



JILIN CHEMICAL INDUSTRIAL COMPANY LIMITED
吉林化學工業股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
 (Stock Code: 0368)

ANNOUNCEMENT
ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2003

FINANCIAL HIGHLIGHTS

- 2003 turnover increased to RMB20,652.81 million from RMB13,138.39 million in 2002
- Net profit of RMB427.61 million for 2003 as compared with a net loss of RMB1,023.10 million for 2002
- Earnings per share in 2003 increased to RMB0.12 per share from a loss per share of RMB0.29 in 2002

The board of directors (the "Board") of Jilin Chemical Industrial Company Limited (the "Company") is pleased to announce the audited consolidated results and financial position of the Company and its subsidiaries (the "Group") for the year ended December 31, 2003:

IMPORTANT NOTICE

The Board collectively and individually accepts full responsibility for the authenticity, accuracy and completeness of the information contained in this annual report and believes that there are no material omissions from, or misrepresentations or misleading statements contained in, this annual report.

The Company's directors Xu Fengli, Zhang Xingfu, Lan Yunsheng, Ni Muhua and Fanny Li did not attend the board meeting. Directors Xu Fengli, Zhang Xingfu, Lan Yunsheng and Ni Muhua appointed Chairman Yu Li, independent non-executive director Fanny Li appointed independent non-executive director Lü Yanfeng, respectively, to attend and vote on their behalf in respect of the resolutions considered at the meeting.

The Company's Chairman Yu Li, chief financial officer Zhang Liyan and chief of the financial department Liao Hongwei accept full responsibility for the truthfulness and completeness of the financial statements contained in this annual report.

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Items
RMB thousands except for per share data

	2003	2002	2001	2000	1999
For the year ended December 31					
Turnover	20,652,809	13,138,387	12,518,532	13,396,247	10,554,892
Profit/(Loss) before tax	426,123	(1,027,638)	(1,815,134)	(877,343)	227,430
Net profit/(loss)	427,609	(1,023,099)	(1,817,369)	(835,990)	148,800
Earnings/(Loss) per share	RMB0.12	(RMB0.29)	(RMB0.51)	(RMB0.24)	RMB0.04

As at December 31

Total assets	12,665,589	13,665,141	13,829,838	17,973,843	16,053,758
Shareholders' equity	2,510,556	2,082,947	3,106,046	5,873,895	6,199,476
Net assets per share	RMB0.70	RMB0.58	RMB0.87	RMB1.65	RMB1.82

PREPARED IN ACCORDANCE WITH PRC GAAP

Items
RMB thousands except for per share data

	2003	2002	2001
For the year ended December 31			
Turnover from principal operations	19,064,872	12,319,139	11,914,082
Net profit/(loss)	423,995	(1,025,733)	(1,803,022)
Profit/(Loss) per share (fully diluted)	RMB0.12	(RMB0.29)	(RMB0.51)
Profit/(Loss) per share (weighted average)	RMB0.12	(RMB0.29)	(RMB0.51)
Net cash inflows from operating activities per share	RMB1.12	RMB0.52	RMB0.67
Return on net assets (fully diluted)	12.93%	(35.92%)	(46.45%)
Return on net assets (weighted average)	13.82%	(30.45%)	(37.69%)

As at December 31

Total assets	13,434,898	14,336,231	14,531,951
Shareholders' equity (excluding minority interests)	3,279,864	2,855,869	3,881,745
Net assets per share	RMB0.92	RMB0.80	RMB1.09
Adjusted net assets per share	RMB0.86	RMB0.76	RMB1.04

Notes:

- The shares outstanding as at December 31, 2003, 2002 and 2001 were 3,561,078,000 shares, 3,561,078,000 shares, and 3,561,078,000 shares, respectively.
- The weighted average number of shares for 2003, 2002 and 2001 was 3,561,078,000 shares, 3,561,078,000 shares, and 3,561,078,000 shares, respectively.

The Differences under IFRS and PRC GAAP

Effect of significant differences between PRC GAAP and IFRS on net profit/(loss) is summarised below.

Net profit/(loss)
RMB thousands

	Year ended December 31,	
	2003	2002
	RMB	RMB
Net profit/(loss) as reported under PRC GAAP	423,995	(1,025,733)
Adjustments to conform with IFRS:		
- Depreciation expense due to revaluation of fixed assets at February 28, 1995	(1,452)	(1,452)
- Difference in loss on write-off of fixed assets due to revaluation of fixed assets at February 28, 1995	-	(1,683)
- Depreciation expense on fixed assets due to difference in exchange gains capitalised	(7,311)	(7,311)
- Appropriation to staff bonus and welfare fund	-	(142)
- Amortisation of housing subsidy cost	(9,319)	(9,319)
- Reversal of amortisation of land use rights	21,696	22,541
Net profit/(loss) as reported under IFRS	427,609	(1,023,099)

CHANGES IN SHARE CAPITAL STRUCTURE AND SUBSTANTIAL SHAREHOLDERS
Changes in Share Capital Structure

	As at January 1, 2003	Unit: '000 shares Par value: RMB1.00					Subtotal	As at December 31, 2003
		Increase/(decrease) during 2003						
	Share placing	Bonus	Transferred from premium	Additional issue	Others			
1. Unlisted shares								
Promoter shares of which:	2,396,300	-	-	-	-	-	2,396,300	
State-owned shares	2,396,300	-	-	-	-	-	2,396,300	
Domestic legal person shares	-	-	-	-	-	-	-	
Foreign legal person shares	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	
Subscribed legal person shares	-	-	-	-	-	-	-	
Employees' shares	-	-	-	-	-	-	-	
Preference shares and others of which:								
Transferred or placed shares	-	-	-	-	-	-	-	
Total unlisted shares	2,396,300	-	-	-	-	-	2,396,300	
2. Listed shares								
Domestic listed RMB ordinary shares of which:	200,000	-	-	-	-	-	200,000	
Held by senior management	17.65	-	-	-	-	-	17.65	
Domestic listed foreign shares	-	-	-	-	-	-	-	
Overseas listed foreign shares	964,778	-	-	-	-	-	964,778	
Others	-	-	-	-	-	-	-	
3. Total listed shares	1,164,778	-	-	-	-	-	1,164,778	
Total number of shares	3,561,078	-	-	-	-	-	3,561,078	

Substantial Shareholders of Unlisted shares and Listed shares

As at December 31, 2003, the ten largest shareholders of the Company were as follows:

Name of shareholders	Class	Number of shares held (shares)	Increase/(decrease) amount since December 31, 2002 (shares)	Percentage of holding (%)
1. PetroChina Company Limited (holder of state-owned legal person shares)*	A shares	2,396,300,000	-	67.2914
2. HKSCC Nominees Limited	H shares	812,320,699	9,488,000	22.8111
3. Hong Kong & Shanghai Banking Corporation (Nominees) Limited	H shares	135,287,300	192,000	3.7991
4. Zhang You Mei	A shares	4,827,676	4,827,676	0.1356
5. Lu Yin Hua	A shares	3,274,948	3,274,948	0.0920
6. Zeng Xian Kun	A shares	2,843,689	2,843,689	0.0799
7. Qing Hai Securities Company Limited	A shares	2,564,320	2,564,320	0.0720
8. Shenzhen Yin Tong Li Development Company Limited	A shares	1,694,463	1,694,463	0.0475
9. Chen Yu	A shares	1,690,000	1,690,000	0.0475
10. Jia Hong Li	A shares	1,527,611	1,527,611	0.0429

Notes:

- No relationship was found among the ten largest shareholders of unlisted and listed shares of the Company.
- The Company's shares held by PetroChina Company Limited ("PetroChina") are unlisted shares, the rest of the shares of the Company are listed shares.

