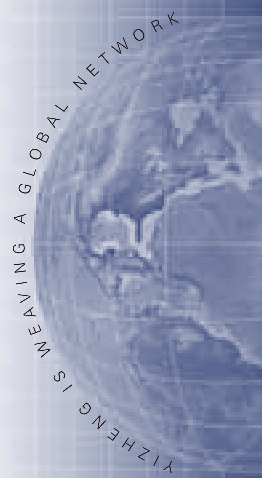
1. For the period under review, the Company was not engaged in any material litigation or arbitration.

2. No punishment was given to the Company or any of its Directors, Supervisors or Senior Management by the supervisory body during the report period.

3. There are no changes in the members of the Board and the General Manager during the report period.

   Mr. Tom C.Y. Wu was appointed as the Company Secretary of the Company by the third term Board at the twelveth meeting held on 16 January 2001. Mr. Wu's profile was disclosed through press announcement in China Securities, Shanghai Securities News, Securities Times, Hong Kong Economic Times and South China Morning Post on 17 January, 2001.

   Mr. David J. Y. Shao ceased to act as the Company Secretary of the Company after having been allocated other responsibilities. The Board expressed its thanks to Mr. Shao's efforts and contribution to the Company.



4. CPC, the ultimate holding company of the Company and its subsidiaries, was reorganized on 25 February 2000, and Sinopec was established after the completion of the reorganization. As part of the reorganization, Sinopec replaced Yihua as the holder of 1,680,000,000 of the Company's state-owned legal A shares, representing 42 percent of the Company's issued shares. Consequently, Sinopec has become the Company's largest shareholder, and Yihua no longer holds any of the Company's shares. Details were disclosed through press announcements in China Securities, Shanghai Securities News, Hong Kong Economic Times and South China Morning Post on 28 February 2000.

5. The EGM held on 10 March 2000 approved the Company to deposit with Sinopec Finance Company Limited ("Sinopec Finance") ("the Deposit Transaction"). Upon the approval, the HKSE granted ongoing waivers to the Company from the disclosure and/or shareholders' approval requirement (as the case may be) of the Listing Rules in respect of the Deposit Transaction and ongoing waivers from the disclosure in respect of the payment of the Insurance Premium to CPC. Related announcements were disclosed through press announcements in China Securities, Shanghai Securities News, Hong Kong Commercial Daily and South China Morning Post on 6 January 2000 and in China Securities, Shanghai Securities News, Hong Kong Economic Times and South China Morning Post on 13 March 2000, respectively.

Following the reorganization of CPC Group, Sinopec has become the Company's holding company. Some of the parties connected to the existing transactions of the Company, which were subsidiaries of CPC, have become subsidiaries or branches of Sinopec. Of which, Yangzi Petrochemical Company Ltd. (currently Sinopec Yangzi Petrochemical Company Ltd. – ("Yangzi")), have become subsidiaries of Sinopec and remain connected persons of the Company, while Petroleum Transit Bureau of Eastern China, Yangzhou Petroleum Corporation and Wuxi Petroleum Corporation have become branches of Sinopec and are no longer legal entities, therefore, Sinopec is the party to the related transactions of the Company. Yihua remains a subsidiary of CPC and a connected person of the Company. However, the terms and conditions of such connected transactions remain unchanged. On this basis, the Company applied to the HKSE to grant a waiver to the Company from the disclosure requirements of Chapter 14 of the Listing Rules in respect to such transactions. The HKSE granted this waiver to the Company on 25 July 2000. The related information was disclosed in the press announcements in China Securities, Shanghai Securities News, Hong Kong Economic Times and the South China Morning Post on 20 June 2000.

Significant connected transactions between the Group and the related parties for the year ended 31 December 2000 were as follows:

A. The following are the significant connected transactions relating to sales and purchase of goods and provision of services: for the year ended 31 December 2000, raw materials purchased by the Company from CPC amounted to Rmb34,885,000 and accounted for 0.7 percent of the total of this type; raw materials purchased by the Company from Sinopec amounted to Rmb124,526,000 and accounted for 2.4 percent of the total of this type, raw materials purchased from Yangzi amounted to Rmb2,478,374,000 and accounted for 47.6 percent of the total of this type, goods purchased from Yihua and its subsidiaries ("Yihua Group") amounted to Rmb91,193,000 and accounted for 1.7 percent of the total of this type, goods sold to Yihua Group amounted to Rmb1,079,045,000 and accounted for 12.0 percent of the total of this type, and miscellaneous service charges paid to Yihua by the Company amounted to Rmb132,280,000 and accounted for 100 percent of the total of this type, payments to the engineering company of Yihua relating to construction and repair and maintenance works by the Company amounted to Rmb53,305,000 and accounted for 100 percent of the total of this type. There were no other significant connected transactions of the same kind during the report period. The Company is of the opinion that purchasing of goods from the related parties above ensures the Group a steady and secured supply of raw materials, and that selling goods to the Yihua Group ensures the Company certain sales channels and turnover. Therefore, these connected transactions are beneficial to the Group. These transactions were negotiated on an arm's length basis and settled on a cash on delivery basis. The miscellaneous service charges paid to Yihua and the payments to the engineering company of Yihua relating to construction and repair and maintenance works are settled strictly in compliance with the Comprehensive Service Contracts between the Company and Yihua. The above transactions have no adverse effect upon the profit of the Group.

