



The Board has the pleasure in submitting the Company's annual report together with the audited financial statements for the year ended 31 December 2002.

Daily operation of the Board

All Directors of the Company (the "**Directors**") have complied with the Company Law of the PRC ("**the Company Law**") and rules of the Company's Articles of Association, have fulfilled their responsibilities as set forth in the Company's Articles of Association, and diligently executed the resolutions of the Company's general meetings of shareholders.

The Board held twelve meetings during the reporting period, details of which are as follows:

1. The nineteenth meeting of the third term of the Board was held at the Conference Centre of Yihua Hotel of the Company in Yizheng City, Jiangsu Province, the PRC on 29 March 2002. Ten Directors attended the meeting and a director appointed proxy. The meeting considered and passed the following issues: 1. the General Manager's report; 2. the Company's proposed scheme of profit distribution for 2001; 3. the Company's profit distribution policy for 2002; 4. the Company's 2001 Financial Statements; 5. the 2001 Annual Report of the Company; 6. the Company's 2001 Annual Results Announcement; 7. the resolution regarding the remuneration of the Directors, Supervisors and the Senior Management for 2001; 8. the resolution regarding the remuneration of the domestic and international auditors of the Company for 2001; 9. the resolution regarding the total salaries plan for 2002.

The related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times, Hong Kong Economic Times and South China Morning Post on 1 April 2002.

2. The twentieth meeting of the third term of the Board was held in writing on 26 April 2002. The meeting considered and passed the resolution regarding the approval of the 2002's 1st Quarter Report of the Company.

The related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times, Hong Kong Economic Times and South China Morning Post on 29 April 2002.



3. The twenty-first meeting of the third term of the Board was held in writing on 10 May 2002. The meeting considered and passed the following: 1. the resolution regarding that nomination of Mr. Guan Diaosheng as a Board member of the third term; 2. the notice of Annual General Meeting for 2001 ("**2001 AGM**").

The related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times, Hong Kong Economic Times and South China Morning Post on 13 May 2002.

4. The twenty-second meeting of the third term of the Board was held at the Conference Centre of Yihua Hotel of the Company in Yizheng City, Jiangsu Province, the PRC on 27 June 2002. Nine Directors attended the meeting, the other two Directors appointed proxies. The meeting considered and passed the following: 1. the General Manager's report; 2. the Board report for 2001; 3. the relevant resolutions for submitting to the 2001 AGM for approval.

The related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times, Hong Kong Economic Times and South China Morning Post on 1 July 2002.

5. The twenty-third meeting of the third term of the Board was held in writing on 9 August 2002. The meeting considered and passed the resolution regarding the connected transaction on the construction of PTA project with an annual capacity of 450,000 tonnes.

The related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times, Hong Kong Economic Times and South China Morning Post on 12 August 2002.

6. The twenty-fourth meeting of the third term of the Board was held at the Conference Centre of Yihua Hotel of the Company in Yizheng City, Jiangsu Province, the PRC on 19 August 2002. Eight Directors attended the meeting, the other four Directors appointed proxies. The meeting considered and passed the following: 1. the resolution regarding that no dividend will be paid for the half year of 2002; 2. the Interim Report for 2002; 3. the interim results announcement for 2002; 4. the resolution regarding the differentiation polyester chips construction project with a daily capacity of 450 tonnes.

The related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times, Hong Kong Economic Times and South China Morning Post on 20 August 2002.

7. The twenty-fifth meeting of the third term of the Board was held in writing on 25 October 2002. The meeting considered and passed the 2002's 3rd Quarter Report of the Company.

The related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times, Hong Kong Economic Times and South China Morning Post on 28 October 2002.

8. The twenty-sixth meeting of the third term of the Board was held in writing on 4 November 2002. The meeting considered and passed the following: 1. approval of the proposed adoption of the Rules and Procedures for Shareholders' General Meeting (Draft); 2. approval of the proposed amendments to the Articles of Association of the Company; 3. the relevant circular and announcement relating to the amendments of the Articles of Association of the Company and the approval of the Rules and Procedures for Shareholders' General Meeting; 4. the notice of Extraordinary General Meeting (the "**EGM**").

The related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times, Hong Kong Economic Times and South China Morning Post on 5 November 2002.



9. The twenty-seventh meeting of the third term of the Board was held in writing on 27 November 2002. The meeting considered and passed the following: 1. the resolution regarding the candidates for the Company's fourth term Directors and Supervisors who are representatives of shareholders; 2. the supplemental notice of the EGM; 3. the resolution regarding the approval for Security Service Agreement entered into with Yihua; 4. the resolution regarding the approval for Catering Service Agreement entered into with Yihua; 5. connected transaction announcement.

The related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times, Hong Kong Economic Times and South China Morning Post on 28 November 2002.

10. The twenty-eighth meeting of the third term of the Board was held in writing on 18 December 2002. The meeting considered and passed the following: 1. the resolution regarding the proposed remuneration for the Company's fourth term Directors and Supervisors, for submission to the EGM for approval; 2. the summary report for the third term Board.

11. The first meeting of the fourth term of the Board was held at the Conference Centre of Yihua Hotel of the Company in Yizheng City, Jiangsu Province, the PRC on 20 December 2002. All Directors attended the meeting. The meeting elected Chairman and Vice Chairpersons, the members and convenors of the specialised committee under the Board. The meeting appointed General Manager, Deputy General Managers, Chief Financial Officer and Company Secretary. The meeting also appointed the authorised representatives required by the HKSE. The meeting considered and passed the remuneration for the senior management of the Company and General Manager's report.

