share premium** *RMB'000*	**Reserves** *RMB'000*	**Retained profits** *RMB'000*	**Total equity attributable to equity shareholders of the Company** *RMB'000*
Balance at 30 June 2010 (As previously reported)	4,000,000	2,518,833	(175,752)	1,001,227	7,344,308
Adjustments for change in accounting policy (Note 2)	-	-	204,415	(73,448)	130,967
Balance at 30 June 2010 (As restated)	4,000,000	2,518,833	28,663	927,779	7,475,275
Reversal of specific reserve	-	-	(324)	-	(324)
Appropriation of statutory surplus reserve	-	-	116,843	(116,843)	-
Total comprehensive income for the period (As previously reported)	-	-	-	799,721	799,721
Adjustments for change in accounting policy (Note 2)	-	-	-	(1,965)	(1,965)
Total comprehensive income for the period (As restated)	-	-	-	797,756	797,756
Balance at 31 December 2010 (As restated)	4,000,000	2,518,833	145,182	1,608,692	8,272,707

Consolidated Statement of Changes in Equity
for the six months ended 30 June 2011 – *unaudited* *(continued)*

	Share capital *RMB'000*	**Share premium** *RMB'000*	**Reserves** *RMB'000*	**Retained profits** *RMB'000*	**Total equity attributable to equity shareholders of the Company** *RMB'000*
Balance at 31 December 2010 (As previously reported)	4,000,000	2,518,833	(59,233)	1,684,105	8,143,705
Adjustments for change in accounting policy (Note 2)	-	-	204,415	(75,413)	129,002
Balance at 31 December 2010 (As restated)	4,000,000	2,518,833	145,182	1,608,692	8,272,707
Dividends approved in respect of the previous year (Note 8)	-	-	-	(120,000)	(120,000)
Specific reserve accrued (Note 17)	-	-	1,294	(1,294)	-
Total comprehensive income for the period	-	-	-	585,297	585,297
Balance at 30 June 2011	4,000,000	2,518,833	146,476	2,072,695	8,738,004

Notes:

1 Principal activities and basis of preparation

Sinopec Yizheng Chemical Fibre Company Limited **("the Company")** and its subsidiary **("the Group")** are principally engaged in the production and sale of chemical fibre and chemical fibre raw materials in the People's Republic of China **("the PRC")**. China Petroleum & Chemical Corporation **("Sinopec Corp")** is the Company's immediate parent company and China Petrochemical Corporation **("CPC")** is the Company's ultimate parent company.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard **("IAS")** 34, *Interim financial reporting*, issued by the International Accounting Standards Board **("IASB")**. This interim financial report was authorised for issuance on 29 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial report and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial report and notes thereon do not include all of the information required for a full set of financial report prepared in accordance with International Financial Reporting Standards **("IFRSs")**.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagement 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on pages 1 to 2.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's annual financial statements for that financial year but is derived from those financial statements. Annual financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2011. The 2010 annual financial statements have been prepared in accordance with IFRSs.

2 Changes in accounting policies

The IASB has issued a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRS (2010)

IAS 24 (revised 2009) "Related party disclosures" simplifies the definition of "related party" and removes inconsistencies, which emphasises a symmetrical view of related party transactions. The revised standard also provides limited relief from disclosure of information by government-related entities in respect of transactions with the government to which the Group is related, or transactions with other entities related to the same government. The amendments to IAS 24 have had no material impact on the Group's interim financial report.

In the Improvements to IFRSs (2010) omnibus standard, the IASB extended the scope of paragraph D8 of IFRS 1, *First time adoption of IFRSs*, for the use of the deemed cost exemption for an event-driven fair value. Under the amended standard, an entity is permitted to take as deemed cost the fair value of some or all of its assets and liabilities, when these fair values were determined under previous GAAP at one particular date because of a specific event which occurred during the period covered by its first financial statements prepared under IFRSs. Previously, IFRS 1 only permitted such valuations to be used as deemed cost if the event occurred before the date of the entity's transition to IFRSs (being the start of the earliest comparative period included in the first set of IFRS financial statements).