B. During the report period, there were no connected transactions relating to asset or equity transfers in the Company.

C. The following are the significant connected transactions relating to amounts due from/(to) related parties: for the year ended 31 December 2000, the amounts due from Yihua Group amounted to Rmb132,389,000, and mainly represented other receivables; amounts due to other related parties amounted to Rmb98,163,000, and mainly represented the trade payables to Yangzi. These connected transactions have no material impact on the Company.

D. Other significant connected transactions: for the year ended 31 December 2000, deposits placed with Sinopec Finance at market interest rates, amounted to Rmb686,895,000, and insurance premium paid to CPC amounted to Rmb21,485,000.

The Board believed that the above transactions were entered into in the ordinary course of business and on normal commercial terms or in accordance with the terms of the agreements governing these transactions and fully complied with the waivers granted by the HKSE to the Company.

The Independent Directors had reviewed the above transactions according to the regulations as stipulated in the waivers granted by the HKSE, and wrote the necessary confirmation letter to the Board about the above connected transactions as required by waivers from the HKSE.

The Company's auditors had reviewed the above connected transactions and submitted a letter to the Board on 13 April 2001.

Details of the Company's connected transactions during the report period are set out in pages 82 to 84 and pages 128 to 133 of this annual report.

6. In August 2000, the Company obtained the approval from the State Development Planning Committee, ie. JiChanYe [2000] (1292) "The Approval Regarding the Commencement of Construction of the PTA Project with an annual capacity of 450,000 tonnes in Yizheng Chemical Fibre Company Limited".

The information of the PTA project with an annual capacity of 450,000 tonnes and its further development was disclosed by means of press announcement in China Securities, Shanghai Securities News, Securities Times, Hong Kong Economic Times and South China Morning Post dated 30 August 2000 and 28 October 2000 respectively.

7. According to proposals in "Accelerating Standardized Operation of Companies Listed Overseas and Deepening Their Reforms" jointly issued by SETC and CSRC, the Company has been completely independent in areas of the personnel, assets and financial management from Sinopec, the holding shareholder of the Company. The details are as follows:

In terms of personnel, the Company has independently conducted affairs of human resources and wages policies. The Company's general manager, vice general managers and other senior management of the Company receive remunerations from the Company, and do not hold any posts at Sinopec.

In terms of assets, the Company independently owns its production units and ancillary production lines, purchases raw materials and sells products independently, owns its own industrial property rights, know-how and other non-patented technologies. Yihua has granted the right to the Company to use the "BST" trademark to produce and sell the Company's products for 10 years at an annual fee of Rmb10,000,000 under a trademark licensing agreement dated 8 February 1994.

In terms of finance, the Company's finance department, accounting and financial management systems are independent. It's accounts at commercial banks are also independent.

8. As approved by the 1999 AGM held on 30 June 2000, the Company paid on 14 July 2000 a final cash dividend of Rmb0.11 per share for the year ended 31 December 1999. Details of dividend payments to domestic shareholders were disclosed in China Securities, Shanghai Securities News, while those to international shareholders were included in the resolutions announcement of the 1999 AGM in China Securities, Shanghai Securities News, Hong Kong Economic Times and South China Morning Post on 3 July 2000.

   Approved by the Board, the Company did not pay any interim dividend for the year ended 31 December 2000.

   The Board proposed to pay a final cash dividend of Rmb0.09 per share for the year ended 31 December 2000.

9. The Company did not rent or contract any asset from or with any company. Furthermore, no company rented or contracted any asset from or with the Company during the report period.

10. KPMG Peat Marwick Huazhen and KPMG were re-appointed as domestic and international auditors, respectively, for the Company for the year 2000 as approved at the AGM 1999.

11. As approved by the Board, the Group wrote off its non-performing plants, machinery and other fixed assets totaling Rmb75,770,000 during the report period. The Company did not have any merger or acquisition during the report period.

12. The Company did not have any designated deposits with any financial institutions. As at 31 December 2000, the Company had not encountered any difficulties in collecting deposits upon maturity.

13. According to the general service agreements signed between the Company and Yihua on 8 February 1994, Yihua is responsible for the provision of housing services to the staff and employees of the Company. As the PRC Government promotes its housing plan to encourage home buyers, Yihua has disposed of staff quarters to its staff and to the staff of the Company. As a result, there was a loss of Rmb160 million as of 31 December 1997. Based on the number of beneficiaries of Yihua and the Company, the Company was liable for Rmb110 million. Other than the above, the Group has not been liable for any other loss incurred thereafter since December 1997.