The related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times, Hong Kong Economic Times and South China Morning Post on 23 December 2002.

12. The second meeting of the fourth term of the Board was held in writing on 31 December 2002. The meeting considered and passed the Company's revised total salaries plan for 2002.

The Board will continue to act with integrity and be diligent, and will faithfully work for the best interests of the Group and its shareholders.

Principal Activities

The principal activities of the Group are the production and sale of polyester chips and polyester fibre, and production of its raw material PTA for its own use.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years (extracted from the financial statements prepared in accordance with IFRS) is set out in the section on "Financial Summary" of the annual report.

A summary of the results and of the assets and liabilities of the Group for the last three financial years (extracted from the financial statements prepared in accordance with the PRC Accounting Rules and Regulations) is set out in the section on "Financial Summary" of the annual report.

**Changes in Share Capital and Shareholders****Changes in share capital**1. *Share capital structure*

Details of share structure is as follows:

Unit of share: 1,000 Shares

	Before change	Allocated share	Bonus share	Increase/ (decrease)			Sub-total	After change
				Shares transferred from reserve fund	Increase	Others		
1. Non-circulating shares:								
1. Promoter shares including:								
Owned on behalf of the State	-	-	-	-	-	-	-	-
Domestic legal person shares	2,400,000	-	-	-	-	-	-	2,400,000
Overseas legal person shares	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
2. Social fund raising legal person shares	-	-	-	-	-	-	-	-
3. Internal employee shares	-	-	-	-	-	-	-	-
4. Pre-emptive rights shares	-	-	-	-	-	-	-	-
Total number of non-circulating shares	2,400,000	-	-	-	-	-	-	2,400,000
2. Circulating shares								
1. Rmb ordinary shares	200,000	-	-	-	-	-	-	200,000
2. Domestic listed foreign capital shares	-	-	-	-	-	-	-	-
3. Overseas listed foreign capital shares	1,400,000	-	-	-	-	-	-	1,400,000
4. Others	-	-	-	-	-	-	-	-
Total number of circulating shares	1,600,000	-	-	-	-	-	-	1,600,000
3. Total number of shares	4,000,000	-	-	-	-	-	-	4,000,000

During the reporting period, there has been no change in the total amount of shares and the share structure of the Company.



2. Share issue and listings

The issuance and listings of shares subsequent to the establishment of the Company are as follows:

Type of Share	"A" Share		"H" Share
Date of issue/ Period for lodging application	18-26 January 1995	14-17 March 1994	25-26 April 1995
Issue price	Rmb2.68 per share	HK\$2.38 per share	HK\$2.45 per share
Number of shares issued	200,000,000 shares	1,000,000,000 shares	400,000,000 shares
Date of listing	11 April 1995	29 March 1994	26 April 1995
Place of listing	Shanghai	Hong Kong	Hong Kong
Number of shares approved for trading	200,000,000 shares	1,000,000,000 shares	400,000,000 share

3. Purchase, sale or redemption of the Company's listed securities

During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

4. Pre-emptive rights

According to the Laws of the PRC and the Articles of Association of the Company, the Company does not have any pre-emptive rights.

5. Internal employee shares

The Company has not issued any internal employee shares.

Shareholders

1. Number of shareholders

The number of shareholders of the Company as at 31 December 2002 is as follows:

Type	Number of shareholders
Legal person share ("A" share)	2
Social public share ("A" share)	96,030
"H" share	1,651
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Total	97,683
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2. The shareholdings of the top ten shareholders of the Company

As at 31 December 2002, the shareholdings of the top ten major shareholders of the Company are as follows:

Names of shareholders	Increase/ (decrease) during the year (Share)	Number of shares held at the end of the year (Share)	Percentage to total share capital (%)	Type of share (including circulating or non-circulating)	Number of pledged or freezed share*	Nature of shareholders (state-owned or overseas shareholders)
Sinopec	Nil	1,680,000,000	42.00	Non-circulating	Nil	Domestic legal person shareholder
Hong Kong Securities Clearing Company ("HKSCC") (Nominees) Limited	+3,926,798	1,345,026,798	33.63	Circulating	Nil	"H" shares
China International Trust and Investment Corporation ("CITIC")	Nil	720,000,000	18.00	Non-circulating	Nil	Domestic legal person shareholder**
Kai-yuan Fund	Not applicable	2,256,900	0.056	Circulating	Not applicable	"A" shares
Bo-hai Securities	Not applicable	1,950,838	0.049	Circulating	Not applicable	"A" shares
HSBC Nominees (HONG KONG) Limited A/C BR-13 ***	-274,000	1,800,000	0.045	Circulating	Not applicable	"H" shares
Xing-he Fund	-116,519	1,348,481	0.034	Circulating	Not applicable	"A" shares
HSBC Nominees (HONG KONG) Limited A/C BR-12 ***	-284,000	1,200,000	0.03	Circulating	Not applicable	"H" shares
HSBC Nominees (HONG KONG) Limited A/C BR-16 ***	-316,000	1,200,000	0.03	Circulating	Not applicable	"H" shares
Pu-feng Fund	Not applicable	913,028	0.023	Circulating	Not applicable	"A" shares

There is no activities in concert or connected relationship among the top ten shareholders.

Notes: * It represents the number of pledged or freezed shares held by shareholders who hold more than 5 per cent of the Company's shares during the reporting period.

