

The Directors hereby announce the unaudited interim results of the Company and the Group for the six months ended 30th June, 2001 based on the financial statements prepared in accordance with PRC accounting standards and IAS. The Company's Audit Committee and management have reviewed the accounting principles, accounting standards and treatment measures adopted by the Group, and have reviewed the relevant auditing methods, internal supervision and financial reports, including the unaudited interim accounts for the six months ended 30th June, 2001.

## BALANCE SHEETS AT 30TH JUNE, 2001

(Prepared under PRC accounting standards)

	In Rmb Yuan			
	At 30th June, 2001 (Group) (Unaudited)	At 31st December, 2000 (Group) (Audited)	At 30th June, 2001 (Company) (Unaudited)	At 31st December, 2000 (Company) (Audited)
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	44,578,374	228,964,237	38,814,356	198,701,433
Short-term investments				
Notes receivable	102,307,499	–	86,010,759	–
Dividend receivable	1,803,000	–	18,836,598	–
Interest receivable				
Accounts receivable (note 1)	2,315,612,082	2,690,775,845	2,307,182,889	2,677,365,771
Other receivables (note 2)	138,684,557	652,892,738	111,559,746	646,892,585
Advances to suppliers	267,160,796	273,061,082	263,363,536	272,512,820
Subsidy receivable	2,501,000	2,501,000	2,501,000	2,501,000
Inventories (note 3)	1,889,948,532	1,771,250,391	1,880,546,376	1,764,495,559
Prepaid expenses (note 4)	64,377,705	60,360,971	63,947,873	60,172,252
Long-term investments maturing within one year				
Other current assets				
<b>Total current assets</b>	<b>4,826,973,545</b>	5,679,806,264	<b>4,772,763,133</b>	5,622,641,420
<b>LONG-TERM INVESTMENT</b>				
Long-term equity investments (note 5)	254,158,201	243,774,101	394,541,492	356,928,111
Long-term bond investments				
<b>Total long-term investments</b>	<b>254,158,201</b>	243,774,101	<b>394,541,492</b>	356,928,111
Including: Consolidation difference				
Including: Equity investment difference				
<b>FIXED ASSETS</b>				
Fixed assets-cost	12,422,087,417	12,392,113,139	12,052,045,099	12,143,406,117
Less: Accumulated depreciation	(3,200,122,870)	(2,792,969,603)	(3,091,616,958)	(2,751,286,103)
Fixed assets-net book value	9,221,964,547	9,599,143,536	8,960,428,141	9,392,120,014
Less: Impairment				
Fixed assets-net book value	9,221,964,547	9,599,143,536	8,960,428,141	9,392,120,014
Construction materials				
Construction in progress (note 6)	558,488,462	484,453,443	558,488,462	484,453,443
Fixed assets pending disposal				
<b>Total fixed assets</b>	<b>9,780,453,009</b>	10,083,596,979	<b>9,518,916,603</b>	9,876,573,457
<b>INTANGIBLE AND OTHER ASSETS</b>				
Intangible assets	1,415,756,294	1,427,000,874	1,414,661,829	1,425,527,547
Long-term deferred expense (note 7)	178,878,696	276,530,160	178,507,508	275,787,785
Other long-term assets				
<b>Total intangible and other assets</b>	<b>1,594,634,990</b>	1,703,531,034	<b>1,593,169,337</b>	1,701,315,332
<b>DEFERRED TAXES</b>				
Deferred tax assets				
<b>TOTAL ASSETS</b>	<b>16,456,219,745</b>	17,710,708,378	<b>16,279,390,565</b>	17,557,458,320

The accompanying notes form an integral part of these financial statements.

## BALANCE SHEETS AT 30TH JUNE, 2001 (Cont'd)

(Prepared under PRC accounting standards)

	In Rmb Yuan			
	At 30th June, 2001 (Group) (Unaudited)	At 31st December, 2000 (Group) (Audited)	At 30th June, 2001 (Company) (Unaudited)	At 31st December, 2000 (Company) (Audited)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans	4,585,180,000	1,989,440,000	4,465,180,000	1,899,440,000
Notes payable				
Accounts payable	584,037,561	593,453,656	575,653,627	593,453,656
Advances from customers	193,917,431	131,724,927	187,019,070	127,678,436
Salaries payable				
Welfare payable	6,603,805	-	6,261,872	-
Dividend payable	24,335,495	24,331,000	24,331,000	24,331,000
Taxes payable	(125,675,435)	(170,208,316)	(127,945,120)	(170,437,525)
Other levies payable				
Other payables	111,864,323	762,344,517	122,453,491	760,633,139
Accrued expenses	117,293,032	-	111,328,618	-
Accrued liabilities				
Portion of long-term liabilities due within one year	509,110,000	1,054,391,381	509,110,000	1,054,391,381
Other current liabilities				
<b>Total current liabilities</b>	<b>6,006,666,212</b>	4,385,477,165	<b>5,873,392,558</b>	4,289,490,087
<b>LONG-TERM LIABILITIES</b>				
Long-term loans	4,030,342,287	4,512,317,447	4,030,342,287	4,512,317,447
Debentures payable				
Payable due after one year				
Special project payables				
Other long-term liabilities	1,331,600,000	3,067,784,135	1,331,600,000	3,067,784,135
<b>Total long-term liabilities</b>	<b>5,361,942,287</b>	7,580,101,582	<b>5,361,942,287</b>	7,580,101,582
<b>DEFERRED TAXES</b>				
Deferred tax liabilities				
<b>TOTAL LIABILITIES</b>	<b>11,368,608,499</b>	11,965,578,747	<b>11,235,334,845</b>	11,869,591,669
Minority interests	44,523,250	57,884,407	-	-
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	3,561,078,000	3,561,078,000	3,561,078,000	3,561,078,000
Capital surplus	2,293,618,886	2,294,138,886	2,293,618,886	2,294,138,886
Statutory common fund	700,849,554	696,241,999	693,730,248	693,730,248
Including: Statutory welfare fund	126,834,279	126,834,279	125,287,623	125,287,623
Accumulated losses	(1,512,458,444)	(864,213,661)	(1,504,371,414)	(861,080,483)
Foreign exchange difference reserve				
<b>Total shareholders' equity</b>	<b>5,043,087,996</b>	5,687,245,224	<b>5,044,055,720</b>	5,687,866,651
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>16,456,219,745</b>	17,710,708,378	<b>16,279,390,565</b>	17,557,458,320

The accompanying notes form an integral part of these financial statements.

