Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

Annual Results 2011

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

The content of the annual results for this year is extracted from the Annual Report. In order to understand the detailed content, the investors should read the full text of the Annual Report.

The Board of Sinopec Yizheng Chemical Fibre Company Limited has pleasure in presenting to you the audited annual results of the Company and its subsidiary ("**the Group**") for the year ended 31 December 2011.

1. COMPANY PROFILE

(1). Legal name:	Sinopec Yizheng Chemical Fibre Company Limited 中國石化儀征化纖股份有限公司
Abbreviation:	YCF 儀征化纖
(2). Legal representative:	Mr. Lu Li-yong
(3). Registered and office address:	Yizheng City, Jiangsu Province, China
Postal code:	211900
Telephone:	86-514-83232235
Fax:	86-514-83233880
Internet website:	http://www.ycfc.com
E-mail:	cso@ycfc.com
(4). Secretary to the Board:	Mr. Tom C.Y. Wu
Assistant Secretary to the Board:	Ms. Michelle M. Shi
Address:	The Board Secretary Office Sinopec Yizheng Chemical Fibre Company Limited Yizheng City, Jiangsu Province, China
Telephone:	86-514-83231888
Fax:	86-514-83235880
E-mail:	cso@ycfc.com

(5). Domestic Newspapers to disclose information: China Securities, Shanghai Securities News, Securities Times

Internet website designated by HKSE to disclose information: http://www.hkexnews.hk

Internet website designated by the China Securities Regulatory Commission ("CSRC") to publish the annual report: http://www.sse.com.cn

Place where the annual report available for inspection:
The Board Secretary Office
Sinopec Yizheng Chemical Fibre Company Limited

(6). Places of listing, names and codes of the stock:

H share	*A share*
- The Stock Exchange of Hong Kong Limited ("**HKSE**")	- Shanghai Stock Exchange ("**SSE**")
- Stock name: Yizheng Chemical Fibre	- Stock name: S Yihua
- Stock code: 1033	- Stock code: 600871

2. SUMMARY OF THE FINANCIAL PRINCIPAL INFORMATION AND FINANCIAL INDICATORS OF THE GROUP

(1) Extracted from the financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs")

For the year ended 31 December or as at 31 December

RMB’000

	2011	2010 (as restated)	2009 (as restated)	2008 (as restated)	2007 (as restated)
Turnover	**20,179,768**	16,348,366	13,225,029	15,224,524	17,175,656
Profit / (loss) before taxation	**1,042,190**	1,140,343	382,018	(1,554,592)	4,657
Income tax expense / (credit)	**202,958**	(86,954)	**-**	90,693	(14,104)
Profit / (loss) attributable to equity shareholders of the Company	**839,232**	1,227,297	382,018	(1,645,285)	17,817
Total assets	**11,449,599**	10,531,202	9,145,813	8,417,284	10,072,812
Total liabilities	**2,457,660**	2,258,495	2,100,403	1,753,892	1,764,135
Total equity attributable to equity shareholders of the Company	**8,991,939**	8,272,707	7,045,410	6,663,392	8,308,677
Basic and diluted earnings/ (loss) per share	**RMB 0.210**	RMB 0.307	RMB 0.096	RMB (0.411)	RMB0.004
Net assets per share	**RMB 2.248**	RMB 2.068	RMB 1.761	RMB 1.666	RMB 2.077
Ratio of shareholders' equity	**78.53%**	78.55%	77.03%	79.16%	82.49%
Return on net assets	**9.33%**	14.84%	5.42%	(24.69%)	0.21%

(2) Extracted from the financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises (“ASBE”)

2.1 Principal financial data

Unit: RMB’000

	For the year 2011	For the year 2010	Year-on-year change（%）	For the year 2009
Operating income	20,179,768	16,348,366	23.4	13,225,029
Operating profit	979,056	1,131,060	(13.4)	361,977
Profit before income tax	1,042,001	1,139,588	(8.6)	382,018
Net profit attributable to equity shareholders of the Company	839,043	1,226,542	(31.6)	382,018
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company	778,080	1,218,221	(36.1)	363,886
Net cash (outflow) / inflow from operating activities	(270,247)	1,600,805	(116.9)	1,308,860
	As at the end of 2011	As at the end of 2010	Year-on-year change（%）	As at the end of 2009
Total assets	11,449,599	10,531,202	8.7	9,145,813
Total liabilities	2,418,974	2,218,865	9.0	2,100,403
Total equity attributable to equity shareholders of the Company	9,030,625	8,312,337	8.6	7,045,410
Total share capital	4,000,000	4,000,000	-	4,000,000

2.2 Principal financial indicators

	For the year 2011	For the year 2010	Year-on-year change（%）	For the year 2009
Basic earnings per share (RMB)	0.210	0.307	(31.6)	0.096
Diluted earnings per share (RMB)	0.210	0.307	(31.6)	0.096
Basic earnings per share net of extraordinary gain and loss (RMB)	0.195	0.305	(36.1)	0.091
Weighted average return on net assets (%)	9.68	15.97	Decrease 6.29 percentage points	5.57
Weighted average return on net assets net of extraordinary gain and loss (%)	8.97	15.86	Decrease 6.89 percentage points	5.31
Net cash (outflow) / inflow from operating activities per share (RMB)	(0.068)	0.400	(116.9)	0.327
	As at the end of 2011	As at the end of 2010	Year-on-year change（%）	As at the end of 2009
Net assets per share attributable to equity shareholders of the Company (RMB)	2.258	2.078	8.6	1.761
Ratio of total liabilities to total assets (%)	21.13	21.07	Increase 0.06 percentage points	22.97

2.3 Extraordinary gain and loss items and amounts

Unit: RMB'000

Extraordinary gain and loss items	2011	2010	2009
Disposal of non-current assets	25,427	8,620	5,984
Government grants recognised in profit or loss during the year	4,503	2,462	10,866
Employee reduction expenses	(93)	(592)	(1,909)
Investments income from purchase and disposal of financial assets	16,557	832	-
Gain on changes in fair value of investments held for trading	(310)	310	-
Other non-operating income and expenses excluding the aforesaid items	33,015	(2,554)	3,191
Tax effect	(18,136)	(757)	-
Total	60,963	8,321	18,132

2.4 Items to which fair value measurement is applied

RMB '000

Items	Balance at the beginning of the current year	Balance at the end of the current year	Changes in the current year	Amount affecting the profit of the current year
Available-for-sale financial assets	-	200,000	200,000	10,000
Investments held for trading	699,713	-	(699,713)	6,247
Total	699,713	200,000	(499,713)	16,247

(3) Differences between the financial statements of the Group prepared in accordance with PRC ASBE and IFRSs

RMB'000

	Net profit attributable to equity shareholders of the Company		**Total equity attributable to equity shareholders of the Company**	
	2011	2010	**2011**	2010
PRC ASBE	839,043	1,226,542	9,030,625	8,312,337
IFRSs	839,232	1,227,297	8,991,939	8,272,707

Please refer to the section 8.4 of the Financial Report in this announcement for explanations for the related differences.

3. INFORMATION ON CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(1) Changes in the Company's share capital

During the reporting period, there was no change in the total amount of shares and the share structure of the Company. The Company acknowledged that, based on information available to the Company immediately before publishing the 2011 Annual Report, and understood by its Directors as well, the number of its shares held by the public met the requirements in the Rules Governing the Listing of Securities on the HKSE (the "**Listing Rule**")

(2) Information on shareholders

As at 31 December 2011, the shareholdings of the top ten major shareholders and circulating shareholders of the Company are as follows:

Number of shareholders at the end of the year					33,946
Details of the top ten major shareholders					
Names of shareholders	Nature of shareholders	Number of shares held at the end of the year (shares)	Percent to total share capital (%)	Number of non-circulating shares (shares)	Number of pledged or frozen shares*
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	1,384,735,005	34.62	Circulating shares	Nil
CITIC Group Corporation ("**CITIC Group**") ***	Domestic legal person shareholder	720,000,000	18.00	720,000,000	Nil
China Construction Bank-CIFM China Advantage Securities Investment Fund	Domestic circulating shareholders	32,536,856	0.81	Circulating shares	Not Applicable
China Life Insurance Company Limited-Traditional-Ordinary Insurance Product-005L-CT001 Shanghai	Domestic circulating shareholders	4,545,795	0.11	Circulating shares	Not Applicable
Shanghai International Trust Company Limited	Domestic circulating shareholders	2,890,719	0.07	Circulating shares	Not Applicable

China Life Insurance Company Limited-Dividends-Personal Dividends-005L-FH002 Shanghai	Domestic circulating shareholders	1,999,970	0.05	Circulating shares	Not applicable
IP KOW	Overseas capital shareholder	1,900,000	0.05	Circulating shares	Not Applicable
Lin You-ming	Domestic circulating shareholders	1,844,107	0.05	Circulating shares	Not Applicable
Chen Zhang-hua	Domestic circulating shareholders	1,360,391	0.03	Circulating shares	Not Applicable

Details of the top ten circulating shareholders

Names of shareholders	**Number of circulating shares held at the end of year** (shares)	**Classification**
HKSCC (Nominees) Limited**	1,384,735,005	"H" shares
China Construction Bank-CIFM China Advantage Securities Investment Fund	32,536,856	Circulating "A" shares
China Life Insurance Company Limited-Traditional-Ordinary Insurance Product-005L-CT001 Shanghai	4,545,795	Circulating "A" shares
Shanghai International Trust Company Limited	2,890,719	Circulating "A" shares
China Life Insurance Company Limited-Dividends-Personal Dividends-005L-FH002 Shanghai	1,999,970	Circulating "A" shares
IP KOW	1,900,000	"H" shares
Lin You-ming	1,844,107	Circulating "A" shares
Chen Zhang-hua	1,360,391	Circulating "A" shares
Lu Bao-hong	996,600	Circulating "A" shares
China Life Property & Casualty Insurance Company Limited-Traditional-Ordinary Insurance Product	900,000	Circulating "A" shares

Explanation of connected relationship or activities in concert among the above 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 Property & Casualty Insurance Company Limited-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 hold more than 5 per cent of the Company's shares during the reporting period.*

*** Shares held on behalf of different customers,*

****Shares held on behalf of the State. According to CITIC Group's comprehensive restructuring scheme approved by the Ministry of Finance People's Republic of China, CITIC Group made the investment based on most of its operating assets (including 720,000,000 non-circulating shares in the Company) to establish CITIC Limited with joint initiation of Beijing CITIC Enterprise Management CO., Ltd on 27 December 2011. CITIC Group has transformed into a wholly state-owned company through comprehensive restructuring and changed its name to CITIC Group Corporation. CITIC Group Corporation took over all business and assets of CITIC Group. The 720,000,000 non-circulating shares in the Company held by CITIC Group will transfer to CITIC Limited and the relative share transfer is in progress. Please refer to "Sinopec Yizheng Chemical Fibre Company Limited Simple Type Report on Changes in Equity" disclosed in China Securities, Shanghai Securities News, Securities Times and the website of HKSE on 18 January 2012.*

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

As at 31 December 2011, so far as the Directors, Supervisors and Senior Management of the Company are aware of, 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**").

