(Prepared in accordance with International Accounting Standards)
(Expressed in Renminbi)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The accounts of Sinopec Yizheng Chemical Fibre Company Limited (the "Company") (formerly Yizheng Chemical Fibre Company Limited) and its subsidiaries (the "Group") have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee ("IASC"), interpretations issued by the Standing Interpretations Committee of the IASC and the disclosure requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company also prepares a set of accounts which complies with the People's Republic of China (the "PRC") accounting rules and regulations. Reconciliations of the shareholders' funds and the net profit of the Company and of the Group in the accounts prepared in accordance with the PRC accounting rules and regulations with those prepared in accordance with International Accounting Standards ("IAS") are set out on page 135.

(b) Basis of preparation

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of certain property, plant and equipment (refer accounting policy h). The accounting policies have been consistently applied by the Group and, except for the changes in accounting policy (refer note 22), are consistent with those used in the previous year.

(c) Basis of consolidation

The consolidated accounts include the accounts of the Company and all of its principal subsidiaries made up to 31 December each year. Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The accounts of subsidiaries are included in the consolidated accounts from the date that control effectively commences until the date that control effectively ceases.

All significant inter-company transactions and balances and any unrealised gains arising from inter-company transactions have been eliminated on consolidation.

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses (refer accounting policy q).

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of consolidation *(continued)*

The excess of the Group's share of the fair value of the separable net assets of subsidiaries acquired over the cost of investments in these companies is used to reduce proportionately the fair values of the non-monetary assets acquired. Any excess which remains after reducing the carrying amount of non-monetary assets acquired is treated as deferred income, which is recognised as income in the income statement on a systematic basis.

(d) Translation of foreign currencies

Foreign currency transactions during the year are translated into Renminbi at the exchange rates ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates ruling at the balance sheet date.

Foreign currency translation differences relating to funds borrowed to finance the construction of property, plant and equipment to the extent that they are regarded as an adjustment to interest costs are capitalised during the construction period. All other exchange differences are dealt with in the income statement.

(e) Cash equivalents

Cash equivalents consist of time deposits with financial institutions with an initial term of less than three months.

(f) Trade receivables

Trade receivables are stated at cost less impairment losses (refer accounting policy q).

(g) Inventories

Inventories, other than spare parts and consumables, are carried at the lower of cost and net realisable value. Cost includes the cost of purchase computed using the weighted average method and, in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(Expressed in Renminbi)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Property, plant and equipment

(i) Property, plant and equipment are recorded at cost or valuation (see Note 9(b)) less accumulated depreciation (refer below) and impairment losses (refer accounting policy q). Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditure incurred after the asset has been put into operation is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is charged to the income statement in the period in which it is incurred.

(ii) Gains and losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the income statement on the date of retirement or disposal.

(iii) *Depreciation and amortisation*

Depreciation is calculated to write off the cost or valuation of each asset over its estimated useful life on a straight-line basis, after taking into account its estimated residual value, as follows:

Buildings	25 to 40 years
Plant, machinery and equipment	8 to 22 years
Motor vehicles and other fixed assets	5 to 20 years

Land use rights are amortised on a straight-line basis over the respective periods of the grants.

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 had 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.

1. Significant accounting policies *(continued)*

(i) Construction in progress

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost less impairment losses (refer accounting policy q). Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the period of construction.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided in respect of construction in progress.

(j) Investments

(i) Investments in subsidiaries in the Company's balance sheet are accounted for using the equity method.

(ii) Unlisted equity investments are stated in the balance sheet at cost less impairment losses (refer accounting policy q).

(k) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(l) Revenue recognition

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes value added tax. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or when the amount of revenue and the costs incurred or to be incurred in respect of the transaction cannot be measured reliably.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Net financing costs

Net financing costs comprise interest payable on borrowings, interest receivable on bank deposits, foreign exchange gains and losses, and other costs incurred in connection with borrowings.

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of net financing costs, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use.

(n) Repairs and maintenance expenses

Repairs and maintenance expenses, including cost of major overhaul, are expensed as incurred.

(o) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research costs and development costs are therefore recognised as expenses in the period in which they are incurred.