** Shares held on behalf of the State.

*** Shares held on behalf of different customers.



3. The controlling shareholder

Name of the controlling shareholder	:	Sinopec, holding 42 per cent of the Company's shares
Legal representative	:	Li Yi-zhong
Registered capital	:	Rmb86,702,439,000
Date of establishment	:	25 February 2000
Principal activities	:	Engaged in exploring, mining, producing and trading crude oil and natural gas; refining crude oil; producing, trading, storing and transporting petrochemical, chemical fibre and other petrochemical products; transporting crude oil and natural gas by pipeline; researching, developing and applying relevant technology and information.

During the reporting period, there has been no change in the controlling shareholder of the Company.

4. Controlling company of the controlling shareholder

Name of the controlling company of the controlling shareholder	:	China Petrochemical Corporation ("CPC")*
Legal representative	:	Li Yi-zhong
Registered capital	:	Rmb104,912,000,000
Date of establishment	:	24 July 1998
Principal activities	:	Engaged in exploring crude oil and gas; mining and refining crude oil; producing petrochemicals; trading and branch-trading oil and petrochemical products; importing and exporting oil products and relevant businesses.

* CPC is an investment organisation authorised by the State and a state-controlled company.

During the reporting period, there has been no change in the controlling company of the controlling shareholder of the Company.

5. Other substantial shareholders

(1) CITIC

CITIC holds 18 per cent of the Company's shares.

Legal representative	:	Wang Jun
Registered capital	:	Rmb3,000,000,000
Date of establishment	:	4 October 1979
Principal activities	:	Engaging in investments at home and abroad and various economic cooperation; engaging in the development and promotion of new technology and risk investment; carrying out international and domestic financial business, offering guarantees for foreign capital, running banks or financial companies solely or jointly at home and abroad; issuing bonds or other negotiable securities itself or as a proxy at home and abroad; engaging in leasing business at home and abroad; providing insurance for foreign investors in the PRC, undertaking international insurance and re-insurance; engaging in trade at home and abroad; engaging in contracting and sub-contracting projects internationally, and exporting labour services; engaging in the operation for real estate, and travel services; providing trust, consultancy and acting as agent for international and domestic clients.

(2) The shares held by HKSCC (Nominees) Limited are on behalf of its customers. The Company has not been informed of whether any of its individual "H" shareholder holds more than 10 per cent of the total shares of the Company.



Directors, Supervisors and Senior Management

Changes in Directors, Supervisors and Senior Management

Mr. Guan Diao-sheng was elected as Director of the third term of the Board at the 2001 AGM held on 28 June 2002.

The third term of the Board and the Supervisory Committee of the Company retired on 23 December 2002. Mr. Fu Xing-tang, Ms. Sun Zhi-hong, Mr. Qian Heng-ge, Mr. Xu Zheng-ning, Mr. Xiao Wei-zhen, Mr. Yao Hao-chong, Ms. Long Xing-ping, Mr. Zhang Hong, Mr. Ye Zhong-shan, Mr. Guan Diao-sheng, Ms. Li Zhong-he, Mr. Wang Hua-cheng, Ms. Yi Ren-ping and Ms. Qian Zhi-hong were elected as Directors of the fourth term of the Board at the EGM held on 20 December 2002, among whom Ms. Li Zhong-he, Mr. Wang Hua-cheng, Ms. Yi Ren-ping and Ms. Qian Zhi-hong were Independent Directors; Mr. Huang Gui-geng, Mr. Chen Jian, Mr. Huang Zhi-wei and Mr. Chu Su-hua were elected as Supervisors of the fourth term of the Supervisory Committee, among whom Mr. Huang Zhi-wei and Mr. Chu Su-hua were Independent Supervisors. Mr. Zhou Wen-fei was elected by the Company's Staff Committee as Supervisor of the fourth term on behalf of the staff.

The first meeting of the fourth term of the Board was held on 20 December 2002 and Mr. Fu Xing-tang was elected as Chairman, Ms. Sun Zhi-hong and Mr. Qian Heng-ge as Vice Chairpersons. As nominated by Chairman, Mr. Xu Zheng-ning was appointed as General Manager. As nominated by General Manager, Mr. Xiao Wei-zhen, Ms. Ling Ai-bao, Mr. Shen Xi-jun and Mr. Li Ren-yan were appointed as Deputy General Managers and Ms. Zhou Xiu-hua was appointed as Chief Financial Officer. As nominated by Chairman, Mr. Wu Chao-yang was appointed as Company Secretary.

Ms. Wang Wen-jie retired as Director of the Company, Mr. Zhao Shu-ming and Mr. Chu Su-hua retired as Independent Directors of the Company, and Mr. Li Feng-ming retired as Independent Supervisor. Ms. Wang Wen-jie, Mr. Zhao Shu-ming, Mr. Chu Su-hua and Mr. Li Feng-ming have fulfilled their duties and have worked diligently in operating and developing the Company and have made significant contributions to the Company, the third term of the Board and the Supervisory Committee.

According to the resolution of the third meeting of the fourth term of the Board held on 30 January 2003, Mr. Li Ren-yan ceased to act as Deputy General Manager. The Board would like to express their whole hearted thanks for his hard work and commitment over these years.