## UNAUDITED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

(Prepared under PRC accounting standards)

Items	In Rmb Yuan					
	January to June, 2001 (Group)	January to June, 2000 (Group)	January to December, 2000 (based on new regulations) (Group)	January to June, 2001 (Company)	January to June, 2000 (Company)	January to December, 2000 (based on new regulations) (Company)
<b>Sales revenue</b>	<b>6,000,433,837</b>	5,983,751,878	13,846,722,322	<b>5,756,336,395</b>	5,804,909,038	13,457,431,211
Less: Cost of sales	<b>(5,475,708,076)</b>	(4,998,555,487)	(12,156,850,696)	<b>(5,274,342,955)</b>	(4,854,595,028)	(11,826,739,662)
Sales tax	<b>(212,476,537)</b>	(182,902,788)	(450,475,011)	<b>(212,476,537)</b>	(182,464,847)	(449,527,457)
<b>GROSS PROFIT ON SALES</b>	<b>312,249,224</b>	802,293,603	1,239,396,615	<b>269,516,903</b>	767,849,163	1,181,164,092
Add: Other operating income	<b>1,044,894</b>	–	–	<b>25,544,936</b>	–	–
Selling expenses	<b>(23,431,365)</b>	(15,946,088)	(35,254,345)	<b>(22,901,557)</b>	(15,945,888)	(35,156,742)
General and administrative expenses	<b>(630,849,697)</b>	(393,948,739)	(619,822,707)	<b>(624,367,491)</b>	(389,900,332)	(611,578,818)
Financial expenses (note 8)	<b>(280,308,179)</b>	(322,858,559)	(583,669,841)	<b>(275,732,737)</b>	(317,666,802)	(572,497,422)
<b>OPERATING PROFIT/(LOSS)</b>	<b>(621,295,123)</b>	69,540,217	649,722	<b>(627,939,946)</b>	44,336,141	(38,068,890)
Add: Investment income (note 9)	<b>12,244,100</b>	4,974,991	37,459,165	<b>15,600,917</b>	18,273,099	57,623,633
Subsidy income						
Non-operating income (note 10)	<b>8,232,834</b>	119,886	6,575,558	<b>8,229,549</b>	115,980	6,572,202
Less: Non-operating expenses (note 10)	<b>(39,200,497)</b>	(3,654,028)	(907,699,300)	<b>(39,181,451)</b>	(2,947,195)	(907,280,816)
<b>TOTAL PROFIT/(LOSS)</b>	<b>(640,018,686)</b>	70,981,066	(863,014,855)	<b>(643,290,931)</b>	59,778,025	(881,153,871)
Less: Income tax	<b>(756,482)</b>	(15,224,610)	1,405,231	–	(14,843,328)	2,387,718
Minority interests	<b>(1,121,906)</b>	(10,821,759)	(17,156,529)	–	–	–
<b>NET PROFIT/(LOSS)</b>	<b>(641,897,074)</b>	44,934,697	(878,766,153)	<b>(643,290,931)</b>	44,934,697	(878,766,153)

The accompanying notes form an integral part of these financial statements.

## UNAUDITED PROFIT APPROPRIATION STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

(Prepared under PRC accounting standards)

Items	In Rmb Yuan					
	January to June, 2001 (Group)	January to June, 2000 (Group)	January to December, 2000 (based on new regulations) (Group)	January to June, 2001 (Company)	January to June, 2000 (Company)	January to December, 2000 (based on new regulations) (Company)
<b>NET PROFIT/(LOSS)</b>	<b>(641,897,074)</b>	44,934,697	(878,766,153)	<b>(643,290,931)</b>	44,934,697	(878,766,153)
Add: Undistributed profits at the beginning of the year/ (Accumulated losses)	<b>(864,213,661)</b>	31,190,355	15,104,355	<b>(861,080,483)</b>	33,771,670	17,685,670
Transfer from other sources						
<b>DISTRIBUTABLE PROFIT/ (ACCUMULATED LOSS)</b>	<b>(1,506,110,735)</b>	76,125,052	(863,661,798)	<b>(1,504,371,414)</b>	78,706,367	(861,080,483)
Less: Transfer to common reserve	<b>(4,607,555)</b>	-	(321,009)	-	-	-
Transfer to public welfare fund						
Transfer to staff bonus and welfare fund	<b>(1,740,154)</b>	-	(230,854)	-	-	-
<b>PROFIT AVAILABLE FOR DISTRIBUTION TO SHAREHOLDERS/ (ACCUMULATED LOSSES)</b>	<b>(1,512,458,444)</b>	76,125,052	(864,213,661)	<b>(1,504,371,414)</b>	78,706,367	(861,080,483)
Less: Dividend for preference stocks						
Transfer to discretionary common reserve						
Dividend for common stocks						
Dividend for common stock transferred to capital						
<b>UNDISTRIBUTED PROFITS AT THE END OF THE YEAR/ (ACCUMULATED LOSSES)</b>	<b>(1,512,458,444)</b>	76,125,052	(864,213,661)	<b>(1,504,371,414)</b>	78,706,367	(861,080,483)

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF CASH FLOW FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

(Prepared under PRC accounting standards)(Unaudited)

Items	Amount (Group) (Unaudited)	In Rmb Yuan Amount (Company) (Unaudited)
<b>1. Cash flows from operating activities</b>		
Cash received from sale of goods or rendering of services	6,931,518,982	6,715,583,326
Refund of tax		
Cash received relating to other operating activities	1,648,700	1,262,557
<b>Sub-total of cash inflows</b>	<u>6,933,167,682</u>	<u>6,716,845,883</u>
Cash paid for goods and services	(5,708,204,071)	(5,553,970,748)
Cash paid for operating leases		
Cash paid to and on behalf of employees	(171,785,728)	(165,124,825)
Taxes paid	(429,509,078)	(424,920,906)
Cash paid relating to other operating activities	(196,496,559)	(191,284,423)
<b>Sub-total of cash outflows</b>	<u>(6,505,995,436)</u>	<u>(6,335,300,902)</u>
<b>Net cash flows from operating activities</b>	<u>427,172,246</u>	<u>381,544,981</u>
<b>2. Cash flows from investing activities</b>		
Cash received from sale of investments		
Cash received from distribution of dividends or profits	-	6,391,711
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	8,234,113	7,907,099
Other cash received relating to investing activities		
<b>Sub-total of cash inflows</b>	<u>8,234,113</u>	<u>14,298,810</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(131,068,494)	(128,968,725)
Cash paid to acquire equity investments	-	(2,000,000)
Cash paid to acquire debt investments		
Other cash paid relating to investing activities		
<b>Sub-total of cash outflows</b>	<u>(131,068,494)</u>	<u>(130,968,725)</u>
<b>Net cash flows from investing activities</b>	<u>(122,834,381)</u>	<u>(116,669,915)</u>
<b>3. Cash flows from financing activities</b>		
Proceeds from issuing shares	1,000,000	-
Including: Cash received from minority interests	1,000,000	-
Proceeds from borrowings	2,700,770,000	2,666,770,000
Other proceeds relating to financing activities		
<b>Sub-total of cash inflows</b>	<u>2,701,770,000</u>	<u>2,666,770,000</u>
Cash repayments of amounts borrowed	(2,868,470,676)	(2,774,470,676)
Cash payments for distribution of dividends or profits Including: Dividends paid to minority interests	(322,023,052)	(317,061,467)
Cash payments relating to other financing activities Including: Cash paid to minority shareholders due to reduction of capital of subsidiaries		
<b>Sub-total of cash outflows</b>	<u>(3,190,493,728)</u>	<u>(3,091,532,143)</u>
<b>Net cash flows from financing activities</b>	<u>(488,723,728)</u>	<u>(424,762,143)</u>
<b>4. Effect of foreign exchange rate changes on cash</b>		
<b>5. Net decrease in cash and cash equivalents</b>	<u>(184,385,863)</u>	<u>(159,887,077)</u>

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF CASH FLOW FOR THE SIX MONTHS ENDED 30TH JUNE, 2001** (Cont'd)  
(Prepared under PRC accounting standards)(Unaudited)

