Report of the International Auditors

KPMG

To the Shareholders of
Sinopec Yizheng Chemical Fibre Company Limited
(Established in the People's Republic of China with limited liability)

We have audited the financial statements on pages 59 to 95 which have been prepared in accordance with International Accounting Standards.

Respective Responsibilities of Directors and Auditors

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with International Accounting Standards adopted by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

Hong Kong, China
29 March 2002

Consolidated Income Statement

For the year ended 31 December 2001
(Prepared in accordance with International Accounting Standards)
(Expressed in Renminbi)

	Note	**2001** **Rmb'000**	2000 Rmb'000
Turnover	4	**7,808,658**	9,014,472
Cost of sales		**(7,089,525)**	(7,185,752)
Gross profit		**719,133**	1,828,720
Selling expenses		**(138,933)**	(112,901)
Administrative expenses		**(265,510)**	(565,037)
Other operating income		**31,037**	14,673
Other operating expenses		**(14,492)**	(47,302)
Employee reduction expenses	5	**(87,800)**	–
Loss on disposal of property, plant and equipment		**(1,236)**	(75,770)
Profit from operations		**242,199**	1,042,383
Net financing costs	6(a)	**(28,824)**	(56,890)
Profit from ordinary activities before taxation	6	**213,375**	985,493
Income tax expense	7(b)	**(40,087)**	(139,391)
Profit from ordinary activities after taxation		**173,288**	846,102
Minority interests		**(2,499)**	(5,874)
Profit attributable to shareholders	9	**170,789**	840,228
Dividend attributable to the year:			
Final dividend proposed after the balance sheet date	10(i)	**80,000**	360,000
Basic earnings per share (in Rmb)	11	**0.043**	0.210

The notes on pages 64 to 95 form part of these financial statements.

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 December 2001
(Prepared in accordance with International Accounting Standards)
(Expressed in Renminbi)

There was no gain or loss recognised directly in equity during the years ended 31 December 2000 and 2001.

The notes on pages 64 to 95 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2001
(Prepared in accordance with International Accounting Standards)
(Expressed in Renminbi)

	Note	**2001 Rmb'000**	2000 Rmb'000
Non-current assets			
Property, plant and equipment	12	**7,568,001**	7,525,352
Construction in progress	13	**751,148**	159,836
Unlisted investment	15	**62,500**	62,500
		8,381,649	7,747,688
Current assets			
Inventories	16	**998,164**	1,116,843
Trade and other receivables	17	**595,264**	544,080
Deposits with banks and other financial institutions	18	**788,594**	1,358,817
Cash and cash equivalents	19	**445,177**	601,014
		2,827,199	3,620,754
Current liabilities			
Trade and other payables	20	**887,508**	1,215,431
Bank loans	21(a)	**730,020**	430,000
Income tax payable	7(c)	**148,178**	138,326
		1,765,706	1,783,757
Net current assets		**1,061,493**	1,836,997
Total assets less current liabilities		**9,443,142**	9,584,685
Non-current liabilities			
Bank loans	21(a)	**500,000**	450,000
Minority interests		**53,920**	56,252
Net assets		**8,889,222**	9,078,433
Shareholders' funds			
Share capital	22	**4,000,000**	4,000,000
Share premium		**2,518,833**	2,518,833
Reserves	23	**1,334,237**	1,291,302
Retained profits	24	**1,036,152**	1,268,298
		8,889,222	9,078,433

Approved and authorised for issue by the Board of Directors on 29 March 2002.

Fu Xing-tang
Chairman

Xu Zheng-ning
Director

The notes on pages 64 to 95 for m par t of these financial statements.