The Group's first financial statements prepared under IFRSs were for the year ended 31 December 1993, with the start of the earliest comparative period being 1 January 1991. During that period and pursuant to applicable laws and regulations of the PRC, the Group's financial statements prepared under Accounting Standards for Business Enterprises and other relevant rules and regulations (collectively "PRC GAAP") included leasehold land use rights at deemed cost based on the valuation performed by an independent valuer as of 31 December 1993. As this valuation was performed as of a date later than the date of transition to IFRSs, the Group was not permitted to adopt these valuations as deemed cost for the purposes of its IFRS financial statements and instead adopted the IFRS policy that leasehold land use rights were measured at historical cost and therefore, the related revaluation gains arising from the revaluation in 1993 as mentioned above were not recognised. The Group has chosen to adopt the amendments to IFRS 1 by making retrospective adjustments in order to eliminate the aforementioned differences between the Group's financial statements under IFRSs and those under PRC GAAP. Specifically, the Group has retrospectively adjusted the amounts reported for previous periods in its IFRS financial statements to reflect the recognition of the leasehold land use rights at their deemed cost based on the valuation performed by the independent valuer as of 31 December 1993, with consequential adjustments for amortisation charged in subsequent periods.

2 Changes in accounting policies *(continued)*

The major adjustments made to the amounts reported for previous periods and the effect of the changes on the current period, as reported in this interim financial report, are set out below:

Consolidated statement of financial position items

	1 January 2011	***1 January 2010***
	Increase/(decrease)	***Increase/(decrease)***
	RMB'000	RMB'000
Lease prepayments	172,002	177,241
Deferred tax assets	(43,000)	(44,310)
Total equity attributable to equity shareholders of the Company	129,002	132,931

Consolidated statement of comprehensive income items

	Six months ended 30 June	
	2011	***2010***
	Increase/(decrease)	***Increase/(decrease)***
	RMB'000	RMB'000
Administrative expenses	2,619	2,619
Income tax	(655)	(655)
Profit and total comprehensive income for the period attributable to equity shareholders of the Company	(1,964)	(1,964)
Basic and diluted earnings per share (in RMB)	-	-

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified five reportable segments which manufacture and sell polyester chips, bottle-grade polyester chips, staple fibre and hollow fibre, filament and purified terephthalic acid ("PTA"). All segments are primarily engaged in the PRC.

3 Segment reporting *(continued)*

(a) Segment results and assets

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

Segment assets represent property, plant and equipment and inventories.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment revenue, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is "gross profit".

In addition to receiving segment information concerning "gross profit", management is provided with segment information concerning revenue (including inter-segment revenue), depreciation, amortisation and impairment losses. Inter-segment revenue are priced with reference to market price.

The Group changed the basis of inter-segment measures for internal reporting purpose from 1 July 2010. Before 1 July 2010, revenue and gross profit or loss from external customers only were measured and reviewed by the Group's senior executive management. From 1 July 2010, in addition to revenue and gross profit or loss from external customers, inter-segment revenue priced with reference to market price and inter-segment gross profit or loss were also measured and reviewed by the Group's senior executive management. The Group has restated the comparative amounts on a basis consistent with the revised segment measures.