(p) Retirement benefits

Contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred. Further information is set out in Note 23.

1. Significant accounting policies *(continued)*

(q) Impairment

The carrying amounts of the Group's assets, other than inventories (refer accounting policy g), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value. Impairment losses are recognised in the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(r) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(s) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax liability within the same legal tax unit and jurisdiction to the extent appropriate, and is not available for set-off against the taxable profit of another legal tax unit. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

2. TURNOVER

The principal activities of the Company are the production and sale of polyester chips and polyester fibre. The principal activities of the subsidiaries are set out on pages 89 and 90.

Turnover represents the sales value of goods supplied to customers, net of value added tax, as follows:–

	The Group	
	2000	1999
	Rmb'000	*Rmb'000*
Revenue from sale of goods	**9,014,472**	7,075,579

3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

(a) Net financing costs

	The Group	
	2000	1999
	Rmb'000	*Rmb'000*
Interest on bank advances and other borrowings repayable within five years	**104,160**	188,934
Amounts capitalised as construction in progress*	**(1,000)**	(3,000)
Net interest expenses	**103,160**	185,934
Interest income	**(51,468)**	(60,756)
Net foreign exchange loss	**1,918**	1,361
Others	**3,280**	2,596
Net financing costs	**56,890**	129,135

* *The borrowing costs have been capitalised at an average rate of 5.9% per annum (1999: 6.7%) for construction in progress.*

(b) Other items

	The Group	
	2000	1999
		restated
	Rmb'000	*Rmb'000*
Cost of inventories#	**7,185,752**	5,332,831
Staff costs:		
– Wages and salaries, welfare and other costs#	**589,562**	424,594
– Contributions to defined contribution plans#	**56,932**	39,468
Depreciation#	**695,074**	634,121
Repairs and maintenance expenses#	**175,487**	175,995
Research and development costs#	**25,548**	34,386
Auditors' remuneration	**5,000**	5,000

\# *Cost of inventories includes Rmb1,187,154,000 (1999 (restated): Rmb1,103,097,000) relating to wages and salaries, welfare and other costs, contributions to defined contribution plans, depreciation, repairs and maintenance expenses, and research and development costs, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.*

4. INCOME TAX

(a) With effect from 1 January 1994, PRC domestic enterprises are subject to a unified income tax rate of 33 percent on their assessable profits. However, pursuant to a directive (Guo Shui Han Fa [1994] No. 061) dated 23 February 1994 issued by the PRC State Tax Bureau, the rate of income tax payable by the Company has been reduced to 15 percent and this was still effective in 2000.

The income tax rates applicable to the Company's principal subsidiaries in the PRC range from 15 percent to 33 percent, and some subsidiaries have been granted a tax holiday for not more than 5 years. No provision has been made for overseas income tax as the Group did not earn income subject to overseas income tax.

(b) Income tax expense in the consolidated income statement represents:

	The Group	
	2000	1999
	Rmb'000	*Rmb'000*
Provision for PRC income tax for the year	**139,391**	129,211

The following is a reconciliation of income taxes calculated at the Company's applicable tax rate with income tax expense for the year:

	The Group	
	2000	1999
		restated
	Rmb'000	*Rmb'000*
Profit before tax	**985,493**	921,454
Expected PRC income tax using the Company's tax rate of 15%	**147,824**	138,218
Differential tax rate on profits of subsidiaries	**(2,981)**	408
Effect of tax losses utilised	**(3,744)**	(4,563)
Tax incentives not recognised in the income statement	**–**	(2,535)
Others	**(1,708)**	(2,317)
Income tax expense	**139,391**	129,211

4. Income tax *(continued)*

(c) Income tax in the balance sheets represents:

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Provision for PRC income tax for the year	**139,391**	129,211	**135,154**	119,293
Provisional PRC income tax paid	**(72,250)**	(47,538)	**(71,110)**	(41,745)
	67,141	81,673	**64,044**	77,548
Balance of PRC income tax provision/(overpaid) relating to prior years	**71,185**	(6,363)	**71,185**	(6,363)
Tax payable	**138,326**	75,310	**135,229**	71,185

(d) No deferred taxes have been provided for or recognised in the accounts as the effect of all temporary differences or unused tax losses available for set-off against future taxable income of the subsidiaries is not considered material.

