

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Sinopec Beijing Yanhua Petrochemical Company Limited (the "Company", formerly known as Beijing Yanhua Petrochemical Company Limited) was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 23rd April, 1997 subsequent to reorganisation ("Reorganisation") in preparation for the listing of its shares. Its shares and American Depository Shares ("ADSs") were listed on the Hong Kong Stock Exchange and the New York StockExchange respectively in June 1997.

Upon the Reorganisation, the Company became a subsidiary of Beijing Yanshan Petrochemical Group Company of China Petrochemical Corporation. As described in Note 25, on 25th February, 2000, the Company became a subsidiary of China Petroleum and Chemical Corporation ("Sinopec").

By a shareholders' resolution dated 5th June, 2000, the Company's name was changed to Sinopec Beijing Yanhua Petrochemical Company Limited.

The principal activities of the Company are manufacturing and sales of petrochemical products.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the financial statements of the Company are as follows:

(a) Basis of presentation

The financial statements are prepared in accordance with International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC"). This basis of accounting differs from the Company's statutory accounts, which are prepared in accordance with PRC generally accepted accounting principles ("PRC GAAP"). The differences between PRC GAAP and IAS are set forth in Note 23.

The preparation of financial statements in accordance with IAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As supplemental information for North American shareholders, the differences between IAS and generally accepted accounting principles in the United States of America ("US GAAP") are set forth in Note 24.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and impairment loss. The initial cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after assets have been put into operation, such as repairs and maintenance and overhaul costs, are charged to expense in the period in which they are incurred. Where it is probable that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of the asset.

Depreciation is provided using the straight-line method to write off the cost or revalued amount, after taking into account the estimated residual value of each asset over its expected useful life. The depreciation method and the expected useful lives of the assets are reviewed periodically. On 1st January, 2000, the expected useful lives were revised to reflect the actual operating conditions of the assets.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Property, plant and equipment (Continued)

The expected useful lives were revised as follows:

	<u>Applicable after 1st January, 2000</u>	<u>Applicable before 1st January, 2000</u>
Buildings	20-40 years	19-35 years
Plant, machinery and equipment	4-20 years	5-16 years
Motor vehicles	8 years	6-16 years
Office equipment and other	5-30 years	7-10 years

The effect of change in estimated useful lives is to reduce depreciation expense for the year ended 31st December, 2000 by approximately RMB168,570,000.

When assets are sold or retired, their costs or revalued amounts and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the income statement. Revaluation surplus of the disposed or retired assets included in equity is transferred directly to retained earnings.

Property, plant and equipment acquired during the Reorganisation were revalued by independent valuers and were stated at revalued amount less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income for items of property, plant and equipment carried at cost and treated as a revaluation decrease for assets that are carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same assets. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of an impairment loss recognised in prior years is recorded when there is evidence that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in income or as a revaluation increase.

(c) Construction-in-progress

Construction-in-progress represents plant and properties under construction and is stated at cost. This includes costs of construction and other direct costs (including interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period).

Construction-in-progress is not depreciated until such time as the assets are completed and put into operational use.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Land use rights

Land use rights are amortised on a straight-line basis over the term of the lease, which is 50 years.

(e) Joint ventures

A joint venture is a venture undertaken by two or more parties whose rights and obligations with respect to the venture are specified in a joint venture agreement. No single venturer is in a position to control unilaterally the activity of the venture.

Interests in joint ventures are accounted for using the equity method. An assessment of the value of interests in joint ventures is made when there are indications that the assets have been impaired or impairment losses recognised in prior years no longer exist.

(f) Inventories

Inventories, other than spare parts and consumables, are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises all costs of purchase, conversion and bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and making the sale.

Spare parts and consumables are stated at cost less provision for obsolescence.

When inventories are sold, their carrying amount is charged to cost of goods sold in the period in which the related revenue is recognised. Write-downs and losses of inventories are charged to expense in the period they occur. Reversals of write-downs, arising from increases in net realisable value, are credited in the period in which the increase occurs.

(g) Receivables

Receivables are stated at face value, after provision for doubtful accounts.

(h) Deferred expenses

Deferred expenses represent catalysts, which are ancillary materials for the production process, and are stated at cost less accumulated amortisation. Amortisation is provided using the straight-line method over the estimated useful lives.

Deferred expenses are included in prepayments and other current assets in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Cash and cash equivalents

Cash represents cash on hand and deposits with banks or other financial institutions which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

(j) Provisions

A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(k) Revenue recognition

Revenue and income are recognised on the following bases, when it is probable that the economic benefits associated with the transaction flow will flow to the Company and the revenue and related costs incurred or to be incurred in respect of the transaction can be measured reliably:

(i) Sales

Sales represent the gross invoiced value of goods, net of value-added tax ("VAT"), sales taxes, discounts and returns, and are recognised upon delivery of goods and when title is passed to customers.

(ii) Interest income

Interest income from deposits placed with banks and other financial institutions is recognised on a time proportion basis that takes into account the effective yield on the assets.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Research and development costs

Expenditures for research and development are charged to expense in the period incurred except for project development costs that meet the following criteria:

- the product or process is clearly defined and costs are separately identified and measured reliably;
- the technical feasibility of the product is demonstrated;
- the product or process will be sold, or used in-house;
- a potential market exists for the product, or its usefulness in-house is demonstrated; and
- adequate technical, financial and other resources required for completion of the project are available.