Items	Amount (Group) (Unaudited)	In Rmb Yuan Amount (Company) (Unaudited)
<b>I. Reconciliation of net loss to cash flows from operating activities</b>		
Net loss	(641,897,074)	(643,290,931)
Add: Minority interests	1,121,906	–
Add: Provision for diminution of value of assets	330,435,433	332,937,380
Depreciation of fixed assets	414,257,925	403,279,823
Amortisation of intangible assets	12,531,879	12,153,017
Amortisation of long-term deferred expense	103,569,325	103,198,138
Increase in prepaid expenses	(4,016,734)	(3,775,621)
Increase in accrued expenses	117,293,032	111,328,618
Loss on disposal of fixed assets, intangible assets and other long-term assets	4,515,352	4,518,637
Loss on scrapping of fixed assets		
Financial expenses	322,023,052	317,061,467
Investments income	(12,244,100)	(15,600,917)
Deferred tax credit		
Increase in inventories	(150,958,141)	(148,311,170)
Decrease in operating receivables	528,902,321	532,222,133
Decrease in operating payables	(642,894,811)	(666,667,998)
Other	44,532,881	42,492,405
	<u>427,172,246</u>	<u>381,544,981</u>
<b>Net cash flows from operating activities</b>		
<b>2. Investing and financing activities that do not involve cash receipts and payments</b>		
Investments in the form of fixed assets	–	42,714,715
Convertible bonds maturing within one year		
Finance lease principal payments		
<b>3. Net decrease in cash and cash equivalents</b>		
Cash at end of period	44,578,374	38,814,356
Less: cash at beginning of period	(228,964,237)	(198,701,433)
Plus: cash equivalents at end of period		
Less: cash equivalents at beginning of period		
	<u>(184,385,863)</u>	<u>(159,887,077)</u>
<b>Net decrease in cash and cash equivalents</b>		

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

(Unless otherwise indicated, all figures are stated in Rmb Yuan)

### (1) Accounting Policies

These financial statements are prepared in conformity with PRC accounting standards. Except for the changes in accounting policies mentioned below, the principal accounting policies adopted by the Group are the same as those used in the preparation of the 2000 Annual Report.

The Group prepared financial statements in accordance with Accounting Regulations for Joint Stock Limited Companies. According to the Notice On Publication of Accounting Regulations for Business Enterprises [CKZ [2000] No. 25] and the Notice on Publication of Eight Accounting Standards Including Accounting Standards for Business Enterprises – Intangible Assets [CKZ [2001] No. 7] issued by Ministry of Finance, the Group adopted the aforementioned regulations effective 1st January, 2001. Accordingly, some of the accounting policies of the Group changed. The changes mainly include periodic reviews on intangible assets, fixed assets and construction in progress whether future economic benefits associated with these assets will flow to the Group. If the recoverable amounts of these assets are lower than their net book value, corresponding provision will be made. The aforementioned changes of accounting policies do not have material financial impact on the Group.

### (2) Notes To Major Items In The Financial Statements

#### 1. Accounts Receivable

(a) Ageing analysis of accounts receivable is as follows:

	Group					
	At June 30, 2001 (Unaudited)	Percen -tage %	Provision for bad debts (Unaudited)	At December 31, 2000 (Audited)	Percen -tage %	Provision for bad debts (Audited)
Within 1 year	1,799,696,351	63	(35,025,800)	1,921,597,831	66	(8,014,835)
1–2 years	250,710,223	9	(75,141,107)	342,704,904	12	(34,270,490)
2–3 years	274,163,367	9	(119,395,963)	305,083,462	10	(52,541,731)
More than 3 years	532,311,839	19	(311,706,828)	362,167,042	12	(145,950,338)
	<b>2,856,881,780</b>	<b>100</b>	<b>(541,269,698)</b>	<b>2,931,553,239</b>	<b>100</b>	<b>(240,777,394)</b>

Company						
	At June 30, 2001 (Unaudited)	Percen -tage %	Provision for bad debts (Unaudited)	At December 31, 2000 (Audited)	Percen -tage %	Provision for bad debts (Audited)
Within 1 year	1,791,266,341	63	(35,025,800)	1,908,135,119	66	(15,833,299)
1-2 years	250,710,223	8	(75,141,107)	352,543,817	12	(35,254,383)
2-3 years	274,163,367	10	(115,395,963)	305,083,462	10	(52,541,730)
More than 3 years	532,278,525	19	(315,672,697)	352,327,855	12	(137,095,070)
	<b>2,848,418,456</b>	<b>100</b>	<b>(541,235,567)</b>	<b>2,918,090,253</b>	<b>100</b>	<b>(240,724,482)</b>

Additional provision for bad debts was made in the period due to the lengthening of accounts receivable ageing and the financial problems of certain debtors.

- (b) Except for the receivables due from PetroChina Company Limited ("PetroChina") disclosed in note (3), there are no balances due from shareholders who hold more than 5% (including 5%) of the shares of the Company included in accounts receivable.
- (c) The name, amount, period and reason for the five largest debtors are as follows:

Name of enterprise	Amount	Period	Reason giving rise to the debts
Jilin Chemical Group Corporation ("JCGC") Acrylonitrile Branch *	205,850,290	1998-2001	Sale of goods
JCGC Jilin Chang Song Chemical Factory *	142,058,442	1997-2001	Sale of goods
JCGC Song Bei Company *	105,480,000	1997-2001	Sale of goods
Liao Yang Qinyang Chemical Industrial Company	24,286,985	2000-2001	Sale of goods
JCGC Jilin Jin Jiang Petrochemical Factory*	24,274,102	1997-2001	Sale of goods

\* Related parties of the Company.

## 2. Other Receivables

- (a) Ageing analysis of other receivables is as follows:

Group						
	At June 30, 2001 (Unaudited)	Percen -tage %	Provision for bad debts (Unaudited)	At December 31, 2000 (Audited)	Percen -tage %	Provision for bad debts (Audited)
Within 1 year	137,935,779	87	(832,887)	655,589,996	96	(5,264,832)
1-2 years	3,258,330	2	(1,676,665)	5,135,148	1	(2,567,574)
2-3 years	6,011,969	3	(6,011,969)	6,421,769	1	(6,421,769)
More than 3 years	15,119,721	8	(15,119,721)	11,703,938	2	(11,703,938)
	<b>162,325,799</b>	<b>100</b>	<b>(23,641,242)</b>	<b>678,850,851</b>	<b>100</b>	<b>(25,958,113)</b>



	Company					
	At June 30, 2001 (Unaudited)	Percen -tage %	Provision for bad debts (Unaudited)	At December 31, 2000 (Audited)	Percen -tage %	Provision for bad debts (Audited)
Within 1 year	110,810,968	85	(832,887)	647,107,030	96	(2,782,019)
1-2 years	3,258,330	2	(1,676,665)	5,135,148	1	(2,567,574)
2-3 years	6,011,969	4	(6,011,969)	6,421,769	1	(6,421,769)
More than 3 years	15,101,534	9	(15,101,534)	11,685,751	2	(11,685,751)
	<b>135,182,801</b>	<b>100</b>	<b>(23,623,055)</b>	670,349,698	100	(23,457,113)

(b) Except for the receivables due from PetroChina disclosed in note (3), there are no balances due from shareholders who hold more than 5% (including 5%) of the shares of the Company included in other receivables.

