

A. Interim Accounts Prepared Under International Accounting Standard IAS 34 “Interim Financial Reporting” (see note 1)

Consolidated profit and loss account (unaudited)

(Amounts in thousands, except per share data)

	Note	Six-month periods ended 30 June	
		2001 RMB	2000 RMB
Turnover	2	9,760,097	9,639,324
Less: Business taxes and surcharges		(281,610)	(276,678)
Net sales		9,478,487	9,362,646
Cost of sales		(8,972,992)	(8,556,585)
Gross profit		505,495	806,061
Selling and administrative expenses		(158,335)	(150,900)
Other operating income		87,233	90,388
Other operating expenses			
-Employee reduction expenses	3	(77,302)	-
-Others		(27,826)	(69,371)
Profit from operations		329,265	676,178
Share of losses of associates		(18,744)	(33,118)
Net financing costs		(108,303)	(147,934)
Profit before tax	2,4	202,218	495,126
Income tax expense	6	(29,557)	(72,981)
Profit after tax		172,661	422,145
Minority interests		(12,852)	(7,842)
Profit attributable to shareholders		159,809	414,303
Basic earnings per share	7	RMB 0.022	RMB 0.058

The notes on pages 20 to 26 form part of these interim accounts.

Consolidated balance sheet (unaudited)*(Amounts in thousands)*

	Note	At 30 June 2001 RMB	At 31 December 2000 RMB <i>(audited)</i>
Non-current assets			
Property, plant and equipment		11,594,705	11,726,871
Construction in progress		2,676,841	1,720,987
Interests in associates		107,666	126,410
Investments		1,185,057	966,670
Goodwill		69,483	76,207
Deferred tax assets		13,479	13,479
Total non-current assets		15,647,231	14,630,624
Current assets			
Inventories		3,386,130	3,406,681
Trade debtors	8	615,188	569,681
Bills receivable	8	799,762	385,921
Deposits, other debtors and prepayments		1,143,552	911,132
Amounts due from parent companies and fellow subsidiaries	8	351,100	157,074
Income tax recoverable		8,475	-
Deposits with banks		6,222	28,000
Cash and cash equivalents		1,929,321	1,612,197
Total current assets		8,239,750	7,070,686
Current liabilities			
Bank loans		4,269,103	3,200,245
Trade creditors	9	636,256	768,151
Bills payable	9	855,639	324,343
Other creditors		889,118	820,535
Amounts due to parent companies and fellow subsidiaries	9	554,354	838,262
Income tax payable		-	356
Total current liabilities		7,204,470	5,951,892
Net current liabilities		1,035,280	1,118,794
Total assets less current liabilities		16,682,511	15,749,418
Non-current liabilities			
Deferred income		96,344	103,755
Deferred tax liabilities	6	3,391	-
Bank loans		3,010,228	1,863,776
Total non-current liabilities		3,109,963	1,967,531
Minority interests		343,105	280,253
Net assets		13,229,443	13,501,634
Shareholders' equity			
Share capital		7,200,000	7,200,000
Reserves	11	6,029,443	6,301,634
		13,229,443	13,501,634

Condensed consolidated cash flow statement (unaudited)

(Amounts in thousands)

	Six-month periods ended 30 June	
	2001	2000
	RMB	RMB
Net cash (outflow)/inflow from operating activities	(187,917)	756,688
Net cash outflow from investing activities	(1,627,416)	(163,455)
Net cash (inflow)/outflow from financing activities	2,135,296	(604,450)
Increase/(decrease) in cash and cash equivalents	319,963	(11,217)
Cash and cash equivalents at the beginning of the period	1,612,197	2,549,931
Effect of foreign exchange rate changes	(2,839)	431
Cash and cash equivalents at the end of the period	<u>1,929,321</u>	<u>2,539,145</u>

Consolidated statement of changes in equity (unaudited)

(Amounts in thousands)

