

12. INCOME FROM PRINCIPAL OPERATIONS AND SEGMENTAL INFORMATION

(a) Income from principal operations

	Group	
	2000	1999
	Rmb'000	Rmb'000
The Chemical Business		
Manufacture and trading	3,483,874	2,838,127
Finance management	2,407	5,972
	3,486,281	2,844,099
The New Business		
Toll fee income	2,567	—
Revenue from sewage water processing services	11,890	—
	3,500,738	2,844,099

(b) Segmental information

	2000			1999
	Chemical Business	New Business	Group total	Chemical Business
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Income from principal operations	3,486,281	14,457	3,500,738	2,844,099
Costs for principal operations	(2,927,809)	(2,150)	(2,929,959)	(2,588,875)
Operating expenses	(423,274)	(1,324)	(424,598)	(388,761)
Financial expenses	(218,407)	—	(218,407)	(206,358)
Others	(9,535)	9	(9,526)	(33,599)
	(92,744)	10,992	(81,752)	(373,494)
Reversal of provisions against certain assets	254,140	—	254,140	—
Total profit/(loss)	161,396	10,992	172,388	(373,494)
Income tax	(157)	(3,627)	(3,784)	(685)
Net profit/(loss)	161,239	7,365	168,604	(374,179)

13. PROFIT/(LOSS) FROM OTHER OPERATIONS

	Group		Company	
	2000 Rmb'000	1999 Rmb'000	2000 Rmb'000	1999 Rmb'000
Property rentals	4,100	937	4,100	937
Sales of raw materials	3,269	(5,886)	—	—
Lease of trucks	344	(1,162)	—	—
Railway and internal transportation services	918	(1,146)	—	—
Others	58	(257)	—	—
Total	8,689	(7,514)	4,100	937

14. REVERSAL OF PROVISIONS AGAINST CERTAIN ASSETS

During the year, the Group recovered certain accounts receivable, other receivables, loans receivable and long-term investments (the "AR Assets") at their gross value upon disposal of the AR Assets to Tianjin Huaze (Group) Co. Ltd., a State-owned enterprise under the supervisory control of the Tianjin Economic Commission, a department under the administration of Tianjin Municipal Government, at a consideration of Rmb 305,249,000. The net book value of the AR Assets amounted to Rmb 51,109,000. Accordingly, the previous provisions against the AR Assets totalling Rmb 254,140,000 were reversed.

15. FINANCIAL EXPENSES

	Group		Company	
	2000 Rmb'000	1999 Rmb'000	2000 Rmb'000	1999 Rmb'000
Interest income	5,826	24,666	689	11,819
Less: Interest expenses	(268,998)	(293,903)	(11,444)	(23,594)
Net interest expenses	(263,172)	(269,237)	(10,755)	(11,775)
Add: Exchange gain	334	—	210	—
Less: Exchange loss	—	(636)	—	(161)
Net exchange gain/(loss)	334	(636)	210	(161)
Others	(910)	(1,203)	(832)	(1,137)
	(263,748)	(271,076)	(11,377)	(13,073)
Less: Interest capitalised	45,341	64,718	—	—
	(218,407)	(206,358)	(11,377)	(13,073)

16. INVESTMENT INCOME/(LOSS)

	Group		Company	
	2000 Rmb'000	1999 Rmb'000	2000 Rmb'000	1999 Rmb'000
Based on cost method				
Income from investment in shares	—	285	—	—
Income from investment in government treasury bonds	1,703	936	—	—
Income from other investments	2,486	1,412	2,192	654
Based on equity accounting				
Share of profit/(loss) of an associated company	3,959	(868)	—	—
Share of profit/(loss) of subsidiaries	—	—	114,100	(329,745)
Provision for diminution in value	(5,795)	(14,700)	(5,795)	(6,000)
Total	2,353	(12,935)	110,497	(335,091)

17. NON-OPERATING INCOME

	Group		Company	
	2000 Rmb'000	1999 Rmb'000	2000 Rmb'000	1999 Rmb'000
Income on disposal of fixed assets and scrap materials	658	2,720	—	—
Discount of accounts payable	7,132	—	—	—
Operating lease income	550	108	—	—
Subsidy income	760	1,956	—	—
Others	579	1,015	—	—
Total	9,679	5,799	—	—

18. NON-OPERATING EXPENSES

	Group		Company	
	2000 Rmb'000	1999 Rmb'000	2000 Rmb'000	1999 Rmb'000
Expenses for disposal of fixed assets	3,371	3,020	—	—
Loss for temporary suspension of production	7,673	4,749	—	—
Flood prevention project cost	2,108	1,405	—	—
Expenses for technical training centre	—	991	—	—
Expenses for sewage water processing	417	—	—	—
Medical expenses	3,699	3,830	—	—
Expenses for retired employees	8,610	7,992	—	—
Others	2,310	5,316	18	—
Total	28,188	27,303	18	—