* The legal representative of PetroChina is Mr. Ma Fucui. PetroChina was established on November 5, 1999 and has a registered capital of RMB175,824,176,000. The total share capital of PetroChina is 175,824,176,000 shares, of which state-owned shares amounted to 158,241,758,000 shares and foreign invested shares (H shares and ADSs) amounted to 17,582,418,000 shares, representing 90% and 10% of the aggregate shares in issue, respectively. PetroChina's principal businesses consist of the exploration and production of crude oil and natural gas, crude oil refining, pipeline transportation and the production and sale of petrochemical products and natural gas products. No shares of the Company held by PetroChina were pledged in 2003.

China National Petroleum Corporation ("CNPC") is the controlling shareholder of PetroChina, holding 90% of the total share capital of PetroChina. CNPC was established in July 1998 with a registered capital of RMB114.9 billion. Mr. Ma Fucui is the legal representative of CNPC. The business scope of CNPC consists of exploration, production and sale of crude oil and natural gas, the production and sale of petroleum and petrochemical products, the transmission of natural gas, the construction of international and domestic petroleum projects, and the import and export of petroleum technology.

The above shareholders' interests as at December 31, 2003 had been recorded in the register of the Company kept pursuant to Section 336 of the Securities and Futures Ordinance.

As at December 31, 2003, there were no shareholders for whom HKSCC Nominees Limited and Hong Kong & Shanghai Banking Corporation (Nominees) Limited acted as agents, whose shareholding accounted for more than 5% of the total number of issued shares of the Company.

Substantial shareholders of Listed shares

As at December 31, 2003, the ten largest shareholders of listed shares of the Company were as follows:

Name of shareholders	Class	Number of shares held (shares)
1. HKSCC Nominees Limited	H shares	812,320,699
2. Hong Kong & Shanghai Banking Corporation (Nominees) Limited	H shares	135,287,300
3. Zhang You Mei	A shares	4,827,676
4. Lu Yin Hua	A shares	3,274,948
5. Zeng Xian Kun	A shares	2,843,689
6. Qing Hai Securities Company Limited	A shares	2,564,320
7. Shenzhen Yin Tong Li Development Company Limited	A shares	1,694,463
8. Chen Yu	A shares	1,690,000
9. Jia Hong Li	A shares	1,527,611
10. Zhang Li	A shares	1,490,000

Note: No relationship was found among the ten largest shareholders of listed shares of the Company.

Change of Controlling Shareholder

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Remuneration of directors, supervisors and senior management

- According to the articles of association of the Company, the remuneration of directors and supervisors of the Company is paid pursuant to the relevant regulations of wages and bonuses of the Company and within the scope approved by the shareholders in general meeting. Currently, the Company has not administered annual remuneration packages for its senior management. Members of senior management of the Company are paid according to the regulations relating to wages and bonuses of the Company.
- Each of the directors and supervisors of the Company has entered into a service agreement for an initial term of three years.
- The total remuneration paid to the directors, supervisors and senior management of the Company in 2003 amounted to RMB383,716, RMB175,294 and RMB197,727, respectively. Total remuneration paid to the top three senior managers amounted to RMB197,727, and the total remuneration paid to the top three directors amounted to RMB303,717. The remuneration paid to the independent directors amounted to RMB80,000. Among the total remuneration paid to directors, supervisors and senior management of the Company, three persons were paid between RMB100,000 to RMB150,000, three persons were paid between RMB50,000 to RMB100,000, two persons were paid between RMB30,000 to RMB50,000, and four persons were paid between RMB20,000 to RMB30,000.
- Yu Li, Xu Fengli, Ni Muhua, Jiang Jixiang, Yang Jigang and Li Shumin were paid by the controlling shareholder of the Company.

Shareholding of directors, supervisors and senior management in the Company during 2003

Name	Position	Sex	Age	Number of shares as at January 1, 2003	Number of shares as at December 31, 2003	Service term
Yu Li	Chairman	male	44	0	0	2004.4.20-2007.4.19
Xu Fengli	Deputy chairman	male	57	0	0	2004.4.20-2007.4.19
Shi Jianxun	Director	male	59	3,550	3,550	2004.4.20-2007.4.19
Zhang Xingfu	Director	male	51	0	0	2004.4.20-2007.4.19
Lan Yunsheng	Director	male	46	0	0	2004.4.20-2007.4.19
Ni Muhua	Director	male	53	3,550	3,550	2004.4.20-2007.4.19
Jiang Jixiang	Director	male	51	0	0	2004.4.20-2007.4.19
Lü Yanfeng	Independent director	male	44	0	0	2004.4.20-2007.4.19
Wang Peirong	Independent director	male	48	0	0	2004.4.20-2007.4.19
Fanny Li	Independent director	female	42	0	0	2004.4.20-2007.4.19
Zhou Henglong	Independent director	male	42	0	0	2004.4.20-2007.4.19
Zou Haifeng	Chairman of the board of supervisors	male	58	3,550	3,550	2004.4.20-2007.4.19
Yang Jigang	Supervisor	male	41	0	0	2004.4.20-2007.4.19
Yan Weidong	Supervisor	male	57	0	0	2004.4.20-2007.4.19
Li Shumin	Supervisor	male	54	7,000	7,000	2004.4.20-2007.4.19
Wang Huaiqing	Supervisor	male	47	0	0	2004.4.20-2007.4.19
Li Chongjie	Deputy general manager	male	41	0	0	
Zhang Liyan	Company secretary	female	53	0	0	

CORPORATE GOVERNANCE STRUCTURE

Independent Directors and Their Duties

The Company established an independent directors system according to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Standards of Corporate Governance of Listed Companies. At present, the Board has four independent directors, each of them is familiar with the Company's business and operating status. They have carried out their duties faithfully, participated personally (or through authorization) in board meetings and rendered their independent advice.

During 2003, the independent directors considered and approved the connected transactions conducted in the first half of 2003 and the year of 2003.

Audit Committee

The audit committee and senior management of the Company considered the accounting principles used by the Group and discussed in detail matters relating to audit, internal supervisory control and financial statements, including the annual report for 2003.

DIRECTORS' REPORT

SCOPE OF PRINCIPAL OPERATIONS AND TRADING AFFAIRS

I. Results of Operations

The Group is principally engaged in the production and sale of petroleum products, petrochemical and organic chemical products and synthetic rubber, with its major operations carried out in the PRC and all of its products are sold domestically.

The Company faced many challenges in 2003. Through cooperation at all levels, team work and determination of our staff, the Company was able to overcome difficulties and reached a turning point in its history. During the year, the Company adhered to its principal objective of achieving a turnaround from loss making to profitability by altering its business and working style. It introduced a comprehensive series of unique, strong and effective measures to achieve turnaround with an emphasis on the Company's management and operation systems, together with the implementation of various reforms to overcome adverse effects such as those brought about by the outbreak of SARS. As a result, the Company recorded a profit for the year, marking an end to three consecutive years of loss making.

Under PRC GAAP, for the year ended December 31, 2003, the Group recorded a turnover from its principal operations of RMB19,064.87 million, representing an increase of 55% as compared with 2002, and a net profit of RMB424.00 million as compared with a net loss of RMB1,025.73 million in 2002. Under IFRS, the Group recorded a turnover from its principal operations of RMB20,652.81 million, representing a 57% increase as compared with 2002, and a net profit of RMB427.61 million as compared with a net loss of RMB1,023.10 million in 2002.