	Note	Share capital RMB	Share premium RMB	Reserves RMB	Retained earnings RMB	Total RMB
As at 1 January 2001		7,200,000	2,420,841	2,932,796	947,997	13,501,634
Profit attributable to shareholders		-	-	-	159,809	159,809
Dividend	5	-	-	-	(432,000)	(432,000)
As at 30 June 2001		<u>7,200,000</u>	<u>2,420,841</u>	<u>2,932,796</u>	<u>675,806</u>	<u>13,229,443</u>
As at 1 January 2000		7,200,000	2,420,841	2,752,010	632,273	13,005,124
Profit attributable to shareholders		-	-	-	414,303	414,303
Dividend	5	-	-	-	(360,000)	(360,000)
As at 30 June 2000		<u>7,200,000</u>	<u>2,420,841</u>	<u>2,752,010</u>	<u>686,576</u>	<u>13,059,427</u>

The notes on pages 20 to 26 form part of these interim accounts.

Note on the unaudited interim accounts

1. Principal activities and basis of preparation

Sinopec Shanghai Petrochemical Company Limited (“the Company”) and its subsidiaries (“the Group”) is a highly integrated petrochemical complex which processes crude oil into synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products. The Company is a subsidiary of China Petroleum & Chemical Corporation (“Sinopec Corp”).

These interim accounts are unaudited, but have been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants. KPMG’s independent review report to the Board of Directors is included on page 27.

The interim accounts have been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with IAS 34 “Interim Financial Reporting” adopted by the International Accounting Standards Board.

The financial information relating to the financial year ended 31 December 2000 included in the interim accounts do not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2000 are available from the Company’s registered office. The Company’s independent auditors have expressed an unqualified opinion on those accounts in their report dated 13 April 2001.

The accounting policies have been consistently applied by the Company and, except for the adoption of IAS 39 “Financial Instruments: Recognition and Measurement” which is effective for accounts covering periods beginning on or after 1 January 2001, are consistent with those adopted in the 2000 annual accounts.

IAS 39 establishes principles for recognising, measuring and disclosing information about financial assets and financial liabilities. IAS 39 defines several categories of financial assets and liabilities. It requires an entity to measure at fair value assets and liabilities qualified as trading or available-for-sale, and to recognise changes in fair value through income for trading assets and liabilities and in equity for available-for-sale assets. In addition, IAS 39 requires an entity to recognise all derivative instruments on the balance sheet at fair value.

The Group considers the adoption of IAS 39 did not have material impact on its financial position or results of operations.

The Company also prepares a set of interim accounts which complies with the People’s Republic of China (“PRC”) Accounting Rules and Regulations. A reconciliation of the Group’s results and the Group’s shareholders’ equity prepared under IAS and PRC Accounting Rules and Regulations is presented in Section C.

2. Segment reporting

Reportable information on the Group's operating segments is as follows:

	<u>Six-month periods ended 30 June</u>	
	2001 RMB'000	2000 RMB'000
Turnover		
Manufactured Products		
Synthetic Fibres		
External sales	1,259,249	1,589,080
Intersegment sales	<u>1,358</u>	<u>5,505</u>
Total	1,260,607	1,594,585
Resins and Plastics		
External sales	2,558,697	2,801,638
Intersegment sales	<u>11,077</u>	<u>12,577</u>
Total	2,569,774	2,814,215
Intermediate Petrochemicals		
External sales	1,177,029	1,125,523
Intersegment sales	<u>2,364,579</u>	<u>2,065,327</u>
Total	3,541,608	3,190,850
Petroleum Products		
External sales	4,393,875	3,551,145
Intersegment sales	<u>281,095</u>	<u>290,602</u>
Total	4,674,970	3,841,747
All others		
External sales	371,247	571,938
Intersegment sales	<u>606,911</u>	<u>646,757</u>
Total	978,158	1,218,695
Eliminations of intersegment sales	<u>(3,265,020)</u>	<u>(3,020,768)</u>
Consolidated turnover	<u>9,760,097</u>	<u>9,639,324</u>

External sales include sales to other Sinopec Corp group companies.