Name of shareholder	**Number of share held** (shares)	**Per cent of shareholding in the Company's total issued share capital** (%)	**Per cent of shareholding in the Company's total issued domestic shares** (%)	**Per cent of shareholding in the Company's total issued H shares** (%)	**Short position**
Sinopec*	1,680,000,000	42.00	64.62	Not applicable	-
CITIC	720,000,000	18.00	27.69	Not applicable	-

** As at 31 December 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 of, as at 31 December 2011, no other person had an 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 of Part XV of the SFO, or was otherwise a substantial shareholder (as such term is defined in the Listing Rules) of the Company.

(4) The holding shareholder

Name of the holding shareholder: Sinopec, holding 42 per cent of the Company's shares
Legal representative: Fu Cheng-yu
Date of establishment: 25 February 2000
Registered capital: RMB 86,702,562,436

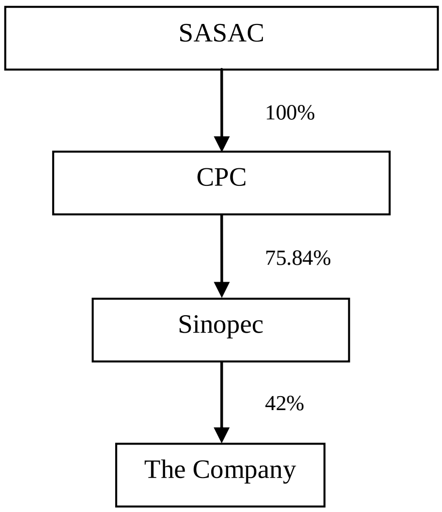
Principal activities: Engaged in exploring for and developing, producing and trading crude oil and natural gas; processing crude, producing petroleum products and trading, transporting, distributing and marketing petroleum products; producing, distributing and trading petrochemical products.

During the reporting period, there has been no change in the holding shareholder of the Company.

(5) The ultimate controller
Name of the ultimate controller: China Petrochemical Corporation ("**CPC**")*
Legal representative: Fu Cheng-yu
Date of establishment: 24 July 1998
Registered capital: RMB 182,029,345,000
Principal activities: Through reorganization in 2000, CPC injected its principal petroleum and petrochemical operations into Sinopec, and retained operations in certain smaller scale petrochemical facilities and refineries, provision of well drilling services, oil testing services, in–well operation services, manufacture and maintenance of production equipment, engineering construction, utility services and social services.

During the reporting period, there has been no change in the ultimate controller of the Company.

** CPC is a state-authorized investment organization and a state-controlled company, directed by State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**").*



4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Information on interests in share and remuneration of directors, supervisors and senior management

Name	Position	Sex	Age	Term of office	Number of "A" shares held for personal interests		Reason for change	Salaries before taxation (RMB)	Remuneration and allowance received from the corporate shareholders
					At the beginning of the year	At the end of the year			
Lu Li-yong	Chairman	M	50	Dec.2011 -Dec.2014	-	-	No Change	288,000	No
Sun Zhi-hong	Vice Chairwoman	F	62	Dec.2011 -Dec.2014	-	-	No Change	288,000	Yes
Xiao Wei-zhen	Vice Chairman and General Manager	M	58	Dec.2011 -Dec.2014	-	-	No Change	288,000	No
Long Xing-ping	Director	F	60	Dec.2011 -Dec.2014	-	-	No Change	244,800	Yes
Zhang Hong	Director	M	53	Dec.2011 -Dec.2014	-	-	No Change	244,800	Yes
Guan Diao-sheng	Director	M	49	Dec.2011 -Dec.2014	-	-	No Change	0	Yes
Sun Yu-guo	Director	M	48	Dec.2011 -Dec.2014	-	-	No Change	0	Yes
Shen Xi-jun	Director, Deputy General Manager	M	51	Dec.2011 -Dec.2014	-	-	No Change	244,800	No
Shi Zhen-hua	Independent Director	M	65	Dec.2011 -Dec.2014	-	-	No Change	50,000	No
Qiao Xu	Independent Director	M	50	Dec.2011 -Dec.2014	-	-	No Change	50,000	No
Yang Xiong-sheng	Independent Director	M	52	Dec.2011 -Dec.2014	-	-	No Change	50,000	No
Chen Fang-zheng	Independent Director	M	65	Dec.2011 -Dec.2014	-	-	No Change	50,000	No
Cao Yong	Chairman of Supervisory Committee	M	53	Dec.2011 -Dec.2014	-	-	No Change	244,800	No
Sun Shao-bo	Supervisor	M	51	Dec.2011 -Dec.2014	-	-	No Change	0	No
Chen Jian	Supervisor	M	49	Dec.2011 -Dec.2014	-	-	No Change	244,800	Yes
Shao Bin	Independent Supervisor	M	46	Dec.2011 -Dec.2014	-	-	No Change	0	No
Chu Bing	Independent Supervisor	M	39	Dec.2011 -Dec.2014	-	-	No Change	0	No
Li Jian-xin	Deputy General Manager	M	54	From Dec. 2011	-	-	No Change	244,800	No
Zhang Zhong-an	Deputy General Manager	M	51	From Dec. 2011	-	-	No Change	244,800	No
Liu Xiao-qin	Deputy General Manager	M	46	From Dec. 2011	-	-	No change	163,200	No
Li Jian-ping	Chief Financial Officer	M	49	From Dec. 2011	-	-	No Change	244,800	No
Tom C.Y. Wu	Secretary to the Board	M	50	From Dec. 2011	-	-	No Change	163,769	No
Qin Wei-zhong	Off position	M	40	Dec.2008 -May2011	-	-	No Change	0	Yes

Shi Gang	Off position	M	51	Dec.2008 -Dec.2011	-	-	No Change	40,000	No
Wang Bing	Off position	M	40	Dec.2008 -Dec.2011	-	-	No Change	40,000	No
Tao Chun-sheng	Off position	M	56	Dec.2008 -Dec.2011	-	-	No Change	147,097	No

Information on share incentive provided to directors, supervisors and senior management during the reporting period

The Company has not implemented any share incentive scheme.

(2) Changes in Directors, Supervisors and Senior Management

Mr. Sun Yu-guo was elected as a Director of the sixth session of the Board at the 2010 AGM held on 8 June 2011.

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.

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.

At the EGM of the Company held on 16 December 2011, 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 and Mr. Chen Fang-zheng were elected as Directors of the seventh term Board. Of which, Mr. Shi Zhen-hua, Mr. Qiao Xu, Mr. Yang Xiong-sheng and Mr. Chen Fang-zheng have been appointed as independent directors. Mr. Chen Jian, Mr. Shao Bin and Mr. Chu Bing were elected as Supervisors of the seventh term Supervisory Committee, of which, Mr. Shao Bin and Mr. Chu Bing were independent supervisors. Mr. Cao Yong and Mr. Sun Shao-bo were elected by employees of the Company as the employee representative supervisors at the seventh term of the Supervisory Committee.

Mr. Shi Gang and Mr. Wang Bing, the Independent Supervisors of the Company, retired from their offices as Independent Supervisors, and Mr. Tao Chun-sheng resigned his position as a Supervisor. The Company expresses its sincere gratitude to Mr. Shi, Mr. Wang and Mr. Tao for their contributions to the Company during their term of office.

(3) Directors', Supervisors' and Senior Management's rights to acquire shares and debentures and short position

As at 31 December 2011, none of the Directors, Supervisors and 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) which was 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 is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register kept by the Company pursuant to section 352 of the SFO or which was required to be notified to 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.

5. REPORT OF THE BOARD

Financial figures, except where specifically noted, contained herein have been extracted from the financial statements prepared in accordance with the IFRSs.

A. Business review and prospect

The Group is one of the largest modernized manufacturing bases of chemical fibre and chemical fibre raw materials in the PRC. In terms of polyester capacity in 2011, the Group ranks the eighth largest polyester manufacturer in the world (Source: PCI Magazine 2011).

The Company is principally engaged in the production and sales of polyester chips and polyester fibre, and production of its raw materials purified terephthalic acid ("**PTA**"). Its principal activities include production and distribution of chemical fibre and petrochemical products, production of ancillary raw materials and textile machinery, research and development ("**R&D**") in textile technology, transportation and technological support for products manufactured by the Company.

1. Market review

In 2011, prices of domestic polyester industry chain revealed an ascending momentum generally. But under the influences of sharply growing costs and fast polyester capacity acceleration, profit margin for polyester products had dwindled compared with the last year, and polyester industry competition had deteriorated more and more. During first three quarters, with the impacts that international crude oil prices oscillated at high level, costs of polyester raw materials increased largely compared with the same period last year; Domestic polyester products prices mounted quite swiftly at the support of steady growing demands and costs. After the fourth quarter, affected by continuously aggravating European debt crisis, prices of polyester raw materials declined, the growth of demands for polyester products retarded, and polyester products prices apparently dropped.