The recoverable amount of development costs is adjusted whenever there is evidence that the asset has been impaired or that impairment losses recognised in previous years no longer exist.

As of 31st December, 2000 and 1999, no research and development costs had been capitalised.

(m) Translation of foreign currencies

The Company maintains its accounting records in Renminbi ("RMB"). RMB is not a freely convertible currency. Transactions in other currencies are translated into RMB at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into RMB at exchange rates prevailing at that date. Non-monetary assets and liabilities in other currencies are translated at historical rates. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise.

(n) Taxation

The Company provides for enterprise income tax on the basis of its statutory profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable PRC enterprise income tax rate for the Company is 33%.

Deferred taxation is provided under the balance sheet liability method in respect of significant temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arranging borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except when they are directly attributable to the acquisition, construction or production of property, plant and equipment that requires a substantial period of time in preparation for its intended use, in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs arising from funds for acquisition and construction of the asset are capitalised until the asset is ready for its intended use.

(p) Related parties

Parties are considered to be related if one has the ability, directly or indirectly, to control the other, or exercise significant influence over the other in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(q) Retirement benefits

The Company's full-time employees are covered by a state-sponsored pension scheme, and are entitled to an annual pension equal to their basic salaries at their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Company is required to make contributions to the retirement plan at a rate of 19% of the employees' salaries. Contributions are charged to pension expense as they accrue.

The Company provides no retirement benefits other than those described above.

(r) Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash, trade and other receivables and payables, notes receivable and payable, balances with related companies, loans and borrowings.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(s) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(t) Subsequent events

Post-year-end events that provide additional information about a company's position at the balance sheet date (i.e., adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the years are as follows:

	Buildings	Plant, Machinery and Equipment	Motor Vehicles	Office Equipment and Other	Construction -in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost or valuation						
As of 1st January, 1999	1,738,909	8,289,218	130,931	53,890	990,348	11,203,296
Additions	3,785	12,147	6,225	5,110	594,115	621,382
Transfers	352	12,481	1,829	-	(14,662)	-
Disposals	(5,018)	(10,036)	(13,121)	(165)	-	(28,340)
Reclassification	(3,232)	11,876	1,670	(10,314)	-	-
As of 31st December, 1999	1,734,796	8,315,686	127,534	48,521	1,569,801	11,796,338
Additions	571	8,815	2,566	723	1,442,300	1,454,975
Transfers	6,621	1,205,350	3,240	120	(1,215,331)	-
Disposals	(16,174)	(176,174)	(5,468)	(1,941)	-	(199,757)
As of 31st December, 2000	1,725,814	9,353,677	127,872	47,423	1,796,770	13,051,556
Representing:						
At cost	62,888	2,389,725	18,874	15,941	1,796,770	4,284,198
At revaluation	1,662,926	6,963,952	108,998	31,482	-	8,767,358
	1,725,814	9,353,677	127,872	47,423	1,796,770	13,051,556
Accumulated depreciation						
As of 1st January, 1999	(895,945)	(4,891,801)	(72,631)	(30,871)	-	(5,891,248)
Charge for the year	(31,913)	(591,043)	(8,542)	(4,594)	-	(636,092)
Write-back on disposals	5,257	15,113	10,959	76	-	31,405
Reclassification	(2,514)	(7,606)	600	9,520	-	-
As of 1st January, 2000	(925,115)	(5,475,337)	(69,614)	(25,869)	-	(6,495,935)
Charge for the year	(44,658)	(451,283)	(7,852)	(4,489)	-	(508,282)
Write-back on disposals	13,155	138,178	4,719	1,592	-	157,644
As of 31st December, 2000	(956,618)	(5,788,442)	(72,747)	(28,766)	-	(6,846,573)
Net book value						
Beginning of year	809,681	2,840,349	57,920	22,652	1,569,801	5,300,403
End of year	769,196	3,565,235	55,125	18,657	1,796,770	6,204,983

(a) Of the property, plant and equipment as of 31st December, 2000 and 1999, there are no significant idle assets.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The property, plant and equipment of the Company was valued by American Appraisal Hong Kong Limited (the "Valuer"), a qualified independent valuer on 23rd April, 1997, using the replacement cost and open market value approach. The valuation was performed in compliance with the PRC laws and regulations as part of the Reorganisation. As a result of the appraisal, an increase in value of the property, plant and equipment of approximately RMB863 million (including approximately RMB28 million for construction-in-progress) was recorded as of 23rd April, 1997, and depreciation on the increment commenced on that date. Additional depreciation on the revaluation surplus was approximately RMB46,735,000 and RMB129,326,000 respectively for the years ended 31st December, 2000 and 1999. Had the assets been carried at cost less depreciation, their carrying amounts would have been approximately RMB4,684,281,000 as of 31st December, 2000 and RMB4,635,032,000 as of 31st December, 1999.