2. Segment Reporting (continued)

	Six-month periods ended 30 June	
	2001	2000
	RMB'000	RMB'000
Profit before tax		
Profit/(Loss) from operations		
Synthetic Fibres	(8,597)	96,100
Resins and Plastics	141,779	274,859
Intermediate Petrochemicals	81,028	111,437
Petroleum Products	50,131	121,677
All others	64,924	72,105
Consolidated profit from operations	329,265	676,178
Share of losses of associates		
All others	(18,744)	(33,118)
Consolidated share of losses of associates	(18,744)	(33,118)
Net financing costs	(108,303)	(147,934)
Consolidated profit before tax	202,218	495,126

3. Employee reduction expenses

In accordance with the Sinopec Corp employee reduction plan, the Group recorded employees reduction expenses of RMB 77,302,000 (2000:RMB Nil) during the six-month period ended 30 June 2001 in respect of the voluntary resignation of approximately 900 employees.

4. Profit before tax is arrived at after charging/(crediting):

	Six-month periods ended 30 June	
	2001	2000
	RMB'000	RMB'000
Interest on bank loans and advances	200,977	195,409
Less: Amount capitalised as construction in progress	(64,651)	(3,557)
Interest expenses, net	136,326	191,852
Cost of inventories	8,972,992	8,556,582
Depreciation	703,418	742,923
Amortisation of goodwill	6,724	6,724
Amortisation of deferred income	(7,411)	(7,411)
Loss on disposal of property, plant and equipment	4,640	3,988

5. Dividends

	Six-month periods ended 30 June	
	2001 RMB'000	2000 RMB'000
Dividend	432,000	360,000

For the year ended 31 December 2000, pursuant to a resolution passed at the Directors' meeting held on 13 April 2001 a final dividend of RMB 0.06 per share (2000: RMB 0.05 per share) totalling RMB 432,000,000(2000:RMB 360,000,000) was proposed for the year ended 31 December 2000.

The Directors do not recommend the payment of an interim dividend for the period (2000: Nil).

6. Income tax expense

Income tax expense in the consolidated profit and loss account represents	Six-month periods ended 30 June	
	2001 RMB'000	2000 RMB'000
Provision for PRC income tax for the period	26,166	72,981
Deferred tax - origination of temporary differences	3,391	-
	29,557	72,981

The charge for PRC income tax is calculated at the rate of 15% (2000:15%) on the estimated assessable income of the period determined in accordance with relevant income tax rules and regulations. The Company did not carry on business overseas and in Hong Kong and therefore does not incur overseas and Hong Kong income taxes.

7. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period of RMB 159,809,000 (period ended 30 June 2000: RMB 414,303,000) and 7,200,000,000 (period ended 30 June 2000: 7,200,000,000) shares in issue during the period.

8. Trade accounts receivables

	At 30 June 2001 RMB'000	At 31 December 2000 RMB'000 (audited)
Trade debtors	638,272	595,052
Less: Allowance for doubtful debts	(23,084)	(25,371)
	615,188	569,681
Bills receivable	799,762	385,921
Amounts due from parent companies and fellow subsidiaries - trade	351,100	157,074
	1,766,050	1,112,676

8. Trade accounts receivables (continued)

The ageing analysis of trade accounts receivables (net of allowance for doubtful debts) is as follows:

	At 30 June 2001 RMB'000	At 31 December 2000 RMB'000 (audited)
Invoice date:		
Within one year	1,701,044	1,053,052
Between one and two years	24,220	35,559
Between two and three years	19,846	9,003
Over three years	20,940	15,062
	<u>1,766,050</u>	<u>1,112,676</u>

Sales are generally on a cash basis. Subject to negotiation, credit is generally only available for major customers with well-established trading records.

