

# AUDITORS' REPORT



**Arthur Andersen & Co**  
21st Floor, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

**TO THE SHAREHOLDERS OF  
SINOPEC BEIJING YANHUA PETROCHEMICAL COMPANY LIMITED**  
(Incorporated in the People's Republic of China with limited liability)

We have audited the accompanying balance sheets of Sinopec Beijing Yanhua Petrochemical Company Limited (the "Company") as of 31st December, 2000 and 1999, and the related statements of income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing issued by the International Federation of Accountants. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31st December, 2000 and 1999, and of the results of its operations and its cash flows for the years then ended in accordance with International Accounting Standards issued by the International Accounting Standards Committee.

**ARTHUR ANDERSEN & CO**  
Certified Public Accountants  
Hong Kong, 12th April, 2001