In 2011, the newly-added polyester production capacity was almost 4.17 million tonnes and the total polyester production capacity amounted to 32.84 million tonnes at the end of 2011. As a result, the oversupply condition of domestic polyester capacity was not changed and the competition situation for polyester industry was still severe. In 2011, the volume of the total domestic supply of polyester fibre amounted to 28,866,800 tonnes, an increase of 10.1 per cent over that of 2010, of the total volume, the domestic production volume increased by 10.3 per cent as compared with its amounts in 2010. Meanwhile, the total domestic consumption volume of polyester fibre amounted to 26,588,500 tonnes, an increase of 9.1 per cent over the 2010 amount. The domestic demand for polyester fibre steadily increased as compared with that of 2010.

2. Production Operational Review

In 2011, the Group, grasping favorable opportunity of domestic polyester industry tending to increase as a whole, had meticulously organized the production and management, optimized its product structure and strictly strengthened its fine management, and endeavored to reduce costs and expenses to propel its effective development in a fast speed. Thus, the Group's operation efficiency still maintained a sound level.

(1) Production and Marketing

In 2011, the Group's production facilities maintained safe and stable operations, and the production volume and sales volume of main products steadily increased. The total production volume of polyester products amounted to 2,180,344 tonnes, an increase of 2.0 per cent compared with the 2,137,961 tonnes produced in 2010. The polyester capacity utilisation rate reached 96.8 per cent. The total production volume of PTA amounted to 1,042,040 tonnes, a light increase of 0.1 per cent compared with the 1,041,233 tonnes produced in 2010. In 2011, the Group adapted vigorously and positively to market variations, to duly adjust the overhaul of plants and greatly strengthen the linkage between production and sales. The Group's total sales volume of polyester products amounted to 1,775,577 tonnes in 2011, an increase of 2.7 per cent compared with the 1,728,849 tonnes sold in 2010. Excluding self-consumption volume and other factors, the ratio of sales to production reached 99.7 per cent. In 2011, the Group's export volume of polyester products fell to 66,484 tonnes, a decrease of 40.1 per cent over the 111,001 tonnes for 2010.

(2) Cost control
In 2011, the weighted average price of the Group's polyester products (excluding VAT) increased by 20.0 per cent compared with last year, while the weighted average purchase prices of the Group's principal purchased raw materials, such as PTA, mono-ethylene glycol ("MEG") and parxylene ("PX"), increased by 34.5 per cent. The Group tried to decrease the consumption of raw materials and energy by strengthening fine management and implementing technical reform, resulting in the comprehensive energy consumption per RMB 10,000 turnover decreasing by 3.1 per cent compared with 2010. Measures for reducing cost and increasing efficiency were implemented together by strictly implementing overall budget management. Due to the increase in freight and insurance premium resulting from the rise in sales volume and the prices of products, the Group's selling expenses were 3.6 per cent higher than in 2010. Due to reversal of provision for bad and doubtful debts and the decrease in depreciation, the Group's administrative expenses decreased by 4.6 per cent compared with 2010. Due to the increase in interest income from deposits, net finance income increased by 61.2 per cent compared with 2010. The total decrease in selling expenses, administrative expenses and net finance income was 5.5 per cent from that of 2010.

(3) R&D
In 2011, putting great efforts on the technical innovations, the Group obtained some new achievements in terms of technical progress and product development, which included the completion of 41 product development projects, 19 acquisition of patent licensing, developing new series of products such as the upgraded bright sewing thread FR211 and functional film grade chips that had already been put into production and distribution in a large scale. In 2011, the Company's total production volume of specialised polyester chips amounted to 958,894 tonnes; the specialised rate was 89.4 per cent, 3.8 percentage points higher than that of last year. The total production volume of differential polyester fibre amounted to 635,357 tonnes and the differential rate of polyester fibre was 88.6 per cent, 1.8 percentage points higher than that of last year.

(4) Internal reform and management
In 2011, the Group (1) continued to boost its management level up to a new stage and advanced its system standardization and informatization reform with full efforts, achieving some new progress in system establishment; (2) kept on strengthening its exertion of budget enforcement, mobilizing all personnel to implement cost objective management, and effectively controlling various critical costs and expenses; (3) persisted in improving quality management to attain a comprehensive premium grade of more than 99.0 percentage for main products; (4) further enhanced its internal management, and effectively prevented enterprise risks; (5) consummated the salary distribution system and the establishment of talents cultivation channels, constructed the growth mechanism for employees' income, and expanded the stage for talents' development, which validly mobilized staffs' enthusiasm.

B. Result of Operation and Financial Position
1. Production volume

	For the year ended 31 December			
	2011		2010	
	Production volume (tonnes)	**Per cent of total production volume (%)**	Production volume (tonnes)	Per cent of total production volume (%)
Polyester products				
Polyester Chips	1,072,566	49.2	1,046,433	48.9
Bottle-grade polyester chips	350,365	16.1	318,579	14.9
Staple fibre	525,715	24.1	498,362	23.3
Hollow fibre	44,773	2.0	55,544	2.6
Filament	186,925	8.6	219,043	10.3
Total	2,180,344	100.0	2,137,961	100.0

2. Sales volume

	For the year ended 31 December			
	2011		2010	
	Sales volume (tonnes)	**Per cent of total sales volume (%)**	Sales volume (tonnes)	Per cent of total sales volume (%)
Polyester products				
Polyester chips	699, 297	39. 4	708, 186	41. 0
Bottle-grade polyester chips	350, 607	19. 8	317, 207	18. 3
Staple fibre	529, 639	29. 8	493, 487	28. 5
Hollow fibre	45, 246	2. 5	54, 750	3. 2
Filament	150, 788	8. 5	155, 219	9. 0
Total	1, 775, 577	100. 0	1, 728, 849	100. 0

3. Average Prices for products (excluding VAT) (RMB/tonnes)

	For the year ended 31 December		
	2011	2010	Change (%)
Polyester products			
Polyester chips	10, 505	8, 652	21. 4
Bottle-grade polyester chips	10, 850	8, 589	26. 3
Staple fibre	11, 732	9, 807	19. 6
Hollow fibre	12, 489	10, 652	17. 2
Filament	12, 372	11, 472	7. 8
Weighted average price	11, 148	9, 287	20. 0

4. Turnover

	For the year ended 31 December			
	2011		2010	
	Turnover ***RMB'000***	**Per cent of turnover (%)**	Turnover *RMB'000*	Per cent of turnover (%)
Polyester products				
Polyester chips	7, 346, 044	36. 4	6, 127, 035	37. 4
Bottle-grade polyester chips	3, 804, 094	18. 9	2, 724, 476	16. 7
Staple fibre	6, 213, 622	30. 8	4, 839, 829	29. 6
Hollow fibre	565, 084	2. 8	583, 208	3. 6
Filament	1, 865, 482	9. 2	1, 780, 642	10. 9
Others	385, 442	1. 9	293, 176	1. 8
Total	20, 179, 768	100. 0	16, 348, 366	100. 0

In 2011, the Group's operating profit and profit before taxation was RMB 969,056,000 and RMB 1,042,190,000, decreased by 12.2 per cent and 8.6 per cent respectively as compared with RMB 1,103,915,000 and RMB 1,140,343,000 in 2010. It was mainly due to the decrease in gross profit resulting from the significant rise in cost of sales. Profit attributable to equity shareholders of the Company was RMB 839,232,000, a decrease of 31.6 per cent as compared with RMB 1,227,297,000 in 2010, mainly due to the decrease in profit before taxation and the accruement of the current income tax by RMB 202,958,000.

5. Financial analysis

The Group's primary sources of funds come from operating activities and the funds are primarily used for operating expenditures and capital expenditures.

(1) Assets, liabilities and shareholders' equity analysis

As at 31 December 2011, the Group's total assets were RMB 11,449,599,000, total liabilities were RMB 2,457,660,000, and total equity attributable to equity shareholders of the Company was RMB 8,991,939,000. Compared with the assets and liabilities as at 31 December 2010 (hereinafter referred to as "**as compared with the end of last year**"), the variations and main causes of such changes are described as follows:

Total assets were RMB 11,449,599,000, an increase of RMB 918,397,000 as compared with the end of last year. Current assets were RMB 6,130,656,000, an increase of RMB 54,261,000 as compared with the end of last year. The increase was mainly due to the increase in trade and other receivables by RMB 891,181,000 owing to the rise in the balance of bills receivables resulting from the domestic tightly monetary policy in 2011 and the RMB 152,465,000 of prepaid income tax. Meanwhile, cash and cash equivalents, and deposits with banks and other financial institutions decreased by RMB 519,111,000 and RMB 408,456,000 respectively owing to the decrease in net cash inflow from operating activities and the rise in net cash outflow from investing activities in 2011. Non-current assets were RMB 5,318,943,000, an increase of RMB 864,136,000 as compared with the end of last year, which was mainly due to the increase in construction in progress and interest in jointly controlled entity by RMB 703,158,000 and RMB 303,089,000 respectively in 2011.

Total liabilities were RMB 2,457,660,000, an increase of RMB 199,165,000 as compared with the end of last year. Current liabilities were RMB 2,402,659,000, an increase of RMB 204,038,000 as compared with the end of last year, which was mainly due to the increase of RMB 313,975,000 in trade and other payables in 2011. Non-current liabilities were RMB 55,001,000, a decrease of RMB 4,873,000 compared with the end of last year.

Total equity attributable to equity shareholders of the Company was RMB 8,991,939,000, an increase of RMB 719,232,000 as compared with the end of last year, mainly due to RMB 839,232,000 for profit attributable to equity shareholders of the Group in 2011.

As at 31 December 2011, the ratio of total liabilities to total assets was 21.5 per cent, and 21.4 per cent as at 31 December 2010.

(2) Cash flow analysis

At the end of 2011, cash and cash equivalents decreased by RMB 816,981,000, representing a decrease from RMB 2,323,802,000 as at 31 December 2010 to RMB 1,506,821,000 as at 31 December 2011.

