

NOTES ON THE ACCOUNTS (CONTINUED)

for the year ended 31 December 2000

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group - by asset class:

	Land and buildings RMB millions	Oil and gas properties RMB millions	Oil depots, storage tanks and service stations RMB millions	Plant, machinery, equipment and others RMB millions	Total RMB millions
Cost/valuation:					
Balance at 1 January 2000	34,815	93,474	12,518	164,482	305,289
Additions	578	1,309	9,036	1,804	12,727
Transferred from construction in progress	1,027	10,603	2,840	9,797	24,267
Disposals	(558)	(1,182)	(146)	(2,316)	(4,202)
Balance at 31 December 2000	35,862	104,204	24,248	173,767	338,081
Accumulated depreciation:					
Balance at 1 January 2000	11,639	52,317	4,014	64,955	132,925
Depreciation charge for the year	1,730	5,202	934	11,912	19,778
Impairment losses for the year	—	92	—	—	92
Reversal of impairment losses	—	(936)	—	—	(936)
Written back on disposals	(237)	(1,040)	(126)	(1,870)	(3,273)
Balance at 31 December 2000	13,132	55,635	4,822	74,997	148,586
Net book value:					
At 31 December 2000	22,730	48,569	19,426	98,770	189,495
At 31 December 1999	23,176	41,157	8,504	99,527	172,364

The Company - by asset class:

	Land and buildings RMB millions	Oil and gas properties RMB millions	Oil depots, storage tanks and service stations RMB millions	Plant, machinery, equipment and others RMB millions	Total RMB millions
Cost/valuation:					
Transferred from Sinopec Group Company in connection with the Reorganisation	15,431	23,898	12,353	78,573	130,255
Additions	369	276	8,510	1,326	10,481
Transferred from construction in progress	641	3,791	2,739	4,047	11,218
Disposals	(358)	(152)	(114)	(1,362)	(1,986)
Balance at 31 December 2000	16,083	27,813	23,488	82,584	149,968
Accumulated depreciation:					
Transferred from Sinopec Group Company in connection with the Reorganisation	4,672	16,451	3,959	31,275	56,357
Depreciation charge for the year	778	1,382	910	5,696	8,766
Impairment losses for the year	—	92	—	—	92
Reversal of impairment losses	—	(338)	—	—	(338)
Written back on disposals	(188)	(129)	(101)	(1,001)	(1,419)
Balance at 31 December 2000	5,262	17,458	4,768	35,970	63,458
Net book value:					
At 31 December 2000	10,821	10,355	18,720	46,614	86,510

As required by the relevant PRC regulations with respect to the Reorganisation, the property, plant and equipment of the Group at 30 September 1999 were valued for each asset class by China United Assets Appraisal Corporation, Beijing Zhong Zheng Appraisal Company, CIECC Assets Appraisal Corporation and Zhong Fa International Properties Valuation Corporation (collectively, the "PRC valuers"), independent valuers registered in the PRC, on a depreciated replacement cost basis. The value of property, plant and equipment has been determined at RMB 159,788 million. The surplus on revaluation of approximately RMB 36,286 million, has been incorporated in the accounts of the Group at 31 December 1999. An amount of RMB 32,320 million, which represents the revaluation surplus net of amounts allocated to minority interests, has been credited to revaluation reserve.

18. CONSTRUCTION IN PROGRESS

The Group:

	Exploration and production RMB millions	Refining RMB millions	Marketing and distribution RMB millions	Chemicals RMB millions	Corporate and others RMB millions	Total RMB millions
Balance at 1 January 2000	2,072	4,984	1,289	3,121	714	12,180
Additions	13,017	4,756	6,335	5,669	90	29,867
Dry hole costs written off	(1,535)	—	—	—	—	(1,535)
Impairment losses for the year	—	(95)	—	—	—	(95)
Transferred to fixed assets	(11,236)	(5,326)	(3,184)	(4,204)	(317)	(24,267)
Balance at 31 December 2000	2,318	4,319	4,440	4,586	487	16,150

The Company:

	Exploration and production RMB millions	Refining RMB millions	Marketing and distribution RMB millions	Chemicals RMB millions	Corporate and others RMB millions	Total RMB millions
Transferred from Sinopec Group Company in connection with the Reorganisation	878	3,289	1,200	428	707	6,502
Additions	5,074	3,272	6,200	527	28	15,101
Dry hole costs written off	(850)	—	—	—	—	(850)
Transferred to fixed assets	(4,079)	(3,464)	(3,081)	(326)	(268)	(11,218)
Balance at 31 December 2000	1,023	3,097	4,319	629	467	9,535

19. INTERESTS IN SUBSIDIARIES

	The Company 2000 RMB millions
Share of net assets	78,400

Details of the Company's principal subsidiaries at 31 December 2000 are set out in Note 35.

NOTES ON THE ACCOUNTS (CONTINUED)

for the year ended 31 December 2000

20. INVESTMENTS

	2000 RMB millions	The Group 1999 RMB millions	The Company 2000 RMB millions
Unlisted investments, at cost	2,964	2,484	787
Less: Provision for impairment losses	(210)	(172)	(140)
	2,754	2,312	647

Provision for impairment losses is analysed as follows:

	2000 RMB millions	The Group 1999 RMB millions	The Company 2000 RMB millions
At 1 January	172	1,600	—
Transferred from Sinopec Group Company in connection with the Reorganisation	—	—	69
Provision for the year	73	115	71
Written-off	(35)	(38)	—
Less: Amount distributed to Sinopec Group Company in connection with the Reorganisation	—	(1,505)	—
At 31 December	210	172	140

Unlisted investments represent the Group's interests in PRC domiciled enterprises which are mainly engaged in non oil and gas activities and operations. In connection with the Reorganisation, the Group distributed RMB 7,587 million of such investments to Sinopec Group Company. The Group has no investments in marketable securities.

21. INTERESTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	2000 RMB millions	The Group 1999 RMB millions	The Company 2000 RMB millions
Share of net assets	1,928	939	1,539
Loans to associates and jointly controlled entities	117	275	117
Loans from associates and jointly controlled entities	—	(52)	—
	2,045	1,162	1,656

The Group's investments in associates and jointly controlled entities are with companies primarily engaged in the marketing and distribution of petroleum products in China. These investments are individually and in aggregate insignificant.

22. TRADE ACCOUNTS RECEIVABLE

	2000 RMB millions	The Group 1999 RMB millions	The Company 2000 RMB millions
Third parties	12,107	10,285	7,246
Subsidiaries	—	—	5,142
Sinopec Group Company and fellow subsidiaries	3,280	1,648	1,632
Associates and jointly controlled entities	117	157	103
	15,504	12,090	14,123
Less: Allowance for doubtful accounts	(2,817)	(2,653)	(2,064)
	12,687	9,437	12,059

The ageing analysis of trade accounts receivable, is as follows:

	2000 RMB millions	The Group 1999 RMB millions	The Company 2000 RMB millions
Within one year	11,440	8,040	11,480
Between one and two years	638	884	348
Over two years	609	513	231
	12,687	9,437	12,059

Sales are generally on a cash repayment term. Credit sales are generally only available for major customers with well-established trading records. Amounts due from Sinopec Group Company and fellow subsidiaries are repayable under the same terms.

The allowance for doubtful accounts is analysed as follows:

	2000 RMB millions	The Group 1999 RMB millions	The Company 2000 RMB millions
At 1 January	2,653	2,590	—
Transferred from Sinopec Group Company in connection with the Reorganisation	—	—	1,984
Provision for the year	358	569	125
Written-off	(194)	(163)	(45)
Less: Amount distributed to Sinopec Group Company in connection with the Reorganisation	—	(343)	—
At 31 December	2,817	2,653	2,064

23. INVENTORIES

	2000 RMB millions	The Group 1999 RMB millions	The Company 2000 RMB millions
Crude oil and other raw materials	18,637	8,692	10,522
Work in progress	5,828	4,108	3,618
Finished goods	23,534	12,026	17,493
Spare parts and consumables	3,071	4,314	1,275
	51,070	29,140	32,908
Less: Allowance for diminution in value of inventories	(841)	(730)	(560)
	50,229	28,410	32,348

The allowance for diminution in value of inventories is analysed as follows:

	2000 RMB millions	The Group 1999 RMB millions	The Company 2000 RMB millions
At 1 January	730	640	—
Transferred from Sinopec Group Company in connection with the Reorganisation	—	—	562
Provision for the year	180	173	31
Written-off	(69)	(83)	(33)
At 31 December	841	730	560

At 31 December 2000, the carrying amount of the Group's and the Company's inventories carried at net realisable value amounted to RMB 1,931 million (1999: RMB 1,676 million) and RMB 626 million, respectively.

The cost of inventories recognised as an expense in the consolidated profit and loss account amounted to RMB 252,110 million for the year ended 31 December 2000 (1999: RMB 186,674 million).

24. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	2000 RMB millions	The Group 1999 RMB millions	The Company 2000 RMB millions
Advances to third parties	6,417	8,632	4,901
Amounts due from Sinopec Group Company and fellow subsidiaries	9,956	3,677	7,954
Amounts due from subsidiaries	—	—	1,695
Other receivables	3,411	3,430	2,236
Purchase deposits	2,271	2,824	1,457
Prepayments in connection with construction work and equipment purchases	2,948	1,033	2,469
Prepaid value-added tax and customs duty	2,232	674	1,667
Interest receivable	70	380	45
Amounts due from associates and jointly controlled entities	204	248	204
Prepaid rental	46	125	21
	27,555	21,023	22,649

25. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and deferred tax liabilities are attributable to the items detailed in the table below:

The Group

	Assets		Liabilities		Net balance	
	2000 RMB millions	1999 RMB millions	2000 RMB millions	1999 RMB millions	2000 RMB millions	1999 RMB millions
<i>Current</i>						
Provisions, primarily for receivables and inventories	1,023	121	—	—	1,023	121
<i>Non-current</i>						
Property, plant and equipment	42	143	(388)	(302)	(346)	(159)
Accelerated depreciation	—	—	(1,329)	—	(1,329)	—
Tax value of losses carried forward, net of valuation allowances	18	—	—	—	18	—
Other assets	47	—	(10)	—	37	—
Others	25	10	(48)	(38)	(23)	(28)
Deferred tax assets/(liabilities)	1,155	274	(1,775)	(340)	(620)	(66)

The Company

	Assets RMB millions	Liabilities RMB millions	Net balance RMB millions
<i>Current</i>			
Provisions, primarily for receivables and inventories	711	—	711
<i>Non-current</i>			
Property, plant and equipment	15	—	15
Accelerated depreciation	—	(416)	(416)
Others	8	—	8
Deferred tax assets/(liabilities)	734	(416)	318