3 Segment reporting *(continued)*

(a) Segment results and assets (*continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Polyester chips		Bottle-grade polyester chips		Staple fibre and hollow fibre		Filament		PTA		All others #		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June														
Revenue from external customers	3,636,860	2,861,501	2,017,508	1,355,044	3,508,082	2,379,865	988,929	837,774	-	-	181,208	162,333	10,332,587	7,596,517
Inter-segment revenue	-	46,671	-	-	-	-	-	-	4,803,848	3,282,816	-	-	4,803,848	3,329,487
Reportable segment revenue	**3,636,860**	**2,908,172**	**2,017,508**	**1,355,044**	**3,508,082**	**2,379,865**	**988,929**	**837,774**	**4,803,848**	**3,282,816**	**181,208**	**162,333**	**15,136,435**	**10,926,004**
Gross profit/(loss) from external customers	132,130	42,888	(16,479)	19,416	143,662	19,019	(41,086)	(19,239)	-	-	36,745	(1,164)	254,972	60,920
Inter-segment profit	-	699	-	-	-	-	-	-	811,324	453,301	-	-	811,324	454,000
Reportable segment profit /(loss)	**132,130**	**43,587**	**(16,479)**	**19,416**	**143,662**	**19,019**	**(41,086)**	**(19,239)**	**811,324**	**453,301**	**36,745**	**(1,164)**	**1,066,296**	**514,920**
Depreciation and amortisation	30,657	31,250	9,064	19,069	18,272	19,206	7,010	7,575	70,210	116,406	47,344	46,486	182,557	239,992
Impairment of PP&E	341	246	-	-	-	-	71	-	4,270	54	431	-	5,113	300
Write-down of inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 30 June 2011 and 31 December 2010														
Reportable segment assets	**636,891**	**604,359**	**202,158**	**197,206**	**529,344**	**496,965**	**177,595**	**199,942**	**1,118,695**	**1,153,730**	**1,000,412**	**1,029,268**	**3,665,095**	**3,681,470**

Revenues from segments below the quantitative thresholds are mainly attributable to five operating segments of the Group including one logistic center, one power center, one water supply center, one thermal center and one high-fibre center. None of those segments met any of the quantitative thresholds for determining reportable segments.

3 Segment reporting (*continued*)

(b) Reconciliations of reportable segment revenues, profit, assets and other material items

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Revenue		
Revenue for reportable segments excluding other revenue	14,955,227	10,763,671
Other revenue	181,208	162,333
Elimination of inter-segment revenue	(4,803,848)	(3,329,487)
Consolidated turnover	10,332,587	7,596,517

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Profit		
Profits for reportable segments excluding other profit	1,029,551	516,084
Other profit/(loss)	36,745	(1,164)
Unallocated profit/(loss)	297	(2,143)
Elimination of inter-segment profit	-	(699)
Consolidated gross profit	1,066,593	512,078
Other income	55,582	10,042
Distribution costs	(108,938)	(98,331)
Administrative expenses	(260,504)	(205,872)
Other expenses	(5,356)	(542)
Net finance income	27,881	21,738
Consolidated profit before taxation	775,258	239,113

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Depreciation and amortisation		
Depreciation and amortisation for reportable segments excluding other depreciation and amortisation	135,213	193,506
Other depreciation and amortisation	47,344	46,486
Unallocated depreciation and amortisation	15,409	18,640
Consolidated total depreciation and amortisation	197,966	258,632

3 Segment reporting *(continued)*

(b) Reconciliations of reportable segment revenues, profit, assets and other material items *(continued)*

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000* *(Restated)*
Assets		
Assets for reportable segments excluding other assets	2,664,683	2,652,202
Other assets	1,000,412	1,029,268
Unallocated assets	1,278,074	1,112,111
Elimination of inter-segment balances	-	(3,644)
	4,943,169	4,789,937
Other non-current assets	1,098,388	983,637
Available-for-sale financial assets	500,000	-
Investments held for trading	-	699,713
Trade and other receivables	2,617,629	1,588,527
Deposits with banks and other financial institutions	1,315,000	443,456
Cash and cash equivalents	828,850	2,025,932
Consolidated total assets	11,303,036	10,531,202

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
Impairment of PP&E		
Impairment of PP&E for reportable segments and consolidated total impairment of PP&E	5,113	300

4 Turnover

Turnover represents the sales value of goods sold to customers, net of value-added tax and is after deduction of any sales discounts and returns.

5 Other income

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Reversal of loss on breach of contracts	29,661	-
Net gain on disposal of property, plant and equipment	24,229	9,015
Others	1,692	1,027
Other income	55,582	10,042

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
(a) Net finance income:		
Interest income	(20,029)	(21,300)
Net foreign exchange gain	(2,956)	(2,102)
Net gain on disposal of investments held for trading	(6,247)	-
Net gain on disposal of available-for-sale financial assets	-	(873)
Finance income	(29,232)	(24,275)
Interest expense	-	1,878
Others	1,351	659
Finance expenses	1,351	2,537
Net finance income	(27,881)	(21,738)

6 Profit before taxation *(continued)*

(b) Other items:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Cost of inventories#	9,265,994	7,084,439
Depreciation#	193,726	254,392
Impairment losses of property, plant and equipment	5,113	300
Reversal of write-down of inventories#	(5,338)	-
Amortisation of lease prepayments	4,240	4,240
Net gain on disposal of property, plant and equipment	(24,229)	(9,015)

#Cost of inventories includes RMB 163,216,000 (six months ended 30 June 2010: RMB 227,238,000) relating to depreciation and reversal of write-down of inventories which amount is also included in the respective total amounts disclosed separately in note 6(b) for each of these types of expenses.

