

1. The Group was not involved in any material litigation or arbitration during the year ended December 31, 2004.
2. There was no merger, acquisition or restructuring involving the Company for the year ended December 31, 2004.

3. Significant related party transactions

The fees paid by the Company for the 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 fee paid for the other related party transactions between the Company and JCGC were based on normal commercial 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 money relating to connected transactions was paid through the Company's bank deposit. The aforesaid connected transaction was part of the normal production and operation of the Company and has increased profits of the Company. Details of the related party transactions are set out in note 29 and note 7 to the financial statements prepare in accordance with IFRs and PRC GAPP.

Disclosure of Significant Events

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(1) Purchase and sale of goods, provision of services and financial assistance

A. PetroChina

| Category of connected transaction | For the year ended December 31, 2004 (RMB thousand) | Percentage of the same type of transactions (%) |
|--|--|--|
| Purchase of crude oil | 11,789,022 | 74.5% |
| Purchase of materials | 7,447,892 | 84.3% |
| Sale of gasoline | 2,917,651 | 100% |
| Sale of diesel oil | 7,794,524 | 100% |
| Sale of petrochemical products | 11,548,928 | 60% |
| Production safety insurance fund | 32,958 | 93.9% |
| Lease on property, plant and equipment | 27,733 | 100% |

B. JCGC

| Category of connected transaction | For the year ended December 31, 2004 (RMB thousand) | Percentage of the same type of transactions (%) |
|---|--|--|
| Sale of products | 1,417,140 | 12.3% |
| Subcontracting services | 19,665 | 6.3% |
| Construction of property, plant and equipment | 76,342 | 17.8% |
| Purchase of materials and spare parts | 148,587 | 15% |
| Welfare and support services | 262,961 | 29.7% |
| Operating lease rentals on land and property | 7,680 | 100% |

C. CNPC

| Category of connected transaction | For the year ended December 31, 2004 (RMB thousand) | Percentage of the same type of transactions (%) |
|---------------------------------------|--|--|
| Loans | 8,531,610 | 90.4% |
| Interest expense | 212,814 | 78.7% |
| Purchase of materials and spare parts | 52,830 | 55.7% |

D. Jilin Lianli Industrial Company Limited

| Category of connected transaction | For the year ended December 31, 2004 <i>(RMB thousand)</i> | Percentage of the same type of transactions <i>(%)</i> |
|-----------------------------------|---|---|
| Sale of products | 56,142 | 43.1% |
| Purchase of materials | 26,596 | 28.5% |

- (2) Information relating to the rights, debts and guarantees of related parties are set out in note VII to the financial statements prepared under PRC GAAP.

4. Material contracts

- (1) During 2004, the Company has not entered into any trust arrangement, sub-contracting or leasing of assets belonging to a third party and no third party has entered into any trust arrangement, sub-contracting or leased assets of the Company.
- (2) During 2004, the Company did not incur material guarantee events.
- (3) During 2004, the Company did not entrust any party with cash assets administration.



5. The Company or shareholders holding more than 5% of the Company's registered share capital have no matters relating to undertakings.



6. During 2004, PricewaterhouseCoopers (certified public accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co. (registered accountants in the PRC) were re-appointed as the Company's international and domestic auditors. Up to the year ended December 31, 2004, PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co. has provided audit services to the Company for four years. The remuneration paid to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co. was RMB3,500 thousands during 2004.

7. The Company, the Board and directors of the Company have not received any reprimand, penalties or complaints from or faced investigation by the CSRC, or any public reprimand from any other stock exchange during the year.

8. Other Events

According to the audited financial statements for 2004, the Company's net assets per share of RMB1.64 as at December 31, 2004 was over the par value of RMB1.00 per share. The Company applied to the Shenzhen Stock Exchange for withdrawal of the special treatment in accordance with Rules Governing the Listing of Stock on Shenzhen Stock Exchange, such that the abbreviation of the Company's A shares will change from "ST Jihua" to "Jilin Chemical" and the price movement of the Company's A shares will change from 5% restriction to 10% restriction.