Profiles of Present Directors, Supervisors and Senior Management

Directors

1. Mr. Fu Xing-tang, aged 59, Chairman and Secretary of Committee of Communist Party of China (the "CCPC") of the Company and Yihua, and Senior Economist (at professor level). Mr. Fu has been involved in the petrochemical industry for more than 30 years and receives special subsidies awarded by the State Council of the PRC. He served as Deputy Director of Planning Department of Daqing General Petrochemical Works in 1983, Director of Planning Department and Deputy General Manager in 1984 and Chief Economist in 1987. He held the position of Deputy General Manager of Baling Petrochemical Corporation in 1992, Deputy General Manager of Yangzi Petrochemical Corporation in 1993. In 1998, Mr. Fu was elected as Director and appointed as Deputy General Manager of Yangzi Petrochemical Company, Ltd., (currently Sinopec Yangzi Petrochemical Company, Limited ("Yangzi")), and elected as Director of Yangzi Petrochemical Corporation and Chairman of Nanjing Oriental Chemical Industry Company. He became Secretary of the CCPC of the Company and Yihua, and was elected as Chairman of Yihua in October 1999. He was elected as Chairman of the Company in December 1999. In December 2002, he was re-elected as Chairman of the Company. Mr. Fu has extensive experience in planning, marketing, production, equipment management, purchasing and business administration in extra-large-scale petrochemical enterprise. Mr. Fu graduated from Beijing Oil Institute in 1968, majoring in refinery.



2. Ms. Sun Zhi-hong, aged 53, Vice Chairwoman of the Company and Deputy Director of the Finance Department of CITIC, Senior Accountant and CPA of the PRC. She held the position of Deputy Director of the Finance Department of CITIC since January 1999. She was elected as Vice Chairwoman of the Company in December 1999, and was re-elected in December 2002. Ms. Sun has extensive experience in financial management in large-scale enterprise. Ms. Sun graduated from China Central Broadcasting and Television University in 1986, majoring in accounting and completed the graduate course of International Business Administration in Beijing Economic College in 1995.
3. Mr. Qian Heng-ge, aged 52, Vice Chairman of the Company, Managing Director of Yihua, and senior P&I Engineer. Mr. Qian joined Yihua in 1984. Since then, he had served as Deputy Head of the General Manager Office of Yihua and Head of the General Manager Office of the Company. In June 1995, he was elected as Chairman of the Supervisory Committee, and appointed as Deputy Secretary of the CCPC and Secretary of the Discipline and Inspection Commission of the Company. He was re-elected as Chairman of the Supervisory Committee and appointed as Secretary of the CCPC of the Company in December 1996. In January 1998, he was elected as Executive Director, appointed as Deputy General Manager of the Company and elected as Director of Yihua. In March 1998, he was appointed as Deputy Secretary of the CCPC of the Company and Yihua. He was elected as Vice Chairman of the Company in December 1999. In April 2002, he was appointed as General Manager of Yihua. In December 2002, he was re-elected as Vice Chairman of the Company. Mr. Qian has extensive experience in administration and human resources management of extra-large-scale enterprise. Mr. Qian graduated from Distance Learning College of the Communist Party Central Academy in 1987, majoring in business administration. He completed the course of MBA in Nanjing University in 2001.
4. Mr. Xu Zheng-ning, aged 45, Managing Director of the Company, Director of Yihua, and Senior Engineer. Mr. Xu joined Yihua in 1983. Since then, he had served as Deputy Director of the Research Institute of Yihua, Deputy Director and Director of the Polyester Plant No. 4, and Assistant to General Manager of the Company. He was appointed as Deputy General Manager of the Company in April 1995. In December 1996, he was elected as Executive Director and appointed as Deputy General Manager of the Company. He was re-elected as Director and re-appointed as Deputy General manager of the Company in December 1999. He was appointed as General Manager of the Company in June 2001. In December 2002, he was re-elected as Director and re-appointed as General Manager of the Company. In March 2003, he was appointed as Director of Yihua. Mr. Xu has extensive experience in production, equipment management, project management, technological improvement and marketing in large-scale enterprise. Mr. Xu graduated from Nanjing Chemical Engineering College in 1981, majoring in chemical engineering. He completed the course of MBA in Nanjing University in 1998.
5. Mr. Xiao Wei-zhen, aged 49, Director and Deputy General Manager of the Company, and Senior Engineer. Mr. Xiao joined Yihua in 1982. Since then, he had served as Deputy Director and Chief Engineer of Polyester Plant No. 2, and then Director of Polyester Plant No. 4 of the Company. In December 1996, he was appointed as Deputy General Manager of the Company. In November 1997, he was transferred to be Head of Production and Marketing Department in China Eastern United Petrochemical (Group) Company Limited. In January 1998, he was elected as Executive Director of the Company. In May 1998, he was appointed as Deputy General Manager of the Company. He was re-elected as Director and re-appointed as Deputy General Manager of the Company in December 2002. Mr. Xiao has extensive experience in production, technological improvement and business administration in large-scale chemical fibre enterprise. Mr. Xiao graduated from the Department of Chemical Engineering of Zhejiang University in 1982, majoring in macromolecular chemistry.