7 Income tax

(a) Income tax in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Current tax		
Provision for the period	(174,296)	-
Deferred tax		
Recognition of deferred tax assets	-	190,428
Reversal of deferred tax assets	(15,665)	-
	(189,961)	190,428

The charge for PRC income tax is calculated at the rate of 25% (2010: 25%) on the estimated assessable income of the period determined in accordance with relevant income tax rules and regulations. The Group did not carry out business in Hong Kong or overseas and therefore does not incur Hong Kong Profits Tax or overseas income taxes.

7 Income tax *(continued)*

(a) Movements in the deferred tax assets are as follows:

	Balance at 1 January 2010 *RMB'000* *(Restated)*	Recognised in consolidated statement of comprehensive income *RMB'000* *(Restated)*	Balance at 30 June 2010 *RMB'000* *(Restated)*	Recognised in consolidated statement of comprehensive income *RMB'000* *(Restated)*	Balance at 31 December 2010 *RMB'000* *(Restated)*	Recognised in consolidated statement of comprehensive income *RMB'000*	Balance at 30 June 2011 *RMB'000*
Current							
Provisions, primarily for receivables and inventory	-	5,080	5,080	5,277	10,357	(1,056)	9,301
Accrued expenses	-	-	-	6,411	6,411	(1,381)	5,030
Accrued sales rebate	-	14,864	14,864	(3,081)	11,783	(2,351)	9,432
Non-current							
Impairment for property, plant and equipment	-	105,086	105,086	3,322	108,408	(10,750)	97,658
Impairment for investment in subsidiary	-	53,273	53,273	1,598	54,871	-	54,871
Deferred income	-	12,125	12,125	(7,064)	5,061	(127)	4,934
	-	190,428	190,428	6,463	196,891	(15,665)	181,226

As at 30 June 2011, the Group has not recognised deferred tax assets in respect of deductible temporary differences amounting to RMB213,610,000 (2010: RMB 275,604,000) and cumulative unutilised tax losses amounting to RMB 386,026,000 (2010: RMB 323,550,000), as it is not probable that future taxable profits against which the temporary differences can be deducted and the losses can be utilised will be available in the relevant tax jurisdiction.

Under current tax legislation, the above deductible tax losses will expire in the following years:

	RMB'000
2011	76,681
2012	49,054
2013	76,159
2014	73,894
2015	47,762
2016	62,476
Total	386,026

8 Dividend

Pursuant to the shareholders' approval at the Annual General Meeting on 8 June 2011, a final dividend of RMB 0.03 per share totalling RMB 120,000,000 in respect of the year ended 31 December 2010 (2009: nil) was declared.

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB nil).

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB 585,297,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: restated profit of RMB 429,541,000) and the weighted average number of ordinary shares of 4,000,000,000 (2010: 4,000,000,000) in issue during the period.

(b) Diluted earnings per share

The Group had no dilutive potential ordinary shares in existence during the six months ended 30 June 2011 and 2010.

10 Property, plant and equipment

Acquisitions and disposals

The acquisitions and disposals of items of property, plant and equipment during the six months ended 30 June 2011 and 2010 are as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Cost of acquisitions and transfer from construction in progress	28,484	190,169
Disposals (net carrying amount)	(3,199)	(7,817)

11 Available-for-sale financial assets

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
Available-for-sale investments	500,000	-

The available-for-sale investments are stated at their fair values.