In 2011, the Group's net cash outflow from operating activities was RMB 270,247,000, representing a decrease of cash inflow by RMB 1,871,052,000 as compared with last year. This was mainly due to the following: (1) Gross profit decreased by RMB 422,484,000 as compared with last year. (2) Inventories and trade and other receivables increased by RMB 437,895,000 and RMB 1,039,831,000 respectively as compared with last year. (3) Tax paid increased by RMB 391,005,000 as compared with last year.

In 2011, the Group's net cash outflow from investing activities was RMB 426,734,000, an increase of cash outflow by RMB 374,964,000 as compared with last year. It was mainly due to the increase of cash outflow by RMB 278,589,000 in capital expenditure and RMB 303,089,000 of cash payment for the acquisition of interest in jointly controlled entity in 2011.

In 2011, the Group's net cash outflow from financing activities was RMB 120,000,000, an increase of cash outflow by RMB 120,000,000 compared with last year. It was mainly due to RMB 120,000,000 of cash payment of final dividends for the year ended 31 December 2010.

(3) Bank borrowings
As at 31 December 2011, the Group's bank borrowings were nil (as at 31 December 2010: nil).

(4) Assets pledge
For the year ended 31 December 2011, there was no ledge on the Group's assets.

(5) Management of foreign exchange risk
The Group's operations are mainly dominated in Renminbi and foreign currency needed was mainly dominated in US dollars. Receivable and payable items of the Group are settled immediately under trade accounts. Therefore, fluctuations in foreign exchange rates have no material adverse effect on the Group.

(6) Debt-long-term capital ratio
The debt-long-term capital ratio of the Group was nil for 2011 (2010: nil). The ratio is computed as long-term borrowings divided by the sum of long-term borrowings and shareholders' equity.

6. Statement of the operations by products (prepared in accordance with PRC ASBE)

Products	**Operating income RMB'000**	**Cost of sales RMB'000**	**Gross profit margin (%)**	**Increase/(decrease) in operating income as compared with last year (%)**	**Increase/(decrease) in cost of sales as compared with last year (%)**	**Compared with last year**
Polyester products	19, 794, 326	17, 839, 305	9. 9	23. 3	30. 5	Decreased by 4.9 percentage points
Polyester Chips	7, 346, 044	6, 544, 918	10. 9	19. 9	26. 9	Decreased by 4.9 percentage points
Bottle-grade polyester chips	3, 804, 094	3, 455, 907	9. 2	39. 6	43. 6	Decreased by 2.5 percentage points
Staple and hollow fibre	6, 778, 706	6, 042, 406	10. 9	25. 0	33. 6	Decreased by 5.7 percentage points
Filament	1, 865, 482	1, 796, 074	3. 7	4. 8	13. 1	Decreased by 7.1 percentage points

7. Operating income by regions
The following is the statement of operations by products for the year ended 31 December 2011 in accordance with PRC ASBE .

Region	Operating income Rmb'000	Increased from last year (%)
Mainland	19,438,858	26.0
Hong Kong, Macau, Taiwan, and overseas	740,910	(19.4)

8. Major suppliers and customers

Aggregate purchase amounts from the top five largest suppliers	RMB 11,229,910,000	Per cent of total purchases	65.0%
Aggregate sales amounts to the top five largest customers	RMB 3,552,494,000	Per cent of total sales	17.6%

9. Capital expenditure
In 2011, the Group's capital expenditure amounted to RMB 1,346,235,000. The following table provided information on the Group's major construction projects and their returns in 2011.

Name of Main project	Amount invested in 2011 RMB'000	Progress of project	Project return (Actual production volume)
The first phase of high performance polyethylene fiber project with an annual capacity of 3,000 tonnes	115,019	Completed	262.5 tonnes
1, 4-butanediol project with an annual capacity of 100,000 tonnes	599,977	Installing equipment	-
Specialised polyester chip project with an annual capacity of 400,000 tonnes	49,822	Under construction	-
Differential staple fibre project with an annual capacity of 100,000 tonnes (third unit)	45,997	Under construction	-
Differential staple fibre project with an annual capacity of 100,000 tonnes (ninth unit)	42,978	Purchasing equipment	-
PTA joint project with an annual capacity of two million tonnes	303,089	Under preliminary work	-
Others	189,353	-	-
Total	1,346,235	-	262.5 tonnes

C. Prospects

1. Market Analysis
Analyzing the market situation, the Group takes the following views: Firstly, The instability and the uncertainty of the international economy growth will result in China's exports of textiles and garments encountering more and more austere situations, which correspondingly decrease its growing rate; Secondly, international crude oil prices continue to oscillate at a high level, resulting in an increase of raw material costs and further compression of profit margin of polyester products. Thirdly, newly increased domestic polyester capacities will still sprout out largely, further deteriorating the phenomenon of polyester overcapacity and intensifying the industry competition. Nevertheless, there exist the following advantages: Firstly, the growth of Chinese economy will still maintain a relatively fast speed. Besides, with the Chinese government advocating expanding the domestic demand and developing the real economy, domestic demands for the polyester products will be expected to keep steadily rising. Secondly, after years of reform and adjustments, the Group's asset quality has been continuously improved, its product structure has been constantly optimized, and development targets and paths have turned to be more specific and clear. Especially in this year, new projects will be put into production in succession, which will become new growth points of the profits of the Group.

2. Business strategy
In 2012, the Group will continue to advance its development effectively and rapidly through adhering to the market-oriented policy, centering closely around the effectiveness and benefits, concentrating vigorously on the safety and environment protection, organizing scientifically production and management, optimizing its product structure and strengthening the enterprise management. To achieve these targets, the Group will focus on the following priorities in 2012:

I. Spare no efforts to exploit the business and strive to boost profitability

The Group will adhere to the market-oriented principle, strengthen its integral coordination between the production and marketing, extensively expand the market share and try to increase revenue and efficiency; ensure the balance between production and sales of newly-launched 1, 4-butanediol project and staple fibre project. The Group will also persist in its customer foremost business philosophy, constantly deepen the service and cooperation between the Group and customers to achieve a win-win situation, closely follow up and study domestic and international raw material markets, analyze market fluctuation and raw material inventory structure in a dynamic manner, and ensure the supplies while reducing procurement costs. To meet the target ratio of 100 per cent sales-to-production, the planned sales volume of polyester products, 1,4-butanediol and high performance PE fibre is 1,777,000 tonnes, 13,000 tonnes and 1,200 tonnes respectively.

II. Pay adequate attentions to the safety and environmental protection to maintain safe and stable operation of facilities

The Group will fully implement HSE management system, establish long-term effective mechanism of safe production, further enhance its site management and monitoring and supervision of critical facilities and equipments, reduce non-planned shut downs and endeavor to maintain facilities operating consistently and stably with full load to produce qualified products. Moreover, the Group will continue to promote the upgrading of product quality through quality improvement projects, quality project research, QC team activity, etc. In 2012, the planned volume of polyester product production is 2,166,000 tonnes, of which self-consumption volume is 356,000 tonnes. The planned production volume of PTA, 1,4-butanediol and high performance PE fibre is 1,035,000 tonnes, 13,000 tonnes and 1,200 tonnes respectively.

III. Enhance the ability of innovation and fundamentally propel the technological progress

The Group will further strengthen its basic construction of technological innovation, promote the establishment of excellent innovation teams, accelerate the training of scientific and technological personnel, and stimulate innovation sparks of employees; take full advantages of the coordination mechanism of production, marketing and research, consolidate ties between its technological progress and the market to constantly boost the product upgrading; continue to conduct the technological development and modification to elevate the technical level of facilities, and actively carry out the basic research and applied research for the Group's sustained development. In 2012, there are 30 product items planned for new development. The Company's projected production volume of differentiated fibre and specialised polyester chips products for 2012 will be 562,000 tonnes and 921,000 tonnes, respectively, while the differential rates for differentiated and specialised products are expected to be 87.6 per cent and 82.4 per cent.

IV. Strengthen fine management, greatly reduce costs and expenses, promote energy conservation and emission reduction

The Group will continue to promote system standardization and informatization reform, forming "unified, standardized and efficient" system. The Group will improve its performance management, revise and consummate the performance evaluation system, motivating employees to uninterruptedly make new achievements; continuously promote all personnel to implement the cost target management, perfect its cost management system and enhance cost management level to meet the expense target of the Group; further propel energy conservation and emission reduction, adhere to the concepts of green, low carbon and sustainable development, do a solid job in new rounds of clean production. In 2012, the comprehensive energy consumption per RMB 10,000 turnover is expected to be 1.1499 tonnes of standard coal. Total industrial water demand will be less than 26.6 million tonnes and total COD in waste discharged will also be less than 565 tonnes.

V. Unify the overall planning, organize meticulously, and steadily impel development

In 2012, the Group will unify the overall planning and organize meticulously, steadily impelling its development. The Group will ensure that 1, 4-butanediol project with an annual capacity of 100,000 tonnes is completed and be put into trial production as of August 2012, and in the meantime make adequate preparations for the market development and pre-sales work. Meanwhile, the Group will promote the construction of specialized polyester chip project with an annual capacity of 400,000 tonnes and differential staple fibre project (third unit) with an annual capacity of 100,000 tonnes, and endeavor to fulfill the construction of these two projects and commence producing by February of 2013 and September of 2012 respectively. The Group will also make great efforts to initiate the construction of the differential staple fibre project (ninth unit) with an annual capacity of 100,000 tonnes in April 2012; vigorously promote the construction of PTA joint venture project and strive for launching this project in first half of 2012; make technological breakthrough on high performance polyethylene fibre and aramid fibre, improve performance of the products and effectively promote the industrialization process.