(c) The name, amount, period and reason for the five largest debtors are as follows:

Name of enterprise	Amount	Period	Reason giving rise to the debts
Jilian (Jilin) Petrochemicals Limited ("Jilian") *	55,561,278	2000	Interest expense paid on behalf of Jilian and sale of goods
JCGC Import and Export Company *	6,065,000	2001	Deposits for import and export business
JCGC Public Facility Company *	5,163,512	1997	Construction costs
Pension Centre of JCGC Group *	3,756,629	2001	Prepaid pension insurance
Finance Department of JCGC Group *	3,453,812	1997-2001	Employee welfare expenses paid on behalf of JCGC

\* Related parties of the Company

### 3. Inventories and Provision

	<b>Group</b>			
	<b>At June 30, 2001</b>		<b>At December 31, 2000</b>	
	<b>Cost (Unaudited)</b>	<b>Provision (Unaudited)</b>	<b>Cost (Audited)</b>	<b>Provision (Audited)</b>
Raw materials	<b>1,251,905,622</b>	<b>(27,623)</b>	1,000,522,786	(27,623)
Work in progress	<b>190,095,640</b>	-	231,888,339	-
Finished goods	<b>536,960,066</b>	<b>(97,689,456)</b>	544,869,231	(65,429,456)
Low value consumables and packing materials	<b>8,704,283</b>	-	59,427,114	-
	<b><u>1,987,665,611</u></b>	<b><u>(97,717,079)</u></b>	<u>1,836,707,470</u>	<u>(65,457,079)</u>

	<b>Company</b>			
	<b>At June 30, 2001</b>		<b>At December 31, 2000</b>	
	<b>Cost (Unaudited)</b>	<b>Provision (Unaudited)</b>	<b>Cost (Audited)</b>	<b>Provision (Audited)</b>
Raw materials	<b>1,249,683,011</b>	<b>(27,623)</b>	1,000,522,786	(27,623)
Work in progress	<b>185,070,510</b>	-	228,768,371	-
Finished goods	<b>534,368,284</b>	<b>(97,251,662)</b>	540,796,220	(64,991,309)
Low value consumables and packing materials	<b>8,703,856</b>	-	59,427,114	-
	<b><u>1,977,825,661</u></b>	<b><u>(97,279,285)</u></b>	<u>1,829,514,491</u>	<u>(65,018,932)</u>

Due to changes in market demand, net realisable value of certain inventories was lower than their net book value at June 30, 2001. Accordingly, additional provision was made by the Group to write down the net book value of those inventories to their net realisable value.

There was no inventory pledged for borrowings at June 30, 2001 (December 31, 2000: nil).

## 4. Prepaid Expenses

	Group			At June 30, 2001 (Unaudited)
	At January 1, 2001 (Audited)	Additions (Unaudited)	Amortisation (Unaudited)	
Catalyst	52,477,507	24,272,377	(19,262,331)	57,487,553
Materials	–	3,399,495	(2,987,068)	412,427
Prepaid insurance	4,008,387	19,765,398	(20,741,949)	3,031,836
Other	3,875,077	11,097,274	(11,526,462)	3,445,889
	<b>60,360,971</b>	<b>58,534,544</b>	<b>(54,517,810)</b>	<b>64,377,705</b>

	Company			At June 30, 2001 (Unaudited)
	At January 1, 2001 (Audited)	Additions (Unaudited)	Amortisation (Unaudited)	
Catalyst	52,477,507	24,272,377	(19,262,331)	57,487,553
Materials	–	3,399,495	(2,987,068)	412,427
Prepaid insurance	3,819,364	19,296,491	(20,513,851)	2,602,004
Other	3,875,381	11,097,274	(11,526,766)	3,445,889
	<b>60,172,252</b>	<b>58,065,637</b>	<b>(54,290,016)</b>	<b>63,947,873</b>

## 5. Long-term Investments

	Group				Provision (Unaudited)
	At January 1, 2001 (Audited)	Additions (Unaudited)	Reduction (Unaudited)	At June 30, 2001 (Unaudited)	
Other equity investments	243,774,101	12,244,100	(1,860,000)	254,158,201	–

	Company				Provision (Unaudited)
	At January 1, 2001 (Audited)	Additions (Unaudited)	Reduction (Unaudited)	At June 30, 2001 (Unaudited)	
Other equity investments	356,928,111	63,134,246	(25,520,865)	394,541,492	–

(1) Details of other equity investments are as follows:

Name of investee	Percentage of equity held %	At June 30, 2001	Provision
Jilin Jihua Jianxiu Co., Ltd. ("Jianxiu")	99	44,846,863	–
Jilin Winsway Chemical Industrial Store and Transport Limited ("Winsway")	70	40,388,725	–
Jilin City Songmei Acetic Acid Co., Ltd. ("Songmei")	66	55,147,703	–
Jilian	65	208,489,477	–
Jilin Province BASF FCIC NPG Co., Ltd. ("BASF")	40	45,668,724	–
		<b>394,541,492</b>	–

Although the Company has more than 50% equity interest in Jilian, it does not have the ability to exercise control over this company. Accordingly, the financial statements of Jilian are not consolidated into those of the Group and the investment in Jilian is accounted for using the equity method of accounting.

(2) The movement of investments using the equity method of accounting, which are included in other equity investments, is as follows:

Investee	Original investment (Audited)	At January 1, 2001 (Audited)	Share of net profit (Unaudited)	Dividend received (Unaudited)	Valuation		At June 30, 2001 (Unaudited)
					surplus/ (deficit) (Unaudited)	Other (Unaudited)	
Jilian	271,031,590	198,265,753	12,083,724	(1,860,000)	–	–	208,489,477
BASF	60,066,150	45,508,348	160,376	–	–	–	45,668,724
	<b>331,097,740</b>	<b>243,774,101</b>	<b>12,244,100</b>	<b>(1,860,000)</b>	<b>–</b>	<b>–</b>	<b>254,158,201</b>

## 6. Construction in progress

Name of project	January 1, 2001	Transferred to		Other	June 30, 2001	Source of funds	Stage of completion
	(Audited)	Additions (Unaudited)	fixed assets (Unaudited)	reduction (Unaudited)			
Synthetic ammonia facilities	430,435,608	67,644,269	-	-	498,079,877	Loans borrowed by the Company	50%
Other	54,017,835	38,135,904	(31,745,154)	-	60,408,585		
	<u>484,453,443</u>	<u>105,780,173</u>	<u>(31,745,154)</u>	<u>-</u>	<u>558,488,462</u>		
Provision	-	-	-	-	-		

The capitalised interests in construction in progress at June 30, 2001 amounted to Rmb 50,912,033 (December 31, 2000: Rmb 38,817,278).

