

**1. Material litigation**

The Group was not involved in any material litigation or disputes during the year ended December 31, 2001.

**2. Material contracts**

The Group did not enter into any material contracts during the year ended December 31, 2001.

**3. There was no merger, acquisition or restructuring involving the Company for the year ended December 31, 2001****4. Related party transactions**

Pursuant to a letter from the Hong Kong Stock Exchange on September 5, 2000, the original waivers on certain connected transactions as granted to the Company by the Hong Kong Stock Exchange on May 11, 1995, April 20, 1999 and July 29, 1999 remain valid. The total amount of related party transactions between the Company and JCGC for the year ended December 31, 2001 was RMB1,071.18 million. The total amount of related party transactions between the Company and a subsidiary of CNPC (PetroChina) was RMB14,237.05 million. The fees paid by the Company for the welfare and support services rendered by JCGC were based on the state regulated prices, market prices or cost prices as provided for in a service agreement entered into between the Company and JCGC. The fees paid for the other related party transactions between the Company and JCGC were based on normal commercial terms or on terms that were fair and reasonable so far as the shareholders of the Company are concerned. Transactions entered into with subsidiaries of CNPC were based on conditions approved at the extraordinary general meetings held on March 1, and July 29, 1999. The above-mentioned connected transactions ensure the normal operation of the Company. Details of these connected transactions are set out in the note VII to the financial statements prepared under PRC accounting standards.

**5.** Neither the Company, the board of directors nor any individual director of the Company has experienced any reprimand by the China Securities Regulatory Commission, stock exchanges or any regulatory authority during the year.

**6.** During the year, the Company did not enter into any trust arrangement, guarantee or lease with any third party to reduce costs of the Company or of the third parties.

**7.** No undertaking matters were disclosed in designated newspapers and website by the Company or its shareholders holding more than 5% of the Company's registered share capital.

**8. Auditors**

At the AGM held on June 19, 2001, Ernst & Young and Ernst & Young Hua Ming were not appointed as the Company's international and domestic auditors, respectively. After consideration by the Board, PricewaterhouseCoopers (certified public accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Company Limited (registered accountants in the PRC) were temporarily appointed as the Company's international and domestic auditors, respectively, from June 19, 2001 to the end of the next extraordinary general meeting.

At an extraordinary general meeting held on December 30, 2001, PricewaterhouseCoopers (certified public accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Company Limited (registered accountants in the PRC) were appointed as the Company's international and domestic auditors, respectively, to hold offices until the conclusion of the 2001 Annual General Meeting, and the board of directors of the Company was authorised to determine their remuneration.

In 2000, the Company paid RMB2.7 million of auditing fees to Ernst & Young and Ernst & Young Hua Ming, who were responsible for their own accommodation and transportation expenses. The Company expects that the auditing fees to be paid to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Company Limited will be RMB2.7 million, who will be responsible for their own transportation and accommodation expenses. There is no other expenses except the above-mentioned.

## 9. Other events

- (1) According to the Listing Rules of Shenzhen Stock Exchange, following two consecutive years of financial losses, the Company will have to comply with additional requirements set out in the Shenzhen Listing Rules. The abbreviation for the Company listed A shares will be changed from "Jilin Chemical" to "ST Jihua"; the trade code will remain unchanged.
- (2) According to the resolution passed at a meeting of the board of directors held on April 22, 2002, due to the appointment of Mr. Ni Muhua and Mr. Jiang Jixiang as the deputy general managers of PetroChina Jilin Petrochemical Company, they will resign as the Company's deputy general managers.