Under PRC GAAP, during the year 2003, turnover from petroleum products was RMB9,948.17 million, accounting for 52% of the Group's total turnover from its principal operations. Cost of goods sold in respect of petroleum products was RMB9,160.27 million and the gross margin for petroleum products was 8%. Turnover from petrochemical and organic chemical products was RMB7,814.27 million, accounting for 41% of the Group's total turnover from its principal operations. Cost of goods sold in respect of petrochemical and organic chemical products was RMB6,715.18 million and the gross margin for petrochemical and organic chemical products was 14%.

II. Discussion and Analysis of the Group's Overall Operations

In 2003, the Group's turnover from its principal operations increased by RMB6,745.73 million to RMB19,064.87 million in 2002, of which turnover from petroleum products increased by RMB4,345.57 million, turnover from petrochemical and organic chemical products increased by RMB2,020.80 million and turnover from synthetic rubber products increased by RMB354.43 million.

- Turnover from petroleum products surged by 78% from RMB5,602.60 million in 2002 to RMB9,948.17 million in 2003. The increase in turnover was mainly attributable to the following reasons:
 - Subsequent to the technological renovation of certain production facilities in connection with the catalytic cracking process, the Company improved its capacity for the secondary processing of refined oil. The production capacity of the catalytic cracking facilities increased from 1 million tons in 2002 to 1.40 million tons in 2003, achieving a full utilization rate for the major oil refining equipment for the whole year. The output of gasoline and diesel oil reached 3.18 million tons, up 47% from 2002.
 - With the improvement of the Group's crude oil refining capability, the processing volume of crude oil of the Group grew by 1.10 million tons to 5.66 million tons, as compared with 2002.
 - The sales volume of the Group's petroleum products stood at 4.38 million tons in 2003 and the weighted average price of these products was RMB1,858 per ton, representing an increase of 58% and 7%, respectively, as compared with 2002.
 - The Company carried out a biennial overhaul in 2002. No overhaul was undertaken by the Company in 2003.
- Turnover for petrochemical and organic chemical products increased by 35% from RMB5,793.48 million in 2002 to RMB7,814.27 million in 2003. The increase in turnover was mainly due to the increase in the market price of domestic petrochemical products, the growing demand for the raw materials of petrochemical products by downstream users and the higher utilization rate of the Company's production facilities during the year. As a result, the sales volume and weighted average price of these products increased by 16% and 16%, respectively, as compared with 2002.
- Turnover for synthetic rubber products increased by 45% from RMB782.56 million in 2002 to RMB1,136.99 million in 2003. The increase in turnover was mainly attributable to the growth in the sales volume and the weighted average price of these products by 16% and 25%, respectively, as compared with 2002.
- In 2003, the finance cost of the Group decreased by RMB49.66 million from RMB514.65 million in 2002 to RMB464.99 million in 2003. Interest expense decreased by 9% from RMB474.37 million in 2002 to RMB429.78 million in 2003. The decrease was mainly due to the refinancing of higher interest rate loans with lower interest rate loans and the reduction of interest-bearing liabilities. The Group's net exchange loss was RMB36.61 million, as compared to a net exchange loss of RMB41.05 million in 2002. This loss was mainly due to changes in exchange rates of the Company's foreign currency loans in 2003.
- The Group recorded a loss from investment of RMB4.34 million in 2003, as compared to a loss of RMB8.31 million in 2002. The decrease was primarily attributable to the growth of profits generated by the jointly controlled entity. The net amount of income and expenditure incurred other than business operations reduced by RMB602.36 million to negative RMB51.54 million, as compared with 2002. The decline was primarily attributable to the loss treatment for significant fixed assets in 2002, and the amount involved in this regard was insignificant during 2003.

III. Problems Experienced In Business Operations and Their Solutions

Having suffered a loss for three consecutive years coupled with intensifying competition in the market, the Company adopted the following strong and effective measures in 2003 to achieve a turnaround from loss making to profitability:

- Closely pursue an overall approach of large production scale, ongoing product improvement and large economies of scale; fully devote efforts to the improvement of facilities and technologies that are used in production operation; strengthen control over the inspection, analysis and production process; and explore in depth the possibilities of increasing efficiency, saving energy consumption and reducing wastage in order to ensure that the Company's production facilities operate at a full utilization rate. In 2003, the production facilities were in stable operation with a utilization rate of 99.6%. Production fluctuation and unexpected suspension of production decreased by 63% as compared with 2002.
- Strengthen financial management on a unified basis through strict controls over capital expenditure and to repay interest-bearing liabilities to the greatest extent possible, so that the capital of the Company can be used more effectively and efficiently. In 2003, interest-bearing liabilities of the Company decreased by RMB2,853.59 million with a turnover of working capital of 8.6 times. Substantial increase in cash flow has enhanced the financial situation of the Company.
- Strengthen materials management and increase the ability to use bidding for materials procurement; strengthen overall monitoring and auditing with the aim of reducing procurement costs.
- Strengthen business and sales management by pursuing the business concept where "sales shall be dependent on profitability; production shall be dependent on sales; sales to immediately follow production and sales to ensure profitability"; on all aspects of storage, transportation and sales; being market-oriented; hold seminars for customers on a timely basis for the promotion and marketing of our products. As a result, the Company was able to achieve 100% for both its production/sales ratio and payment recovery rate.
- Further implement the "Code of Conduct for Staff" to strictly train and regulate staff to act professionally and in compliance with such code. The Company further reformed the system of division of labour, fully implemented the "Procedures on the Management of Responsibilities for Risks", offered incentives and rewards for outstanding staff, and established an effective mechanism to ensure competitiveness and further improve supervision of staff. As a result, the Company was able to quicken its pace of development and increase its dynamism.

INVESTMENT

In 2003, except for the technological renovation of the 300,000 tons/year synthetic ammonia facility coming into effect, there were no other major technological renovation projects undertaken by the Company. The total investment completed as at December 31, 2003 was RMB293.82 million.

During 2003, the Company has not utilized capital obtained from fund-raising activities in investment projects and has not delayed the utilization of funds obtained prior to 2003 to investment projects in 2003.

PROSPECTS

In 2004, the Company will engage in strict management, improve its overall regulatory standards and continue to improve profitability. In the year to come, the Board expects that international oil prices will fluctuate within a high price range. The domestic market for petroleum and chemical products will further develop in line with the international market. It is anticipated that market competition will intensify. The costs of energy, raw materials and transportation in China will increase and rail transportation will come under pressure. All these factors will make it more difficult for the Company to maintain a balance over its resources and control over its production operation and costs. In this regard, the Company will seize the opportunity provided by the Central Government's support to speed up the pace of restructuring and renovate old industrial production facilities in north-eastern China; expand technological development; implement strict staff management and increase productivity. Moreover, the Company will formulate new strategies and management methods for its business and sales operations so that there can be breakthroughs in all aspects of the operations of the Company.

In 2004, the Company expects the crude oil processed by it to reach more than 5.8 million tons and the production capacity of its major products to increase based on the solid foundation created in 2003. The Company expects its production facilities to have a utilization rate of over 99%. In addition, it is anticipated that the Company will achieve 100% for both its production/sales ratio and payment recovery rate.