## 7. Long-term Deferred Expenses

	Group			At June 30, 2001 (Unaudited)
	At January 1, 2001 (Audited)	Additions (Unaudited)	Amortisation (Unaudited)	
Major repair expense for fixed assets	229,777,320	-	(89,020,062)	140,757,258
Catalyst	42,545,622	3,847,437	(13,047,843)	33,345,216
Other	4,207,218	2,070,424	(1,501,420)	4,776,222
	<u>276,530,160</u>	<u>5,917,861</u>	<u>(103,569,325)</u>	<u>178,878,696</u>

  

	Company			At June 30, 2001 (Unaudited)
	At January 1, 2001 (Audited)	Additions (Unaudited)	Amortisation (Unaudited)	
Major repair expense for fixed assets	229,034,945	-	(88,648,875)	140,386,070
Catalyst	42,545,622	3,847,437	(13,047,843)	33,345,216
Other	4,207,218	2,070,424	(1,501,420)	4,776,222
	<u>275,787,785</u>	<u>5,917,861</u>	<u>(103,198,138)</u>	<u>178,507,508</u>

8. *Financial Expenses*

	Six months ended June 30,			
	2001 Group (Unaudited)	2001 Company (Unaudited)	2000 Group (Unaudited)	2000 Company (Unaudited)
Interest expense	322,023,052	317,061,467	325,348,336	320,091,074
Interest income	(1,615,756)	(1,229,613)	(2,515,428)	(2,449,923)
Exchange (gain)/loss	(40,099,117)	(40,099,117)	25,651	25,651
	<b>280,308,179</b>	<b>275,732,737</b>	<b>322,858,559</b>	<b>317,666,802</b>

9. *Investment Income*

	Six months ended June 30,			
	2001 Group (Unaudited)	2001 Company (Unaudited)	2000 Group (Unaudited)	2000 Company (Unaudited)
Share of profit of associated companies	12,244,100	12,244,100	4,974,991	4,974,991
Share of profit of subsidiaries	–	3,356,817	–	13,298,108
	<b>12,244,100</b>	<b>15,600,917</b>	<b>4,974,991</b>	<b>18,273,099</b>

## 10. Non-operating Income and Expenses

	Six months ended June 30,			
	2001 Group (Unaudited)	2001 Company (Unaudited)	2000 Group (Unaudited)	2000 Company (Unaudited)
Non-operating income:				
Gain on disposal of fixed assets	8,199,890	8,196,605	96,176	96,176
Other	32,944	32,944	23,710	19,804
	<b>8,232,834</b>	<b>8,229,549</b>	119,886	115,980
Non-operating expenses:				
Loss on non-seasonable production pause	17,871,385	17,871,385	–	–
Loss on disposal of fixed assets	13,114,441	13,114,441	449,649	449,649
Penalty for delay in payments	1,382,296	1,382,296	–	–
Flood protection fund	3,634,308	3,634,308	2,497,546	2,497,546
Other	3,198,067	3,179,021	706,833	–
	<b>39,200,497</b>	<b>39,181,451</b>	3,654,028	2,947,195

## 11. Comparative Figures

Certain comparative figures have been changed to conform with the current period's presentation.

**(3) Related Companies and Related Party Transactions**

(a) *Related companies of which control exists*

<b>Name</b>	<b>Place of registration</b>	<b>Principal activities</b>	<b>Relationship with the Company</b>	<b>Nature of the enterprise</b>	<b>Legal representative</b>
China National Petroleum Corporation ("CNPC")	PRC	Exploration, development, production and sale of natural resources	Ultimate holding company	State-owned enterprise	Ma Fucai
PetroChina	PRC	Exploration, manufacture and sale of petroleum and natural gas; manufacture and sale of petrochemical products and transmission of petroleum and natural gas	Immediate holding company	Joint stock limited company	Ma Fucai
JCGC	PRC	Manufacture and sale of chemical products	Fellow subsidiary	State-owned enterprise	Zhu Zhongmin
Jilin Xinghua Nitrochlorobenzene Co., Ltd. ("Xinghua")	PRC	Manufacture and sale of chemical products	Subsidiary	Sino-foreign equity joint venture	Hong Wei
Winsway	PRC	Railway Transportation services	Subsidiary	Sino-foreign equity joint venture	Bi Daqing
Songmei	PRC	Manufacture of acetic acid	Subsidiary	Sino-foreign equity joint venture	Hou Yanming
Jianxiu	PRC	Repair and construction	Subsidiary	Sino-foreign equity joint venture	Qu Jing



(b) Capital and its movement of the related companies of which control exists:

Name	At January 1, 2001 (Audited) Rmb'0000	Addition (Unaudited) Rmb'0000	Reduction (Unaudited) Rmb'0000	At June 30, 2001 (Unaudited) Rmb'0000
CNPC	11,490,000	—	—	11,490,000
PetroChina	17,582,418	—	—	17,582,418
JCGC	245,700	—	—	245,700
Xinghua	2,567	—	—	2,567
Winsway	5,145	—	—	5,145
Songmei	7,200	—	—	7,200
Jianxiu	—	4,520	—	4,520

(c) Movement of the shares or equity of major held subsidiaries

Name	Shares or equity held at January 1, 2001 (Audited)		Addition (Unaudited)		Decrease (Unaudited)		Shares or equity held at June 30, 2001 (Unaudited)	
		%		%		%		%
Winsway	42,782,204	70	1,238,164	70	(3,631,643)	70	40,388,725	70
Songmei	70,371,806	66	2,945,119	66	(18,169,222)	66	55,147,703	66
Jianxiu	—	99	45,023,819	99	—	99	45,023,819	99
Xinghua *								
	<u>113,154,010</u>		<u>49,207,102</u>		<u>(21,800,865)</u>		<u>140,560,247</u>	

\* Xinghua incurred significant loss and its total assets were less than its total liabilities. In 2000, Xinghua terminated its operation. In accordance with the notice [CKZ (95) No. 11] issued by the Ministry of Finance, the results of Xinghua were not consolidated into the financial statements of the Group and the investment in Xinghua had been fully written off.

(d) Associated Companies

Name	Nature of the enterprise	Date of registration	Place of registration	Currency	Registered capital	Equity percentage held by the Company at June 30, 2001	Principal activities
Jilian	Sino-foreign joint venture	1994.3	Jilin	Rmb	416,971,720	65%	Petrochemical products
BASF	Sino-foreign joint venture	1995.11.15	Jilin	Rmb	150,000,000	40%	Petrochemical products

(e) Other related companies over which control does not exist

Name	Relationship with the Company
Jilian	Associated company
BASF	Associated company
JCGC group companies	Affiliated company

(f) Related Party transactions

	Six months ended 30th June,	
	2001	2000
	(Unaudited)	(Unaudited)
<u>CNPC group companies</u>		
Purchase of other materials	–	1,819,401
<u>JCGC group companies</u>		
Sale of finished goods	<b>406,350,000</b>	395,766,401
Sub-contracting fees	–	6,120,247
Construction of fixed assets	<b>27,390,000</b>	34,956,653
Purchase of raw materials and spare parts	<b>44,010,000</b>	43,174,339
Fees for welfare and support services	<b>56,710,000</b>	43,631,456
Interest expense	<b>201,000,000</b>	186,004,895
<u>PetroChina group companies</u>		
Purchase of crude oil	<b>3,684,426,876</b>	3,295,167,653
Purchase of naphtha	<b>429,770,286</b>	126,248,038
Purchase acrylonitrile	–	11,965,800
Purchase of polyethylene	–	3,782,000
Purchase of benzene	<b>23,366,050</b>	15,000,000
Purchase of methyl alcohol	<b>27,474,018</b>	51,729,749
Purchase of other raw materials	<b>20,287,246</b>	97,852,238
Sale of gasoline	<b>943,956,937</b>	679,376,732
Sale of diesel oil	<b>1,235,089,084</b>	866,157,369
Sale of residual oil	–	12,819,506
Sale of propylene	<b>119,651,398</b>	–
Sale of styrene	<b>213,571,788</b>	266,226,176
Sale of butadiene	<b>39,616,965</b>	50,357,120
Sale of butylene–I	<b>36,983,597</b>	38,679,660
Sale of liquid ammonia	–	32,940,000
Sale of ethylene tar	<b>26,001,815</b>	20,909,940
Sale of ethylene	<b>601,916,868</b>	879,130,000
Sale of M-xylene	<b>19,415,520</b>	37,138,601
Sale of other products	<b>93,220,402</b>	151,054,922

