

1. **Material litigation**

The Group was not involved in any material litigation or arbitration during the year ended December 31, 2002.

2. **Merger, acquisition or restructuring**

The Company entered into an equity transfer agreement in August 2002 for the acquisition of the remaining 35% of Jilian (Jilin) Petrochemicals Limited (“Jilian”), its jointly controlled entity, at a consideration of RMB135 million. Upon receiving approval from the relevant state department, the Company completed the acquisition in December 2002, integrated Jilian into the Group’s business and applied for revocation of Jilian’s business licence.

Following the acquisition of Jilian, RMB120 million of secured loans granted to Jilian and RMB34 million of bank loans granted to one of the Company’s subsidiaries and guaranteed by Jilian were used appropriately by the Company.

3. **Material contracts**

The Group did not enter into any material contracts during 2002.

4. During the period report, the Company did not entrust anybody with cash assets administration, and no such plan in the future.

5. **Related party transactions**

The total amount of related party transactions between the Company and JCGC for the year ended December 31, 2002 was approximately RMB1,278.14 million. The total amount of related party transactions between the Company and PetroChina, a subsidiary of CNPC, was approximately RMB13,530.18 million. The fees paid by the Company for welfare and support services rendered by JCGC were based on 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 December 30, 2001. 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 GAAP.

6. 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.

7. During the period report, 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.

8. No undertaking matters were disclosed in designated newspapers and website by the Company or its shareholder holding more than 5% of the Company’s registered share capital.

9. Auditors

At the annual general meeting held on June 17, 2002, PricewaterhouseCoopers (certified public accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Company Limited (registered accountants in the PRC) were re-appointed as the Company's international and domestic auditors, respectively, to hold office until the next annual general meeting. In 2002, the Company paid RMB2.7 million in auditing fees to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Company Limited.

10. Medical Insurance for Employees

The Company has paid medical insurance for its employees from welfare expenditure since January 1, 1997 in compliance with the Implementation Rules of Medical Treatment System Reform and Eight Provisions of Administration of JCGC. Such payments have no material adverse impact on the profits of the Company.

11. Other Events

According to the Listing Rules of the Shenzhen Stock Exchange, following three consecutive years of financial losses, the Company's A shares are required to be suspended from trading on the Shenzhen Stock Exchange and subject to de-listing procedures. The Company has recorded three consecutive years of financial losses from January 1, 2000 to December 31, 2002. Upon publication of the Company's 2002 financial results on April 25, 2003, the Company's A shares will be suspended from trading. According to the Listing Rules of the Shenzhen Stock Exchange, the Company may apply for resumption of trading of its A shares if it generates financial profits for the period ending the first six months of 2003. However, the Company's A shares will be de-listed if the Company generates financial losses for the year ending December 31, 2003.