Balance Sheet

As at 31 December 2001
(Prepared in accordance with International Accounting Standards)
(Expressed in Renminbi)

	Note	2001 Rmb'000	2000 Rmb'000
Non-current assets			
Property, plant and equipment	12	**6,901,093**	6,808,444
Construction in progress	13	**708,028**	157,537
Interest in subsidiaries	14	**660,325**	694,073
Unlisted investment	15	**62,500**	62,500
		8,331,946	7,722,554
Current assets			
Inventories	16	**791,240**	868,934
Trade and other receivables	17	**883,896**	813,333
Deposits with banks and other financial institutions	18	**716,950**	1,322,318
Cash and cash equivalents	19	**307,466**	425,789
		2,699,552	3,430,374
Current liabilities			
Trade and other payables	20	**787,029**	1,043,597
Bank loans	21(a)	**700,000**	430,000
Income tax payable	7(c)	**146,573**	135,229
		1,633,602	1,608,826
Net current assets		**1,065,950**	1,821,548
Total assets less current liabilities		**9,397,896**	9,544,102
Non-current liabilities			
Bank loans	21(a)	**500,000**	450,000
Net assets		**8,897,896**	9,094,102
Shareholders' funds			
Share capital	22	**4,000,000**	4,000,000
Share premium		**2,518,833**	2,518,833
Reserves	23	**1,334,237**	1,291,302
Retained profits	24	**1,044,826**	1,283,967
		8,897,896	9,094,102

Approved and authorised for issue by the Board of Directors on 29 March 2002.

Fu Xing-tang
Chairman

Xu Zheng-ning
Director

The notes on pages 64 to 95 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2001
(Prepared in accordance with International Accounting Standards)
(Expressed in Renminbi)

	Note	**2001 Rmb'000**	2000 Rmb'000
Cash flow from operating activities			
Cash generated from operations	30	**772,579**	2,188,916
Interest paid		**(74,399)**	(107,602)
Income tax paid		**(30,235)**	(76,375)
Net cash generated from operating activities		**667,945**	2,004,939
Cash flow from investing activities			
Acquisition of property, plant and equipment, and construction in progress		**(1,424,202)**	(438,608)
Proceeds from disposal of property, plant and equipment		**780**	296
Interest and investment income received		**44,228**	91,523
Payment for purchase of minority interests in a subsidiary		**–**	(1,193)
Decrease/(increase) in deposits with banks and other financial institutions		**570,223**	(189,849)
Net cash used in investing activities		**(808,971)**	(537,831)
Cash flow from financing activities			
Proceeds from short-term bank loans		**3,004,820**	6,421,000
Proceeds from long-term bank loans		**200,000**	450,000
Repayment of short-term bank loans		**(2,504,800)**	(7,101,000)
Repayment of long-term bank loans		**(350,000)**	(599,556)
Dividend paid		**(360,000)**	(440,000)
Capital contributions from minority shareholders		**–**	1,000
Dividend paid to minority shareholders		**(4,831)**	(5,200)
Net cash used in financing activities		**(14,811)**	(1,273,756)
Net (decrease)/increase in cash and cash equivalents		**(155,837)**	193,352
Cash and cash equivalents at 1 January		**601,014**	407,662
Cash and cash equivalents at 31 December	19	**445,177**	601,014

The notes on pages 64 to 95 form part of these financial statements.

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

1. Background of the Company

Sinopec Yizheng Chemical Fibre Company Limited (the "**Company**") was established in the People's Republic of China (the "**PRC"**) on 31 December 1993 as a joint stock limited company.

The Company and its subsidiaries (the "**Group**") are principally engaged in the production and sale of polyester chips and polyester fibre.

2. Significant Accounting Policies

(a) Statement of compliance

The financial statements have been prepared in accordance with International Accounting Standards ("**IAS**") adopted by the International Accounting Standards Board ("**IASB**"), interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The Company also prepares a set of financial statements which complies with the PRC Accounting Rules and Regulations. A reconciliation of the Group's and the Company's shareholders' funds under IAS and the PRC Accounting Rules and Regulations is presented on page 147.

(b) Basis of preparation

The financial statements are presented in Renminbi, rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of certain property, plant and equipment (refer to accounting policy h). The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. Significant Accounting Policies *(Continued)*

(c) Basis of consolidation *(Continued)*

(ii) Transactions eliminated on consolidation

Intra-group transactions and balances, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Goodwill

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 to accounting policy r).

(iv) Negative goodwill

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of acquisition.

Negative goodwill, to the extent not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

(d) Translation of foreign currencies

Transactions in foreign currencies are translated to Renminbi at the foreign exchange rates ruling at the dates of the transaction.

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

Foreign currency exchange differences are dealt with in the income statement other than those eligible for capitalisation as construction in progress (refer to accounting policy n).