(c) The costs of construction-in-progress as of 31st December, 2000 and 1999 are composed of:

	<u>As of 31st December,</u>	
	<u>2000</u>	<u>1999</u>
	RMB'000	RMB'000
Cost of construction, plant and equipment and other direct costs	1,752,382	1,515,841
Borrowing costs capitalised		
- interest	44,327	53,961
- foreign exchange loss (gain)	<u>61</u>	<u>(1)</u>
	<u>1,796,770</u>	<u>1,569,801</u>

4. LAND USE RIGHTS

Movements of land use rights for the years ended 31st December, 2000 and 1999 are as follows:

	<u>2000</u>	<u>1999</u>
	RMB'000	RMB'000
Cost		
As of 1st January	818,790	818,790
Disposals	<u>(3,463)</u>	<u>-</u>
As of 31st December	<u>815,327</u>	<u>818,790</u>
Accumulated amortisation		
As of 1st January	(43,669)	(27,293)
Charge for the year	<u>(16,376)</u>	<u>(16,376)</u>
As of 31st December	<u>(60,045)</u>	<u>(43,669)</u>
Net book value	<u>755,282</u>	<u>775,121</u>

The land use rights were granted for land situated in the PRC for a period of 50 years with effect from the date of establishment of the Company.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

5. INVESTMENT IN A JOINT VENTURE

On 23rd February, 2000, the Company together with Albemarle TCI Limited, an affiliate of Albemarle Corporation, a company incorporated in the United States of America, formed an equity joint venture company, Beijing Albemarle Yanshan Fine Chemical Company Limited. The joint venture utilises the BHT unit of the Company and the alkylation technology of Albemarle to produce fine agrochemical products. The amount of investment by the Company is approximately RMB26,205,000, representing 40% of the equity interest of the joint venture.

Summarised unaudited financial information of the Company's share in the joint venture is as follows:

	As of 31st December,	
	<u>2000</u>	<u>1999</u>
	RMB'000	RMB'000
Balance sheet		
Non-current assets	21,709	-
Current assets	4,795	-
Current liabilities	(299)	-

The joint venture had not commenced operations as of 31st December, 2000.

6. INVENTORIES

	As of 31st December,	
	<u>2000</u>	<u>1999</u>
	RMB'000	RMB'000
Raw materials	401,221	261,185
Work-in-process	161,284	161,243
Finished goods	329,916	282,389
Spare parts and consumables	190,039	168,925
	<u>1,082,460</u>	<u>873,742</u>
Less: provision for inventory obsolescence	(60,953)	(60,953)
	<u><u>1,021,507</u></u>	<u><u>812,789</u></u>

Finished goods of approximately RMB57,646,000 and RMB25,480,000 are stated at net realisable value as of 31st December, 2000 and 1999 respectively.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

7. TRADE RECEIVABLES

	As of 31st December,	
	<u>2000</u>	<u>1999</u>
	RMB'000	RMB'000
Trade receivables		
- unrelated companies	295,144	526,275
- related companies	313,329	163,371
- notes receivable	53,971	232,993
	<u>662,444</u>	<u>922,639</u>
Less: provision for doubtful debts	<u>(149,570)</u>	<u>(147,714)</u>
	<u>512,874</u>	<u>774,925</u>

The Company normally grants three months credit period to both its external customers and related parties.

Movements of provision for doubtful accounts:

	Year ended 31st December,	
	<u>2000</u>	<u>1999</u>
	RMB'000	RMB'000
Balance as of 1st January	147,714	88,022
Additional provision made during the year	3,973	59,692
Less: specific write-off of accounts	<u>(2,117)</u>	<u>-</u>
Balance as of 31st December	<u>149,570</u>	<u>147,714</u>

Aging analysis of trade receivables is as follows:

	As of 31st December,	
	<u>2000</u>	<u>1999</u>
	RMB'000	RMB'000
Within one year	391,430	632,426
Between one and two years	47,992	140,675
Between two and three years	98,100	75,399
Over three years	<u>124,922</u>	<u>74,139</u>
	<u>662,444</u>	<u>922,639</u>

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

8. DUE FROM/TO PARENT COMPANY AND RELATED COMPANIES

Included in the amount due from related companies is a deposit of RMB508,000, bearing interest at the prevailing market interest rate and receivable on demand.

All other amounts due from/to the Parent Company and related companies arose from normal commercial transactions, and are unsecured, non-interest bearing and repayable on demand.

9. SHARE CAPITAL

As of 31st December, 2000 and 1999, the share capital consisted of:

	<u>Number of Shares</u>	<u>Nominal Value RMB</u>	<u>Percentage of Share Capital</u>
Authorised, issued, outstanding and fully paid (ordinary shares of par value RMB1.00 per share):			
Domestic Shares	2,362,000,000	2,362,000,000	70%
H Shares	1,012,000,000	1,012,000,000	30%
	<u>3,374,000,000</u>	<u>3,374,000,000</u>	<u>100%</u>

The H Shares and Domestic Shares rank pari passu in all respects. Domestic shares are those issued to the Company's Parent Company in the PRC at the date of the Reorganisation. H shares are those issued to foreign investors subsequent to the Reorganisation and traded on the Stock Exchange of Hong Kong and, in the form of ADSs, on the New York Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

10. RESERVES

(a) Statutory reserves

In accordance with the PRC Company Law and the Articles of Association of the Company, when distributing net profit of each year, the Company shall appropriate 10% of its net profit determined in accordance with PRC GAAP (after offsetting prior years' losses) to the statutory surplus reserve. When the balance of such reserve reaches 50% of the Company's share capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or for issuance of bonus shares. However, it shall be maintained at a minimum of 25% of share capital after such issuance.