    In the current year, the Group adopted IAS 38 *Intangible Assets*. The policy has resulted in the difference arising from the disposal of staff dormitories to the Company's employees at preferential price being expensed in the period in which they were incurred. In previous years, this difference was capitalized as a deferred asset and amortised on a straight-line basis over the employees' average service period. This change has been accounted for retrospectively. The Group's and the Company's opening balance of retained earnings on 1 January 2000 and on 1 January 1999 decreased Rmb93,500,000 and Rmb99,000,000 respectively, and profit attributed to shareholders for 1999 increased Rmb5,500,000. Therefore, the Group and the Company had no deferred asset as at 31 December 2000. The impact of the changes in accounting policy for the Group and the Company was set out in page 81 of this annual report. This is only applicable to the Company's and the Group's Accounts prepared in accordance with IAS.

    In addition, pursuant to the document "Cai Qi [2000] No. 295" and "Cai Kui [2001] No.5" issued by the Ministry of Finance (the "MOF") on 6 September 2000 and 7 January 2001, the debit balance remained in the "Housing Revolving Fund" account in the accounts prepared in accordance with the PRC accounting rules and regulations should be offset against the "Undistributed profits at the beginning of the year" in 2001. Accordingly, the Company needs to change its accounting policy regarding "Housing Revoluing Fund" in 2001, and the Group's and the Company's net assets will therefore be decreased by Rmb110,000,000. This Post Balance Sheet Event was set out in page 134 of this annual report. This is only applicable to the Company's and the Group's Accounts prepared in accordance with PRC Accounting Rules and Regulations.

    Save as disclosed above, the Group currently has no other employees housing plan.

14. In accordance with the relevant PRC regulations, the allocation of welfare staff quarters under housing reform policy already ceased. The PRC MOF and certain provincial government authorities are gradually formulating cash-form housing subsidy plans to compensate those employees who have not been allocated welfare staff quarters or whose allocated quarters are below the set standard.

    The Company is aware that the provision of housing subsidies is an important competitive factor in the labour market. In order to ensure that the level of employment benefits it provides can maintain its attractiveness, the Company is looking into the methods of providing housing subsidies. In the following years, after the method of housing subsidies has been clearly formulated, it will be reflected as appropriate in the accounts for the relevant year.

15. In the current year the Group adopted IAS 10 *Events After the Balance Sheet Date (revised 1999)*. The policy has resulted in dividends being recognized as a liability in the period in which they are declared. In previous years, dividends were recognized in the period to which they related. This change has been accounted for retrospectively. The Group's and the Company's opening balance of retained earnings at 1 January 2000 increased by Rmb440,000,000. This is only applicable to the Company's and the Group's Accounts prepared in accordance with IAS.

16. Effective from 1 October 2000, the Company revised its estimate of the useful lives of certain plant, machinery and equipment from 20 years to between 12 and 14 years. These changes were made, after taking account of commercial and technological obsolescence as well as normal wear and tear, to better reflect the estimated periods during which such assets will remain in service. The change has the effect of increasing depreciation expense by approximately Rmb37 million and decreasing profit after taxation by approximately Rmb31 million for the period from 1 October to 31 December 2000. The change is expected to increase depreciation expense by approximately Rmb148 million and decrease profit after taxation by approximately Rmb126 million for each of the subsequent years until the assets are fully depreciated or disposed of. This is applicable to the Company's and the Group's Accounts prepared in accordance with IAS as well as the Accounts prepared in accordance with PRC Accounting Rules and Regulations.

17. According to the document (Guo Shui Han Fa [1994]61) as issued by the State Administration of Taxation of the PRC on 23 February 1994, the preferential income tax rate applicable to the Company is 15 percent. The Company has not received any notice from the tax authorities to change this rate.

18. If the PRC joins WTO in 2001, export trade barriers for PRC textile products will be lowered. For the PRC textile industry there will be many new opportunities, and this will stimulate demand for high quality polyester products. Meanwhile, the PRC polyester market will be more open by cutting tariffs, increases import quotas and lifting investment limitation. The supply of polyester products will continue to grow. It is therefore believed that the PRC polyester market, operating under the framework of WTO, should achieve its demand/supply equilibrium in a larger international framework. The price will not, therefore, fluctuate significantly as before. The import duties levied on polyester raw materials such as PX, PTA, MEG will be reduced significantly.

19. The Company did not make any guarantees or mortgages during the report period.

20. Approved by the EGM held on 18 October 2000, the Company's Chinese and English names were changed to 中國石化儀征化纖股份有限公司 and Sinopec Yizheng Chemical Fibre Company Limited, respectively.

The relevant PRC authorities approved the change and issued new business licence to the Company on 27 February 2001, details of which was disclosed by means of press announcement in China Securities, Shanghai Securities News, Securities Times, Hong Kong Economic Times and the South China Morning Post dated 13 March 2001.

There was no change in the short name of its shares of the Company during the report period.

21. The Company and its shareholders who hold more than 5 percent of the Company's shares did not undertake anything in newspaper or internet website designated by CSRC which needed to be disclosed.

22. Save as disclosed above, the Group did not have any major event, or discloseable matter referred to in Article 62 of Security Law of the PRC, Article 60 of the Provisional Regulations of Administration on the Issuing and Trading of Shares of the PRC and Article 17 of Disclosure on the Information by Public Listing Companies (the Trial Implementation Rule) during the period under review.