SUPPLEMENTAL INFORMATION FOR NORTH AMERICAN SHAREHOLDERS

The Group's accounting policies conform with IAS which differ in certain significant respects from US GAAP. Differences which have a significant effect on profit attributable to shareholders and shareholders' funds are set out below.

(a) Foreign exchange gains and losses

In accordance with IAS, foreign exchange differences on funds borrowed for construction are capitalised as property, plant and equipment to the extent that they are regarded as an adjustment to interest costs during the construction period. Under US GAAP, all foreign exchange gains and losses on foreign currency debts are included in current earnings.

(b) Capitalisation of property, plant and equipment

In years prior to those presented herein, certain adjustments arose between IAS and US GAAP with regard to the capitalisation of interest and pre-production results under IAS, that were reversed and expensed under US GAAP. For the years presented herein, there were no adjustments related to the capitalisation of interest and pre-production results. Accordingly, the US GAAP adjustments represent the amortisation effect of such originating adjustments described above.

(c) Revaluation of property, plant and equipment

As required by the relevant PRC regulations with respect to the Reorganisation (see Note 17), the property, plant and equipment of the Group were revalued at 30 September 1999. Such revaluation results in an increase in shareholders' funds with respect to the increase in carrying amount of certain property, plant and equipment above their historical bases.

Under US GAAP, property, plant and equipment are stated at their historical cost less accumulated depreciation. However, as a result of the tax deductibility of the revaluation surplus, a deferred tax asset related to the reversal of the revaluation surplus is created under US GAAP with a corresponding increase in shareholders' funds.

In addition, under IAS, on disposal of a revalued asset, the related revaluation surplus is transferred from the revaluation reserve to retained earnings. Under US GAAP, the gain and loss on disposal of an asset is determined with reference to the asset's historical carrying amount and included in current earnings.

(d) Impairment of long-lived assets

Under IAS, impairment charges are recognised when a long-lived asset's carrying amount exceeds the higher of an asset's net selling price and value in use, which incorporates discounting the asset's estimated future cash flows.

Under US GAAP, determination of the recoverability of a long-lived asset is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognised. Measurement of an impairment loss for a long-lived asset is based on the fair value of the asset.

In addition, under IAS, a subsequent increase in the recoverable amount of an asset is reversed to the consolidated profit and loss account to the extent that an impairment loss on the same asset was previously recognised as an expense when the circumstances and events that led to the write-down or write-off cease to exist. The reversal is reduced by the amount that would have been recognised as depreciation had the write-off not occurred. Under US GAAP, an impairment loss establishes a new cost basis for the impaired asset and the new cost basis should not be adjusted subsequently other than for further impairment losses.

For the year ended 31 December 2000, there was no difference on the amounts of impairment losses recognised under IAS and US GAAP. The US GAAP adjustment represents the effect of reversing the recovery of previous impairment charges recorded under IAS.

(e) Companies included in consolidation

Under IAS, the Group consolidates less than majority owned entities in which the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. However, US GAAP requires that any entity of which the Group owns 20% to 50% of total outstanding voting stock not be consolidated, but rather be accounted for under the equity method. Accordingly, Sinopec Fujian Petrochemical Company Limited, Sinopec Wuhan Phoenix Company Limited, and Sinopec Yizheng Chemical Fibre Company Limited of which the Group owns 50%, 40.72%, and 42%, respectively of the outstanding voting stock, are excluded from consolidation under US GAAP and accounted for under the equity method. This exclusion does not affect the net income or shareholders' equity reconciliations between IAS and US GAAP. Presented below is summarised financial information of Sinopec Fujian Petrochemical Company Limited, Sinopec Wuhan Phoenix Company Limited, and Sinopec Yizheng Chemical Fibre Company Limited for the year ended 31 December 2000.

	2000 RMB millions	1999 RMB millions
Revenues	17,666	11,404
Profit before taxation	1,233	1,326
Net profit	1,029	1,079

	2000 RMB millions	1999 RMB millions
Current assets	5,584	4,750
Total assets	16,273	16,101
Current liabilities	3,998	4,407
Total liabilities	4,449	4,825
Total equity	11,824	11,276

(f) Related party transactions

Under IAS, transactions of state-controlled enterprises with other state-controlled enterprises are not required to be disclosed as related party transactions. Furthermore, government departments and agencies are deemed not to be related parties to the extent that such dealings are in the normal course of business. Therefore, related party transactions as disclosed in Note 32 only refers to transactions with enterprises over which Sinopec Group Company is able to exercise significant influence.

Under US GAAP, there are no similar exemptions. Although the majority of the Group's activities are with PRC government authorities and affiliates and other PRC state-owned enterprises, the Group believes that it has provided meaningful disclosure of related party transactions in Note 32.

(g) Recently issued accounting standards

In June 1998, the United States Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities''. SFAS No. 133 requires companies to adopt its provisions for all fiscal quarters of all fiscal years beginning after 15 June 2000 (as deferred by SFAS No. 137). Earlier application of all of the provisions of SFAS No. 133 is permitted, but the provisions cannot be applied retroactively to financial statements of prior periods. SFAS No. 133, as amended by SFAS No. 138, standardises the accounting for derivative instruments by requiring that an entity recognises those items as assets or liabilities in the statement of financial position and measure them at fair value. Because the Group does not currently hold any derivative instruments and does not engage in hedging activities, the adoption of SFAS No. 133 on 1 January 2001 will not have a material impact on its financial position or results of operations under US GAAP.

The effect on profit attributable to shareholders of significant differences between IAS and US GAAP is as follows:

	Reference in note above	Year ended 31 December **2000** **US$ millions**	**2000** **RMB millions**	1999 RMB millions
Profit attributable to shareholders under IAS		2,296	19,004	4,672
US GAAP adjustments:				
Foreign exchange gains and losses	(a)	9	76	(206)
Capitalisation of property, plant and equipment	(b)	2	12	12
Depreciation on revalued property, plant and equipment	(c)	482	3,994	999
Disposal of property, plant and equipment	(c)	24	199	—
Impairment of long-lived assets, net of depreciation effect	(d)	—	—	495
Reversal of impairment of long-lived assets, net of depreciation effect	(d)	(98)	(808)	(593)
Deferred tax effects of US GAAP adjustments		(126)	(1,046)	(204)
Profit attributable to shareholders under US GAAP		**2,589**	**21,431**	**5,175**
Basic and diluted earnings per share under US GAAP		**0.04**	**0.30**	**0.08**
Basic and diluted earnings per ADS under US GAAP*		**3.60**	**29.79**	**7.52**

* Basic and diluted earnings per ADS is calculated on the basis that one ADS is equivalent to 100 shares.

The effect on shareholders' funds of significant differences between IAS and US GAAP is as follows:

	Reference in note above	At 31 December **2000** **US$ millions**	**2000** **RMB millions**	1999 RMB millions
Shareholders' funds under IAS		15,690	129,871	87,120
US GAAP adjustments:				
Foreign exchange gains and losses	(a)	(70)	(580)	(656)
Capitalisation of property, plant and equipment	(b)	(6)	(48)	(60)
Revaluation of property, plant and equipment	(c)	(3,277)	(27,129)	(31,322)
Deferred tax adjustments on revaluations	(c)	1,002	8,296	9,586
Impairment of long-lived assets	(d)	—	—	495
Reversal of impairment of long-lived assets	(d)	(87)	(726)	(413)
Deferred tax effects of US GAAP adjustments		51	427	183
Shareholders' funds under US GAAP		**13,303**	**110,111**	**64,933**