12 Trade and other receivables

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Trade receivables	102,965	71,692
Bills receivable	2,435,963	1,414,970
Amounts due from the parent company and fellow subsidiaries - trade	5,096	3,225
	2,544,024	1,489,887
Amounts due from the parent company and fellow subsidiaries-non-trade	3,190	8,688
Other receivables	77,368	95,792
	80,558	104,480
Less: Allowance for doubtful debts	(6,953)	(5,840)
	73,605	98,640
	2,617,629	1,588,527

Sales are generally on a cash term. Subject to negotiation, credit is generally only available for major customers with well-established trading records.

The ageing analysis of trade receivables, bills receivable, amounts due from the parent company and fellow subsidiaries - trade is as follows:

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Within 1 year	2,544,024	1,489,887

Trade receivables and amounts due from the parent company and fellow subsidiaries - trade are due within 2 months to 12 months from the date of billing. Bills receivable are due within 12 months from the date of billing.

13 Deposits with banks and other financial institutions

	At 30 June 2011 ***RMB'000***	At 31 December 2010 *RMB'000*
Balances with banks and other financial institutions, which are related parties		
- Sinopec Finance Company Limited ("**Sinopec Finance**")	300,000	-
- China CITIC Bank	150,000	-
Balances with banks in the PRC (excluding China CITIC Bank)	865,000	443,456
	1,315,000	443,456

14 Cash and cash equivalents

	At 30 June 2011 ***RMB'000***	At 31 December 2010 *RMB'000*
Cash in hand	16	23
Balances with banks and other financial institutions with an initial term less than three months	828,834	2,025,909
Cash and cash equivalents in the consolidated statement of financial position	828,850	2,025,932
Investments held for trading with an initial term less than three months	-	297,870
Cash and cash equivalents in the consolidated cash flow statement	828,850	2,323,802

15 Trade and other payables

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Trade payables	553,726	563,091
Amounts due to the parent company and fellow subsidiaries-trade	1,328,326	1,079,833
Total trade payables	1,882,052	1,642,924
Dividend payables	72,000	-
Amounts due to the parent company and fellow subsidiaries - non-trade	24,028	11,865
Other payables and accrued expenses	488,492	433,895
	2,466,572	2,088,684

The maturity analysis of trade payables is as follows:

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Due within 1 month or on demand	553,726	563,091

16 Deferred income

	At 30 June 2011 *RMB'000*	At 31 December **2010** *RMB'000*
At 1 January	59,874	21,256
Government grants received during the period/year	-	39,630
Recognised in the consolidated statement of comprehensive income for the period/year	(506)	(1,012)
At 30 June 2011 and 31 December 2010	59,368	59,874

The government grant received related to projects was recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the related assets when it was ready for use.

17 Reserves

According to relevant PRC regulations, the Group is required to transfer an amount to reserve for the safety production fund based on the turnover of certain petrochemical products at rates specified in the regulations. During the six-month period ended 30 June 2011, the Group transferred RMB 1,294,000 from retained earnings to reserve for this safety production fund.

For the six months ended 30 June 2011, no transfers were made to the statutory surplus reserve, or the discretionary surplus reserve (six months ended 30 June 2010: RMB nil).

18 Related party transactions

CPC, Sinopec Corp and CITIC Group are considered to be related parties as they have the ability to control the Group or exercise significant influence over the Group in making financial and operating decisions.

Sinopec Finance, China CITIC Bank and other subsidiaries of CPC, Sinopec Corp and CITIC Group are considered to be related parties as they are subject to the common control and/or significant influence of CPC, Sinopec Corp or CITIC Group.

(a) Significant transactions between the Group and the related parties during the period were as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Sinopec Corp and its subsidiaries		
Purchase of raw materials	5,797,656	3,151,230
Service charges paid for the sale of finished goods	20,000	20,000
Service charges paid for the purchase of raw materials	15,404	10,976
Sinopec Finance		
Interest income received	1,971	3,493
CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)		
Sales of goods	138,526	118,847
Miscellaneous service fee charges paid	3,060	6,000
Insurance premium paid	11,818	-

18 Related party transactions (*continued*)

(a) Significant transactions between the Group and the related parties during the period were as follows (*continued*):

China CITIC Bank

Interest income received	1,887	380

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms or in accordance with the terms of the agreements governing such transactions.