The Company's capital expenditure for 2012 is expected to be approximately RMB 2,041,800,000, including: the 1,4-butanediol project with an annual capacity of 100,000 tonnes, Specialised polyester chip project with an annual capacity of 400,000 tonnes, PTA joint project with an annual capacity of two million tonnes, the Second phase of high performance polyethylene fiber project with an annual capacity of 3,000 tonnes, differential staple fibre project with an annual capacity of 100,000 tonnes (third unit) and differential staple fibre project with an annual capacity of 100,000 tonnes (ninth unit) amounting to RMB 620,000,000, RMB 220,000,000, RMB 330,000,000, RMB 150,000,000, RMB 160,000,000 and RMB 120,000,000 respectively. To maximise its return on investment, the Group will strengthen its investment management in accordance with the prudence principle. The planned capital expenditures will be funded from cash generated from operations and bank credit facilities.

D. Proposed scheme of profit distribution

In accordance with the PRC Accounting Standards for Business Enterprises, the net profit of the Company for 2011 was RMB 835,400,000 (the profit attributable to equity shareholders of the Company for 2011 was RMB 835,589,000 under IFRSs). The total distributable profit, including the undistributed profit of RMB 1,051,588,000 brought forward from the previous year (deducting the final cash dividend of RMB 120,000,000 paid for the year 2010), was RMB 1,766,988,000 at the end of 2011.

According to the relevant regulations of the PRC and the Articles of Association of the Company, the Company proposed that RMB 83,540,000 was transferred to the statutory surplus reserve.

It is proposed that a final cash dividend of RMB 0.03 per share (including tax) for 2011 would be paid, totalling RMB 120,000,000.

The above proposed profit distribution scheme shall be submitted for approval at the 2011 AGM.

6. REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee believes that during the reporting period the Board operated in strict compliance with laws and related regulations. There was no unusual situation in connection with the Company's financial affairs and connected transactions.

7. SIGNIFICANT EVENTS

(1) During the reporting period, the Group did not have any material litigation or arbitration.

(2) In accordance with the relevant laws and 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 any new proposals of share reform.

(3) Pursuant to a resolution passed at the first EGM for 2011 on 16 December 2011, the Company resolved to merge YCFC Jingwei Chemical Fibre Co., Ltd. ("**YCFC Jingwei**") (the "**Merger**"), a wholly-owned subsidiary of the Company. YCFC Jingwei was deregistered and was merged into the Company on 28 December 2011. Accordingly, YCFC Jingwei's assets and liabilities were incorporated in the Company's books based on their carrying amounts.

During the reporting period, the Group had not acquire or disposals of assets, nor any merger and acquisitions activities other than mentioned above.

(4) Information on connected transactions
The twenty-first meeting of the sixth term of the Board held on 14 October 2011 approved the renewal of the existing framework agreements regarding continuing connected transactions, relative agreements and announcement by non-connected directors. The first EGM for 2011 held on 16 December 2011 approved the related framework agreements regarding continuing connected transactions and the non-exempt continuing connected transaction contemplated thereunder and the proposed annual caps in relation to the non-exempt continuing connected transaction by independent shareholders.

The Group's material connected transactions entered into during the year ended 31 December 2011 are as follows:

(a) The significant connected transactions relating to ordinary operation during the reporting period are as follow.

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	10,753,982	62.2

In the opinion of the Group, that the above-mentioned connected transactions with related parties were necessary and continuously occurred, and that the agreements governing these transactions met the requirements of business operation of the Company and the market situation. Meanwhile, purchasing from the above related parties ensures a steady and secured supply of raw materials. Therefore, these connected transactions provided benefits to the Group. These transactions were negotiated at market prices and had no adverse effect on the Company's profit or independence.

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

(c) During the reporting period, the Company did not supply any non-operating funds to the controlling shareholder or its subsidiaries.

The Board believes that the above transactions were under the ordinary course of business and on normal commercial terms or were in accordance with the terms of agreements governing these transactions. Details of connected transactions entered into by the Company during the reporting period, refer to note 6 of the financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises. Independent directors have reviewed the above-mentioned connected transactions according to the regulations as stipulated in the Listing Rules, and made necessary confirmation in written submitted to the Board on 26

March 2012. Auditors of the Company have reviewed the above-mentioned connected transactions and provided a letter to the Board on 26 March 2012.

(5) The twenty-fourth meeting of the sixth term of the Board held on 29 November 2011 passed a resolution to approve into the joint venture agreement to be entered into by the Company with Far Eastern Polytex Holding Limited ("**Far Eastern Holding**"), pursuant to which the Company and Far Eastern Holding would agree to establish a joint venture company, Far Eastern Yihua Petrochemical (Yangzhou) Corporation ("**Far Eastern Yihua**"), in Yizheng City, Jiangsu Province, the PRC. Far Eastern Yihua will be principally engaged in the production and sale of PTA. The registered capital of Far Eastern Yihua is US$250 million, in which capital contributions of the Company and Far Eastern Holding shall respectively account for 40% and 60%. The Company will pay in RMB in cash and Far Eastern Holding will pay in US$ in cash remittance. Far Eastern Yihua will invest and construct the PTA project with an annual capacity of two million tonnes. The PTA project will be expected to commence construction in 2012 and its construction period will last for 27 to 30 months.

The Directors are of the view that the joint venture agreement will be conducive to effectively resolving the issue of the source of PTA, the main raw material of the Company, and will be helpful for accelerating the construction of the PTA project.

(6) The twentieth meeting of the sixth term of the Board held on 29 August 2011 resolved to invest and construct a differential polyester staple fibre project with an annual capacity of 200,000 tonnes and a specialised polyester chip project with an annual capacity of 400,000 tonnes. The total investment of the two projects amounted to RMB 0.85 billion and the needed capital will be funded from cash generated from operations. The two projects are expected to be in operation before the end of February 2013.

(7) The Group did not lease, contract out or hold in trust any assets for other companies. Furthermore, the Group did not rent or contract any assets from other companies and did not have assets held by other companies.

(8) During the reporting period, the Group did not make any guarantee or did not have any secured assets.

(9) As at 31 December 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.

(10) During the reporting period, the Group 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.

(11) The ninth meeting of the sixth term Board of Directors of the Company held on 31 December 2009 reviewed and passed the resolution regarding that the Company carries out the fund operation within RMB 700 million. As at 31 December 2011, the Company's available-for-sale financial assets were RMB 200,000,000.

(12) During the reporting period, neither the sixth term of the Board of the Company nor its Directors thereof were subject to any investigation by the CSRC, administrative penalty or circular of criticism released by the CSRC and the Securities and Futures Commission of Hong Kong, and reprimand published by SSE and HKSE.

8. FINANCIAL REPORT

8.1 Audit Opinion

The financial statements of Sinopec Yizheng Chemical Fibre Company Limited ("the **Company**") and its subsidiary ("the **Group**") prepared under the PRC ASBE have been audited by Gong Wei-li and Xu Kan-ling of KPMG Huazhen and an audit report with an unqualified audit opinion was issued on 26 March 2012. Also, the consolidated financial statements of the Group prepared under IFRSs have been audited by KPMG and an audit report with an unqualified audit opinion was issued on 26 March 2012.

8.2 Financial statements prepared in accordance with IFRSs

The following financial information has been extracted from the Group's audited financial statements, prepared in accordance with IFRSs, for the year ended 31 December 2011.

Consolidated statement of comprehensive income
for the year ended 31 December 2011

	Note	2011 *RMB'000*	2010 *RMB'000* *(Restated)*
Turnover	*4*	20,179,768	16,348,366
Cost of sales		(18,607,201)	(14,353,315)
Gross profit		1,572,567	1,995,051
Other income	*5*	71,315	12,842
Distribution costs		(220,430)	(212,868)
Administrative expenses		(441,685)	(463,100)
Other expenses		(12,711)	(228,010)
Profit from operations		969,056	1,103,915
Finance income		58,747	37,577
Finance expenses		(1,860)	(2,291)
Net finance income		56,887	35,286
Investment income		16,247	1,142
Profit before taxation	*6*	1,042,190	1,140,343
Income tax	*7*	(202,958)	86,954
Profit attributable to equity shareholders of the Company for the year		839,232	1,227,297
Other comprehensive income for the year (after tax and reclassification adjustments)			

Consolidated statement of comprehensive income for the year ended 31 December 2011*(continued)*

Available-for-sale financial assets: net movement in the fair value reserve		-	-
Total comprehensive income attributable to equity shareholders of the Company for the year		839,232	1,227,297
Basic and diluted earnings per share (in RMB)	*9*	0.210	0.307

Consolidated statement of financial position
as at 31 December 2011

	Note	**2011** *RMB'000*	**2010** *RMB'000* *(Restated)*
Non-current assets			
Property, plant and equipment		3,411,893	3,471,168
Construction in progress		1,201,201	498,043
Lease prepayments		280,224	288,705
Interest in a jointly controlled entity		303,089	-
Deferred tax assets		122,536	196,891
		5,318,943	4,454,807
Current assets			
Available-for-sale financial assets	*10*	200,000	-
Investments held for trading		-	699,713
Inventories		1,756,664	1,318,769
Trade and other receivables	*11*	2,479,706	1,588,525
Prepaid taxation		152,465	-
Deposits with banks and other financial institutions		35,000	443,456
Cash and cash equivalents		1,506,821	2,025,932
		6,130,656	6,076,395
Current liabilities			
Trade and other payables	*12*	2,402,659	2,088,684
Current taxation		-	109,937
		2,402,659	2,198,621
Net current assets		3,727,997	3,877,774
Total assets less current liabilities		9,046,940	8,332,581
Non-current liabilities			
Deferred income		55,001	59,874
Net assets		8,991,939	8,272,707

Consolidated statement of financial position
as at 31 December 2011*(continued)*

	Note	2011	2010
Equity			
Share capital		4,000,000	4,000,000
Share premium		2,518,833	2,518,833
Reserves	*13*	228,722	145,182
Retained profits		2,244,384	1,608,692
Total equity attributable to equity shareholders of the Company		8,991,939	8,272,707

Consolidated statement of changes in equity
for the year ended 31 December 2011

	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	-	-	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
Appropriation of statutory surplus reserve	-	-	116,843	(116,843)	-
Total comprehensive income for the year (As previously reported)	-	-	-	1,231,226	1,231,226
Adjustments for change in accounting policy	-	-	-	(3,929)	(3,929)
Total comprehensive income for the year (As restated)	-	-	-	1,227,297	1,227,297
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 year ended 31 December 2011 (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	-	-	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	-	-	-	(120,000)	(120,000)
Appropriation of statutory surplus reserve	-	-	83,540	(83,540)	-
Total comprehensive income for the year	-	-	-	839,232	839,232
Balance at 31 December 2011	4,000,000	2,518,833	228,722	2,244,384	8,991,939

Notes:

1 Principal activities and basis of preparation

The Group is 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 is the Company's immediate parent company and China Petrochemical Corporation is the Company's ultimate holding company.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group also prepares a set of financial statements which complies with the PRC ASBE. Significant differences between the financial statements prepared in accordance with IFRSs and the PRC ASBE are summarised in section 8.4.