5. Directors' and supervisors' remuneration

Directors' and supervisors' emoluments:

	2000	1999
	Rmb'000	*Rmb'000*
Fees	**48**	24
Salaries and other emoluments	**600**	759
Discretionary bonuses	**651**	205
Retirement scheme contributions	**256**	203
	1,555	1,191

Included in the Directors' and supervisors' remuneration were fees of Rmb48,000 (1999: Rmb24,000) paid to the independent Non-executive Directors and supervisors during the year.

5. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

The remuneration of the Directors and supervisors is within the following band:

Hong Kong dollars	Renminbi Equivalent	2000 Number of Directors and supervisors	1999 Number of Directors and supervisors
0 - 1,000,000	0 - 1,060,600	17	17

The five highest paid individuals in the Group in 2000 and 1999 were all Executive Directors whose total emoluments have been shown above.

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a profit of Rmb845,178,000 (1999 *(restated)*: Rmb781,314,000) which has been dealt with in the accounts of the Company.

7. DIVIDENDS

	2000 ***Rmb'000***	1999 *restated* *Rmb'000*
Dividends	**440,000**	–

A final dividend of Rmb11 cents per share in respect of the financial year 1999 was declared and paid during the year (1999: Nil).

After the balance sheet date, a final dividend of Rmb9 cents per share (1999: Rmb11 cents per share) in respect of the financial year 2000 was proposed. The total proposed dividend of Rmb360,000,000 (1999: Rmb440,000,000) has not been provided for.

8. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of Rmb840,228,000 (1999 *(restated)*: Rmb777,067,000) and 4,000,000,000 shares (1999: 4,000,000,000 shares) in issue during the year.

9. Property, plant and equipment

	The Group			
	Land and Buildings	**Plant, Machinery and Equipment**	**Motor Vehicles and Other Fixed Assets**	**Total**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Cost or valuation:				
At 1 January 2000	2,153,506	8,704,090	555,809	11,413,405
Additions	1,040	1,829	6,048	8,917
Transfer from construction in progress *(Note 10)*	6,622	392,696	9,870	409,188
Disposals	(1,461)	(68,135)	(31,679)	(101,275)
Reclassifications	39,970	(45,792)	5,822	–
At 31 December 2000	**2,199,677**	**8,984,688**	**545,870**	**11,730,235**
Representing:				
Cost	1,102,124	6,674,490	459,584	8,236,198
Valuation *(Note 9(b))*	1,097,553	2,310,198	86,286	3,494,037
	2,199,677	8,984,688	545,870	11,730,235
Accumulated depreciation:				
At 1 January 2000	395,015	2,924,552	215,451	3,535,018
Depreciation charge for the year	63,280	582,753	49,041	695,074
Written back on disposal	(265)	(21,664)	(3,280)	(25,209)
Reclassifications	1,514	(2,086)	572	–
At 31 December 2000	**459,544**	**3,483,555**	**261,784**	**4,204,883**
Net book value:				
At 31 December 2000	**1,740,133**	**5,501,133**	**284,086**	**7,525,352**
At 31 December 1999	1,758,491	5,779,538	340,358	7,878,387

9. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	The Company			
	Land and Buildings	**Plant, Machinery and Equipment**	**Motor Vehicles and Other Fixed Assets**	**Total**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Cost or valuation:				
At 1 January 2000	1,849,987	7,936,179	533,054	10,319,220
Additions				
– Transfer from subsidiary	–	35,371	–	35,371
– Others	23	33	2,897	2,953
Transfer from construction in progress *(Note 10)*	6,304	392,252	9,870	408,426
Disposals	(297)	(8,455)	(29,648)	(38,400)
Reclassifications	39,433	(45,244)	5,811	–
At 31 December 2000	**1,895,450**	**8,310,136**	**521,984**	**10,727,570**
Representing:				
Cost	797,897	5,999,938	435,698	7,233,533
Valuation *(Note 9(b))*	1,097,553	2,310,198	86,286	3,494,037
	1,895,450	8,310,136	521,984	10,727,570
Accumulated depreciation:				
At 1 January 2000	362,203	2,735,356	207,011	3,304,570
Depreciation charge for the year	55,251	520,009	46,446	621,706
Written back on disposal	(74)	(4,914)	(2,162)	(7,150)
Reclassifications	1,514	(2,078)	564	–
At 31 December 2000	**418,894**	**3,248,373**	**251,859**	**3,919,126**
Net book value:				
At 31 December 2000	**1,476,556**	**5,061,763**	**270,125**	**6,808,444**
At 31 December 1999	1,487,784	5,200,823	326,043	7,014,650