6. Mr. Yao Han-chong, aged 56, Director and Chairman of Trade Union of the Company and Yihua, and Senior P&I Engineer. Mr. Yao joined Yihua in 1985. Since then, he had served as Deputy Director of Propaganda Department, Deputy Director of Education and Training Center. Since 1995, he had held the positions of Deputy Secretary of the CCPC, Secretary of the Discipline and Inspection Commission and Chairman of Trade Union of Yihua. He became Chairman of Trade Union of the Company and Yihua in March 1998. He was elected as Director of the Company in December 1999. He was rewarded "May First Labour Medal" of the PRC in April 2002. In December 2002, he was re-elected as Director of the Company. Mr. Yao has extensive experience in administration in large-scale enterprise. Mr. Yao graduated from China Textile Political Distance Learning College in 1989, majoring in party and governmental affair management. Mr. Yao was nominated as the staff representative of the Company.
7. Ms. Long Xing-ping, aged 51, Director of the Company and Deputy Director of Overall Planning Department of CITIC, and Senior Engineer. She was elected as Director of the Company in December 1999. She was appointed as Deputy Director of Overall Planning Department of CITIC since April 2002. In December 2002, she was re-elected as Director of the Company. Ms. Long was engaged in the designing of chemical fibre machines and scientific research, and has extensive experience in business administration in large-scale industrial enterprise. Ms. Long graduated from Beijing Chemical Engineering College in 1975, majoring in machinery.
8. Mr. Zhang Hong, aged 44, Director of the Company and Head of No. 2 Division of Audit Department of CITIC, Senior Accountant and CPA of the PRC. He held the position of Head of No. 2 Division of Audit Department of CITIC since December 2002. In December 2002, he was elected as Director of the Company. Mr. Zhang was engaged in financial management and internal audit for years, and has extensive experience in internal management systems, financial analysis and audit in large-scale enterprise. Mr. Zhang graduated from No. 2 Branch, Renmin University of China in 1983, majoring in finance.
9. Mr. Ye Zong-shan, aged 56, Director of the Company, Director and Deputy General Manager of Yihua, and Senior Engineer (at professor level). Mr. Ye joined Yihua in 1982. Since then, he had served as Deputy Director of Production Department, General Manager of Yizheng Amoco Fabrics Company Ltd. and Director of Operational Planning Department. He became Director and Deputy General Manager of Yihua in 1998. He was elected as Director of the Company in December 1999 and re-elected in December 2002. Mr. Ye has extensive experience in production and marketing in large-scale chemical fibre enterprise. Mr. Ye graduated from East China Petrochemical Institute in 1969, majoring in organic synthesis.
10. Mr. Guan Tiao-sheng, aged 40, Director of the Company, Deputy Director of Chemicals Segment of Sinopec, Master of Engineering, Senior Engineer. Mr. Guan has joined petrochemical industry since 1985, he served as Deputy Director of Technology Department of Liaoyang Oil & Chemical Fibre Company in 1987, Deputy Director of Technology Section of Production Department of CPC in 1995, Director of Chemical Fibre Section of Refining and Petrochemical Department of CPC in 1998, and Deputy Director of Chemicals Segment of Sinopec in December 2001, in June 2002, he was elected as Director of the Company, and re-elected in December 2002. Mr. Guan has extensive experience in chemical fibre industry management. Mr. Guan graduated from China Textile University in 1985, majoring in chemical fibre.
11. Ms. Li Zhong-he*, aged 61, Independent Director of the Company and President of Jiangsu Venture Capital Association, Master . In December 2002, she was elected as Director of the Company. For a long period of time, Ms. Li had held various high positions in government departments and has extensive experience in industry management. Ms. Li graduated from Tsinghua University in 1968, majoring in numerical controlled machine tool.



12. Mr. Wang Hua-cheng*, aged 39, Independent Director of the Company and Deputy Director of Business School Renmin University of China, Professor, Tutor of Doctor Degree Candidate. In December 2002, he was elected as Director of the Company. For a long period of time, Mr. Wang has been engaging in teaching and researching of financial management and accounting. He has studied the relevant fields extensively. Mr. Wang graduated from Remin University of China in 1998, majoring in accounting and became Doctor of Economics (Accounting).
13. Ms. Yi Ren-ping*, aged 59, Independent Director of the Company and Director and Secretary of CCPC of Nanjing Audit University, Research Fellow, Senior Accountant and CPA of the PRC. In December 2002, she was elected as Director of the Company. For a long period of time, Ms. Yi has been engaging in teaching and researching of accounting and auditing, and in management in relevant authorities. She has studied auditing and accounting extensively. Ms. Yi receives special subsidies awarded by the State Council of the PRC and is a member of Chinese People's Political Consultative Conference of Jiangsu Province. Ms. Yi graduated from Central Finance Institute in 1966, majoring in accounting.
14. Ms. Qian Zhi-hong*, aged 61, Independent Director of the Company and Senior Economist. In December 2002, she was elected as Director of the Company. For a long period of time, Ms. Qian had held the positions of senior management in commercial bank and has extensive experience in financial management. Ms. Qian graduated from Suzhou Financial College in 1959.

* *Independent Directors*

Supervisors

1. Mr. Huang Gui-geng, aged 57, Chairman of the Supervisory Committee, Deputy Secretary of the CCPC and Secretary of the Discipline and Inspection Commission of the Company and Yihua, and Senior P&I Engineer. Mr. Huang joined Yihua in 1982. Since November 1984, he had served as Deputy Secretary of the CCPC, Secretary of the Discipline and Inspection Commission and Chairman of Trade Union of Yihua, Chairman of Trade Union of the Company. In December 1993, he was elected as Supervisor of the Company. In December 1996, he was re-elected as Supervisor, and appointed as Deputy Secretary of the CCPC and Chairman of Trade Union of the Company. In January 1998, he was elected as Chairman of the Supervisory Committee. In March 1998, he was appointed as Deputy Secretary of the CCPC and Secretary of the Discipline and Inspection Commission of the Company and Yihua. He was re-elected as Chairman of the Supervisory Committee in December 2002. Mr. Huang has extensive experience in administration in large-scale enterprise. Mr. Huang graduated from the Department of Technological Physics of Beijing University in 1969, majoring in radioactive chemicals.
2. Mr. Zhou Wen-fei, aged 44, Supervisor of the Company, Deputy Secretary of the Discipline and Inspection Commission and Director of Supervisory Department of the Company and Yihua, and P&I Engineer. Mr. Zhou joined Yihua in 1980. He had been engaged in operational management, human resources management and labor relationship affairs. He served as Deputy Secretary of the CCPC and Secretary of the Discipline and Inspection Commission of the Polyester Plant No. 5 of the Company in 1996. He was elected as Supervisor and was appointed as Deputy Secretary of the Discipline and Inspection Commission and Deputy Director of Supervisory Department of the Company and Yihua in December 1999. In December 2002, he was re-elected as Supervisor of the Company. Mr. Zhou graduated from China Textile Political Distance Learning College in 1989, majoring in administration. Mr. Zhou is the Supervisor who represents the staff of the Company.