(b) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The key management personnel compensations are as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Short-term employee benefits	1,750	1,578
Retirement scheme contributions	100	85

(c) Contributions to defined contribution retirement scheme

In addition to the basic defined contribution retirement schemes organised by its municipal government, the Group provides a supplementary retirement plan for its staff at a rate of 5% of salaries.

18 Related party transactions (*continued*)

(d) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred as "state-controlled entities").

Apart from transactions with CPC and its fellow subsidiaries and China CITIC Bank, the Group has transactions with other state-controlled entities which include but are not limited to the following:

- depositing money;
- borrowing loans; and
- discounting bills.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled.

19 Capital commitments

Capital commitments relate primarily to construction of buildings, plant, machinery and purchase of equipment. The Group had capital commitments outstanding at 30 June 2011 not provided for in the interim financial report as follows:

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
Authorised and contracted for	383,122	445,056
Authorised but not contracted for	927,157	967,743
	1,310,279	1,412,799

20 Contingent liability

With respect to uncertainties about enterprise income tax differences arising from 2006 and before as originated from a tax circular (Circular No.664) issued by the State Administrative of Taxation in June 2007, the Company has been informed by the relevant tax authority to settle the enterprise income tax ("EIT") for 2007 at a rate of 33 percent and for 2008 and thereafter at a rate of 25 percent. To date, the Company has not been requested to pay additional EIT in respect of any years prior to 2007. There is no further development of this matter during the period ended 30 June 2011. No provision has been made in the interim financial report for this uncertainty for tax years prior to 2007 because management believes it cannot reliably estimate the amount of the obligation, if any, that might exist.

21 Restatement of comparatives

As a result of the adoption of Improvements to IFRS (2010), certain comparative figures have been adjusted to reflect the accounting of leasehold land use rights at deemed cost. Further details of changes in accounting policies are disclosed in note 2.

7.2 Semi-annual financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises

The following financial information has been extracted from the Group's unaudited semi-annual financial report, prepared in accordance with the PRC Accounting Standards for Business Enterprises ("**CAS** "), for the six months ended 30 June 2011.

Balance sheets *(unaudited)*
(Expressed in thousands of Renminbi yuan)

	The Group		*The Company*	
	At 30 June 2011	*At 31 December 2010*	*At 30 June 2011*	*At 31 December 2010*
Assets				
Current assets				
Cash at bank and on hand	2,143,850	2,469,388	2,143,850	2,469,388
Investments held for trading	-	699,713	-	699,713
Bills receivable	2,435,963	1,414,970	2,435,963	1,414,970
Accounts receivable	108,061	74,917	234,732	208,675
Prepayments	32,564	6,208	32,564	6,208
Other receivables	11,006	29,985	11,006	29,935
Inventories	1,645,555	1,318,769	1,645,555	1,294,415
Available-for-sale financial assets	500,000	-	500,000	-
Other current assets	30,035	62,443	30,035	62,443
Total current assets	6,907,034	6,076,393	7,033,705	6,185,747
Non-current assets				
Long-term equity investments	-	-	-	-
Fixed assets	3,250,065	3,413,109	3,136,986	3,292,760
Construction in progress	632,697	498,043	632,697	498,043
Intangible assets	332,014	346,766	332,014	346,766
Deferred tax assets	181,226	196,891	181,226	196,891
Total non-current assets	4,396,002	4,454,809	4,282,923	4,334,460
Total assets	11,303,036	10,531,202	11,316,628	10,520,207

Balance sheets *(unaudited) (continued)*
(Expressed in thousands of Renminbi yuan)