(e) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and time deposits with an initial term of less than three months.

2. Significant Accounting Policies *(Continued)*

(f) Trade and other receivables

Trade and other receivables are stated at cost less impairment losses (refer to accounting policy r).

(g) Inventories

Inventories, other than spare parts and consumables, are stated 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 share of overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

(h) Property, plant and equipment

(i) Property, plant and equipment are stated at cost or valuation (refer to Note 12(b)) less accumulated depreciation and impairment losses (refer to accounting policy r). 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 or 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.

2. Significant Accounting Policies *(Continued)*

(h) Property, plant and equipment *(Continued)*

(iii) Depreciation and amortisation

Depreciation is charged to the income statement on a straight-line basis, after taking into account the estimated residual value, over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. The estimated useful lives are 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.

(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 to accounting policy r). Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds (refer to accounting policy n).

Capitalisation of these borrowing 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 to accounting policy r).

(k) Trade and other payables

Trade and other payables are stated at their cost.

2. Significant Accounting Policies *(Continued)*

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. When the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) 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. 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.

(n) 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.

(o) Repairs and maintenance expenses

Repairs and maintenance expenses are expensed as incurred.

2. Significant Accounting Policies *(Continued)*

(p) 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.

(q) Retirement benefits

Contributions to defined contribution plans are recognised as an expense in the income statement as incurred. Further information is set out in Note 25.

(r) Impairment

The carrying amounts of the Group's assets, other than inventories (refer to accounting policy g) and deferred tax assets (refer to accounting policy t), 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. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of the net selling price and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable 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. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

2. Significant Accounting Policies *(Continued)*

(s) Dividends

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

(t) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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, providing for 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.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

(u) Related parties

For the purposes of these financial statements, 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 other entities.

3. Segment Reporting

The Group's profits are almost entirely attributable to the production and sale of polyester chips and polyester fibre in the PRC. Accordingly, no segmental analysis is provided.

4. Turnover

Turnover represents the sales value of goods supplied to customers, net of value added tax.

5. Employee Reduction Expenses

In accordance with the Group's employee reduction plan, the Group recorded employee reduction expenses of Rmb87,800,000 (2000: Rmb Nil) during the year ended 31 December 2001 in respect of voluntary resignation of approximately 1,170 employees.

6. Profit from Ordinary Activities before Taxation

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

(a) *Net financing costs*

	The Group	
	2001	2000
	Rmb'000	*Rmb'000*
Interest and other borrowing costs	**75,554**	104,160
Less: Amounts capitalised as construction in progress *	**(16,330)**	(1,000)
Net interest expense	**59,224**	103,160
Interest income	**(34,682)**	(51,468)
Net foreign exchange (gain)/loss	**(355)**	1,918
Others	**4,637**	3,280
Net financing costs	**28,824**	56,890

* *The borrowing costs have been capitalised at an average rate of 5.7% (2000: 5.9%) per annum for construction in progress.*

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

6. Profit from Ordinary Activities before Taxation *(Continued)*

(b) *Other items*

	The Group	
	2001	2000
	Rmb'000	*Rmb'000*
Cost of inventories #	**7,077,525**	7,185,752
Staff costs:		
– Wages and salaries, welfare and other costs #	**517,152**	589,562
– Contributions to defined contribution plans#	**62,041**	56,932
Total staff costs	**579,193**	646,494
Depreciation #	**804,555**	695,074
Repairs and maintenance expenses #	**116,934**	175,487
Research and development costs#	**16,350**	25,548
Auditors' remuneration	**5,000**	5,000

\# *Cost of inventories includes Rmb1,316,863,000 (2000: Rmb1,187,154,000) 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.*

7. Income Tax

(a) With effect from 1 January 1994, PRC domestic enterprises are subject to a unified income tax rate of 33 per cent 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 per cent and this is still effective for 2001.

The income tax rates applicable to the Company's principal subsidiaries in the PRC range from 15 per cent to 33 per cent, 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.