3. Mr. Chen Jian, aged 40, Supervisor of the Company and Project Manager of Overall Planning Department of CITIC, and Engineer. Mr. Chen had served as technician and engineer in chemical fibre enterprise. He was elected as Supervisor of the Company in December 1999 and re-elected in December 2002. Mr. Chen has extensive experience in the field of chemical fibre production, international trade of related products and investment project management. Mr. Chen graduated from East China Textile Institute of Science and Technology in 1984, majoring in chemical fibre.
4. Mr. Huang Zhi-wei**, aged 53, Independent Supervisor of the Company and Deputy Director of Bank of China, Jiangsu Provincial Branch, and Senior Economist. He was elected as Supervisor of the Company in December 1999 and re-elected in December 2002. For a long period of time, Mr. Huang has held the position of senior management in commercial bank and has extensive experience in banking. Mr. Huang graduated from Nanjing University in 1987, majoring in management for party and governmental cadre.
5. Mr. Chu Su-hua**, aged 46, Independent Supervisor of the Company and Deputy Director of Industrial and Commercial Bank of China, Jiangsu Provincial Branch, and Senior Economist. He was elected as Independent Director of the Company in December 1999. In December 2002, he was elected as Supervisor of the Company. For a long period of time, Mr. Chu has held the positions of senior management in commercial bank and has extensive experience in financial management. Mr. Chu graduated from Renmin University of China in 1982, majoring in fiscal and financial management.

** *Independent Supervisors*

Senior Management

1. Ms. Ling Ai-bao, aged 57, Deputy General Manager of the Company, and Senior Economist (at professor level). Ms. Ling joined Yihua in 1979. Ms. Ling had served as Deputy Director and Director of Yihua's Water Supply and Disposal Plant, and also the Assistant to General Manager of Yihua. In 1988, she became Deputy General Manager of Yihua. In December 1993, She was appointed as Deputy General Manager of the Company, and was re-appointed in December 2002. She has a great deal of experience in administration, raw material purchasing and marketing in large enterprises. Ms. Ling graduated from Tong Ji University in 1967, majoring in water supply and disposal. She completed the course of MBA in Nanjing University in 1998.
2. Mr. Shen Xi-jun, aged 42, Deputy General Manager of the Company, and Senior Engineer. Mr. Shen joined Yihua in 1982. He had served as Deputy Director of Polyester Plant No.3 and the Assistant to General Manager of Yihua. In January 1996, he was appointed as Deputy General Manager of Yihua. In January 1998, he was appointed as Deputy General Manager of the Company and was re-appointed in December 2002. He has extensive experience in production and project management in large-scale enterprises. He has won several titles and awards granted by the Central Committee of the Communist Youth League of the PRC, China National Textile Council, Human Resources Department of Jiangsu Provincial Government and Jiangsu Provincial Communist Party Committee. Mr. Shen graduated from the Department of Chemical Engineering of Dalian Institute of Technology in 1982, specialising in macromolecule chemical engineering. He completed the course of MBA in Nanjing University in 1998.



3. Ms. Zhou Xin-hua, aged 56, Chief Financial Officer of the Company, and Senior Accountant (at professor level). Ms. Zhou has been engaged in financial management for a long period of time. She had held the position of Deputy Director of Finance Department, Director of Audit Department of Nanjing Chemical Industrial Company, Director of Finance Department of Nanjing Chemical Industrial Group Corporation and the concurrent positions of Deputy Chief Financial Officer and Director of Finance Department successively. She was appointed as Chief Financial Officer of Nanjing Chemical Industrial Group Corporation in September 1996 and as Chief Financial Officer of Nanjing Chemical Industrial Corporation in December 1998. She was appointed as Chief Financial Officer of the Company in December 1999, and re-elected in December 2002. Ms. Zhou has extensive experience in financial management of large-scale chemical enterprise. Ms. Zhou graduated from Central Finance Institute in 1970, majoring in finance.
4. Mr. Tom C. Y. Wu, aged 41, Company Secretary and Treasurer of the Company, and Senior Engineer. He joined Yihua in 1982. Mr. Wu was engaged in production management, technology management and business administration. He participated in all of the Phase I, Phase II and Phase III Construction Projects of Yihua and is familiar with the Company's overall operation. In 1994, he served as Deputy Director of PET Film Plant of Yihua. He was elected as Company Secretary and appointed as treasurer of the Company in January 2001. In December 2002, he was re-elected as Company Secretary of the Company. Mr. Wu graduated from the Department of Chemical Engineering of Zhejiang University in 1982, majoring in macromolecular chemistry, and obtained MBA degree in Dalian University of Technology in September 2001.