9. Property, plant and equipment *(continued)*

(a) The Company and its major subsidiaries were granted the rights, in 1993 and 1995 respectively, to use the land in the PRC on which their buildings and plant are located, by the relevant PRC authorities for a period of 50 years.

(b) The Company was established in the PRC on 31 December 1993 as a joint stock limited company as part of the restructuring of Yihua Group Corporation ("Yihua"). On the same date, the principal business undertaking of Yihua together with the relevant assets and liabilities were taken over by the Company. As required by the relevant PRC rules and regulations, a valuation of the assets and liabilities to be injected into the Company was carried out as at 31 October 1993 by an independent valuer registered in the PRC. The injected assets and liabilities were reflected in the accounts on this basis.

(c) The Group had a revaluation of its property, plant and equipment at 30 September 1999 carried out by an independent valuer registered in the PRC, on a depreciated replacement cost basis. Based on this revaluation, the carrying amount of property, plant and equipment did not differ materially from their fair value.

10. Construction in progress

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Balance at 1 January	**138,333**	659,856	**137,822**	569,648
Additions	**430,691**	203,408	**428,141**	188,152
	569,024	863,264	**565,963**	757,800
Transfer to property, plant and equipment *(Note 9)*	**(409,188)**	(724,931)	**(408,426)**	(619,978)
Balance at 31 December	**159,836**	138,333	**157,537**	137,822

Construction in progress comprises expenditure incurred on buildings, plant, machinery and equipment not yet commissioned.

11. INTEREST IN SUBSIDIARIES

	The Company	
	2000	1999
	Rmb'000	*Rmb'000*
Share of net liabilities	**(105,927)**	(169,770)
Amounts due from subsidiaries	**1,136,215**	1,204,867
	1,030,288	1,035,097

Details of the Company's principal subsidiaries at 31 December 2000 are set out on pages 89 and 90.

The amount due from subsidiaries expected to be recovered after more than one year is Rmb800 million (1999: Rmb800 million).

None of the subsidiaries has any debt securities.

12. UNLISTED INVESTMENT, AT COST

	The Group and The Company	
	2000	1999
	Rmb'000	*Rmb'000*
Equity investment in Sinopec Finance Company Limited ("Sinopec Finance")	**62,500**	62,500

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13. Deposits with banks and other financial institutions

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Non-current asset:				
– Deposit with bank	**–**	85,000	**–**	85,000
Current assets:				
– Balances with banks and other financial institutions	**1,219,203**	725,427	**1,023,523**	525,875
– Balances with the following banks and other financial institutions, which are related parties of the Group				
– Sinopec Finance	**686,895**	741,074	**686,895**	741,074
– CITIC Industrial Bank	**53,492**	24,818	**37,547**	4,575
	740,387	765,892	**724,442**	745,649
	1,959,590	1,491,319	**1,747,965**	1,271,524
Less: Balances with banks and other financial institutions with an original maturity within three months *(Note 16)*	**(600,773)**	(407,351)	**(425,647)**	(248,501)
	1,358,817	1,083,968	**1,322,318**	1,023,023
	1,358,817	1,168,968	**1,322,318**	1,108,023

14. INVENTORIES

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Raw materials	**625,430**	460,187	**503,016**	382,353
Work in progress	**87,998**	79,503	**83,803**	76,138
Finished goods	**239,745**	254,278	**138,409**	145,464
Goods in transit	**554**	–	**554**	–
Spare parts and consumables	**163,116**	212,800	**143,152**	180,598
	1,116,843	1,006,768	**868,934**	784,553

At 31 December 2000, the carrying amount of inventories of the Group and the Company (included in above) carried at net realisable value amounted to Rmb106,578,000 and Rmb Nil, respectively (1999-Group and Company: Rmb49,496,000).

15. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Amounts due from parent companies and fellow subsidiaries	**173,418**	263,830	**173,418**	263,830
Trade receivables	**78,862**	68,510	**23,541**	16,660
Bills receivables	**133,061**	147,507	**108,831**	117,158
Other receivables, deposits and prepayments	**158,739**	328,293	**141,759**	304,976
	544,080	808,140	**447,549**	702,624

The amounts due from parent companies and fellow subsidiaries are unsecured, interest free and have no fixed repayment terms.

15. Trade and other receivables *(continued)*

The ageing analysis of trade and bills receivables is as follows:

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Within one year	**209,533**	210,768	**130,995**	130,803
Between one and two years	**2,390**	5,249	**1,377**	3,015
	211,923	216,017	**132,372**	133,818

Sales are generally on a cash basis. Subject to negotiation, credit is only available for major customers with well-established trading records.

16. Cash and cash equivalents

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Cash in hand	**241**	311	**142**	88
Balances with banks and other financial institutions with an initial term of less than three months *(Note 13)*	**600,773**	407,351	**425,647**	248,501
Cash and cash equivalents	**601,014**	407,662	**425,789**	248,589

17. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Amounts due to parent companies and fellow subsidiaries	**139,192**	32,337	**139,192**	32,337
Trade payables	**519,885**	322,888	**379,579**	218,387
Bills payable	**8,000**	20,000	**–**	–
Other payables and accrued expenses	**548,354**	615,855	**495,257**	502,633
	1,215,431	991,080	**1,014,028**	753,357

The amounts due to parent companies and fellow subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

The ageing analysis of trade and bills payables is as follows:

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Due within one month or on demand	**484,718**	317,241	**336,412**	192,740
Due after one month but within six months	**43,167**	25,647	**43,167**	25,647
	527,885	342,888	**379,579**	218,387

18. Bank loans

(a) Bank loans as at 31 December 2000 were unsecured and repayable as follows:

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Within 1 year or on demand				
Short-term bank loans	**80,000**	760,000	**80,000**	670,000
Current portion of long-term bank loans	**350,000**	599,556	**350,000**	599,556
	430,000	1,359,556	**430,000**	1,269,556
After 1 year but within 2 years	**150,000**	300,000	**150,000**	300,000
After 2 years but within 5 years	**300,000**	50,000	**300,000**	50,000
	450,000	350,000	**450,000**	350,000
	880,000	1,709,556	**880,000**	1,619,556

18. BANK LOANS *(continued)*

(b) The interest rates and terms of repayment for long-term bank loans are as follows:

	Interest Rate	Interest Type	The Group and The Company 2000 Rmb'000	1999 Rmb'000
Long-term bank loans				
US Dollar denominated loans:				
Payable annually through 2000	7.4375%	Floating	–	207,831
Due in 2000	6.5625%	Floating	–	133,725
			–	341,556
Renminbi denominated loans:				
Payable annually through 2000	6.03%-7.56%	Floating	–	26,000
Due in 2000	5.94%-6.21%	Floating	–	232,000
Due in 2001	5.94%	Floating	**350,000**	300,000
Due in 2002	5.94%	Floating	**150,000**	50,000
Due in 2003	5.94%	Floating	**300,000**	–
			800,000	608,000
Long-term bank loans			**800,000**	949,556
Less: Current portion of long-term bank loans			**350,000**	599,556
Long-term portion of long-term bank loans			**450,000**	350,000

19. Share capital

	2000	1999
	Rmb'000	*Rmb'000*
Registered, issued and paid up capital:		
2,600,000,000 "A" shares of Rmb1 each	**2,600,000**	2,600,000
1,400,000,000 "H" shares of Rmb1 each	**1,400,000**	1,400,000
	4,000,000	4,000,000

All the "A" and "H" shares rank pari passu in all respects.