In accordance with the provisions of the Company's Articles of Association, the Company shall appropriate 5% to 10% of its net profit to the public welfare fund. The fund shall be utilised for collective staff benefits such as construction of staff quarters or housing. No distribution of the fund shall be made other than on liquidation of the Company.

In the determination of the appropriation to the statutory surplus reserve and public welfare fund for a particular year, the statutory net profit determined in accordance with PRC GAAP is used. In accordance with the Articles of Association of the Company, the net profit of the Company for the purpose of dividends is deemed to be the least of the amounts determined in accordance with (a) PRC GAAP, (b) IAS and (c) the accounting standards of the country in which its shares are listed. As the statutory accounts have been prepared in accordance with PRC GAAP, the unappropriated profit presented in the statutory accounts is different from the amount reported in the accompanying financial statements.

For the years ended 31st December, 2000 and 1999, the directors proposed the following appropriations to statutory reserves:

	For the year ended 31st December,			
	2000		1999	
	Percentage of net profit	RMB'000	Percentage of net profit	RMB'000
Statutory surplus reserve	10%	41,117	10%	41,197
Public welfare fund	10%	41,117	10%	41,197
		<u>82,234</u>		<u>82,394</u>

(b) Distributable reserves

As of 31st December, 2000, the Company has approximately RMB459,852,000 (1999: RMB327,013,000 as restated) of reserves available for distribution which is the least of the amounts determined in accordance with PRC GAAP, IAS and US GAAP.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

11. BORROWINGS

(a) Short-term bank loans

Short-term bank loans are unsecured and bear interest at rates ranging from 5.58% to 5.85% per annum as of 31st December, 2000 and 5.85% to 6.93% per annum as of 31st December, 1999.

(b) Long-term bank loans

	<u>As of 31st December,</u>	
	<u>2000</u>	<u>1999</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Amounts repayable:		
Within one year	230,474	124,196
Between one and two years	800,000	184,196
Between two and five years	265,803	765,180
Over five years	<u>322,260</u>	<u>286,529</u>
Total	1,618,537	1,360,101
Less: Amounts due within one year included under current liabilities	<u>(230,474)</u>	<u>(124,196)</u>
Non-current portion	<u>1,388,063</u>	<u>1,235,905</u>

Long-term bank loans are unsecured and bear interest at rates ranging from 5.94% to 8.50% per annum as of 31st December, 2000 and 4.50% to 7.65% per annum as of 31st December, 1999; RMB818,537,000 (31st December, 2000) and RMB700,100,000 (31st December, 1999) are denominated in United States dollars.

There was no unutilised banking facilities as of 31st December, 2000 and 1999.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

12. DEFERRED TAXATION

The tax effects of significant temporary differences are as follows:

	As of 31st December,	
	2000	1999
	RMB'000	RMB'000
Deferred tax assets		
Provision for doubtful accounts	49,008	47,697
Provision for inventory obsolescence	21,884	21,884
Deferred expenses charged to income statement	39,309	-
Write down of inventory to net realisable value	5,366	-
Employee housing allowance charged to income statement	3,379	-
Other	3,201	626
	<u>122,147</u>	<u>70,207</u>
Deferred tax liabilities		
Initial recognition of net assets upon Reorganisation	(273,786)	(273,786)
Accelerated depreciation	(71,435)	(98,363)
	<u>(345,221)</u>	<u>(372,149)</u>
Deferred tax liabilities, net	<u>(223,074)</u>	<u>(301,942)</u>

The movements of deferred taxation during the years are as follows:

	Year ended 31st December,	
	2000	1999
	RMB'000	RMB'000
Balance at beginning of year	301,942	374,421
Current year provision	(78,868)	(72,479)
Balance at end of year	<u>223,074</u>	<u>301,942</u>

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

13. ACCRUALS AND OTHER PAYABLES

	As of 31st December,	
	2000	1999
	RMB'000	RMB'000
Advances from customers	59,264	48,797
Accrual for salaries and staff benefits	20,536	5,021
Accrual for construction costs	53,821	47,399
Other	55,089	9,939
	<u>188,710</u>	<u>111,156</u>

Accrual for staff benefits is provided at 14% of salaries in accordance with government regulations, and is charged to the income statement of the year in which the salaries are charged.

14. PROFIT BEFORE TAXATION

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

	Note	Year ended 31st December,	
		2000	1999
		RMB'000	RMB'000
Interest income			
- Bank deposits		(4,423)	(3,736)
- Deposits with a related company		(106)	(488)
Interest expense	(a)	97,169	101,750
Depreciation of property, plant and equipment		524,658	652,468
Amortisation of deferred expenses		33,165	8,003
Loss on disposals of property, plant and equipment		22,750	5,993
Auditors' remuneration		3,000	2,100
Directors' emoluments	(b)	250	277
Supervisors' emoluments	(b)	234	118
Provision for doubtful debts and bad debts written-off		6,010	59,692
Provision for inventory obsolescence and net realisable value		16,259	2,174
Repairs and maintenance costs		231,862	175,476
Research and development costs		70,499	23,915
Contribution to statutory pension scheme		37,630	39,819
Provision for staff welfare		44,046	36,384
Provision for staff housing fund	(c)	10,241	9,400
Exchange loss, net		110	473

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

14. PROFIT BEFORE TAXATION (Continued)

(a) Interest expense

	Year ended 31st December,	
	2000	1999
	RMB'000	RMB'000
Interest expense on		
- Short-term bank loans	56,308	56,490
- Long-term bank loans repayable within five years	75,295	69,991
- Long-term bank loans repayable after five years	14,539	10,589
Less: Amounts capitalised in construction-in-progress and property, plant and equipment	(48,973)	(35,320)
	<u>97,169</u>	<u>101,750</u>

For the years ended 31st December, 2000 and 1999, the interest rates on the loans for which interest have been capitalised vary from 4.50% to 8.50% and 4.50% to 7.65% per annum respectively.