(g) *Related Party balances*

	<b>At June 30, 2001 (Unaudited)</b>	<b>At December 31, 2000 (Audited)</b>
Accounts receivable from		
– Group companies of CNPC	<b>25,730,000</b>	22,770,207
– Group companies of PetroChina	<b>1,415,580,000</b>	1,298,781,079
– Group companies of JCGC	<b>426,900,000</b>	358,963,102
Other receivables from		
– Group companies of PetroChina	<b>52,750,000</b>	503,348,256
– Group companies of JCGC	<b>15,910,000</b>	–
Advances to		
– Group companies of JCGC	<b>115,460,000</b>	–
Accounts payable to		
– Group companies of PetroChina	<b>(89,590,000)</b>	–
– Group companies of JCGC	<b>(33,950,000)</b>	–
Advances from		
– Group companies of JCGC	<b>(1,830,000)</b>	–
Other payables to		
– Group companies of JCGC	<b>(50,500,000)</b>	–
Short-term loan		
– Group companies of CNPC	<b>(4,425,180,000)</b>	(1,350,000,000)
Long-term loans due within 1 year		
– Group companies of JCGC	<b>(219,434,135)</b>	(700,000,000)
Long-term loans		
– Group companies of CNPC	<b>(3,179,100,000)</b>	(3,394,650,359)
Other long-term liabilities		
– Group companies of JCGC	<b>(1,331,600,000)</b>	(3,067,784,135)

## UNAUDITED CONSOLIDATED INTERIM CONDENSED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

(Prepared in accordance with IAS)

		Six months ended 30th June,			
Notes	2001 RMB'000	2000 RMB'000	2001 HK\$'000	2001 US\$'000	
Turnover	2	5,984,561	5,800,849	5,639,428	723,035
Cost of sales		(5,703,528)	(5,001,484)	(5,374,602)	(689,082)
<b>Gross profit</b>		<b>281,033</b>	799,365	<b>264,826</b>	<b>33,953</b>
Other operating expense		(30,968)	(260)	(29,182)	(3,741)
Distribution costs		(23,431)	(15,946)	(22,080)	(2,831)
Administrative expenses		(609,366)	(398,207)	(574,224)	(73,622)
<b>Operating (loss)/profit</b>	3	<b>(382,732)</b>	384,952	<b>(360,660)</b>	<b>(46,241)</b>
Interest expense	4	(339,940)	(320,032)	(320,335)	(41,070)
Interest income		1,096	2,801	1,033	132
Exchange gain/(loss), net		40,099	(26)	37,786	4,845
Share of profit of associated companies		12,244	4,975	11,538	1,479
<b>(Loss)/profit before taxation</b>		<b>(669,233)</b>	72,670	<b>(630,638)</b>	<b>(80,855)</b>
Taxation	5	(756)	(15,869)	(712)	(91)
<b>(Loss)/profit before minority interests</b>		<b>(669,989)</b>	56,801	<b>(631,350)</b>	<b>(80,946)</b>
Minority interests		(1,122)	(10,822)	(1,057)	(136)
<b>Net (loss)/profit for the period</b>		<b>(671,111)</b>	45,979	<b>(632,407)</b>	<b>(81,082)</b>
<b>BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE</b>	6	<b>(RMB0.19)</b>	RMB0.01	<b>(HK\$0.18)</b>	<b>(US\$0.02)</b>

## UNAUDITED CONSOLIDATED INTERIM CONDENSED BALANCE SHEET AS OF 30TH JUNE, 2001 AND 31ST DECEMBER, 2000

(Prepared in accordance with IAS)

			31st		
	Notes	30th June, 2001	December, 2000	30th June, 2001	30th June, 2001
		RMB'000	RMB'000	HK\$'000	US\$'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	8	11,005,411	11,417,297	10,370,723	1,329,638
Intangible assets	8	465,946	476,521	439,075	56,294
Investments in associated companies		254,158	243,774	239,501	30,707
Housing subsidy cost	9	66,821	71,477	62,967	8,073
		<u>11,792,336</u>	12,209,069	<u>11,112,266</u>	<u>1,424,712</u>
<b>CURRENT ASSETS</b>					
Inventories		1,889,949	1,820,714	1,780,955	228,337
Value added tax recoverable		125,675	117,858	118,427	15,184
Accounts receivable	10	2,315,612	2,796,786	2,182,069	279,765
Notes receivable	11	102,307	–	96,407	12,360
Prepaid expenses and other current assets		471,134	800,452	443,963	56,921
Cash and cash equivalents		44,578	228,964	42,007	5,386
		<u>4,949,255</u>	5,764,774	<u>4,663,828</u>	<u>597,953</u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	12	1,038,052	1,418,132	978,187	125,414
Short-term borrowings	13	5,094,290	3,043,831	4,800,499	615,475
		<u>6,132,342</u>	4,461,963	<u>5,778,686</u>	<u>740,889</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>					
		<u>(1,183,087)</u>	1,302,811	<u>(1,114,858)</u>	<u>(142,936)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<u>10,609,249</u>	<u>13,511,880</u>	<u>9,997,408</u>	<u>1,281,776</u>

## UNAUDITED CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (Cont'd) As Of 30th June, 2001 AND 31st December, 2000

(Prepared in accordance with IAS)

		<b>31st</b>		
	<b>30th June,</b>	<b>December,</b>	<b>30th June,</b>	<b>30th June,</b>
<b>Notes</b>	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2001</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>HK\$'000</b>	<b>US\$'000</b>
<b>FINANCED BY:</b>				
Share capital	3,561,078	3,561,078	3,355,709	430,238
Reserves	3,051,828	3,050,156	2,875,827	368,712
Accumulated losses	(1,410,122)	(737,339)	(1,328,799)	(170,366)
	<u>5,202,784</u>	<u>5,873,895</u>	<u>4,902,737</u>	<u>628,584</u>
Shareholders' equity				
	<u>5,202,784</u>	<u>5,873,895</u>	<u>4,902,737</u>	<u>628,584</u>
<b>Minority interests</b>	<b>44,523</b>	57,884	<b>41,955</b>	<b>5,380</b>
	<u>44,523</u>	<u>57,884</u>	<u>41,955</u>	<u>5,380</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	5,361,942	7,580,101	5,052,716	647,812
13	<u>5,361,942</u>	<u>7,580,101</u>	<u>5,052,716</u>	<u>647,812</u>
	<u><u>10,609,249</u></u>	<u><u>13,511,880</u></u>	<u><u>9,997,408</u></u>	<u><u>1,281,776</u></u>

UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES  
IN SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

(Unless otherwise indicated, all figures are stated in Rmb thousands)

	Share capital	Reserves	Retained earnings/ (accumulated losses)	Total
Balance at 1st January, 2000	3,411,078	2,657,887	94,900	6,163,865
Issue of 150,000,000 A shares	150,000	335,518	–	485,518
Net profit for the period	–	–	45,979	45,979
	<u>3,561,078</u>	<u>2,993,405</u>	<u>140,879</u>	<u>6,695,362</u>
Balance at 30th June, 2000	3,561,078	3,050,156	(737,339)	5,873,895
Net loss for the period	–	–	(671,111)	(671,111)
Transfer to statutory common reserve	–	4,608	(4,608)	–
Transfer to retained earnings on realisation of revaluation reserve	–	(2,936)	2,936	–
	<u>3,561,078</u>	<u>3,051,828</u>	<u>(1,410,122)</u>	<u>5,202,784</u>
<b>Balance at 30th June, 2001</b>	<b>3,561,078</b>	<b>3,051,828</b>	<b>(1,410,122)</b>	<b>5,202,784</b>