PROPOSED PROFIT APPROPRIATION AND DIVIDENDS

Under PRC GAAP, the net profit of the Company for the year ended December 31, 2003 was RMB423.62 million, the accumulated losses as at January 1, 2003 were RMB3,692.18 million, the accumulated losses as at December 31, 2003 were RMB3,268.56 million. Under IFRS, the net profit for the year ended December 31, 2003 was RMB435.48 million, the accumulated losses as at January 1, 2003 were RMB3,555.08 million and the accumulated losses as at December 31, 2003 were RMB3,118.62 million. The profit generated in 2003 will be used to offset accumulated losses. According to the above profit distribution plan, the Board has resolved not to declare any final dividend for 2003 nor transfer common reserves to the Company's share capital. Due to the significant amount of losses accumulated by the Company, the Company proposes not to declare dividends in 2004 and net profits generated, if any, will be used to offset accumulated losses incurred in previous years. The detailed profit appropriation plan will be proposed by the Board in accordance with the circumstances then existing, and be subject to shareholders' approval at the 2004 Annual General Meeting.

The above proposal will be presented to the Company's shareholders for approval at the 2003 Annual General Meeting to be held on June 17, 2004.

PURCHASE, SALES AND REDEMPTION OF SHARES

For the year ended December 31, 2003, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the shares of the Company.

COMPLIANCE WITH CODE OF BEST PRACTICE

During 2003, to the knowledge of the Board, the Company has complied with the Code of Best Practice which incorporates items set out in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

TRUST DEPOSITS OR TRUST LOANS

During 2003, the Company had no trust deposits or trust loans and the Company did not experience any difficulties in making withdrawals from financial institutions.

HOUSING REFORMS

The Company disclosed details of its employee housing reform programme in its 1998 annual report. Since 1998, the Company has incurred a loss of RMB84.09 million due to reimbursement offered to its employees to purchase staff accommodation. The staff cost associated with the Company's employee housing reform programme will be amortised on a straight-line basis to the profit and loss account over a 20 year period, which is the expected average remaining employment period of relevant employees in accordance with IFRS. Because of recently signed service contracts with the employees, their employment period has been changed to between three to ten years. The average remaining employment period will also be changed to between three to ten years accordingly for the purposes of preparing the financial statements.

From January 1, 1998 to December 31, 2003, the total amount amortized was RMB40.57 million. The amount amortized in the year of 2003 was RMB9.32 million. As at December 31, 2003, the above remaining deferred staff cost was approximately RMB43.52 million. In the opinion of the Board, if the aforesaid deferred staff cost had been completely written off in the year 2003, the net assets of the Company as at December 31, 2003 would have been reduced by approximately RMB43.52 million. Other than the employees' housing reform programme mentioned above, the Company has not implemented any employees' housing plan.

The detailed annual results of the Company, including all the materials required by paragraphs 45(1)-45(3) of Appendix 16 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"), will be released shortly on the website of Hong Kong Stock Exchange, <http://www.hkex.com.hk>.

DISCLOSURE OF SIGNIFICANT EVENTS

1. Material litigation

The Group was not involved in any material litigation or arbitration during the year ended December 31, 2003.

2. Merger, acquisition or restructuring

During 2003, the purchase of assets including the Water Filtering System and Ammonia Liquefaction Facilities from JCGC at aggregate consideration of RMB159.50 million by way of set off against accounts receivables of the Company from JCGC was approved at the extraordinary general meeting held on December 30, 2003. The above event had no impact on the Group's business continuity, management stability, financial position and operation results.

3. Material contracts

During 2003, the Group did not enter into any material contracts, incur material guarantee events, entrust any party with cash assets administration, and the Group does not have any plans for entrusting the administration of its assets to a third party in the future.

4. The Company, the Board and directors of the Company have not received any reprimand, penalties or complaints from or faced investigation by the China Securities Regulatory Commission, or any public reprimand from any other stock exchange during the year.

5. During 2003, 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.

6. No matters relating to undertakings were disclosed in designated newspapers or websites by the Company or shareholders holding more than 5% of the Company's registered share capital.

7. Auditors

During 2003, 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. Up to the year ended December 31, 2003, PricewaterhouseCoopers Zhong Tian CPAs Company Limited has provided audit services to the Company for three years. The remuneration paid to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Company Limited was RMB4.25 million during 2003.

8. Medical Insurance of 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.

9. Other Events

(1) Due to losses incurred by the Company for three consecutive years from 2000 to 2002, the Company's listing status on the Shenzhen Stock Exchange was suspended on April 30, 2003. As a result of the Company achieving profitability for the first half of 2003, its A shares resumed its listing status with effect from September 25, 2003 in accordance with the laws and regulations of the PRC. In accordance with the audited financial statements of the Company, the Company achieved profitability for the full year of 2003, however,

its net assets per share of RMB0.92 as at December 31, 2003 was under the par value of RMB1.00 per share. According to the "Circular Concerning Issues Relevant to the Strengthening of Risk Warning With Regards to Companies Under the Risk of De-listing Status" of the Shenzhen Stock Exchange, the Company applied to the Shenzhen Stock Exchange for withdrawal of the special treatment regarding the warning of risks of de-listing against the Company's A shares, such that the abbreviation of the Company's A shares will change from "ST Jihua" to "ST Jihua", but a 5% restriction will still be imposed on the price movement of the Company's A shares.

(2) The Company held a directors' meeting on April 20, 2004, in which Yu Li was elected as chairman of the Board and Xu Fengli was elected as deputy chairman of the Board. The Board also re-appointed Shi Jianxun as the Company's general manager; Zhang Xingfu and Li Chongjie as the Company's deputy general managers; Zhang Liyan as deputy chief accountant and secretary to the Board; and approved the appointment of Shi Jianxun and Zhang Liyan as the Company's authorized representatives. The Board also approved the setting up of the strategic committee, the nomination committee, the remuneration and examination committee and the auditing committee.

(3) The Company held a meeting on April 20, 2004, in which Zou Haifeng was elected as the chairman of the board of supervisors.

FINANCIAL REPORT

A Financial Statements prepared under IFRS

(The Group's and the Company's accounts prepared under IFRS have been audited by PricewaterhouseCoopers)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2003

(Amounts in thousand except for per share data)

	Notes	2003 RMB	2002 RMB
Turnover	1, 7	20,652,809	13,138,387
Cost of sales		(19,125,842)	(12,518,955)
Gross profit		1,526,967	619,432
Distribution costs		(29,338)	(34,933)
Administrative expenses		(574,051)	(797,434)
Shut down of manufacturing assets		-	(283,418)
Other operating expenses		(28,260)	(9,683)
Operating profit/(loss)	2	895,318	(506,036)
Interest expense		(429,782)	(474,370)
Interest income		1,531	1,364
Exchange loss		(37,153)	(48,725)
Exchange gain		546	7,675
Share of profit/(loss) of jointly controlled entities		9,664	(7,671)
Share of (loss)/profit of an associated company		(14,001)	125
Profit/(Loss) before taxation		426,123	(1,027,638)
Taxation	3	(270)	(1,116)
Profit/(Loss) before minority interests		425,853	(1,028,754)
Minority interests		1,756	5,655
Profit/(Loss) attributable to shareholders	4	427,609	(1,023,099)
Basic and diluted profit/(loss) per share	5	RMB0.12	(RMB0.29)
Dividend	6	-	-

1 TURNOVER

Turnover represents revenues from the sale of petroleum, petrochemical and chemical products. Analysis of turnover by segment is shown in Note 7 below.