Directors', Supervisors' and Senior Management's interests in shares and their remuneration

1. Procedure and basis of Directors', Supervisors' and Senior Management's remuneration policies

Pursuant to the resolution regarding the salaries of the third term Directors and Supervisors, approved by the EGM held on 23 December 1999, the resolution regarding the salaries of the Senior Management, approved by the first meeting of the third term of the Board held on the same day, and in accordance with service contract signed between the Company, Directors and Supervisors and with reference to the operating condition of the Company in 2002 and the Company's responsibility assessment system, the Board considered and passed the resolution regarding the Company's Directors', Supervisors' and Senior Management's remuneration in the fourth meeting of the fourth term of the Board held on 4 April 2003;



2. According to the disclosure requirements under the Securities (Disclosure of Interests) Ordinance in Hong Kong (the “SDI Ordinance”) and under the relevant PRC laws and regulations concerning information disclosures, in connection with Directors, Supervisors and Senior Management are as follows:

1. Information on current directors, supervisors and senior management

Name	Position	Term of office	Number of “A” shares held for personal interests		Reason for change
			At the beginning of the year	At the end of the year	
Fu Xing-tang	Chairman	Dec. 2002-Dec. 2005	0	0	No change
Sun Zhi-hong	Vice Chairwoman	Dec. 2002-Dec. 2005	0	0	No change
Qian Heng-ge	Vice Chairman	Dec. 2002-Dec. 2005	2,000	2,000	No change
Xu Zheng-ning	Managing Director	Dec. 2002-Dec. 2005	2,600	2,600	No change
Xiao Wei-zhen	Director, Deputy General Manager	Dec. 2002-Dec. 2005	0	0	No change
Yao Han-chong	Director	Dec. 2002-Dec. 2005	0	0	No change
Long Xing-ping	Director	Dec. 2002-Dec. 2005	0	0	No change
Zhang Hong	Director	Dec. 2002-Dec. 2005	0	0	No change
Ye Zhong-shan	Director	Dec. 2002-Dec. 2005	0	0	No change
Guan Diao-sheng	Director	Dec. 2002-Dec. 2005	0	0	No change
Li Zhong-he	Independent Director	Dec. 2002-Dec. 2005	0	0	No change
Wang Hua-cheng	Independent Director	Dec. 2002-Dec. 2005	0	0	No change
Yi Ren-ping	Independent Director	Dec. 2002-Dec. 2005	0	0	No change
Qian Zhi-hong	Independent Director	Dec. 2002-Dec. 2005	0	0	No change
Huang Gui-geng	Chairman of the Supervisory Committee	Dec. 2002-Dec. 2005	2,300	2,300	No change
Zhou Wen-fei	Supervisor	Dec. 2002-Dec. 2005	0	0	No change
Chen Jian	Supervisor	Dec. 2002-Dec. 2005	0	0	No change
Huang Zhi-wei	Independent Supervisor	Dec. 2002-Dec. 2005	0	0	No change
Chu Su-hua	Independent Supervisor	Dec. 2002-Dec. 2005	0	0	No change
Ling Ai-bao	Deputy General Manager	From Dec. 2002	2,600	2,600	No change
Shen Xi-jun	Deputy General Manager	From Dec. 2002	0	0	No change
Zhou Xin-hua	Chief Financial Officer	From Dec. 2002	0	0	No change
Tom C. Y. Wu	Company Secretary	From Dec. 2002	0	0	No change



2. Information on directors and supervisors holding posts in corporate shareholders

Name	Name of corporate shareholders	Position held in corporate shareholders	Term of office	Remuneration and allowance received from the corporate shareholders
Sun Zhi-hong	CITIC	Deputy Director of Finance Department	From January 1999	Yes
Long Xing-ping	CITIC	Deputy Director of Overall Planning Department	From April 2002	Yes
Zhang Hong	CITIC	Head of No. 2 Division of Audit Department	From December 2000	Yes
Guan Diao-sheng	Sinopec	Deputy Director of Chemical Division	From December 2001	Yes
Chen Jian	CITIC	Project Manager of Overall Planning Department	From December 1999	Yes

3. Information on the remuneration of the Company's directors and supervisors of the third term of the Board and senior management in 2002

Total remuneration for the year	Rmb2,120,990
Aggregate remuneration of the three highest paid directors	Rmb402,990
Aggregate remuneration of the three highest paid senior management	Rmb329,070
Allowances to Independent Directors	Rmb24,000
Other benefits to Independent Directors	Nil
Name of directors and supervisors who did not receive any remuneration from the Company	Guan Diao-sheng
Remuneration bands of the directors, supervisors and senior management of the Company	No. of people
Below Rmb100,000	5
Rmb100,000 to Rmb200,000	16

Other than as stated above, no Directors, Supervisors and Senior Management had any interests whether beneficial or non-beneficial, in the issued share capital of the Company, and other associated corporations (within the meaning of the SDI Ordinance) as at 31 December 2002.

Directors' and Supervisors' rights to acquire shares and debentures

There was no convertibles, options, warrants or similar rights issued by the Company during the reporting period. There was no conversion or exercise of any rights, options or warrants by the Company during the reporting period.

At no time during the reporting period was the Company, any of its parent companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors, Supervisors or Senior Management of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



Directors' and Supervisors' service contracts

Each Director (excluding Independent Directors) of the fourth term of the Board of the Company entered into a service contract with the Company on 20 December 2002. Particulars of these contracts are in all material respects identical and are set out below:

1. Each service contract is for a term of three years commencing 1 January 2003;
2. Each Director (excluding Independent Directors) is entitled to an annual salary of not less than Rmb50,000. The aggregate annual salaries of all Directors (excluding Independent Directors) is not more than Rmb2,800,000 within the contract term.

Each Independent Director of the fourth term of the Company entered into a service contract with the Company on 20 December 2002. Particulars of these contracts are in all material respects identical and are set out below:

1. Each service contract is for a term of three years commencing 1 January 2003;
2. The aggregate annual fees payable to all Independent Directors is Rmb160,000 within the contract term.