## UNAUDITED CONSOLIDATED INTERIM CONDENSED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

(Unless otherwise indicated, all figures are stated in Rmb thousands)

	Six months ended 30th June,	
	2001	2000
<b>Operating activities</b>		
Net (loss)/profit for the period	(671,111)	45,979
Depreciation	488,105	363,387
Provision for doubtful accounts	300,493	5,270
Decrease/(increase) in accounts receivable	88,453	(848,489)
Increase in inventories	(150,958)	(235,996)
Other, net	50,493	105,817
<b>Net cash inflow/(outflow) from operating activities</b>	<b>105,475</b>	<b>(564,032)</b>
Total taxation paid	(326)	(15,835)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(131,068)	(259,648)
Other, net	8,233	—
<b>Net cash used for investing activities</b>	<b>(122,835)</b>	<b>(259,648)</b>
<b>Financing activities</b>		
Proceeds from borrowings	2,700,770	2,327,803
Repayments of borrowings	(2,868,470)	(1,605,750)
Other, net	1,000	206,113
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(166,700)</b>	<b>928,166</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(184,386)</b>	<b>88,651</b>
Cash and cash equivalents at beginning of period	228,964	246,786
Cash and cash equivalents at end of period	<b>44,578</b>	<b>335,437</b>



### NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

*(Unless otherwise indicated, all figures are stated in Rmb thousands)*

#### **I. Accounting Policies**

The consolidated interim condensed financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies used in the preparation of the consolidated interim condensed financial statements are consistent with those used in the preparation of the financial statements for the year ended 31st December, 2000.

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six-month period from 1st January, 2001 to 30th June, 2001 is 33 per cent (the estimated tax rate used for the six-month period from 1st January, 2000 to 30th June, 2000 was 33 per cent). In accordance with PRC tax regulations, tax losses can be carried forward for a period of 5 years. As the recoverability of these tax losses is uncertain, the resulting deferred tax benefit arising from these tax losses has not been recognised in the financial statements.

The group adopted IAS 39 "Financial Instruments: Recognition and Measurements (revised 2000)" commencing 1st January, 2001. The adoption of this new standard did not have a material impact on the Group's financial statements.

These consolidated interim condensed financial statements should be read in conjunction with the 2000 annual financial statements.

**2. Segment Information**
**Six months ended 30th June, 2001**

	Petrochemical Petroleum products	Petrochemical and organic products	Dyestuff and dye intermediates	Chemical fertilizers and inorganic products	Synthetic rubber	Other products and services	Total
Revenues	2,780,500	2,574,695	-	25,918	406,844	196,604	5,984,561
Segment result	8,318	(211,938)	-	(44,761)	58,773	(100,047)	(289,655)
Unallocated costs	-	-	-	-	-	-	(93,077)
Operating loss	-	-	-	-	-	-	(382,732)
Finance costs	-	-	-	-	-	-	(298,745)
Share of profit of associated companies	-	-	-	-	-	-	12,244
Loss before taxation	-	-	-	-	-	-	(669,233)

**Six months ended 30th June, 2000**

	Petrochemical Petroleum products	Petrochemical and organic products	Dyestuff and dye intermediates	Chemical fertilizers and inorganic products	Synthetic rubber	Other products and services	Total
Revenues	1,992,498	2,523,632	251,949	310,946	362,555	359,269	5,800,849
Segment result	(256,563)	597,347	21,045	22,963	19,256	18,168	422,216
Unallocated costs	-	-	-	-	-	-	(37,264)
Operating profit	-	-	-	-	-	-	384,952
Finance costs	-	-	-	-	-	-	(317,257)
Share of profit of associated companies	-	-	-	-	-	-	4,975
Profit before taxation	-	-	-	-	-	-	72,670

### 3. Operating (Loss)/Profit

The following items have been charged to operating (loss)/profit during the period:

	<b>Six months ended 30th June,</b>	
	<b>2001</b>	<b>2000</b>
Depreciation of property, plant and equipment	<b>488,105</b>	363,387
Loss on disposal of property, plant and equipment	<b>13,114</b>	450
Provision for diminution in value of inventories	<b>32,260</b>	11,329
Amortisation of intangible assets	<b>10,575</b>	36,430
Provision for doubtful accounts	<b>300,493</b>	5,270
Research and development expenditure	<b>8,322</b>	6,759
Staff costs	<b>184,290</b>	256,160

### 4. Interest Expense

	<b>Six months ended 30th June,</b>	
	<b>2001</b>	<b>2000</b>
Interest expense	<b>352,035</b>	338,795
Less: Capitalized amount	<b>(12,095)</b>	(18,763)
	<b><u>339,940</u></b>	<u>320,032</u>

### 5. Taxation

	<b>Six months ended 30th June,</b>	
	<b>2001</b>	<b>2000</b>
PRC income tax	<b>756</b>	22,339
Deferred tax	<b>-</b>	(6,470)
	<b><u>756</u></b>	<u>15,869</u>

### 6. Basic And Diluted (Loss)/Earnings Per Share

Basic and diluted loss per share for the six months ended 30th June, 2001 has been computed by dividing net loss by the number of 3,561,078,000 shares issued and outstanding for the period.

Basic and diluted earnings per share for the six months ended 30th June, 2000 has been computed by dividing net profit by the weighted average number of 3,520,972,000 shares issued and outstanding for the period.

### 7. Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2001 (2000: nil).

## 8. Capital Expenditure And Commitments

	Property, plant and equipment	Intangible assets
Net book value:		
At 1st January, 2001	<b>11,417,297</b>	<b>476,521</b>
Additions	106,886	–
Disposals	(30,667)	–
Depreciation/amortisation	(488,105)	(10,575)
	<u>11,005,411</u>	<u>465,946</u>
At 30th June, 2001		
Capital commitments at 30th June, 2001	14,700	
Capital commitments at 31st December, 2000	137,596	

## 9. Housing Subsidy Cost

Housing subsidy cost represents capitalised losses arising from the sale of quarters to employees at preferential prices under the housing reform policy as required by the PRC government. These losses were amortised using the straight-line method over the relevant employees' estimated expected average remaining service life of 20 years commencing January 1, 1998. The estimated expected average remaining service life changed to three to ten years during the period as a result of the renewal of employment contracts with service periods ranging from three to ten years.

## 10. Accounts Receivable

	30th June, 2001	31st December, 2000
Accounts receivable due from third parties	<b>894,452</b>	1,264,821
Accounts receivable due from related parties		
– Group companies of PetroChina Co., Ltd.	<b>1,415,580</b>	1,298,781
– Group companies of ultimate holding company	<b>25,730</b>	22,770
– Group companies of Jilin Chemical Group Corporation	<b>426,900</b>	358,963
– Associated companies	<b>94,220</b>	92,228
	<u>2,856,882</u>	3,037,563
Less: Provision for doubtful accounts	<b>(541,270)</b>	(240,777)
	<u><b>2,315,612</b></u>	<u>2,796,786</u>

Amounts due from related parties are interest free, unsecured and repayable in accordance with normal commercial terms.