2 OPERATING PROFIT/(LOSS)

	2003 RMB	2002 RMB
Operating profit/(loss) is arrived at after crediting and charging the following items:		
Crediting		
Government grants and subsidies	502	-
Charging		
Amortisation of intangible assets (included in "administrative expenses")	101,642	79,980
Auditors' remuneration	4,250	3,000
Cost of inventories (approximates cost of sales) recognised as expense	19,125,842	12,518,955
Depreciation on property, plant and equipment	930,365	1,028,542
Writedown of carrying value of property, plant and equipment (included in "administrative expenses")	-	323,844
Employee compensation costs (including directors' and supervisors' emoluments)	625,700	517,360
Shut down of manufacturing assets	-	283,418
Net loss/(profit) on disposals of property, plant and equipment	26,379	(3,876)
Operating lease rentals on land and buildings	10,501	9,453
Operating lease rentals on plant and machinery	2,463	-
Provision for impairment of receivables (included in "administrative expenses")	100,713	-
Provision for impairment of prepaid expenses and other current assets (included in "administrative expenses")	-	51,484
Provision for diminution in value of inventories and inventory writedowns	12,856	139,985
Repair and maintenance	264,613	560,010
Research and development expenditure	1,764	3,927

3 TAXATION

	2003 RMB	2002 RMB
PRC income tax	270	352
Share of tax of jointly controlled entities	-	764
	270	1,116

In accordance with the relevant PRC income tax rules and regulations, the enacted PRC income tax rate applicable to the Group is 33% (2002: 33%). Certain subsidiaries and jointly controlled entities are Sino-foreign joint ventures and are entitled to certain tax concessions available to foreign investment production enterprises operating in the PRC. These tax concessions include a five-year tax holiday under which these enterprises are exempt from income tax for the first two years commencing from the first cumulative profitable year of operation followed by a 50% reduction in the income tax rate for three years thereafter.

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the basic tax rate in the PRC applicable to the Group as follows:

	2003 RMB	2002 RMB
Profit/(Loss) before taxation	<u>426,123</u>	<u>(1,027,638)</u>
Tax calculated at a rate of 33% (Utilisation of previously unrecognised deferred tax assets)/ unrecognised deferred tax assets	<u>140,621</u>	<u>(339,121)</u>
Other	<u>(133,827)</u>	<u>345,141</u>
	<u>(6,524)</u>	<u>(4,904)</u>
Tax expense	<u>270</u>	<u>1,116</u>

4 PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of RMB435,484 for the year ended December 31, 2003 (2002: Loss of RMB976,198).

5 BASIC AND DILUTED PROFIT/(LOSS) PER SHARE

Basic and diluted profit per share for the year ended December 31, 2003 have been computed by dividing net profit for the year by the weighted average number of 3,561,078,000 (2002: 3,561,078,000) shares issued and outstanding for the year.

There are no dilutive potential ordinary shares.

6 DIVIDEND

No dividend was declared in respect of 2002 and 2003.

7. SEGMENT INFORMATION

Year ended December 31, 2003	Petrochemical products RMB	Petrochemical and organic chemical products RMB	Chemical fertilisers and inorganic chemicals RMB	Synthetic rubber products RMB	Other products and services RMB	Total RMB
Profit and loss						
Sales (including intersegment)	12,906,594	8,595,891	164,861	1,133,031	2,560,499	25,360,876
Less: Intersegment sales	<u>(3,586,528)</u>	<u>(812,800)</u>	-	-	<u>(308,739)</u>	<u>(4,708,067)</u>
Total sales to external customers	<u>9,320,066</u>	<u>7,783,091</u>	<u>164,861</u>	<u>1,133,031</u>	<u>2,251,760</u>	<u>20,652,809</u>
Segment results	37,344	721,791	(121,754)	356,048	(98,111)	895,318
Finance costs - net						(464,858)
Share of profit of a jointly controlled entity		9,664				9,664
Share of loss of an associated company					(14,001)	(14,001)
Profit before taxation						426,123
Taxation						(270)
Minority interests						1,756
Net profit						<u>427,609</u>
Depreciation and amortisation	494,535	362,532	9,671	40,855	124,414	1,032,007
Impairment charge of current assets (receivables and inventories)						113,569
Assets and liabilities						
Segment assets	2,503,467	7,700,372	848,240	755,820	799,060	12,606,959
Interests in a jointly controlled entity		53,722				53,722
Investment in an associated company					4,908	4,908
Total assets	2,503,467	7,754,094	848,240	755,820	803,968	<u>12,665,589</u>
Segment current liabilities	501,931	2,387,753	454,000	95,190	175,462	3,614,336
Borrowings						6,509,897
Total liabilities						<u>10,124,233</u>
Segment capital expenditure on property, plant and equipment and on intangible assets	35,042	179,145	179,071	75,241	18,355	486,854

B Prepared under PRC GAAP

The Company's and the Group's accounts prepared under PRC GAAP have been audited by Mr. Li Dan and Mr. Wang Xiao of PricewaterhouseCoopers Zhong Tian CPAs Co. Ltd. and an audited report with an unqualified audit opinion was issued.

BALANCE SHEETS

As at December 31, 2003

(In RMB Yuan)