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 financial statements.

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 three years ended 31 December 1992 and for the ten-month period ended 31 October 1993, with the start of the earliest comparative period being 1 January 1990. 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 at 31 October 1993. As these valuations were 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 valuers as at 31 October 1993, with consequential adjustments for amortisation charged in subsequent periods.

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

Consolidated and company statements of financial position items

	3 1 December 2010 *Increase/(decrease)* RMB'000	*1 January 2010* *Increase/(decrease)* 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

	2011 *Increase/(decrease)* RMB'000	*2010* *Increase/(decrease)* RMB'000
Administrative expenses	5,239	5,239
Income tax	(1,310)	(1,310)
Profit attributable to equity shareholders of the Company for the year	(3,929)	(3,929)
Total comprehensive income attributable to equity shareholders of the Company for the year	(3,929)	(3,929)
Basic and diluted earnings per share (in RMB)	(0.001)	(0.001)

There is no material impact to the Group's financial position as a result of the change in accounting policy as mentioned above, accordingly an additional consolidated balance sheet and related notes are not presented as at the beginning of the earlier comparative period of these consolidated financial statements.

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.

(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" (including inter-segment profit).

In addition to receiving segment information concerning "gross profit" (including inter-segment 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.

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 year 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 year ended 31 December														
Revenue from external customers	7,346,044	6,127,035	3,804,094	2,724,476	6,778,706	5,423,037	1,865,482	1,780,642	-	-	385,442	293,176	20,179,768	16,348,366
Inter-segment revenue	-	87,491	-	-	-	-	-	-	8,765,942	6,925,492	-	-	8,765,942	7,012,983
Reportable segment revenue	**7,346,044**	**6,214,526**	**3,804,094**	**2,724,476**	**6,778,706**	**5,423,037**	**1,865,482**	**1,780,642**	**8,765,942**	**6,925,492**	**385,442**	**293,176**	**28,945,710**	**23,361,349**
Gross profit/(loss) from external customers	211,670	253,605	47,825	20,336	295,046	379,439	(93,014)	15,835	-	-	15,574	3,206	477,101	672,421
Inter-segment profit	-	3,621	-	-	-	-	-	-	1,128,943	1,364,056	-	-	1,128,943	1,367,677
Reportable segment profit/(loss)	**211,670**	**257,226**	**47,825**	**20,336**	**295,046**	**379,439**	**(93,014)**	**15,835**	**1,128,943**	**1,364,056**	**15,574**	**3,206**	**1,606,044**	**2,040,098**
Depreciation and amortisation	59,917	62,395	18,150	39,454	35,809	38,053	13,899	14,765	140,182	209,223	96,642	94,190	364,599	458,080
Impairment of property, plant and equipment ("PP&E")	370	196	-	203,506	-	588	71	-	4,412	11,788	432	637	5,285	216,715
Write-down of inventories	-	-	-	-	-	-	1,093	-	-	-	6,344	12,401	7,437	12,401
As at 31 December														
Reportable segment assets	**580,355**	**604,359**	**185,513**	**197,206**	**571,201**	**496,965**	**176,644**	**199,942**	**984,338**	**1,153,730**	**1,183,895**	**1,029,268**	**3,681,946**	**3,681,470**

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

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

	2011 *RMB'000*	2010 *RMB'000*
Revenue		
Revenue for reportable segments excluding other revenue	28,560,268	23,068,173
Other revenue	385,442	293,176
Elimination of inter-segment revenue	(8,765,942)	(7,012,983)
Consolidated turnover	20,179,768	16,348,366

	2011 *RMB'000*	2010 *RMB'000* *(Restated)*
Profit		
Profit for reportable segments excluding other profit	1,590,470	2,036,892
Other profit	15,574	3,206
Unallocated losses	(33,477)	(41,426)
Elimination of inter-segment profit	-	(3,621)
Consolidated gross profit	1,572,567	1,995,051
Other income	71,315	12,842
Distribution costs	(220,430)	(212,868)
Administrative expenses	(441,685)	(463,100)
Other expenses	(12,711)	(228,010)
Net finance income	56,887	35,286
Investment income	16,247	1,142
Consolidated profit before taxation	1,042,190	1,140,343

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

	2011 *RMB'000*	2010 *RMB'000* *(Restated)*
Assets		
Assets for reportable segments excluding other assets	2,498,051	2,652,202
Other assets	1,183,895	1,029,268
Unallocated assets	1,486,611	1,112,111
Elimination of inter-segment balances	-	(3,644)
	5,168,557	4,789,937
Other non-current assets	1,907,050	983,639
Available-for-sale financial assets	200,000	-
Investments held for trading	-	699,713
Trade and other receivables	2,479,706	1,588,525
Prepaid taxation	152,465	-
Deposits with banks and other financial institutions	35,000	443,456
Cash and cash equivalents	1,506,821	2,025,932
Consolidated total assets	11,449,599	10,531,202

	2011 *RMB'000*	2010 *RMB'000* *(Restated)*
Depreciation and amortisation		
Depreciation and amortisation for reportable segments excluding other depreciation and amortisation	267,957	363,890
Other depreciation and amortisation	96,642	94,190
Unallocated depreciation and amortisation	32,897	35,455
Consolidated total depreciation and amortisation	397,496	493,535

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

	2011 *RMB'000*	**2010** *RMB'000*
Impairment of PP&E		
Impairment of PP&E for reportable segments excluding other impairment of PP&E	4,853	216,078
Other impairment of PP&E	432	637
Unallocated impairment of PP&E	-	6,981
Consolidated total impairment of PP&E	5,285	223,696

	2011 *RMB'000*	**2010** *RMB'000*
Write-down of inventories		
Write-down of inventories for reportable segments excluding other write-down of inventories	1,093	-
Other write-down of inventories	6,344	12,401
Unallocated write-down of inventories	-	33,230
Consolidated total write-down of inventories	7,437	45,631

4 Turnover

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

5 Other income

	2011 *RMB'000*	**2010** *RMB'000*
Net gain on disposal of property, plant and equipment	25,427	8,620
Reversal of non-payable liabilities	19,902	-
Reversal of loss on breach of contracts	19,175	-
Government grants	5,447	2,462
Others	1,364	1,760
Other income	71,315	12,842

6 Profit before taxation

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

(a) Net finance income

	2011	2010
	RMB'000	*RMB'000*
Interest income	(53,722)	(33,330)
Net foreign exchange gain	(5,025)	(4,247)
Finance income	(58,747)	(37,577)
Interest expense	-	558
Others	1,860	1,733
Finance expenses	1,860	2,291
	(56,887)	(35,286)

(b) Other items

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Cost of inventories #	18,607,201	14,353,315
Employee's pension costs#		
- Municipal retirement scheme costs	86,525	79,543
- Supplementary retirement scheme costs	25,467	23,521
Staff costs#	815,106	710,880
Depreciation #	389,015	485,054
Repairs and maintenance expenses #	358,599	316,931
Research and development expenses	51,112	54,008
Auditors' remuneration - audit services	5,000	4,900
Impairment losses		
- Trade and other receivables	(8,075)	4,488
- Property, plant and equipment	5,285	223,696
Amortisation of lease prepayments	8,481	8,481

Cost of inventories includes RMB 1,316,319,000 (2010: RMB 1,269,347,000) relating to employee's pension costs, staff costs, depreciation and repairs and maintenance expenses which amount is also included in the respective total amounts disclosed separately in note 9(b) for each of these types of expenses.

7 Income tax

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

	2011 *RMB'000*	2010 *RMB'000* *(Restated)*
Current tax		
Provision for the year	118,253	109,937
Under-provision in respect of prior year	10,350	-
Deferred tax		
Origination and reversal of temporary differences	74,355	(196,891)
	202,958	(86,954)

The charge for PRC income tax is calculated at the rate of 25% (2010: 25%) on the estimated assessable income of the year 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.

The following is a reconciliation of income tax calculated at the Group's applicable tax rate with actual income tax for the year:

	2011 *RMB'000*	2010 *RMB'000* *(Restated)*
Profit before taxation	1,042,190	1,140,343
Expected income tax using the Group's tax rate of 25%	260,548	285,086
Recognition of previously unrecognised deductible temporary differences	(66,415)	(166,569)
Utilisation of previously unrecognised unused tax losses	-	(204,916)
Tax effect of non-taxable income	(1,875)	-
Tax effect of non-deductible expenses	350	672
Tax effect of additional deductible expenses	-	(1,227)
Under-provision in respect of prior year	10,350	-
Actual income tax	202,958	(86,954)

(b) Prepaid taxation and current taxation in the statement of financial position represents:

	The Group and the Company	
	2011	**2010**
	RMB'000	*RMB'000*
Income tax (prepayment)/provision for the year	(152,465)	109,937

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

	The Group and the Company				
	Balance at 1 January 2010	**Recognised in statement of comprehensive income**	**Balance at 31 December 2010**	**Recognised in statement of comprehensive income**	**Balance at 31 December 2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Restated)	*(Restated)*	*(Restated)*		
Current					
Provisions for receivables	-	1,460	1,460	(496)	964
Accrued expenses	-	6,411	6,411	(6,411)	-
Accrued sales rebate	-	11,783	11,783	(1,864)	9,919
Inventory	-	8,897	8,897	1,461	10,358
Non-current					
Property, plant and equipment	-	108,408	108,408	(11,192)	97,216
Impairment for investment in subsidiary	-	54,871	54,871	(54,871)	-
Deferred income	-	5,061	5,061	(982)	4,079
	-	196,891	196,891	(74,355)	122,536

At 31 December 2011, there is no unrecognised deferred tax asset in respect of deductible temporary differences (2010: RMB 275,604,000) or unutilized tax losses (2010: RMB 313,425,000).