(b) Directors', supervisors' and senior executives' emoluments

(1) Directors' and supervisors' emoluments

	Year ended 31st December,	
	2000	1999
	RMB'000	RMB'000
Fees for executive directors	-	-
Fees for non-executive directors	-	-
Fees for supervisors	-	-
Other emoluments for executive directors and supervisors		
- Basic salaries and allowances	161	139
- Bonus	289	225
- Retirement benefits	24	25
- Other	10	6
Other emoluments for non-executive directors	-	-
	<u>484</u>	<u>395</u>

No directors or supervisors waived any emoluments during the years ended 31st December, 2000 and 1999.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

14. PROFIT BEFORE TAXATION (Continued)

(b) Directors', supervisors' and senior executives' emoluments (Continued)

(2) Emoluments to the five highest-paid individuals (including directors, supervisors and employees)

Of the five highest-paid individuals of the Company during the years ended 31st December, 2000 and 1999, four (1999: three) are either directors or supervisors, whose emoluments have been included above. For the remaining individuals, details of emoluments in 2000 and 1999 are as follows:

	Year ended 31st December,	
	2000	1999
	RMB'000	RMB'000
Basic salaries and allowances	31	49
Bonus	52	84
Retirement benefits	2	9
Other	-	-
	<u>85</u>	<u>142</u>

For the years ended 31st December, 2000 and 1999, each of the five highest-paid individuals (including directors, supervisors and employees) received less than RMB1,060,600 (equivalent of HK\$1,000,000).

During the years, no emolument was paid to the five highest-paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

(c) Employee housing benefits

Pursuant to regulations promulgated by the Beijing Municipal Government related to housing reform, the Company has established a housing scheme for its employees. Under the scheme before 1999, the Company sold quarters to qualified employees at preferential prices, which were computed based on the prices set by the Beijing Municipal Government and the length of service of the employees. The former parent company and now a related company, was responsible for building the required housing, and sold it through the Company to the employees. The difference between the total cost of these quarters and the preferential prices was borne by the related company. During the years ended 31st December, 2000 and 1999, no housing was sold to the Company's employees at preferential prices.

Pursuant to the housing reform policies of the PRC government, the Company began to formulate a new housing plan in 2000, under which additional employee remuneration in the form of a monthly cash subsidy is paid to employees who have not been able to buy subsidised housing under the previous scheme. This cash subsidy is charged to expense as it is incurred.

According to the housing reform policies of the PRC government, the Company may be required to pay an additional one-time subsidy to employees who joined the Company before 31st December, 1998, and who have not been able to buy housing at preferential prices under the previous scheme or have bought housing at preferential prices but with living areas less than the standards set by the municipal government. However, as of 31st December, 2000, the Company had not completed its plan or submitted it to the municipal government for approval. Therefore, the amount of the one-time housing subsidy cannot be determined and no provision has been made in the financial statements. Furthermore, as describe in the Company's Prospectus dated 17th June, 1997, the former parent company has undertaken to bear the cost of housing subsidies for the Company's employees through the end of 1998. Therefore, the directors believe the implementation of the new government housing reform policy will not have material effect on the Company's financial position.

In addition to the above housing benefits, the Company is required to make contributions to a state-sponsored housing fund equivalent to a certain percentage of each employee's salary. All of the Company's full-time employees are entitled to participate in the housing fund. The fund can be used by the employees for the purchase of housing, or may be withdrawn upon their retirement. Contributions are charged to expense as they accrue.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

15. TAXATION

(a) Enterprise income tax

Taxation charged to the income statements for the years was as follows:

	Year ended 31st December,	
	2000	1999
	RMB'000	RMB'000
Current taxation	239,897	243,104
Deferred taxation	(78,868)	(72,479)
	<u>161,029</u>	<u>170,625</u>

The reconciliation of the statutory tax rate to the effective tax rate is as follows:

	Year ended 31st December,	
	2000	1999
Statutory tax rate	33.0%	33.0%
- Tax benefits for purchasing machinery produced in the PRC	(1.4%)	-
Effective tax rate under IAS	<u>31.6%</u>	<u>33.0%</u>

The tax rate of 33% is the aggregate of the national income tax rate of 30% and the local income tax rate of 3%.

(b) Value-added Tax ("VAT")

VAT is levied at a general rate of 17% on the gross sales of goods and rendering of processing services. An input credit is available whereby VAT previously paid on the purchase of semi-finished products, raw materials and other direct input can be used to offset the VAT on sales to determine the net VAT payable.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

16. RELATED PARTY TRANSACTIONS

A significant portion of the transactions undertaken by the Company are with, and on terms determined by Sinopec Group (the "Ultimate Parent Company", see Note 25), Sinopec (the "Parent Company") and its affiliates and other related companies.