	December 31, 2003 Group	December 31, 2002 Group	December 31, 2003 Company	December 31, 2002 Company
ASSETS				
CURRENT ASSETS				
Cash and bank	35,498,819	32,804,641	30,675,068	29,575,296
Short-term investments	-	-	-	-
Notes receivable	31,487,455	6,355,009	30,847,455	6,355,009
Dividend receivable	-	-	-	-
Interest receivable	-	-	-	-
Accounts receivable	153,268,657	678,569,672	228,521,231	703,699,081
Other receivables	35,615,442	53,421,209	15,026,666	34,320,967
Advances to suppliers	219,531,546	181,636,501	218,715,694	181,392,379
Subsidy receivable	-	-	-	-
Inventories	1,568,092,833	1,394,227,961	1,524,683,504	1,385,901,762
Prepaid expenses	12,395,263	17,392,209	12,003,154	16,749,750
Long-term bond investments maturing within one year	-	-	-	-
Other current assets	-	-	-	-
Total current assets	<u>2,055,890,015</u>	<u>2,364,407,202</u>	<u>2,060,472,772</u>	<u>2,357,994,244</u>
LONG-TERM INVESTMENTS				
Long-term equity investments	58,630,291	62,967,330	161,027,860	173,718,909
Long-term bond investments	-	-	-	-
Total long-term investments	<u>58,630,291</u>	<u>62,967,330</u>	<u>161,027,860</u>	<u>173,718,909</u>
Including: Consolidation difference				
FIXED ASSETS				
Fixed assets-cost	15,922,817,553	14,256,524,163	15,551,363,296	13,888,213,906
Less: Accumulated depreciation	(5,879,358,440)	(5,044,779,819)	(5,719,658,380)	(4,907,349,217)
Fixed assets-net book value	10,043,459,113	9,211,744,344	9,831,704,916	8,980,864,689
Less: Impairment of fixed assets	(323,843,932)	(323,843,932)	(309,861,188)	(309,861,188)
Fixed assets-net book amount	9,719,615,181	8,887,900,412	9,521,843,728	8,671,003,501
Construction materials	3,130,000	4,525,097	3,130,000	4,525,097
Construction in progress	32,361,820	1,590,672,260	32,361,820	1,590,672,260
Fixed assets pending disposal	-	-	-	-
Total fixed assets	<u>9,755,107,001</u>	<u>10,483,097,769</u>	<u>9,557,335,548</u>	<u>10,266,200,858</u>
INTANGIBLE AND OTHER ASSETS				
Intangible assets	1,463,518,889	1,303,212,386	1,462,399,217	1,302,048,855
Long-term deferred expenses	101,751,642	122,546,224	101,751,642	122,546,224
Other long-term assets	-	-	-	-
Total intangible and other assets	<u>1,565,270,531</u>	<u>1,425,758,610</u>	<u>1,564,150,859</u>	<u>1,424,595,079</u>
DEFERRED TAXES				
Deferred tax assets	-	-	-	-
TOTAL ASSETS	<u>13,434,897,838</u>	<u>14,336,230,911</u>	<u>13,342,987,039</u>	<u>14,222,509,090</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term loans	3,204,600,000	3,876,460,000	3,155,000,000	3,792,860,000
Notes payable	-	-	-	-
Accounts payable	1,844,980,631	1,424,133,274	1,861,455,634	1,422,262,548
Advances from customers	1,271,055,240	257,236,354	1,244,157,924	246,439,988
Salaries payable	124,125,535	73,643,339	124,125,535	64,289,563
Welfare payable	34,342,677	21,767,283	27,310,869	15,227,441
Dividend payable	-	-	-	-
Taxes payable	174,919,468	(86,116,348)	181,634,303	(86,999,589)
Other levies payable	-	-	-	-
Other payables	111,184,160	365,354,975	110,412,394	396,753,167
Accrued expenses	53,728,325	28,397,947	53,728,325	28,397,947
Provisions	-	-	-	-
Long-term liabilities due within one year	897,399,277	1,660,224,778	897,399,277	1,660,224,778
Other current liabilities	-	-	-	-
Total current liabilities	<u>7,716,335,313</u>	<u>7,621,101,602</u>	<u>7,655,224,261</u>	<u>7,539,455,843</u>
LONG-TERM LIABILITIES				
Long-term loans	2,077,640,306	2,935,908,319	2,077,640,306	2,935,908,319
Debentures payable	-	-	-	-
Payables due after one year	-	-	-	-
Special project payables	-	-	-	-
Other long-term liabilities	330,258,094	890,896,547	330,258,094	890,896,547
Total long-term liabilities	<u>2,407,898,400</u>	<u>3,826,804,866</u>	<u>2,407,898,400</u>	<u>3,826,804,866</u>
DEFERRED TAXES				
Deferred tax liabilities	-	-	-	-
TOTAL LIABILITIES	<u>10,124,233,713</u>	<u>11,447,906,468</u>	<u>10,063,122,661</u>	<u>11,366,260,709</u>
MINORITY INTERESTS	<u>30,799,747</u>	<u>32,455,217</u>	<u>-</u>	<u>-</u>
SHAREHOLDERS' EQUITY				
Share capital	3,561,078,000	3,561,078,000	3,561,078,000	3,561,078,000
Capital surplus	2,293,618,886	2,293,618,886	2,293,618,886	2,293,618,886
Statutory common reserve fund	701,442,717	701,442,717	693,730,248	693,730,248
Including: Statutory common welfare fund	126,834,279	126,834,279	125,287,623	125,287,623
Accumulated losses	(3,276,275,225)	(3,700,270,377)	(3,268,562,756)	(3,692,178,753)
Foreign exchange difference reserve	-	-	-	-
Total shareholders' equity	<u>3,279,864,378</u>	<u>2,855,869,226</u>	<u>3,279,864,378</u>	<u>2,856,248,381</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>13,434,897,838</u>	<u>14,336,230,911</u>	<u>13,342,987,039</u>	<u>14,222,509,090</u>

PROFIT AND LOSS ACCOUNTS

For the year ended December 31, 2003

(In RMB Yuan)

Items	2003 Group	2002 Group	2003 Company	2002 Company
1. SALES REVENUE	19,064,871,852	12,319,139,488	18,987,356,043	12,221,905,890
Less: Cost of sales	(16,811,354,227)	(11,074,404,199)	(16,766,786,845)	(10,999,275,434)
Sales tax and other levies	(663,823,149)	(479,813,089)	(663,823,149)	(479,813,089)
2. GROSS PROFIT ON SALES	1,589,694,476	764,922,200	1,556,746,049	742,817,367
Add: Other operating (loss)/profit	(53,964,910)	3,252,925	(42,063,603)	13,916,856
Less: Selling expenses	(29,337,792)	(34,932,224)	(28,948,053)	(32,242,641)
General and administrative expenses	(563,514,425)	(587,427,232)	(539,454,031)	(569,738,533)
Financial expenses, net	(464,994,136)	(514,647,486)	(459,490,497)	(506,707,642)
3. OPERATING PROFIT/(LOSS)	477,883,213	(368,831,817)	486,789,865	(351,954,593)
Add: Investment loss	(4,337,039)	(8,308,243)	(12,691,049)	(34,234,815)
Subsidy income	502,000	-	502,000	-
Non-operating income	13,432,589	7,721,827	13,372,271	7,101,470
Less: Non-operating expenses	(64,970,973)	(661,617,796)	(64,357,090)	(647,029,736)
4. TOTAL PROFIT/(LOSS)	422,509,790	(1,031,036,029)	423,615,997	(1,026,117,674)
Less: Income tax	(270,108)	(351,996)	-	-
Minority interests	1,755,470	5,655,464	-	-
5. NET PROFIT/(LOSS)	423,995,152	(1,025,732,561)	423,615,997	(1,026,117,674)

SUPPLEMENTARY INFORMATION

Items	2003		2002	
	Group	Company	Group	Company
1. Income from sale and disposal of departments or investees	-	-	-	-
2. Loss from natural catastrophe	-	-	-	-
3. Increase in total profit resulting from change in accounting policies	-	-	-	-
4. Increase in total profit resulting from change in accounting estimates	-	-	-	-
5. Loss from debt restructuring	-	-	-	-
6. Other	-	-	-	-

PROFIT APPROPRIATION STATEMENTS

For the year ended December 31, 2003

(In RMB Yuan)

Items	2003 Group	2002 Group	2003 Company	2002 Company
1. NET PROFIT/(LOSS)	423,995,152	(1,025,732,561)	423,615,997	(1,026,117,674)
Add: Accumulated losses at the beginning of the year	(3,700,270,377)	(2,674,016,796)	(3,692,178,753)	(2,666,061,079)
Transfer from other sources	-	-	-	-
2. ACCUMULATED LOSSES	(3,276,275,225)	(3,699,749,357)	(3,268,562,756)	(3,692,178,753)
Less: Transfer to statutory common reserve fund	-	(378,181)	-	-
Transfer to statutory common welfare fund	-	-	-	-
Transfer to staff and workers' bonus and welfare fund	-	(142,839)	-	-
3. ACCUMULATED LOSSES	(3,276,275,225)	(3,700,270,377)	(3,268,562,756)	(3,692,178,753)
Less: Dividend for preference stocks	-	-	-	-
Transfer to discretionary common reserve fund	-	-	-	-
Dividend for common stocks	-	-	-	-
Dividend for common stocks transferred to capital	-	-	-	-
4. ACCUMULATED LOSSES AT THE END OF THE YEAR	(3,276,275,225)	(3,700,270,377)	(3,268,562,756)	(3,692,178,753)

CASH FLOW STATEMENTS

For the year ended December 31, 2003

(In RMB Yuan)