20. Reserves

	The Group and The Company			
	Statutory surplus reserve	**Statutory public welfare fund**	**Discretionary surplus reserve**	**Total**
	(Note a)	*(Note b)*	*(Note c)*	
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
At 1 January 1999	271,247	135,624	546,941	953,812
Transferred from retained profits	68,008	47,606	47,606	163,220
At 31 December 1999	339,255	183,230	594,547	1,117,032
At 1 January 2000	339,255	183,230	594,547	1,117,032
Proposed transfer from retained profits	90,034	84,236	–	174,270
At 31 December 2000	**429,289**	**267,466**	**594,547**	**1,291,302**

WEAVING A GLOBAL NETWORK IS YIZHENG

20. RESERVES *(continued)*

Notes:

(a) According to the Articles of Association of the Company and its subsidiaries in the PRC, each of these entities is required to transfer 10 percent of its profit after taxation, as determined in accordance with the PRC accounting rules and regulations, to its statutory surplus reserve until the reserve balance reaches 50 percent of its registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders of these entities.

The statutory surplus reserve can be used by an entity to make good its previous years' losses, if any, or to expand its production and operation, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25 percent of its registered capital.

(b) According to the Articles of Association of the Company and its subsidiaries in the PRC, each of these entities is required to transfer 5 percent to 10 percent of its profit after taxation, as determined in accordance with the PRC accounting rules and regulations, to its statutory public welfare fund. The fund can only be utilised on capital items for the collective benefits of its employees such as the construction of dormitories, canteen and other staff welfare facilities. This fund is non-distributable other than in liquidation. The transfer to this fund must be made before distribution of a dividend to its shareholders.

The Directors authorised the transfer of Rmb84,236,000 (1999: Rmb47,606,000), subject to shareholders' approval, to this fund, of which Rmb78,438,000 (1999: Rmb47,606,000) represents 10 percent (1999: 7 percent) of the Company's profit after taxation excluding share of profits or losses from subsidiaries and Rmb5,798,000 (1999: Rmb Nil) represents the amount attributable to the transfers proposed by the respective subsidiaries, if any.

(c) The transfer to the discretionary surplus reserve from the income statement is subject to the approval by shareholders at general meetings. The utilisation of the reserve is similar to that of the statutory surplus reserve.

Neither the Company nor any of its subsidiaries has proposed to transfer any of its profit to this reserve in respect of the financial year 2000 (1999: Rmb47,606,000).

21. RETAINED PROFITS

According to the Company's Articles of Association, the amount of retained profits available for distribution to shareholders of the Company is the lower of the amount determined in accordance with the PRC accounting rules and regulations and the amount determined in accordance with IAS. At 31 December 2000, the amount of retained profits available for distribution, which was the amount determined in accordance with the PRC accounting rules and regulations, was Rmb826,621,000 (1999 *(restated)*: Rmb595,713,000). Final dividend of Rmb360,000,000 (1999: Rmb440,000,000) in respect of the financial year 2000 was proposed after the balance sheet date.

22. Changes in accounting policy

In the current year the Group adopted IAS 10 *Events After the Balance Sheet Date (revised 1999)* and IAS 38 *Intangible Assets*.

The adoption of IAS 10 has resulted in dividends being recognised as a liability in the period in which they are declared. In previous years, dividends were recognised in the period to which they related. This change has been accounted for retrospectively by restating comparatives and adjusting the opening balance of retained earnings at 1 January 1999.

The adoption of IAS 38 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 capitalised as a deferred asset and amortised on a straight-line basis over the employees' average service period. This change has been accounted for retrospectively by restating comparatives and adjusting the opening balance of retained earnings at 1 January 1999.