The following is a summary of significant transactions carried out between the Company, Sinopec Group, Sinopec and its related companies:

	Note	Year ended 31st December,	
		2000	1999
		RMB'000	RMB'000
Sales of petrochemical products to Parent			
Company and its affiliates		286,648	135,572
Sales of petrochemical products to related companies		498,552	398,519
Sales to a related company's national sales network		1,010,126	1,054,587
Purchases of materials and supplies from			
Parent Company and its affiliates		4,326,694	2,946,930
Purchases of materials and supplies from related companies		250,805	114,510
Utilities provided by a related company		800,336	695,175
Provision of transportation and storage services by a related company		1,087	17,230
Social services (environmental protection, employee housing, health care, education, public security and other ancillary services) provided by a related company		150,480	189,763
Construction and repair services provided by related companies		231,768	22,246
Construction and maintenance materials provided by related companies		392,997	-
Interest-free loan provided by Parent Company	(a)	30,000	-
Interest income received from a related company		106	488
Contributions to Parent Company's technological development fund	(b)	30,000	-
Technological subsidies received from Parent Company		25,279	3,628
Insurance premium paid to Ultimate Parent Company		31,342	33,067
Insurance premium refunded from Ultimate Parent Company		13,320	-
Leasing income received from related companies		6,969	-
Trademark usage fee paid to a related company	(c)	-	10,000

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

16. RELATED PARTY TRANSACTIONS (Continued)

The directors of the Company are of the opinion that the above transactions were carried out in the ordinary course of business and will continue in the future.

The prices at which the materials and services described above are provided are determined in accordance with a supply agreement. The Parent Company, its affiliates and other related companies provide materials and services to the Company at state, market or cost prices, and the Company provides products to the Parent Company, its affiliates and other related companies at state prices or market prices.

- (a) During the year ended 31st December, 2000, a bank loan of approximately RMB30 million was taken up by Sinopec Group, the Ultimate Parent Company, which then provided the funding to the Company interest-free. Interest expense of approximately RMB562,000 was borne by Sinopec Group and not charged to the Company.
- (b) The Company participates in a pooled research and development program with Sinopec and its subsidiaries, under which it is required to pay an annual scientific development fee to Sinopec calculated at a certain percentage of the Company's annual sales revenue. The fee was approximately RMB30 million for the year ended 31st December, 2000. The Company was exempted from paying the fee of RMB12.9 million for 1999.
- (c) The Company was required to pay an annual usage fee of RMB10 million to a related company for the use of the "Yanshan" trademark. As result of Sinopec Group's restructuring (see Note 25), the related company no longer owns the trademark right and hence the Company is allowed to use the trademark at no cost from 2000 onwards.
- (d) During 2000, a related company acted as a guarantor of two bank loans borrowed by the Company amounting to USD38,929,000 and RMB750,000,000.

17. DIVIDENDS

On 11th April, 2000, the Board of Directors proposed a final dividend of RMB0.06 per share for all outstanding shares of 3,374,000,000 shares, totaling RMB202,440,000 for the year ended 31st December, 1999. The proposed dividend distribution was approved by the shareholders in the general meeting dated 5th June, 2000.

On 12th April, 2001, the Board of Directors proposed a final dividend of RMB0.04 per share for all outstanding shares of 3,374,000,000 shares, totaling RMB134,960,000 for the year ended 31st December, 2000. The proposed dividend distribution is subject to the shareholders' approval in their general meeting.

18. EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31st December, 2000 and 1999 was based on the net profit of RMB347,759,000 and RMB346,421,000 and 3,374,000,000 shares in issue during the years.

No diluted earnings per share were presented as there were no potential dilutive ordinary shares outstanding.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

19. NOTES TO CASH FLOW STATEMENTS

(a) Reconciliation of profit before taxation to cash generated from operations:

	Year ended 31st December,	
	2000	1999
	RMB'000	RMB'000
Profit before taxation	508,788	517,046
Adjustments for:		
Depreciation of property, plant and equipment	524,658	652,468
Amortisation of deferred expenses	33,165	23,135
Provision for doubtful accounts and bad debts written-off	6,010	59,692
Loss on disposals of property, plant and equipment	22,750	5,993
Provision for inventory obsolescence and net realisable value	16,259	2,174
Interest income	(4,529)	(4,224)
Interest expense	97,169	101,750
	1,204,270	1,358,034
(Increase) Decrease in operating assets		
Trade receivables	258,079	120,540
Inventories	(225,357)	(67,447)
Prepayments and other current assets	53,009	(56,406)
Due from Parent Company	(56,979)	(251,375)
Due from related companies	182,925	(96,028)
Increase (Decrease) in operating liabilities		
Accounts payable	70,786	26,674
Accruals and other payables	64,147	(431,616)
Other taxes payable	(72,610)	60,982
Due to related companies	123,515	(4,208)
Other long-term liabilities	(95,330)	33,315
	302,185	(665,569)
Net decrease (increase) in operating assets		
Cash generated from operations	1,506,455	692,465

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

19. NOTES TO CASH FLOW STATEMENTS (Continued)

(b) Analysis of cash

As of 31st December, 2000 and 1999, cash of the Company consisted of:

	As of 31st December,	
	2000	1999
	RMB'000	RMB'000
Cash	58	54
Demand deposits		
RMB	283,985	569,680
US\$ denominated	2,032	7,468
HK\$ denominated	62	1,574
Total cash	<u>286,137</u>	<u>578,776</u>

(c) Significant non-cash transactions

The Company has transferred non-monetary assets of approximately RMB26,205,000 to a joint venture to acquire 40% equity interest in the joint venture during the year ended 31st December, 2000 (see Note 5).