	The Group		*The Company*	
	At 30 June 2011	*At 31 December 2010*	*At 30 June 2011*	*At 31 December 2010*
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable	1,557,495	1,343,835	1,557,495	1,340,094
Advances from customers	324,557	297,828	324,557	279,131
Employee benefits payable	232,797	71,444	232,797	71,265
Taxes payable	45,892	125,827	45,892	122,449
Dividends payable	72,000	-	72,000	-
Other payables	272,923	359,687	286,034	371,044
Total current liabilities	2,505,664	2,198,621	2,518,775	2,183,983
Non-current liabilities				
Deferred income	19,738	20,244	19,738	20,244
Total non-current liabilities	19,738	20,244	19,738	20,244
Total liabilities	2,525,402	2,218,865	2,538,513	2,204,227
Shareholders' equity				
Share capital	4,000,000	4,000,000	4,000,000	4,000,000
Capital reserve	3,146,794	3,146,794	3,146,794	3,146,794
Specific reserve	1,294	755	1,294	755
Surplus reserve	116,843	116,843	116,843	116,843
Retained earnings	1,512,703	1,047,945	1,513,184	1,051,588
Total shareholders' equity	8,777,634	8,312,337	8,778,115	8,315,980
Total liabilities and shareholders' equity	11,303,036	10,531,202	11,316,628	10,520,207

Income statement *(unaudited)*
For the six months ended 30 June
(Expressed in thousands of Renminbi yuan)

	The Group		*The Company*	
	2011	*2010*	*2011*	*2010*
Operating income	10,332,587	7,596,517	10,332,587	7,503,477
Less:Operating costs	9,095,394	6,913,950	9,099,037	6,821,503
Business taxes and surcharges	22,353	19,430	22,353	18,632
Selling and distribution expenses	108,938	98,331	108,938	92,875
General and administrative expenses	413,516	355,813	391,658	344,811
Net financial income	(21,634)	(20,865)	(21,634)	(22,126)
Impairment loss	888	1,418	888	13,154
Add: Losses from changes in fair value	(310)	-	(310)	-
Investment income	6,557	873	6,557	873
Operating profit	719,379	229,313	737,594	235,501
Add: Non-operating income	55,653	11,226	34,276	5,832
Less: Non-operating expenses	313	1,426	313	1,304
(Including: Losses from disposal of non-current assets)	71	1,184	71	1,184
Profit before income tax expenses	774,719	239,113	771,557	240,029
Less: Income tax expenses	189,961	(190,428)	189,961	(190,428)
Net profit	584,758	429,541	581,596	430,457
Attributable to shareholders of the Company	584,758	429,541		
Earnings per share				
Basic and diluted Earnings per share (in RMB)	0.146	0.107		
Other comprehensive income	-	-	-	-
Total comprehensive Income	584,758	429,541	581,596	430,457
Attributable to: shareholders of the Company	584,758	429,541		

Consolidated statement of changes in shareholder's equity *(unaudited)*
For the six months ended 30 June
(Expressed in thousands of Renminbi yuan)

	2011						2010					
	Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained earnings	Total shareholders equity	Share capital	Capital reserve	Specific reserve	Surplus reserve	(Accumulated losses) /Retained earnings	Total shareholders equity
Balance at the beginning of the period	4,000,000	3,146,794	755	116,843	1,047,945	8,312,337	4,000,000	3,107,164	-	-	(61,754)	7,045,410
Changes in equity for the period (Decrease listed with "-")												
1Net profit for the period	-	-	-	-	584,758	584,758	-	-	-	-	429,541	429,541
2 Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3 Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
4 Shareholders' contribution	-	-	-	-	-	-	-	-	-	-	-	-
5 Appropriation of profit Distributions to shareholders	-	-	-	-	(120,000)	(120,000)	-	-	-	-	-	-
6 Specific reserve Accrued for the period	-	-	539	-	-	539	-	-	324	-	-	324
Balance at the end of the period	4,000,000	3,146,794	1294	116,843	1,512,703	8,777,634	4,000,000	3,107,164	324	-	367,787	7,475,275

Statement of changes in shareholders' equity *(unaudited)*
For the six months ended 30 June
(Expressed in thousands of Renminbi yuan)