Each Supervisor (excluding Independent Supervisors) of the fourth term of the Company entered into a service contract with the Company on 20 December 2002. Particulars of these contracts are in all material respects identical and are set out below:

1. Each service contract is for a term of three years commencing 1 January 2003;
2. Each Supervisor (excluding Independent Supervisors) is entitled to an annual salary of not less than Rmb50,000. The aggregate annual salaries of all Supervisors (excluding Independent Supervisors) is not more than Rmb800,000 within the contract term.

Each Independent Supervisor of the fourth term of the Company entered into a service contract with the Company on 20 December 2002. Particulars of these contracts are in all material respects identical and are set out below:

1. Each service contract is for a term of three years commencing 1 January 2003;
2. The aggregate annual fee payable to all Independent Supervisors is Rmb60,000, within the contract.

No Director or Supervisor has entered into a service contract with the Company which is not terminated by the Company within one year without payment other than statutory compensation.

Directors' and Supervisors' interests in contracts

No contract of significance to which the Company, its parent company or any of their subsidiaries was a party, in which a Director or Supervisor of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Special treatment to Directors, Supervisors and Senior Management

There has been no special treatment granted to the Directors, Supervisors or Senior Management during the reporting period.



Major litigation or arbitration

The Group was not engaged in any material litigation or arbitration during the reporting period.

Major events or discloseable circumstances during the year

Major events or discloseable circumstances during the reporting period are shown in "Significant Events" of the Annual Report.

Connected transactions

Details of the connected transactions entered into by the Company during the reporting period are set out in item 4 of "Significant Events" of the Annual Report.

Results

The results of the Group for the year ended 31 December 2002 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements prepared in accordance with IFRS and the PRC Accounting Rules and Regulations.

Proposed scheme of profit distribution

In accordance with the PRC Accounting Rules and Regulations, the net profit of the Company for 2002 was Rmb138,869,000 (the profit attributable to shareholders of the Company for 2002 was Rmb143,357,000 under IFRS). The total distributable profit, including the undistributed profit of Rmb397,480,000 brought forward from the previous year, was Rmb536,349,000.

The proposed transfers to the statutory surplus reserve and the statutory public welfare fund were Rmb13,887,000 and Rmb12,689,000 respectively. Of which, according to the relevant regulations of the PRC and the Articles of Association of the Company, Rmb11,490,000, representing 10% of the adjusted net profit of Rmb114,899,000 (excluding share of profits from subsidiaries of Rmb23,970,000), was transferred to the statutory surplus reserve and the statutory public welfare fund respectively. In addition, Rmb2,397,000, representing 10% of the distributable profits of the relevant subsidiaries, was transferred to the statutory surplus reserve; Rmb1,199,000, representing 5% of the distributable profits of the relevant subsidiaries, was transferred to the statutory public welfare fund.

Distributable profits to shareholders amounted to Rmb509,773,000.

It is proposed that a final cash dividend of Rmb0.015 per share for 2002 be paid, totalling Rmb60,000,000.

The Company's undistributed profit of Rmb449,773,000 is to be carried forward to 2003.

The above proposed profit distribution scheme shall be submitted for approval in the 2002 AGM.

Reserves

Changes in reserves of the Group during the reporting period are set out in note 24 of the financial statements prepared in accordance with IFRS of the Annual Report.

Fixed assets

Movements in fixed assets of the Group, during the reporting period, are set out in note 12 and 13 of the financial statements prepared in accordance with IFRS of the Annual Report.



Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2002 are set out in note 22 of the financial statements prepared in accordance with IFRS of the Annual Report.

Subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2002 are set out in the section on "Subsidiaries" of the Annual Report.

Retirement plan

Particulars of the retirement plan operated by the Group are set out in note 26 of the financial statements prepared in accordance with IFRS of the Annual Report.

Major suppliers and customers

For the year ended 31 December 2002, 36 per cent of the total purchases (not including the purchase of items which are of capital nature) were attributable to the Group's largest supplier. The largest supplier is a subsidiary of Sinopec.

Details of the Group's five largest suppliers and customers:

Aggregate purchase amounts from the top five largest suppliers:	Rmb4,104,000,000	Percentage of total purchases:	70.6%
Aggregate sales amounts to the top five largest customers:	Rmb1,671,000,000	Percentage of total sales:	20.9%

Apart from the foregoing, at no time during the year have the Directors and Supervisors, their associates, or any shareholder of the Company (which to the knowledge of the Directors and Supervisors own more than 5 per cent of the Company's share capital) had any interest in other major suppliers.

Auditors

KPMG Huazhen and KPMG retire and, being eligible, offer themselves for re-appointment.

A resolution for the re-appointment of KPMG Huazhen and KPMG as domestic and international auditors respectively of the Company for 2003, is to be proposed at the AGM for 2002.

Shareholders' Meeting

The Company held its 2001 AGM and its EGM at its registered place in Yizheng City, Jiangsu Province on 28 June 2002 and 20 December 2002 respectively during the reporting period. Details are set out in the section on "Summary of shareholders' meeting".



Compliance with the Code of Best Practice

The Company has complied with the Code of Best Practice as set out by the Appendix 14 to the Rules Governing the Listing of Securities on the HKSE during the reporting period.

The Audit Committee held two meetings and reviewed the Company's 2001 Financial Statements under the third term of the Board, Interim Report for 2002 and formed its independent opinion during the reporting period.

The Audit Committee under the fourth term of the Board held the first meeting on 4 April 2003 and reviewed the 2002 financial statements.

By Order of the Board

Fu Xing-tang

Chairman

4 April 2003, Nanjing