Items	2003 Group	2002 Group	2003 Company	2002 Company
1. Cash flows from operating activities				
Cash received from sale of goods or rendering of services	26,059,285,021	16,476,646,108	25,812,840,772	16,267,033,425
Refund of tax	502,000	-	502,000	-
Cash received relating to other operating activities	1,628,325	1,364,376	3,785,329	1,344,533
Sub-total of cash inflows	26,061,415,346	16,478,010,484	25,817,128,101	16,268,377,958
Cash paid for goods and services	(19,853,797,998)	(12,868,905,297)	(19,708,996,536)	(12,809,493,787)
Cash paid to and on behalf of employees	(432,322,410)	(379,834,895)	(401,460,600)	(329,122,820)
Payment of all types of taxes	(1,299,564,630)	(1,033,985,878)	(1,282,201,359)	(1,014,069,353)
Cash paid relating to other operating activities	(469,520,643)	(335,338,047)	(460,860,469)	(326,146,035)
Sub-total of cash outflows	(22,055,205,681)	(14,618,064,117)	(21,853,518,964)	(14,478,831,995)
Net cash flows from operating activities	4,006,209,665	1,859,946,367	3,963,609,137	1,789,545,963

Items	2003 Group	2002 Group	2003 Company	2002 Company
2. Cash flows from investing activities				
Cash received from sale of investments	-	-	-	-
Cash received from return of investments	-	1,860,000	-	21,600,295
Net cash received from disposal of fixed assets	13,335,348	7,141,127	13,285,031	7,141,127
Cash received relating to other investing activities	-	-	-	-
Sub-total of cash inflows	13,335,348	9,001,127	13,285,031	28,741,422
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(681,471,929)	(799,267,492)	(677,634,391)	(784,457,262)
Cash paid to acquire investments	(54,000,000)	(73,086,014)	(54,000,000)	(73,086,014)
Cash paid relating to other investing activities	-	-	-	-
Sub-total of cash outflows	(735,471,929)	(872,353,506)	(731,634,391)	(857,543,276)
Net cash flows from investing activities	(722,136,581)	(863,352,379)	(718,349,360)	(828,801,854)

Items	2003 Group	2002 Group	2003 Company	2002 Company
3. Cash flows from financing activities				
Proceeds from issuing shares	100,000	-	-	-
Including: Cash received from minority shareholders	100,000	-	-	-
Proceeds from borrowings	5,440,491,995	4,867,374,651	5,351,291,995	4,783,774,651
Cash received relating to other financing activities	-	-	-	-
Sub-total of cash inflows	5,440,591,995	4,867,374,651	5,351,291,995	4,783,774,651
Repayment of borrowings	(8,294,083,962)	(5,335,404,588)	(8,170,883,962)	(5,216,804,588)
Cash paid for interest expense and distribution of dividends	(427,886,939)	(532,676,412)	(424,568,038)	(523,300,225)
Including: Dividends paid to minority shareholders	-	(1,732,787)	-	-
Cash paid relating to other financing activities	-	-	-	-
Including: Cash paid to minority shareholders due to reduction of capital of subsidiaries	-	-	-	-
Sub-total of cash outflows	(8,721,970,901)	(5,868,081,000)	(8,595,452,000)	(5,740,104,813)
Net cash flows from financing activities	(3,281,378,906)	(1,000,706,349)	(3,244,160,005)	(956,330,162)
4. Effect of foreign exchange rate changes on cash	-	-	-	-
5. Net increase/(decrease) in cash and cash equivalents	2,694,178	(4,112,361)	1,099,772	4,413,947

SUPPLEMENTARY INFORMATION

Items	2003 Group	2002 Group	2003 Company	2002 Company
1. Reconciliation of net profit/(loss) to cash flows from operating activities				
Net profit/(loss)	423,995,152	(1,025,732,561)	423,615,997	(1,026,117,674)
Add: Minority interests	(1,755,470)	(5,655,464)	-	-
Provision for impairment of assets	113,568,960	384,028,412	113,568,960	370,045,668
Depreciation of fixed assets	863,572,274	753,954,097	840,730,347	733,162,986
Amortization of intangible assets	114,018,037	93,201,856	113,918,558	93,117,567
Amortization of long-term deferred expenses	58,029,674	116,302,776	58,029,674	116,302,776
Decrease in prepaid expenses	4,996,946	2,208,228	4,746,596	2,579,682
Increase in accrued expenses	-	-	-	-
Gain on disposal of fixed assets	(13,335,348)	(7,141,127)	(13,285,031)	(7,141,127)
Loss on scrapping of fixed assets	39,714,147	286,682,529	39,648,698	286,137,818
Interest expenses	429,782,134	474,370,460	426,463,233	466,727,060
Investment loss	4,337,039	8,308,243	12,691,049	34,234,815
Deferred tax debit	-	-	-	-
Increase in inventories	(186,720,730)	(65,852,850)	(151,637,600)	(67,978,303)
Decrease in operating receivables	223,216,189	341,719,032	175,793,288	284,686,963
Increase in operating payables	1,932,790,661	503,552,736	1,919,325,368	503,787,732
Net cash flows from operating activities	4,006,209,665	1,859,946,367	3,963,609,137	1,789,545,963
2. Investing and financing activities that do not involve cash receipts and payments				
Purchase of fixed assets	159,500,000	-	159,500,000	-
Convertible bonds maturing within one year	-	-	-	-
Finance lease of fixed assets	-	-	-	-
3. Net increase/(decrease) in cash and cash equivalents				
Cash at the end of the year	35,498,819	32,804,641	30,675,068	29,575,296
Less: Cash at the beginning of the year	(32,804,641)	(36,917,002)	(29,575,296)	(25,161,349)
Cash equivalents at the end of the year	-	-	-	-
Less: Cash equivalents at the beginning of the year	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	2,694,178	(4,112,361)	1,099,772	4,413,947

SUPPLEMENTARY INFORMATION

Asset impairment provision as at December 31, 2003

(Amounts RMB Yuan, unless otherwise stated)

Items	As at January 1, 2003		Current year addition		Reversal caused by increase of assets value	Current year reduction				As at December 31, 2003					
	Group	Company	Group	Company		Group	Company	Other transfer-out (Note)		Total		Group	Company	Group	Company
								Group	Company	Group	Company				
1. Bad debt provision	941,453,082	941,449,525	100,713,102	100,713,102	-	-	(101,751,866)	(101,751,866)	(101,751,866)	(101,751,866)	940,414,318	940,410,761			
Including: Accounts receivable	865,214,765	865,211,208	100,713,102	100,713,102	-	-	(97,656,702)	(97,656,702)	(97,656,702)	(97,656,702)	868,271,165	868,267,608			
Other receivables	76,238,317	76,238,317	-	-	-	-	(4,095,164)	(4,095,164)	(4,095,164)	(4,095,164)	72,143,153	72,143,153			
2. Provision for impairment of short-term investments	-	-	-	-	-	-	-	-	-	-	-	-			
Including: Equity investments	-	-	-	-	-	-	-	-	-	-	-	-			
Bond investments	-	-	-	-	-	-	-	-	-	-	-	-			
3. Inventory provision	178,763,560	178,763,560	12,855,858	12,855,858	(1,874,633)	(1,874,633)	(10,991,949)	(10,991,949)	(12,866,582)	(12,866,582)	178,752,836	178,752,836			
Including: Raw materials	46,670,167	46,670,167	11,908,852	11,908,852	-	-	-	-	-	-	58,579,019	58,579,019			
Work in progress	8,360,704	8,360,704	-	-	-	-	(1,210,772)	(1,210,772)	(1,210,772)	(1,210,772)	7,149,932	7,149,932			
Finished goods	27,515,961	27,515,961	-	-	(1,874,633)	(1,874,633)	(3,927,093)	(3,927,093)	(5,801,726)	(5,801,726)	21,714,235	21,714,235			
Spare parts	96,216,728	96,216,728	-	-	-	-	(5,854,084)	(5,854,084)	(5,854,084)	(5,854,084)	90,362,644	90,362,644			
Low value consumables and packing materials	-	-	947,006	947,006	-	-	-	-	-	-	947,006	947,006			
4. Provision for impairment of long-term investments	-	-	-	-	-	-	-	-	-	-	-	-			
Including: Long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-			
Long-term bond investments	-	-	-	-	-	-	-	-	-	-	-	-			
5. Provision for impairment of fixed assets	323,843,932	309,861,188	-	-	-	-	-	-	-	-	323,843,932	309,861,188			
Including: Buildings	58,153,374	57,553,374	-	-	-	-	-	-	-	-	58,153,374	57,553,374			
Machinery	208,243,922	206,691,178	-	-	-	-	-	-	-	-	208,243,922	206,691,178			
Equipment	52,908,460	44,378,460	-	-	-	-	-	-	-	-	52,908,460	44,378,460			
Motor vehicles	4,538,176	1,238,176	-	-	-	-	-	-	-	-	4,538,176	1,238,176			
6. Provision for impairment of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-			
Including: Technical know-how	-	-	-	-	-	-	-	-	-	-	-	-			
Patent	-	-	-	-	-	-	-	-	-	-	-	-			
7. Provision for impairment of construction in progress	-	-	-	-	-	-	-	-	-	-	-	-			
8. Provision for trust loan	-	-	-	-	-	-	-	-	-	-	-	-			