19. INCOME TAX

	Group	
	2000 Rmb'000	1999 Rmb'000
Chemical Business	157	685
New Business	3,627	—
Total	3,784	685

The Chemical Business

The income tax of the Company and its subsidiaries is calculated at the rate of 15% (1999: 15%) which is stipulated in the relevant documents issued by the Ministry of Finance and the State Tax Bureau. The associated company is exempt from the PRC income tax of 33% for two years starting from the first profit making year (being 1996) followed by a 50% reduction for the subsequent three years.

The New Business

The income tax of the Company has been provided at the rate of 33% based on the taxable income of the New Business for the year.

20. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2000 <i>New Business</i> Rmb'000	1999 <i>Chemical Business</i> Rmb'000	2000 <i>New Business</i> Rmb'000	1999 <i>Chemical Business</i> Rmb'000
Contracted but not provided for	1,547	9,274	1,547	—
Authorised but not contracted for	503,000	302,493	503,000	—
	504,547	311,767	504,547	—

(b) Operating lease commitments

The New Business leases certain office premises and toll station premises from TMICL and a third party. At 31st December 2000, the Group had commitments to make payments in respect of land and buildings for the New Business only in the next twelve months under operating leases which expire as follows:

	Group		Company	
	2000 <i>New Business</i> Rmb'000	1999 <i>Chemical Business</i> Rmb'000	2000 <i>New Business</i> Rmb'000	1999 <i>Chemical Business</i> Rmb'000
After the fifth year	830	3,636	830	3,636

21. RELATED PARTIES

The Chemical Business

(a) Related parties that have controlling relationship

Company	Place of registration	Principal activities	Relationship with the Company	Nature	Legal representative
Tianjin Bohai Chemical Industry Group Corporation	Tianjin, PRC	Manufacture of soda products, investment holding, assets operation, real estate development and operation	Former ultimate holding company	State owned	Wang Baodi
Tianjin Bohai Chemical Industry (Group) Company Limited Tianjin Soda Plant	Tianjin, PRC	Manufacture of soda ash, agricultural fertilizers and other chemical products	Former subsidiary	Joint Stock Company	Lai Zhenguo
Tianjin Bohai Chemical Industry (Group) Company Limited Tianjin Chemical Plant	Tianjin, PRC	Manufacture of chloro-alkaline, PVC resins and other chemical products	Former subsidiary	Joint Stock Company	Zhang Dongmin
Tianjin Bohai Chemical Industry (Group) Company Limited Dagu Chemical Plant	Tianjin, PRC	Manufacture of chloro-alkaline, PVC resins and other chemical products	Former subsidiary	Joint Stock Company	Qiao Weiguo
Tianjin Bohai Group Finance Company	Tianjin, PRC	Non-bank financial service	Former subsidiary	Joint Stock Company	Li Guoping
Tianjin Bohai Chemical Industry Supplies and Sales Company	Tianjin, PRC	Wholesales and retail of chemical and light industry materials, metal and building materials	Former subsidiary	Joint Stock Company	Tian Xingjia

21. RELATED PARTIES (Cont'd)

(b) Paid-in capital of related parties that have controlling relationship and their movements

Company	At 1st January	Addition	At 20th
	2000		December
	Rmb'000	Rmb'000	2000
			Rmb'000
Tianjin Bohai Chemical Industry Group Corporation	2,973,100	—	2,973,100
Tianjin Bohai Chemical Industry (Group) Company Limited			
Tianjin Soda Plant	234,280	—	234,280
Tianjin Bohai Chemical Industry (Group) Company Limited			
Tianjin Chemical Plant	401,520	—	401,520
Tianjin Bohai Chemical Industry (Group) Company Limited			
Dagu Chemical Plant	203,220	—	203,220
Tianjin Bohai Group Finance Company	100,000	—	100,000
Tianjin Bohai Chemical Industry Supplies and Sales Company	500	—	500

(c) Shares or equity of the Company held by related parties and their movements

Company	At 1st January		Addition/ (reduction)		At 20th December	
	2000		(reduction)		2000	
	Rmb'000	%	Rmb'000	%	Rmb'000	%
Tianjin Bohai Chemical Industry Group Corporation	839,020	63.09	(839,020)	(63.09)	—	—
Tianjin Municipal Investment Company Limited	—	—	839,020	63.09	839,020	63.09