20. FINANCIAL INSTRUMENTS

As of 31st December, 2000 and 1999, the Company's financial instruments mainly consisted of notes receivable and payables and bank loans. The carrying amounts of the Company's notes receivable and payable approximate their fair values because of the short maturity of those instruments. The carrying amounts of the bank loans approximate their fair values based on borrowing rates currently available for bank loans with similar terms and maturity.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

21. SEGMENT INFORMATION

All of the Company's production and sales operations are conducted within the PRC.

The Company's reportable operating segments include resins and plastics, synthetic rubber, basic organic chemical products and other. The resins and plastics unit manufactures and sells petrochemical products including LDPE, polypropylene, HDPE, polyester chips and polystyrene. The synthetic rubber unit manufactures and sells cis-polybutadiene and SBS rubber. The basic organic chemical products unit manufactures and sells organic chemical products including phenol, acetone, ethylene glycol, ethylene and propylene. The other segment includes miscellaneous petrochemical products not classified in the other three units.

	Resins and Plastics	Synthetic Rubber	Basic Organic Chemical Products	Other	General Corporate	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net sales to external customers (all in the PRC)						
2000	4,531,438	848,028	1,964,733	480,348	-	7,824,547
1999	3,986,259	580,744	1,457,829	429,851	-	6,454,683
Cost of goods sold						
2000	3,923,565	769,268	1,529,066	442,194	-	6,664,093
1999	3,152,670	475,272	1,214,238	428,412	-	5,270,592
Segment assets						
2000	3,786,023	1,266,703	2,831,156	505,688	770,353	9,159,923
1999	4,024,891	1,747,489	1,804,989	578,627	696,809	8,852,805
Segment liabilities						
2000	1,157,211	357,773	460,301	163,571	1,290,695	3,429,551
1999 (As restated)	95,718	503,655	908,934	13,795	1,745,650	3,267,752
Capital expenditures						
2000	69,430	235,173	1,124,184	19,211	555	1,448,553
1999	172,248	232,154	190,586	20,692	1,433	617,113
Depreciation						
2000	299,843	74,535	103,801	39,906	6,573	524,658
1999	403,712	43,321	140,681	53,324	11,430	652,468
Profit before taxation						
2000	-	-	-	-	-	508,788
1999	-	-	-	-	-	517,046
Provision for taxation						
2000	-	-	-	-	-	161,029
1999	-	-	-	-	-	170,625

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

22. CAPITAL COMMITMENTS

Capital commitments primarily relate to the purchase or construction of production facilities. Capital commitments outstanding as of 31st December, 2000 and 1999 not provided for in the accounts were as follows:

	As of 31st December,	
	2000	1999
	RMB'000	RMB'000
Authorised and contracted for		
--Short-term portion	748,500	1,659,205
--Long-term portion	-	1,708,240
	<u>748,500</u>	<u>3,367,445</u>
Authorised but not contracted for		
--Short-term portion	737,340	-
--Long-term portion	473,711	732,668
	<u>1,211,051</u>	<u>732,668</u>

23. DIFFERENCES BETWEEN PRC GAAP AND IAS

The Company's financial statements were prepared in conformity with IAS. This basis of accounting differs from that used in the local statutory accounts of the Company, prepared in accordance with PRC accounting standards and the accounting regulations applicable to joint stock limited companies.

The principal adjustments made to conform to IAS are as follows:

	Net profit for the year ended 31st December,		Net assets as of 31st December,	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
As reported in the Company's local statutory accounts	411,170	411,710	5,865,751	5,696,013
Impact of IAS adjustments:				
- Deferred expenses charged to income statements	(127,602)	-	(132,595)	-
- Recognition of provision of staff housing benefits	(10,241)	-	(10,241)	-
- Increase in depreciation expenses of property, plant and equipment	-	(84,091)	300,936	300,936
- Additional provision for doubtful debts	(6,760)	(59,623)	-	(60,920)
- Provision for deferred taxation	78,868	72,479	(288,124)	(349,650)
- Other	2,324	5,946	(5,355)	(1,326)
As reported in the Company's IAS financial statements	<u>347,759</u>	<u>346,421</u>	<u>5,730,372</u>	<u>5,585,053</u>

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

24. DIFFERENCES BETWEEN IAS AND US GAAP

The Company's accounting policies conform to IAS which differ in certain respects from US GAAP. Differences which have a significant effect on net profit and net assets are set out below:

(a) Revaluation of property, plant and equipment

As stated in Note 3(c), the Company revalued its property, plant and equipment as part of the Reorganisation. The revaluation surplus of property, plant and equipment was recorded by the Company on that date.

Under IAS, revaluation of property, plant and equipment is permitted and depreciation is based on the revalued amount. Additional depreciation arising from the revaluation related to property, plant and equipment was approximately RMB47 million and RMB129 million for the years ended 31st December, 2000 and 1999 respectively.

Under US GAAP, property, plant and equipment is required to be stated at cost. Hence, no additional depreciation from the revaluation is recognised under US GAAP.