The changes in accounting policy had the following impact to 2000 and 1999:

	The Group		**The Company**	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Opening retained earnings as previously reported	**695,840**	527,493	**706,559**	533,965
Impact of adopting IAS 10 (revised)	**440,000**	–	**440,000**	–
Impact of adopting IAS 38	**(93,500)**	(99,000)	**(93,500)**	(99,000)
Restated balance	**1,042,340**	428,493	**1,053,059**	434,965
Profit attributable to shareholders as previously reported	**840,228**	771,567	**845,178**	775,814
Impact of adopting IAS 38	**–**	5,500	**–**	5,500
Restated balance	**840,228**	777,067	**845,178**	781,314

(Expressed in Renminbi)

23. Retirement benefits

As stipulated by the regulations of the PRC, the Company and its subsidiaries in the PRC participate in basic defined contribution pension plans organised by the respective Municipal Governments under which they are governed. Details of the schemes of the Company and its principal subsidiary, Yizheng Chemical Fibre Foshan Polyester Company Limited ("Foshan Polyester"), are as follows:

Administrator	**Beneficiary**	**Contribution Rate**	
		2000	1999
Yizheng Municipal Government, Jiangsu Province	Employees of the Company	**16%**	16%
Foshan Municipal Government, Guangdong Province	Employees of Foshan Polyester	**19%**	19%

All employees are entitled to retirement benefits equal to a fixed proportion of their salary at their normal retirement age. The Group has no other material obligation for payment of basic retirement benefits beyond the annual contributions which are calculated at a rate based on the salaries, bonuses and certain allowances of its employees as described above.

Other than the above, pursuant to a document "Lao Bu Fa [1995] No.464" dated 29 December 1995 issued by the Ministry of Labour of the PRC, the Company has set up a supplementary defined contribution retirement scheme for its employees. The assets of the scheme are held separately from those of the Company in an independent fund administered by a committee consisting of representatives from the employees and the management. The scheme is funded by contributions from the Company which are calculated at a rate based on the basic salaries of its employees. The contribution rate for 2000 was 9 percent (1999: 9 percent).

24. Related party transactions

China Petrochemical Corporation ("CPC"), China Petrochemical & Chemical Corporation ("Sinopec"), China International Trust and Investment Corporation ("CITIC") and Yihua are considered to be related parties as they have the ability to exercise significant influence over the Group in making financial and operating decision.

Sinopec Yangzi Petrochemical Company Limited ("Sinopec Yangzi"), Sinopec Finance, CITIC Industrial Bank, Nanjing Chemical Industrial Group ("Nanhua"), Sinopec Maoming Petrochemical Corporation ("Sinopec Maoming") and other subsidiaries of CPC or CITIC are considered to be related parties as they are subject to the common significant influence of CPC, Sinopec or CITIC.

24. RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions between the Group and the related parties during the year were as follows:

Sinopec Yangzi

	2000	1999
	Rmb'000	*Rmb'000*
Purchases of raw materials	**2,478,374**	1,813,302

Yihua and its subsidiaries

	2000	1999
	Rmb'000	*Rmb'000*
Sales	**1,079,045**	825,528
Purchases	**91,193**	69,852
Miscellaneous service charges (see note below)	**132,280**	140,000
Miscellaneous service fee income (see note below)	**29,190**	31,592
Trademark licence fee (see note below)	**10,000**	10,000
Interest income from China Yizheng Chemical Fibre Group Finance Company	**–**	20,816
Payments to the engineering company of Yihua relating to the construction and maintenance work carried out on behalf of the Company	**53,305**	17,298

Note: The above service fee income and charges were in accordance with the terms of the agreement dated 8th February 1994 signed between the Company and Yihua.

Sinopec and its subsidiaries, excluding Sinopec Yangzi

	2000	1999
	Rmb'000	*Rmb'000*
Purchase of equipment	**3,142**	–
Purchase of raw materials	**124,526**	78,180
Subsidy received in respect of technological research and development	**10,650**	–

24. RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions between the Group and the related parties during the year were as follows: *(Continued)*

CPC, Nanhua and Sinopec Maoming

	2000 Rmb'000	1999 Rmb'000
Purchase of equipment	**17,518**	9,359
Purchase of raw materials	**34,885**	38,805
Insurance premium paid	**21,485**	11,521
Subsidy received in respect of technological research and development	**–**	7,150

Sinopec Finance

	2000 Rmb'000	1999 Rmb'000
Interest income	**15,415**	1,295

CITIC Industrial Bank

	2000 Rmb'000	1999 Rmb'000
Interest income	**275**	196

The Directors of the Company are of the opinion 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.