7. Income Tax *(Continued)*

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

	The Group	
	2001	2000
	Rmb'000	*Rmb'000*
Provision for PRC income tax for the year	**40,087**	139,391

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

	The Group	
	2001	2000
	Rmb'000	*Rmb'000*
Profit from ordinary activities before tax	**213,375**	985,493
Expected PRC income tax using the Company's tax rate of 15%	**32,006**	147,824
Differential tax rate on profits of subsidiaries	**1,021**	(2,981)
Effect of loss of a subsidiary	**6,513**	–
Effect of tax losses utilised	**–**	(3,744)
Others	**547**	(1,708)
Income tax expense	**40,087**	139,391

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

7. Income Tax *(Continued)*

(c) Income tax in the balance sheets represents:

	The Group		The Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Provision for PRC income tax for the year	**40,087**	139,391	**37,275**	135,154
Provisional PRC income tax paid	**(27,138)**	(72,250)	**(25,931)**	(71,110)
	12,949	67,141	**11,344**	64,044
Balance of PRC income tax provision relating to prior years	**135,229**	71,185	**135,229**	71,185
Tax payable	**148,178**	138,326	**146,573**	135,229

(d) No deferred taxes have been provided for or recognised in the financial statements 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.

8. Directors' and Supervisors' Remuneration

Directors' and Supervisors' emoluments:

	2001	2000
	Rmb'000	*Rmb'000*
Fees	**48**	48
Salaries and other emoluments	**678**	600
Discretionary bonuses	**623**	651
Retirement scheme contributions	**267**	256
	1,616	1,555

8. Directors' and Supervisors' Remuneration *(Continued)*

Included in the Directors' and Supervisors' remuneration were fees of Rmb48,000 (2000: Rmb48,000) paid to the independent Non-executive Directors and Supervisors during the year.

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

Hong Kong dollars	**Renminbi equivalent**	**2001 Number of Directors and Supervisors**	**2000 Number of Directors and Supervisors**
0 - 1,000,000	0 - 1,060,600	**17**	17

The five highest paid individuals of the Group in 2001 and 2000 were all Executive Directors whose total emoluments have been shown above.

9. Profit Attributable to Shareholders

The profit attributable to shareholders includes a profit of Rmb163,794,000 (2000: Rmb845,178,000) which has been dealt with in the financial statements of the Company.

10. Dividend

(i) Dividend attributable to the year

	2001 **Rmb'000**	2000 *Rmb'000*
Final dividend proposed after the balance sheet date of Rmb2 cents (2000: Rmb9 cents) per share	**80,000**	360,000

The final dividend proposed after the balance sheet date has not been recognised as a liability at the relevant balance sheet date.

10. Dividend *(Continued)*

(ii) Dividend attributable to the previous financial year, approved and paid during the year

	2001 **Rmb'000**	2000 Rmb'000
Final dividend in respect of the previous financial year, approved and paid during the year, of Rmb9 cents (2000: Rmb11 cents) per share	**360,000**	440,000

11. Earnings Per Share

(i) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of Rmb170,789,000 (2000: Rmb840,228,000) and 4,000,000,000 shares (2000: 4,000,000,000 shares) in issue during the year.

(ii) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2000 and 2001.

12. 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 2001	2,199,677	8,984,688	545,870	11,730,235
Additions	218,491	5,001	3,766	227,258
Transfer from construction in progress *(Note 13)*	75,209	518,814	27,939	621,962
Disposals	–	(2,904)	(1,736)	(4,640)
Reclassifications	(2,389)	3,672	(1,283)	–
At 31 December 2001	**2,490,988**	**9,509,271**	**574,556**	**12,574,815**
Representing:				
Cost	1,395,768	7,198,294	490,204	9,084,266
Valuation *(Note 12(b))*	1,095,220	2,310,977	84,352	3,490,549
	2,490,988	9,509,271	574,556	12,574,815
Accumulated depreciation:				
At 1 January 2001	459,544	3,483,555	261,784	4,204,883
Depreciation charge for the year	73,279	680,699	50,577	804,555
Written back on disposal	–	(1,533)	(1,091)	(2,624)
Reclassifications	(1,580)	1,878	(298)	–
At 31 December 2001	**531,243**	**4,164,599**	**310,972**	**5,006,814**
Net book value:				
At 31 December 2001	**1,959,745**	**5,344,672**	**263,584**	**7,568,001**
At 31 December 2000	1,740,133	5,501,133	284,086	7,525,352