	2011						2010					
	Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained earnings	Total shareholders equity	Share capital	Capital reserve	Specific reserve	Surplus reserve	(Accumulated losses) /Retained earnings	Total shareholders equity
Balances at the beginning of the period	4,000,000	3,146,794	755	116,843	1,051,588	8,315,980	4,000,000	3,107,164	-	-	(59,992)	7,047,172
Changes in equity for the period (Decrease listed with "-")												
1Net profit for the period	-	-	-	-	581,596	581,596	-	-	-	-	430,457	430,457
2 Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3 Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
4 Shareholders' contribution	-	-	-	-	-	-	-	-	-	-	-	-
5 Appropriation of profit												
Distributions to shareholders	-	-	-	-	(120,000)	(120,000)	-	-	-	-	-	-
6 Specific reserve												
Accrued for the period	-	-	539	-	-	539	-	-	324	-	-	324
Balance at the end of the period	4,000,000	3,146,794	1294	116,843	1,513,184	8,778,115	4,000,000	3,107,164	324	-	370,465	7,477,953

7.3 Reconciliation statement of differences in the financial statements prepared under different GAAPs:

(1) The effect of the difference between CAS and IFRSs on net profit attributable to equity shareholders of the Company is analysed as follows:

	Note	The Group For the six months ended 30 June 2011 RMB'000	2010 RMB'000
Net profit attributable to equity shareholders of the Company under CAS		584,758	429,541
Adjustments:			
Specific reserve	*(2)*	539	-
Total		539	-
Net profit attributable to equity shareholders of the Company under IFRSs		585,297	429,541

(2) The effect of the difference between CAS and IFRSs on total equity attributable to equity shareholders of the Company is analysed as follows:

	Note	The Group As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Total equity attributable to equity shareholders of the Company under CAS		8,777,634	8,312,337
Adjustments:			
Government grants	*(1)*	(39,630)	(39,630)
Total		(39,630)	(39,630)
Total equity attributable to equity shareholders of the Company under IFRSs		8,738,004	8,272,707

Note:

(1) Government grants

Under ASBE, government grants are treated as capital reserve according to relevant regulation. Under IFRS, the government grants related to purchasing fixed assets are recognized initially as deferred income and amortised to profit or loss when the assets are available for use.

(2) Specific reserve

Pursuant to the relevant regulations of the related government authorities in the PRC, production safety expenditures is accrued by coal mining companies based on renvenue of dangerous goods, recognised as expense in profit or loss and separately recorded as a specific reserve in shareholders' equity. On utilisation of the specific reserve as fixed assets in accordance with the stipulated scope, full amount of depreciation is recognised at the same time when the cost of the relevant assets is recorded.

Under International Financial Reporting Standards, these expenses are recognised in profit or loss as and when incurred. Relevant c apital expenditure on production maintenance and safety facilities are recognised as property, plant and equipment and depreciated according to the relevant depreciation method.

8. OTHER EVENTS

8.1 Compliance with the Code on Corporate Governance Practice and the Model Code

The Directors of the Company are not aware of any information that would reasonably indicate that the Company has not complied with the Code on Corporate Governance Practices as set out by the HKSE in Appendix 14 to the Listing Rules during the reporting period.

The Company has adopted the Model Code as contained in Appendix 10 to the Listing Rules. After having specifically inquired from all the Directors, Supervisors and Senior Management, the Company confirms that its Directors, Supervisors and Senior Management have fully complied with the standards as set out in the Model Code.

The 11th meeting of the Audit Committee of the Board of the Company was held on 29 August 2011, and mainly reviewed the Semi-annual Financial Report of the Group during the report period.

8.2 **Purchase, sale or redemption of the Company's listed securities**

During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

8.3 A detailed semi-annual results announcement of the Company containing all the information required by Paragraphs 46(1) to 46（6）inclusive of Appendix 16 to the Listing Rules will be published on the website of the HKSE at an appropriate time.

By order of the Board
Tom C. Y. Wu
Company Secretary

29 August 2011, Nanjing

As of the date of this announcement, the directors of the Company include Mr. Lu Li-yong, Ms. Sun Zhi-hong, Mr. Xiao Wei-zhen, Ms. Long Xing-ping, Mr. Zhang Hong, Mr. Guan Diao-sheng, Mr. Sun Yu-guo, Mr. Shen Xi-jun, Mr. Shi Zhen-hua*, Mr. Qiao Xu*, Mr. Yang Xiong-sheng*, Mr. Chen Fang-zheng*.

** Independent Directors*