Note:

- The reduction in bad debt provision in 2003 represented the write-off of receivables and related bad debt provision due to the bankruptcy of the debtors.
- The other transfer-out of inventory provision in 2003 represents the utilization of the provision due to the sale or usage of the inventories.

SIGNIFICANT DIFFERENCES BETWEEN IFRS AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA ("US GAAP")

For the year ended December 31, 2003

(Amounts in thousands unless otherwise stated)

Effect of significant differences between IFRS and US GAAP on net profit/(loss) and shareholders' equity is summarised below:

Net profit/(loss)

	Year ended December 31,			
	2003 RMB	2002 RMB	2003 US\$	2002 US\$
Net profit/(loss) under IFRS	427,609	(1,023,099)	51,664	(123,612)
US GAAP adjustments:				
- Depreciation charge on fixed asset revaluation surplus on Restructuring and at February 28, 1995	11,223	3,593	1,356	434
- Reduction in loss on write-off of fixed assets	-	2,526	-	305
- Reversal of writedown in carrying amount (net of minority interests) of fixed assets and provision for fixed assets impairment	(42,700)	322,240	(5,159)	38,933
- Depreciation charge on writedown in carrying amount (net of minority interests) of fixed assets and provision for fixed assets impairment	(27,954)	-	(3,377)	-
- Depreciation charge on foreign currency translation difference on interest components capitalised in fixed assets	1,531	1,531	185	185
- Depreciation charge on fixed assets revaluation surplus of Jilian	-	7,630	-	922
Net profit/(loss) under US GAAP	369,709	(685,579)	44,669	(82,833)
Basic and diluted net profit/(loss) per share	RMB0.10	(RMB0.19)	US\$0.01	(US\$0.02)

Shareholders' equity

	As at December 31,			
	2003 RMB	2002 RMB	2003 US\$	2002 US\$
Shareholders' equity as reported under IFRS	2,510,556	2,082,947	303,328	251,664
US GAAP adjustments:				
- Fixed asset revaluation on Restructuring and at February 28, 1995	(744,007)	(744,007)	(89,892)	(89,892)
- Deferred tax asset on fixed asset revaluation surplus on Restructuring	235,941	235,941	28,507	28,507
- Depreciation charge on fixed assets due to revaluation on Restructuring and at February 28, 1995	665,461	591,426	80,402	71,457
- Reversal of deferred tax liability on fixed asset revaluation surplus at February 28, 1995	9,580	9,580	1,157	1,157
- Reduction in loss on write-off of fixed assets	11,532	11,532	1,393	1,393
- Reversal of writedown in carrying amount (net of minority interests) of fixed assets and provision for fixed assets impairment	279,540	322,240	33,774	38,933
- Depreciation on writedown in carrying amount (net of minority interests) of fixed assets and provision for fixed assets impairment	(27,954)	-	(3,377)	-
- Foreign currency translation difference on interest components capitalised in fixed assets	(30,616)	(30,616)	(3,699)	(3,699)
- Depreciation charge on foreign currency translation difference on interest components capitalised in fixed assets	10,717	9,186	1,295	1,110
- Gain on transfer of fixed assets to Jilian	(65,320)	(65,320)	(7,892)	(7,892)
- Depreciation charge on fixed asset revaluation surplus of Jilian	-	62,812	-	7,589
- Tax adjustment	(245,521)	(245,521)	(29,664)	(29,664)
Shareholders' equity as reported under US GAAP	2,609,909	2,240,200	315,332	270,663

Amounts in RMB have been converted into United States dollars at the respective rates of US\$1.00: RMB8.2767 announced by the People's Bank of China as at December 31, 2003. No representation is made that the RMB amounts could have been or could be converted into US dollars at that rate.

**JILIN CHEMICAL INDUSTRIAL COMPANY LIMITED****吉林化學工業股份有限公司**(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0368)**NOTICE FOR 2003 ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the 2003 Annual General Meeting of Jilin Chemical Industrial Company Limited ("the Company") will be held at 9:00 a.m. on June 17, 2004, at No. 9 Longtan Street, Longtan District, Jilin City, Jilin Province, the PRC to consider and, if thought fit, approve the following resolutions:

- To consider and approve the 2003 report of the board of directors of the Company;
- To consider and approve the 2003 report of the board of supervisors of the Company;
- To consider and approve the 2003 audited financial statements of the Company;
- To consider and approve the proposed profit distribution plan for 2003 of the Company;
- To consider and approve the remuneration of the directors and the supervisors for 2004; and
- To consider and approve the re-appointment of PricewaterhouseCoopers (certified public accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Company Limited (registered accountants in the PRC) as the Company's international and domestic auditors, respectively, to hold offices until the conclusion of the 2004 Annual General Meeting, and to authorize the directors of the Company to determine their remuneration.

By Order of the Board
Zhang Liyan
Company Secretary

Jilin, PRC
April 20, 2004

Notes:

- Holders of the Company's shares whose names appear on the register of members of the Company at the close of business on May 18, 2004 are entitled to attend the 2003 Annual General Meeting with their passports or other identity papers.
- The register of members of the Company will close from May 19, to June 17, 2004 (both days inclusive), during which time no share transfers will be effected.
- Each shareholder who has the right to attend and vote at the 2003 Annual General Meeting is entitled to appoint one or more proxies, whether they are members or not, to attend and vote on his behalf at the Annual General Meeting.
- A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.
- The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, and the form of proxy must be delivered to the Company's registrar, HKSCC Registrars Limited, Rooms 1901-05, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 24 hours before the time appointed for the holding of the Annual General Meeting.
- Shareholders intending to attend the 2003 Annual General Meeting should return the accompanying reply slip to the Secretary's Office to the Company on or before May 28, 2004 personally/or by mail, cable or facsimile.
- The Annual General Meeting is expected to last half a day. Shareholders attending the 2003 Annual General Meeting will be responsible for their own transportation and accommodation expenses.
- The details of the Secretary's Office of the Company are as follows:

No. 9 Longtan Street, Longtan District
Jilin City, Jilin Province, PRC
Postal code: 132021
Tel: (86 432) 3903651
Fax: (86 432) 3028126