12. 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 2001	1,895,450	8,310,136	521,984	10,727,570
Additions	216,000	2,924	1,689	220,613
Transfer from construction in progress *(Note 13)*	75,209	514,828	27,939	617,976
Disposals	–	(2,837)	(651)	(3,488)
Reclassifications	(2,333)	3,616	(1,283)	–
At 31 December 2001	**2,184,326**	**8,828,667**	**549,678**	**11,562,671**
Representing:				
Cost	1,089,106	6,517,690	465,326	8,072,122
Valuation *(Note 12(b))*	1,095,220	2,310,977	84,352	3,490,549
	2,184,326	8,828,667	549,678	11,562,671
Accumulated depreciation:				
At 1 January 2001	418,894	3,248,373	251,859	3,919,126
Depreciation charge for the year	65,198	631,953	47,381	744,532
Written back on disposal	–	(1,475)	(605)	(2,080)
Reclassifications	(1,578)	1,876	(298)	–
At 31 December 2001	**482,514**	**3,880,727**	**298,337**	**4,661,578**
Net book value:				
At 31 December 2001	**1,701,812**	**4,947,940**	**251,341**	**6,901,093**
At 31 December 2000	1,476,556	5,061,763	270,125	6,808,444

12. Property, Plant and Equipment *(Continued)*

(a) The land use rights of the Group are in respect of land located in the PRC and were granted in 1993, 1995 and 2001 respectively for a period of 50 years from the respective dates of grant. All of the Group's buildings are located in the PRC.

(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 financial statements on this basis.

In accordance with IAS 16 *Property, Plant and Equipment*, subsequent to this revaluation, which was based on depreciated replacement costs, property, plant and equipment are carried at revalued amount, being the fair value at the date of the revaluation less accumulated depreciation and impairment losses. 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. Based on a revaluation performed as of 30 September 1999, which was based on depreciated replacement costs, the carrying value of property, plant and equipment did not differ materially from their fair value.

13. Construction in Progress

	The Group		**The Company**	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Balance at 1 January	**159,836**	138,333	**157,537**	137,822
Additions	**1,213,274**	430,691	**1,168,467**	428,141
	1,373,110	569,024	**1,326,004**	565,963
Transfer to property, plant and equipment *(Note 12)*	**(621,962)**	(409,188)	**(617,976)**	(408,426)
Balance at 31 December	**751,148**	159,836	**708,028**	157,537

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

13. Construction in Progress *(Continued)*

Construction in progress comprises:

	The Group		The Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Construction of purified terephthalic acid ("**PTA**") production plant	**269,508**	35,293	**269,508**	35,293
Improvement to existing plants	**423,994**	113,694	**423,994**	113,694
Others	**57,646**	10,849	**14,526**	8,550
	751,148	159,836	**708,028**	157,537

14. Interest in Subsidiaries

	The Company	
	2001	2000
	Rmb'000	*Rmb'000*
Share of net liabilities of subsidiaries, unlisted	**(139,675)**	(105,927)
Amounts due from subsidiaries	**800,000**	800,000
	660,325	694,073

14. Interest in Subsidiaries *(Continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group.

Name of company	Registered capital	Percentage of equity held directly by the Company	Percentage of equity held by subsidiary	Type of legal entity	Principal activity
	in thousands	%	%		
Foshan Chemical Fibre Complex	Rmb 32,933	100	–	Wholly-owned legal person	Management and administration
Yizheng Chemical Fibre Foshan Polyester Company Limited ("**Foshan Polyester**")	USD 85,427	59	41	Limited company	Manufacturing chemical products, chemical fibre, and textile products, and sales of its own manufactured products and provision of after-sales services
Yihua Kangqi Chemical Fibre Company Limited	Rmb 60,000	95	5	Limited company	Investment holding and trading

All of the above principal subsidiaries are established and operated in the PRC.

The amount due from subsidiaries of Rmb800 million (2000: Rmb800 million) is expected to be recovered after more than one year.

None of the subsidiaries has any debt securities.