8 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

Pursuant to a resolution passed at the directors' meeting on 26 March 2012, a final dividend of RMB 0.03 per share (2010: RMB 0.03 per share) totalling RMB 120,000,000 (2010: RMB 120,000,000) was proposed for shareholders' approval at the Annual General Meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	The Group and the Company	
	2011	**2010**
	RMB'000	*RMB'000*
Final dividend in respective of the previous financial year, approved and paid during the year, of RMB 0.03 per share (2010: RMB nil per share)	120,000	-

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 839,232,000 (2010: restated profit of RMB 1,227,297,000) and the weighted average number of ordinary shares of 4,000,000,000 (2010: 4,000,000,000) in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2011 and 2010.

10 Available-for-sale financial assets

	The Group and the Company	
	2011	**2010**
	RMB'000	*RMB'000*
Other investments	200,000	-

Available-for-sale financial assets with a carrying amount of RMB 200,000,000 as at 31 December 2011 represent an investment fund purchased from a PRC state-owned bank. The fund mainly invests in bonds and unlisted enterprises in the PRC and is redeemable on 15 January 2012. The available-for-sale investments are stated at fair values.

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 December 2011

	The Group and the Company			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale financial assets	-	200,000	-	200,000

At 31 December 2010

	The Group and the Company			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments held for trading	699,713	-	-	699,713

During the years there were no significant transfers between instruments in Level 1 and Level 2.

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2011 and 2010.

11 Trade and other receivables

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	96,965	71,692	96,965	69,772
Bills receivable	2,236,236	1,414,970	2,236,236	1,414,970
Amounts due from the parent company and fellow subsidiaries-trade	64,992	3,225	64,992	3,225
Amounts due from a subsidiary-trade	-	-	-	267,832
	2,398,193	1,489,887	2,398,193	1,755,799
Less: allowance for doubtful debts	-	-	-	(132,154)
	2,398,193	1,489,887	2,398,193	1,623,645
Amounts due from the parent company and fellow subsidiaries -non-trade	2,410	8,688	2,410	8,688
Other receivables, deposits and prepayments	82,960	101,882	82,960	101,832
	85,370	110,570	85,370	110,520
Less: allowance for doubtful debts	(3,857)	(11,932)	(3,857)	(11,932)
	81,513	98,638	81,513	98,588
	2,479,706	1,588,525	2,479,706	1,722,233

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

(a) Ageing analysis

The ageing analysis of trade receivables, bills receivable, amounts due from the parent company and fellow subsidiaries-trade and amounts due from a subsidiary-trade (net of allowance for doubtful debts) is as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	2,398,193	1,489,887	2,398,193	1,623,645

Trade receivables, amounts due from the parent company and fellow subsidiaries-trade and amounts due from a subsidiary-trade are due within six months from the date of billing. Bills receivable are due within nine months from the date of issuance.

(b) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	11,932	7,444	144,086	121,474
Impairment losses reversed through merger of a subsidiary	-	-	(132,154)	-
Impairment losses (reversed) /recognized	(8,075)	4,488	(8,075)	22,612
At 31 December	3,857	11,932	3,857	144,086

At 31 December 2011, the Group's and the Company's trade and other receivables of RMB 3,857,000 is collectively determined to be impaired (2010: RMB 11,932,000).

At 31 December 2011, the Company's trade and other receivables is not individually determined to be impaired (2010: RMB 132,154,000).

(c) Trade receivables and bills receivable that are not impaired

The ageing analysis of trade receivables, bills receivable, amounts due from the parent company and fellow subsidiaries-trade and amounts due from a subsidiary-trade that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	2,398,193	1,489,887	2,398,193	1,623,645

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

12 Trade and other payables

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	693,731	563,091	693,731	539,950
Amounts due to the parent company and fellow subsidiaries-trade	1,257,368	1,079,833	1,257,368	1,079,833
Amounts due to a subsidiary-trade	-	-	-	1,893
	1,951,099	1,642,924	1,951,099	1,621,676
Amounts due to the parent company and fellow subsidiaries-non-trade	912	11,865	912	11,865
Other payables and accrued expenses	450,648	433,895	450,648	440,505
	2,402,659	2,088,684	2,402,659	2,074,046

As at 31 December, the maturity analysis of bills payable and trade payables is as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due within 1 month or on demand	693,731	563,091	693,731	539,950

As at 31 December, the maturity analysis of amounts due to the parent company and fellow subsidiaries-trade and amounts due to a subsidiary-trade is as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due within 1 month				
or on demand	1,257,368	1,079,833	1,257,368	1,081,726

13 Reserves

	The Group and the Company		
	Capital reserve	**Statutory surplus reserve**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2010 (As restated)	28,339	-	28,339
Appropriation of statutory surplus reserve	-	116,843	116,843
At 31 December 2010 (As restated)	28,339	116,843	145,182
Appropriation of statutory surplus reserve	-	83,540	83,540
At 31 December 2011	28,339	200,383	228,722

According to the Articles of Association of the Company and its subsidiary in the PRC, each of these entities is required to transfer 10% of its profit after taxation, as determined in accordance with the PRC ASBE, to its statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders of these entities.

The statutory surplus reserve can be used by an entity to make good of its previous years' losses, if any, or to expand its production and operation, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of its registered capital.

8.3 Financial statements prepared in accordance with PRC ASBE

The following financial information has been extracted from the Group's audited financial statements, prepared in accordance with PRC ASBE for the year ended 31 December 2011.

Balance sheets

(Expressed in thousands of Renminbi Yuan)

	The Group		The Company	
	As at 31 December 2011	As at 31 December 2010	As at 31December 2011	As at 31 December 2010
Assets				
Current assets				
Cash at bank and on hand	1,541,821	2,469,388	1,541,821	2,469,388
Investments held for trading	-	699,713	-	699,713
Bills receivable	2,236,236	1,414,970	2,236,236	1,414,970
Accounts receivable	104,668	74,917	104,668	208,675
Prepayments	59,625	6,208	59,625	6,208
Other receivables	11,718	29,985	11,718	29,935
Inventories	1,756,664	1,318,769	1,756,664	1,294,415
Available-for-sale financial assets	200,000	-	200,000	-
Other current assets	219,924	62,443	219,924	62,443
Total current assets	6,130,656	6,076,393	6,130,656	6,185,747
Non-current assets				
Long-term equity investments	303,089	-	303,089	-
Fixed assets	3,366,832	3,413,109	3,366,832	3,292,760
Construction in progress	1,201,201	498,043	1,201,201	498,043
Intangible assets	325,285	346,766	325,285	346,766
Deferred tax assets	122,536	196,891-	122,536	196,891
Total non-current assets	5,318,943	4,454,809	5,318,943	4,334,460
Total assets	11,449,599	10,531,202	11,449,599	10,520,207

Balance sheets *(continued)*
(Expressed in thousands of renminbi yuan)

	The Group		The Company	
	As at 31 December 2011	As at 31 December 2010	As at 31December 2011	As at 31 December 2010
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable	1,605,443	1,343,835	1,605,443	1,340,094
Advances from customers	345,656	297,828	345,656	279,131
Employee benefits payable	61,927	71,444	61,927	71,265
Taxes payable	12,322	125,827	12,322	122,449
Other payables	377,311	359,687	377,311	371,044
Total current liabilities	2,402,659	2,198,621	2,402,659	2,183,983
Non-current liabilities				
Deferred income	16,315	20,244	16,315	20,244
Total non-current liabilities	16,315	20,244	16,315	20,244
Total liabilities	2,418,974	2,218,865	2,418,974	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
Special reserve	-	755	-	755
Surplus reserve	200,383	116,843	200,383	116,843
Retained earnings/(Accumulated losses)	1,683,448	1,047,945	1,683,448	1,051,588
Total equity	9,030,625	8,312,337	9,030,625	8,315,980
Total liabilities and shareholders' equity	11,449,599	10,531,202	11,449,599	10,520,207

Income statements
(Expressed in thousands of Renminbi Yuan)

	The Group		The Company	
	2011	2010	2011	2010
Operating income	20,179,768	16,348,366	20,179,768	16,164,673
Less: Operating costs	18,206,234	13,949,852	18,200,683	13,773,821
Business taxes and surcharges	39,514	41,656	39,514	40,030
Selling and distribution expenses	220,430	212,868	220,430	201,699
General and administrative expenses	808,359	775,543	794,937	754,401
Net financial income	(56,887)	(35,286)	(56,887)	(35,236)
Impairment loss	(691)	273,815	(691)	291,939
Add: Gain on changes in fair value	(310)	310	(310)	310
Investment income	16,557	832	16,557	832
Operating profit	979,056	1,131,060	998,029	1,139,161
Add: Non-operating income	72,655	14,658	50,039	8,012
Less: Non-operating expenses	9,710	6,130	9,710	5,704
(Including: Losses from disposal of non-current assets)	2,284	1,816	2,284	1,816
Profit before income tax	1,042,001	1,139,588	1,038,358	1,141,469
Less: Income tax expenses	202,958	(86,954)	202,958	(86,954)
Net profit for the year	839,043	1,226,542	835,400	1,228,423
Attributable to:				
Shareholders of the Company	839,043	1,226,542		
Earnings per share				
Basic and diluted earnings per share (in RMB)	0.210	0.307		

Cash flow statement

(Expressed in thousands of renminbi yuan)