(b) At 31 December 2000, guarantees given to banks by CPC and Yihua in respect of bank loans to the Company amounted to Rmb350,000,000 (1999: Rmb500,000,000) and Rmb Nil (1999: Rmb26,000,000) respectively.

25. Contingent liabilities

At 31 December 2000, contingent liabilities in respect of guarantees given to banks by the Company in respect of bank loans to certain wholly owned subsidiaries totalled Rmb Nil (1999: Rmb90,000,000).

26. Capital commitments

Capital commitments outstanding at 31 December 2000 not provided for in the accounts were as follows:

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Authorised and contracted for	**510,493**	110,065	**510,493**	110,065
Authorised but not contracted for	**2,036,123**	235,361	**2,036,123**	235,361
	2,546,616	345,426	**2,546,616**	345,426

27. Financial instruments

The financial assets of the Group include cash and cash equivalents, deposits with banks and other financial institutions, trade and other receivables and unlisted investments. The financial liabilities of the Group include bank loans and trade and other payables.

(a) Interest rate risk

The interest rates and terms of repayment of bank loans of the Group are disclosed in Note 18.

(b) Credit risk

Deposits with banks and other financial institutions

Substantial amounts of the Group's cash balances are deposited with the following banks or financial institutions: Bank of China, Industrial and Commercial Bank of China, Bank of Communications, China Construction Bank and Sinopec Finance.

27. FINANCIAL INSTRUMENTS *(continued)*

(b) Credit risk *(continued)*

Trade and other receivables (continued)

The Group does not have a significant exposure to any individual customer or counterparty. The major concentrations of credit risk arise from exposures to a substantial number of trade debtors operating in one geographical region, the PRC.

Details of the amounts due from parent companies and fellow subsidiaries are disclosed in Note 15.

Unlisted investment

Details of the unlisted investment are disclosed in Note 12.

(c) Fair value

The fair value of unlisted investment could not reasonably be estimated without incurring excessive costs as the investment is unquoted equity securities and there is no quoted market price for such securities in the PRC.

The fair values of cash and cash equivalents, trade and other receivables, trade and other payables are not materially different from their carrying amounts.

The carrying values of short-term deposits and short-term bank loans are estimated to approximate to their fair values based on the nature or short-term maturity of these instruments.

27. Financial instruments *(continued)*

(c) **Fair value** *(continued)*

The fair values of the Group's non-current deposit with bank and long-term loans as estimated by applying a discounted cash flow using current market interest rates for similar financial instruments, are summarised as follows:

	2000		1999	
	Carrying amount ***Rmb'000***	**Fair value** ***Rmb'000***	Carrying amount *Rmb'000*	Fair value *Rmb'000*
Non-current deposit with bank, including interest receivable	**–**	**–**	124,164	133,381
Long-term bank loans, including current portion *(Note 18(b))*	**800,000**	**804,037**	949,556	953,793

Fair value estimates are made at a specific point in time and based on relevant market information and information about the relevant financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

28. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit from ordinary activities before taxation to cash generated from operations

	2000	1999
		restated
	Rmb'000	*Rmb'000*
Profit from ordinary activities before taxation	**985,493**	921,454
Depreciation charge	**695,074**	634,121
Interest and investment income	**(52,607)**	(60,756)
Interest expenses	**103,160**	185,934
Loss on disposal of property, plant and equipment	**75,770**	184,647
Unrealised foreign exchange loss	**–**	226
Increase in inventories	**(110,075)**	(209,872)
Decrease in trade and other receivables	**264,308**	164,950
Increase in trade and other payables	**227,793**	231,495
Cash generated from operations	**2,188,916**	2,052,199

29. COMPARATIVE INFORMATION

Certain comparative figures have been adjusted as a result of changes in accounting policy for proposed dividend in order to comply with IAS 10 (revised 1999), and also for deferred asset in order to comply with IAS 38, details of which are set out in note 22. Certain other comparative figures have been reclassified to conform with the current year's presentation.

30. PARENT COMPANIES

The directors consider the immediate parent company and the ultimate parent company at 31 December 2000 to be Sinopec and CPC, respectively, which are incorporated in the PRC.