15. Unlisted Investment

At cost	The Group and The Company 2001 Rmb'000	2000 Rmb'000
Equity investment in Sinopec Finance Company Limited ("**Sinopec Finance**")	**62,500**	62,500

16. Inventories

	The Group		The Company	
	2001 Rmb'000	2000 Rmb'000	**2001 Rmb'000**	2000 Rmb'000
Raw materials	**535,907**	625,430	**447,894**	503,016
Work in progress	**52,649**	87,998	**49,509**	83,803
Finished goods	**204,042**	239,745	**113,890**	138,409
Goods in transit	**323**	554	**323**	554
	792,921	953,727	**611,616**	725,782
Spare parts and consumables	**205,243**	163,116	**179,624**	143,152
	998,164	1,116,843	**791,240**	868,934
Inventories stated at net realisable value	**116,240**	106,578	**46,460**	–

17. Trade and Other Receivables

	The Group		The Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Trade receivables	**85,264**	78,862	**28,650**	23,541
Bills receivables	**319,678**	133,061	**292,958**	108,831
Amount due from a fellow subsidiary – trade	**43,051**	37,210	**43,051**	37,210
	447,993	249,133	**364,659**	169,582
Amounts due from parent company and fellow subsidiaries – non-trade	**8,310**	136,208	**8,310**	136,208
Amounts due from subsidiaries – non-trade	**-**	–	**402,791**	365,784
Other receivables, deposits and prepayments	**138,961**	158,739	**108,136**	141,759
	595,264	544,080	**883,896**	813,333

The Company requests customers to pay cash or bills in full prior to delivery of goods. Subject to negotiation, credit for one to three months is only available for major customers with well-established trading records.

The ageing analysis of trade receivables, bills receivable and amounts due from fellow subsidiaries – trade is as follows:

	The Group		The Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Within one year	**442,596**	246,743	**360,687**	168,205
Between one and two years	**4,347**	2,390	**2,936**	1,377
Between two and three years	**1,050**	–	**1,036**	–
	447,993	249,133	**364,659**	169,582

The amounts due from parent company, subsidiaries and fellow subsidiaries – non-trade are unsecured, interest free and have no fixed repayment terms.

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

18. Deposits with Banks and Other Financial Institutions

	The Group		The Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Balances with banks and other financial institutions	**465,997**	1,219,203	**304,298**	1,023,523
Balances with the following banks and other financial institutions, which are related parties of the Group				
– Sinopec Finance	**715,728**	686,895	**715,728**	686,895
– CITIC Industrial Bank	**51,776**	53,492	**4,293**	37,547
	767,504	740,387	**720,021**	724,442
	1,233,501	1,959,590	**1,024,319**	1,747,965
Less: Balances with banks and other financial institutions with an initial term of less than three months *(Note 19)*	**(444,907)**	(600,773)	**(307,369)**	(425,647)
	788,594	1,358,817	**716,950**	1,322,318

19. Cash and Cash Equivalents

	The Group		The Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Cash in hand	**270**	241	**97**	142
Balances with banks and other financial institutions with an initial term of less than three months *(Note 18)*	**444,907**	600,773	**307,369**	425,647
	445,177	601,014	**307,466**	425,789

20. Trade and Other Payables

	The Group		The Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Trade payables	**320,509**	519,885	**226,455**	379,579
Bills payable	**5,000**	8,000	**-**	–
Amounts due to fellow subsidiaries – trade	**53,974**	111,606	**53,974**	111,606
Amounts due to subsidiaries – trade	**-**	–	**21,024**	29,569
	379,483	639,491	**301,453**	520,754
Amounts due to parent company and fellow subsidiary – non-trade	**93,850**	27,586	**93,850**	27,586
Other payables and accrued expenses	**414,175**	548,354	**391,726**	495,257
	887,508	1,215,431	**787,029**	1,043,597

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

20. Trade and Other Payables *(Continued)*

The ageing analysis of trade payables, bills payable and amounts due to fellow subsidiaries – trade is as follows:

	The Group		The Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Due within one month or on demand	**309,687**	596,324	**256,657**	477,587
Due after one month but within six months	**69,796**	43,167	**44,796**	43,167
	379,483	639,491	**301,453**	520,754

The amounts due to parent company and fellow subsidiary – non-trade are unsecured, non-interest bearing and have no fixed terms of repayment.