	Note	The Group 2011	The Group 2010	The Company 2011	The Company 2010
Cash flows from operating activities:					
Cash received from sale of goods and rendering of services		20,781,749	17,320,331	20,781,749	17,002,277
Cash received relating to other operating activities		-	-	10,518	-
Refund of taxes		17,008	3,851	17,008	216
Sub-total of cash inflows		20,798,757	17,324,182	20,809,275	17,002,493
Cash paid for goods and services		(18,708,184)	(13,913,129)	(18,708,184)	(13,702,510)
Cash paid to and for employees		(926,460)	(757,965)	(913,038)	(672,769)
Cash paid for all types of taxes		(814,982)	(439,679)	(814,982)	(425,602)
Cash paid relating to other operating activities		(619,378)	(612,604)	(619,378)	(588,926)
Sub-total of cash outflows		(21,069,004)	(15,723,377)	(21,055,582)	(15,389,807)
Net cash inflow from operating activities	(1)	(270,247)	1,600,805	(246,307)	1,612,686
Cash flows from investing activities:					
Cash received from disposal of investment		918,090	700,873	918,090	700,873
Net cash received from disposal of fixed assets		32,334	17,483	8,394	11,637
Cash received relating to other investing activities		53,722	33,330	53,722	32,964
Sub-total of cash inflows		1,004,146	751,686	980,206	745,474
Cash paid for acquisition of fixed assets		(836,247)	(557,656)	(836,247)	(556,943)
Cash paid for investments		(700,000)	(401,574)	(700,000)	(401,574)
Net cash paid for acquisition other business units		(303,089)	-	(303,089)	-
Sub-total of cash outflows		(1,839,336)	(959,230)	(1,839,336)	(958,517)
Net cash outflow from investing activities		(835,190)	(207,544)	(859,130)	(213,043)

Cash flow statements *(continued)*
(Expressed in thousands of renminbi yuan)

	Note	The Group 2010	The Group 2009	The Company 2010	The Company 2009
Cash flows from financing activities:					
Cash received from government		-	39,630	-	39,630
Sub-total of cash inflows		-	39,630	-	39,630
Cash paid for dividends		(120,000)		(120,000)	
Sub-total of cash outflows		(120,000)		(120,000)	
Net cash inflow/(outflow) from financing activities		(120,000)	39,630	(120,000)	39,630
Net increase in cash and cash equivalents	(1)	(1,225,437)	1,432,891	(1,225,437)	1,439,273
Add: Cash and cash equivalents at the beginning of the year		2,767,258	1,334,367	2,767,258	1,327,985
Cash and cash equivalents at the end of the year		1,541,821	2,767,258	1,541,821	2,767,258

Notes to cash flow statements

(1) Supplement to the Group's and the Company's cash flow statements

(a) Reconciliation of net profit to net cash flows from operating activities:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Net profit	839,043	1,226,542	835,400	1,228,423
Add: Impairment provisions for assets (Decrease listed with "()")	(691)	245,923	(691)	246,308
Depreciation of fixed assets	367,715	464,030	358,521	454,136
Amortisation of intangible assets	29,781	29,504	29,781	29,504
Amortisation of deferred income	(3,929)	(1,012)	(3,929)	(1,012)
Net gains on disposal of fixed assets	(25,427)	(8,620)	(2,811)	(3,276)
Net financial income	(53,722)	(33,330)	(53,722)	(32,964)
Investments income	(16,557)	(832)	(16,557)	(832)
Losses from changes in fair value (Gains listed with "()")	310	(310)	310	(310)
Decrease/(increase) in deferred tax assets	74,355	(196,891)	74,355	(196,891)
Decrease in provisions		(5,198)		(5,198)
Increase in gross inventories	(439,994)	(28,489)	(436,351)	(21,070)
(Decrease)/increase in specific reserves	(755)	755	(755)	755
Increase in operating receivables	(1,184,221)	(252,124)	(1,173,703)	(228,758)
Increase in operating payables	143,845	160,857	143,845	143,871
Net cash inflow from operating activities	(270,247)	1,600,805	(246,307)	1,612,686

(b) Change in cash and cash equivalents:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Cash at the end of the year	1,541,821	2,469,388	1,541,821	2,469,388
Less: Cash at the beginning of the year	2,469,388	1,334,367	2,469,388	1,327,985
Add: Cash equivalents at the end of the year		297,870		297,870
Less: Cash equivalents at the beginning of the year	297,870	362,461	297,870	-
Net (decrease)/increase in cash and cash equivalents	(1,225,437)	1,432,891	(1,225,437)	1,439,273

(2) Cash and cash equivalents held by the Group and the Company is as follows:

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash	1,541,821	2,469,388	1,541,821	2,469,388
- Cash on hand	21	23	21	23
- Bank deposits available on demand	1,541,800	2,469,365	1,541,800	2,469,365
Cash equivalents	-	297,870	-	297,870
- Bonds investment with a maturity of 3 months or less	-	297,870	-	297,870
- Others				
Closing balance of cash and cash equivalents available on demand	1,541,821	2,767,258	1,541,821	612,604

Consolidated statement of changes in shareholders' equity
(Expressed in thousands of Renminbi Yuan)

Note	2011 Share capital	2011 Capital reserve	2011 Specific reserve	2011 Surplus reserve	2011 Retained earnings	2011 Total equity	2010 Share capital	2010 Capital reserve	2010 Specific reserve	2010 Surplus reserve	2010 (Accumulated losses) /Retained earnings	2010 Total equity
	Attributable to shareholders of the Company						Attributable to shareholders of the Company					
1. Balance at the beginning of the year	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
2. Changes in equity for the year (Decrease listed with "-")												
(1) Net profit for the year	-	-	-	-	839,043	839,043	-	-	-	-	1,226,542	1,226,542
(2) Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total of (1) & (2)	-	-	-	-	839,043	839,043	-	-	-	-	1,226,542	1,226,542
(3) Shareholders' contribution												
-Others	-	-	-	-	-	-	-	39,630	-	-	-	39,630
(4) Appropriation of profit												
-Appropriation for surplus reserve	-	-	-	83,540	(83,540)	-	-	-	-	116,843	(116,843)	-
-Distributions to shareholders	-	-	-	-	(120,000)	(120,000)	-	-	-	-	-	-
(5) Specific reserve												
-Accrued for the year	-	-	904	-	-	904	-	-	755	-	-	755
-Utilised for the year	-	-	(1,659)	-	-	(1,659)	-	-	-	-	-	-
3. Balance at the end of the year	4,000,000	3,146,794	-	200,383	1,683,448	9,030,625	4,000,000	3,146,794	755	116,843	1,047,945	8,312,337

Statement of changes in shareholders' equity
(Expressed in thousands of Renminbi Yuan)

Note	2011 Share capital	2011 Capital reserve	2011 Specific reserve	2011 Surplus reserve	2011 Retained earnings	2011 Total equity	2010 Share capital	2010 Capital reserve	2010 Specific reserve	2010 Surplus reserve	2010 (Accumulated losses) /Retained earnings	2010 Total equity
1. Balance at the beginning of the year	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
2. Changes in equity for the year (Decrease listed with "-")												
(1) Net profit for the year	-	-	-	-	835,400	835,400	-	-	-	-	1,228,423	1,228,423
(2) Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total of (1)&(2)	-	-	-	-	835,400	835,400	-	-	-	-	1,228,423	1,228,423
(3) Shareholders' contribution												
-Others	-	-	-	-	-	-	-	39,630	-	-	-	39,630
(4) Appropriation of profit												
-Appropriation for surplus reserve	-	-	-	83,540	(83,540)	-	-	-	-	116,843	(116,843)	-
-Distributions to shareholders	-	-	-	-	(120,000)	(120,000)	-	-	-	-	-	-
(5) Specific reserve												
-Accrued for the year	-	-	904	-	-	904	-	-	755	-	-	755
-Utilised for the year	-	-	(1,659)	-	-	(1,659)	-	-	-	-	-	-
3. Balance at the end of the year	4,000,000	3,146,794	-	200,383	1,683,448	9,030,625	4,000,000	3,146,794	755	116,843	1,051,588	8,315,980

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

The difference between ASBE and International Financial Reporting Standards ("IFRSs") on net profit and net assets of consolidated financial statements is analysed as follows:

	Net profit		Net assets	
	2011	2010	2011	2010
Under ASBE	839,043	1,226,542	9,030,625	8,312,337
Adjustments under IFRSs:				
a. Government grants	944	-	(38,686)	(39,630)
b. Specific reserve	(755)	755	-	-
c. Tax effects of the above adjustments	-	-	-	-
Under IFRSs	839,232	1,227,297	8,991,939	8,272,707

(1) Government grants

Under ASBE, grants from government that are credited to capital reserve according to relevant regulation cannot be included in deferred income. Under IFRS, the government grants are deducted from the carrying amount of the assets and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense when transferred to plant, property and equipment.

(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 revenue 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 capital expenditure on production maintenance and safety facilities are recognised as property, plant and equipment and depreciated according to the relevant depreciation method.

9. OTHER ITEMS

(1) Annual Report
The Company will dispatch the 2011 Annual Report to all "H" shareholders as soon as possible.

(2) Compliance with the Code of Corporate Governance Practices and the Model Code
The Company has complied with the Code of Corporate Governance Practices as set out by 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 Audit Committee under the sixth term of the Board held six meetings and reviewed the Company's 2010 Financial Statements, Interim Report for 2011, procedures of internal control system and formed its independent opinion during the reporting period.

The Audit Committee under the seventh term of the Board held the third meeting on 26 March 2012 and reviewed the resolution regarding the 2011 Financial Statements, re-appointing of the auditors of the Company and performance report of the Audit Committee of the Company for 2011.

(3) Purchase, sale or redemption of the Company's listed securities
During the year under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

(4) A detailed results announcement of the Company containing all the information required by Paragraphs 45(1) to (3) inclusive of Appendix 16 to the HKSE Listing Rules will be published on the website of the HKSE at appropriate time.

By Order of the Board
Lu Li-yong
Chairman
26 March, 2012

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*