(b) Employee housing scheme

In prior years, the Company sold housing to certain employees at preferential prices, and the related subsidy was borne by a related company and not charged to the Company. Under US GAAP, these expenses are charged to the income statement of the Company as an additional employee benefit over the estimated service lives of the related employees, with a corresponding increase in shareholders' equity.

(c) Interest expense borne by Sinopec Group, the Ultimate Parent Company

As stated in Note 16(a), a bank loan of approximately RMB30 million was taken up by Sinopec Group, which then provided the funding to the Company interest-free. Under US GAAP, related interest expense borne by Sinopec Group is required to be charged to the Company with a corresponding increase in shareholders' equity.

Effects on the net profit and net assets of significant differences between IAS and US GAAP are summarised below:

	Net profit for the year ended 31st December,		Net assets as of 31st December,	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
Under IAS	347,759	346,421	5,730,372	5,585,053
Impact of US GAAP adjustments:				(As restated)
- Reversal of the revaluation surplus on property, plant and equipment	-	-	(863,425)	(863,425)
- Reversal of additional depreciation charges arising from the revaluation surplus on property, plant and equipment	46,735	129,326	381,698	334,963
- Employee housing expenses	(3,664)	(3,663)	10,992	14,655
- Interest expense borne by Sinopec Group	(562)	-	-	-
Under US GAAP	<u>390,268</u>	<u>472,084</u>	<u>5,259,637</u>	<u>5,071,246</u>

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

25. ULTIMATE HOLDING COMPANY

On 25th February, 2000, China Petrochemical Corporation ("Sinopec Group"), formerly known as China National Petrochemical Group Corporation, underwent a reorganisation, and formed a subsidiary, China Petroleum & Chemical Corporation ("Sinopec"). In accordance with the reorganisation agreement, Beijing Yanshan Petrochemical Group Company of China Petrochemical Corporation, previously the Company's Parent Company, transferred all its 70% equity interest in the Company to Sinopec, which therefore became the Company's Parent Company. Prior to such reorganisation, Sinopec Group had represented and warranted to the Company that its transactions with the Company would be on terms no less favourable than those for any of the other companies directly or indirectly under control of the Sinopec Group. After the reorganisation, the Company received the same undertaking from Sinopec.

The directors consider China Petrochemical Corporation ("Sinopec Group") to be the ultimate holding company.

26. CONCENTRATION OF RISK

(a) Business risk

The Company conducts its operations in the PRC and accordingly is subject to special considerations and significant risks not typically associated with investments in equity securities in the United States of America and Western European companies. These include risks associated with, among others, the political, economic and legal environment.

(b) Interest rate risk

The interest rates and terms of repayment of the bank loans are disclosed in Note 11.

(c) Foreign currency risk

All of the Company's businesses are conducted in RMB. Dividends to shareholders holding H Shares are declared in RMB and paid in Hong Kong dollars. As at 31st December, 2000 and 1999, all of the Company's assets and liabilities were denominated in RMB except that bank deposits of approximately RMB2,094,000 (1999: RMB9,042,000) and bank loans of approximately RMB818,537,000 (1999: RMB700,100,000) were denominated in foreign currencies.

27. CONTINGENT LIABILITIES

The Company has no significant contingent liabilities as of 31st December, 2000 and 1999.

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER, 2000 AND 1999
(Amounts expressed in Renminbi unless otherwise stated)

28. CHANGE IN COMPARATIVE FIGURES

Certain 1999 comparative figures have been restated and reclassified to conform to the current year's presentation and in accordance with the new presentation and disclosure requirements under revised IAS 10 "Events After Balance Sheet Date".

29. PRIOR YEAR ADJUSTMENTS

In prior years, dividends proposed or declared after the balance sheet date were recognised as a liability at the balance sheet date. Because of the adoption of the revised IAS 10 "Events After the Balance Sheet Date", dividends proposed or declared after the balance sheet date are no longer permitted to be recognised as a liability at the balance sheet date. As a result, the dividend of approximately RMB134,960,000 for the year ended 31st December, 2000 proposed by the Board of Directors on 12th April, 2001 will be recorded in the Company's financial statements for the year ending 31st December, 2001.

This change in accounting policy has been applied retrospectively with the result that the Company's reserves as of 31st December, 1999 and 1998 were increased by approximately RMB202,440,000 and RMB67,480,000, respectively, being the amount of the final dividends declared by the Company after the balance sheet dates. Comparative figures as of 31st December, 1999 and for the year then ended have been restated to reflect this change in accounting policy.

30. ADDITIONAL FINANCIAL INFORMATION

As of 31st December, 2000, net current assets and total assets less current liabilities amounted to approximately RMB387 million (1999: RMB1,175 million) and RMB7,373 million (1999: RMB7,250 million), respectively.

As at 31st December, 2000 and 1999, substantially all the accounts payable were aged within one year.

31. NEW ACCOUNTING STANDARDS

The IASC issued IAS 39, "Financial Instruments - Recognition and Measurement" and IAS 40, "Investment Property", in 1998 and 2000 respectively. Both standards will become effective for the fiscal year beginning 1st January, 2001. IAS 39 establishes standards for recognising, measuring and disclosing information about an enterprise's financial assets and financial liabilities, including accounting for hedging transactions. IAS 40 prescribes the accounting treatment for investment property. Management believes the effect of adopting IAS 39 and IAS 40 will not have a material impact on the Company's financial statements.