21. Bank Loans

(a) Bank loans as at 31 December 2001 were unsecured and repayable as follows:

	The Group		The Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Within 1 year or on demand				
Short-term bank loans	**580,020**	80,000	**550,000**	80,000
Current portion of long-term bank loans	**150,000**	350,000	**150,000**	350,000
	730,020	430,000	**700,000**	430,000
After 1 year but within 2 years	**300,000**	150,000	**300,000**	150,000
After 2 years but within 5 years	**200,000**	300,000	**200,000**	300,000
	500,000	450,000	**500,000**	450,000
	1,230,020	880,000	**1,200,000**	880,000

All the bank loans are denominated in Renminbi.

21. 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 2001 Rmb'000	2000 Rmb'000
Long-term bank loans				
Due in 2001	5.94%	Floating	-	350,000
Due in 2002	5.94%	Floating	**150,000**	150,000
Due in 2003	5.94%	Floating	**300,000**	300,000
Due in 2004	5.35% - 5.94%	Fixed/Floating	**200,000**	–
Long-term bank loans			**650,000**	800,000
Less: Current portion of long-term bank loans			**(150,000)**	(350,000)
Long-term portion of long-term bank loans			**500,000**	450,000

22. Share Capital

	The Group and The Company 2001 Rmb'000	2000 Rmb'000
Registered, issued and paid up capital:		
2,400,000,000 Legal person "A" shares of Rmb1 each	**2,400,000**	2,400,000
200,000,000 "A" shares of Rmb1 each	**200,000**	200,000
1,400,000,000 "H" shares of Rmb1 each	**1,400,000**	1,400,000
	4,000,000	4,000,000

All the legal person "A", "A" and "H" shares rank pari passu in all material respects.

23. Reserves

	The Group and The Company			
	Statutory surplus reserve	**Statutory public welfare fund**	**Discretionary surplus reserve**	**Total**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
	(Note a)	*(Note b)*	*(Note c)*	
At 1 January 2000	339,255	183,230	594,547	1,117,032
Transfer from retained profits *(Note 24)*	90,034	84,236	–	174,270
At 31 December 2000	429,289	267,466	594,547	1,291,302
At 1 January 2001	429,289	267,466	594,547	1,291,302
Transfer from retained profits *(Note 24)*	21,937	20,998	–	42,935
At 31 December 2001	**451,226**	**288,464**	**594,547**	**1,334,237**

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 per cent 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 per cent 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 per cent of its registered capital.

23. Reserves *(Continued)*

Notes: ***(Continued)***

(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 per cent to 10 per cent 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 Rmb20,998,000 (2000: Rmb84,236,000), subject to the shareholders' approval, to this fund, of which Rmb20,059,000 (2000: Rmb78,438,000) represents 10 per cent (2000: 10 per cent) of the Company's profit after taxation excluding share of profits or losses from subsidiaries and Rmb939,000 (2000: Rmb5,798,000) 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 annual 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 2001 (2000: Rmb Nil).

24. Retained Profits

	The Group		**The Company**	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
At 1 January	**1,268,298**	1,042,340	**1,283,967**	1,053,059
Net profit for the year	**170,789**	840,228	**163,794**	845,178
Transfers to reserves *(Note 23)*	**(42,935)**	(174,270)	**(42,935)**	(174,270)
Dividends approved in respect of the previous year *(Note 10(ii))*	**(360,000)**	(440,000)	**(360,000)**	(440,000)
At 31 December	**1,036,152**	1,268,298	**1,044,826**	1,283,967

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 2001, the amount of retained profits available for distribution, which was the amount determined in accordance with the PRC accounting rules and regulations, was Rmb477,480,000 (2000 (restated): Rmb716,621,000). Final dividend of Rmb80,000,000 (2000: Rmb360,000,000) in respect of the financial year 2001 was proposed after the balance sheet date.

(Expressed in Renminbi)

25. 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, Foshan Polyester, are as follows:

Administrator	**Beneficiary**	**Contribution rate**	
		2001	2000
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 2001 was 9 per cent (2000: 9 per cent).