The aging analysis of accounts receivable at 30th June, 2001 and 31st December, 2000 is as follows:

	<b>30th June, 2001</b>	<b>31st December, 2000</b>
Within 1 year	<b>1,799,696</b>	2,027,608
Between 1 to 2 years	<b>250,711</b>	342,705
Between 2 to 3 years	<b>274,163</b>	305,083
Over 3 years	<b>532,312</b>	362,167
	<b><u>2,856,882</u></b>	<b><u>3,037,563</u></b>

In year 2001, the Group generally offers its customers credit terms of 30 days to 120 days, except for certain selected customers.

## 11. Notes Receivable

All notes receivable are due within one year.

## 12. Trade And Other Payables

	<b>30th June, 2001</b>	<b>31st December, 2000</b>
Trade payables	<b>584,038</b>	534,761
Deposits from customers	<b>193,917</b>	131,297
Salaries and welfare payable	<b>6,604</b>	–
Accrued expenses	<b>117,293</b>	–
Dividends payable by subsidiaries to minority shareholders	<b>24,335</b>	24,331
Other payables	<b>111,865</b>	727,743
	<b><u>1,038,052</u></b>	<b><u>1,418,132</u></b>

The aging analysis of trade payables of 30th June, 2001 and 31st December, 2000 is as follows:

	<b>30th June, 2001</b>	<b>31st December, 2000</b>
Within 1 year	<b>537,259</b>	408,242
Between 1 to 2 years	<b>19,955</b>	65,164
Between 2 to 3 years	<b>7,350</b>	33,417
Over 3 years	<b>19,474</b>	27,938
	<b><u>584,038</u></b>	<b><u>534,761</u></b>

## 13. Borrowings

	<b>30th June, 2001</b>	<b>31st December, 2000</b>
Short-term borrowings	<b>5,094,290</b>	3,043,831
Long-term borrowings	<b>5,361,942</b>	7,580,101
	<b><u>10,456,232</u></b>	<u>10,623,932</u>
The movements in borrowings can be analysed as follows:		
Balance at 1st January, 2001		10,623,932
New borrowings		2,700,770
Repayments of borrowings		<u>(2,868,470)</u>
Balance at 30th June, 2001		<u>10,456,232</u>
Unsecured long-term borrowings	<b>5,871,052</b>	8,634,492
Current portion of long-term borrowings	<b>(509,110)</b>	<u>(1,054,391)</u>
	<b><u>5,361,942</u></b>	<u>7,580,101</u>
The analysis of the above long-term borrowings is as follows:		
Wholly repayable within five years	<b>2,820,080</b>	5,006,790
Not wholly repayable within five years	<b>3,050,972</b>	<u>3,627,702</u>
	<b>5,871,052</b>	8,634,492
Current portion of long-term borrowings	<b>(509,110)</b>	<u>(1,054,391)</u>
	<b><u>5,361,942</u></b>	<u>7,580,101</u>

	<b>Interest rate and final maturity</b>	<b>30th June, 2001</b>	<b>31st December, 2000</b>
Renminbi denominated loans	Fixed interest rate at 4.32% to 9.00% per annum as of June 30, 2001, with maturities through 2007	<b>8,136,582</b>	8,296,232
US dollar denominated loans	Fixed interest rate at 5.50% to 8.66% per annum as of June 30, 2001, with maturities through 2012	<b>1,907,600</b>	1,842,230
Japanese Yen denominated loans	Fixed interest rate at 4.10% to 5.30% per annum as of June 30, 2001, with maturities through 2008	<b>310,690</b>	366,649
Deutsche Mark denominated loans	Fixed interest rate at 8.30% per annum as of 30th June, 2001, with maturities through 2006	<b>101,360</b>	118,821
		<b><u>10,456,232</u></b>	<b><u>10,623,932</u></b>

The Group's long-term borrowings are repayable as follows:

	<b>30th June, 2001</b>	<b>31st December, 2000</b>
Within one year	<b>509,110</b>	1,054,391
In the second year	<b>449,942</b>	2,665,579
In the third to fifth year	<b>3,462,160</b>	1,935,440
After the fifth year	<b>1,449,840</b>	2,979,082
	<b><u>5,871,052</u></b>	<b><u>8,634,492</u></b>

#### 14. Related Party Transactions

	<b>Six months ended 30th June,</b>	
	<b>2001</b>	<b>2000</b>
Group companies of ultimate holding company:		
Purchase of other materials	-	1,819
Group companies of Jilin Chemical Group Corporation:		
Sale of finished goods	<b>406,350</b>	395,766
Sub-contracting fees	-	6,120
Construction of fixed assets	<b>27,390</b>	34,956
Purchase of raw materials and spare parts	<b>44,010</b>	43,174
Fees for welfare and support services	<b>56,710</b>	43,631
Interest expense	<b>201,000</b>	186,005
Group companies of PetroChina Co. Ltd.:		
Purchase of raw materials	<b>4,185,324</b>	3,601,746
Sale of finished goods	<b>3,329,425</b>	3,034,791

#### 15. Comparative Figures

Certain comparative figures have been changed to conform with the current period's presentation.

16. Amounts in Renminbi have been converted into Hong Kong dollars and United States dollars at the respective rates of HK\$1.00 = RMB1.0612 and US\$1.00 = RMB8.277 announced by the People's Bank of China as at 30th June, 2001. No representation is made that the Renminbi amounts could have been, or could be, converted into Hong Kong dollars or US dollars at that rate.

**17. Significant Differences Between Financial Statements Prepared Under Prc Accounting Regulations (“PRC GAAP”) And International Accounting Standards (“IAS”)**

Effects of significant differences between PRC GAAP and IAS on net profit/(loss) and shareholders' equity are summarised below.

**Net profit/(loss)**

	Six months ended 30th June,	
	2001	2000
As reported under PRC GAAP	(641,897)	44,935
Adjustments to conform with IAS:		
– Depreciation charges due to revaluation of fixed assets at 28th February, 1995	(726)	(726)
– Write back on disposal of fixed assets	–	726
– Depreciation charges on fixed assets due to differences in exchange gains capitalised	(3,655)	(3,655)
– Interest income from share proceeds	(520)	(260)
– Interest expense capitalised in construction in progress	–	5,602
– Appropriation to staff bonus and welfare fund	(1,740)	–
– Write-off of interest capitalised in construction in progress	(17,917)	–
– Amortisation of housing subsidy cost	(4,656)	–
– Tax adjustment	–	(643)
	<u>(671,111)</u>	<u>45,979</u>
As reported under IAS		

**Shareholders' equity at 30th June, 2001 and 31st December, 2000**

	30th June, 2001	31st December, 2000
	As reported under PRC GAAP	5,043,088
Adjustments to conform with IAS:		
– Depreciation charges on fixed asset revaluation at 28th February, 1995	(9,195)	(8,469)
– Surplus on revaluation of fixed assets at 28th February, 1995	29,033	29,033
– Deferred tax effect on revaluation surplus	(9,580)	(9,580)
– Exchange gains in respect of funds borrowed for fixed assets	112,472	112,472
– Depreciation charges on fixed assets due to differences in exchange gains capitalised	(31,417)	(27,762)
– Differences in loss on disposal of fixed assets due to revaluation at 28th February, 1995	(4,626)	(4,626)
– Interest expense capitalised in construction in progress	–	17,917
– Housing subsidy cost	66,821	71,477
– Deferred tax effect on housing subsidy cost	(23,587)	(23,587)
– Tax adjustment	29,775	29,775
	<u>5,202,784</u>	<u>5,873,895</u>
As reported under IAS		