26. Related Party Transactions

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

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

26. Related Party Transactions *(Continued)*

(a) Significant recurring transactions between the Group and the related parties during the year were as follows:

Yangzi

	2001 **Rmb'000**	2000 *Rmb'000*
Purchases of raw materials	**2,028,719**	2,478,374

Yihua and its subsidiaries ("Yihua Group")

	2001 **Rmb'000**	2000 *Rmb'000*
Sales	**1,070,203**	1,079,045
Purchases	**103,945**	91,193
Miscellaneous service charges (see note below)	**118,360**	132,280
Miscellaneous service fee income (see note below)	**27,597**	29,190
Trademark licence fee (see note below)	**10,000**	10,000
Payments to the engineering company of Yihua relating to the construction and maintenance work carried out on behalf of the Company	**79,199**	53,305

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 Yangzi

	2001 **Rmb'000**	2000 *Rmb'000*
Purchase of raw materials	**111,884**	124,526
Subsidy received in respect of technological research and development	**12,080**	10,650
Purchase of equipment	**–**	3,142

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

26. Related Party Transactions *(Continued)*

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

CPC, Nanhua and Maoming

	2001 **Rmb'000**	2000 Rmb'000
Purchase of equipment	**6,659**	17,518
Purchase of raw materials	**24,161**	34,885
Insurance premium paid	**13,507**	21,485

Sinopec Finance

	2001 **Rmb'000**	2000 Rmb'000
Interest income	**13,732**	15,415

CITIC Industrial Bank

	2001 **Rmb'000**	2000 Rmb'000
Interest income	**374**	275

The Directors of the Company are of the opinion that the above transactions with related parties were entered into in the ordinary course of business and on normal commercial terms or in accordance with the terms of the agreements governing such transactions.

(b) On 21 December 2001, the Company acquired certain buildings and related land use rights in the PRC from Yihua at a consideration of Rmb216,000,000. The acquisition was announced by way of a press announcement by the Company on 24 December 2001.

(c) At 31 December 2001, guarantees given to banks by CPC in respect of bank loans to the Company amounted to Rmb50,000,000 (2000: Rmb350,000,000).

27. Contingent Liabilities

At 31 December 2001, contingent liabilities in respect of guarantees given to banks by the Company in respect of bank loans to certain wholly owned subsidiaries totalled Rmb30,020,000 (2000: Nil).

28. Capital Commitments

At 31 December 2001, the Group and the Company had capital commitments as follows:

	The Group		The Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Authorised and contracted for	**690,890**	510,493	**665,652**	510,493
Authorised but not contracted for	**1,416,623**	2,036,123	**1,393,669**	2,036,123
	2,107,513	2,546,616	**2,059,321**	2,546,616

These capital commitments are for construction of PTA production plant and improvement to existing plants.

29. Financial Instruments

Financial assets of the Group include cash and cash equivalents, deposits with 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 21.

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

29. Financial Instruments *(Continued)*

(b) Credit risk

Deposits with financial institutions

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

Trade and other receivables

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 company and fellow subsidiaries are disclosed in Note 17.

Unlisted investment

Details of the unlisted investment are disclosed in Note 15.

(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.

29. Financial Instruments *(Continued)*

(c) Fair value *(Continued)*

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

	2001		2000	
	Carrying amount Rmb'000	**Fair value Rmb'000**	Carrying amount *Rmb'000*	Fair value *Rmb'000*
Long-term bank loans, including current portion *(Note 21(b))*	**650,000**	**652,629**	800,000	804,037

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.

30. Note to the Consolidated Cash Flow Statement

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

	2001 Rmb'000	2000 *Rmb'000*
Profit from ordinary activities before taxation	**213,375**	985,493
Depreciation charge	**804,555**	695,074
Interest and investment income	**(37,682)**	(52,607)
Interest expense	**59,224**	103,160
Loss on disposal of property, plant and equipment	**1,236**	75,770
Decrease/(increase) in inventories	**118,679**	(110,075)
(Increase)/decrease in trade and other receivables	**(57,730)**	264,308
(Decrease)/increase in trade and other payables	**(329,078)**	227,793
Cash generated from operations	**772,579**	2,188,916

31. Parent Companies

The Directors consider the immediate parent company and the ultimate parent company at 31 December 2001 to be Sinopec and CPC, respectively, which are established in the PRC.