9. Trade accounts payable

	At 30 June 2001 RMB'000	At 31 December 2000 RMB'000 (audited)
Trade creditors	636,256	768,151
Bills payable	855,639	324,343
Amounts due to parent companies and fellow subsidiaries	<u>554,354</u>	<u>838,262</u>
	2,046,249	1,930,756
Less: Amount due to immediate parent company -non-trade	<u>(240,000)</u>	-
	<u>1,806,249</u>	<u>1,930,756</u>

The ageing analysis of trade accounts payable is as follows:

	At 30 June 2001 RMB'000	At 31 December 2000 RMB'000 (audited)
Due within 1 month or on demand	1,138,755	1,781,327
Due after 1 month and within 3 months	<u>667,494</u>	<u>149,429</u>
	<u>1,806,249</u>	<u>1,930,756</u>

10. Change in accounting estimate

During the six-month period ended 30 June 2001, an extensive review was undertaken of the useful lives of certain plant, machinery, equipment and others. The Group has accordingly revised its estimate of the useful lives of plant, machinery, equipment and others from between 5 and 13 years to between 5 and 14 years with effect from 1 January 2001. These changes were made, after taking account of commercial and technological obsolescence as well as normal wear and tear to better reflect the estimated periods during which such assets will remain in service. The change had the effect of decreasing depreciation expense by RMB 59,160,000 and increasing profit after taxation by RMB 50,286,000 (RMB 0.007 per share) for the six-month period ended 30 June 2001.

11. Reserve movement

No transfers have been made to the statutory surplus reserve, the statutory public welfare fund nor the discretionary surplus reserve from the profit and loss account for the period (2000:Nil).

12. Related party transactions

- (a) Most of the transactions undertaken by the Group during the period ended 30 June 2001 have been effected with such counterparties and on such terms as have been determined by Sinopec Corp, the immediate parent company, and other relevant PRC authorities.

Sinopec Corp negotiates and agrees the terms of crude oil supply with suppliers on a group basis, which is then allocated among its subsidiaries, including the Group, on a discretionary basis. During the six-month period ended 30 June 2001, the value of crude oil purchased in accordance with Sinopec Corp's allocation was as follows:

	Six-month periods ended 30 June	
	2001 RMB'000	2000 RMB'000
Purchases of crude oil	<u>5,808,928</u>	<u>5,265,784</u>

- (b) Other transactions between the Group and other related parties during the six-month period ended 30 June 2001 were as follows:

	Six-month periods ended 30 June	
	2001 RMB'000	2000 RMB'000
Sales	3,988,636	2,867,816
Purchases other than crude oil	-	61,098
Repairing charges	48,330	28,276
Insurance premiums paid	38,119	35,921
Interest received and receivable	4,045	1,680
Research and development expenses	-	50,000
Transportation fees	<u>2,000</u>	<u>8,056</u>

12. Related party transactions (Continued)

(c) Time deposits with related parties

	At 30 June 2001 RMB'000	At 31 December 2000 RMB'000 (audited)
Time deposits	<u>49,152</u>	<u>386,189</u>

The Directors of the Company are of the opinion that the above transactions were entered into in the normal course of business and on normal commercial terms or in accordance with the agreements governing such transactions, and this has been confirmed by the non-executive Directors.

13. Capital commitments

The Group had capital commitments as follows:

	At 30 June 2001 RMB'000	At 31 December 2000 RMB'000 (audited)
Contracted but not provided for	5,426,636	6,583,805
Authorised by the Board but not contracted for	<u>1,033,650</u>	<u>1,159,875</u>
	<u>6,460,286</u>	<u>7,743,680</u>

14. Contingent liabilities

Contingent liabilities of the Group are as follows:

	At 30 June 2001 RMB'000	At 31 December 2000 RMB'000 (audited)
Guarantees issued to banks in favour of:		
- associates	289,400	283,640
- joint ventures	104,200	100,700
- third parties	-	55,100
	<u>393,600</u>	<u>439,440</u>

Guarantees issued to banks in favour of associates and joint ventures are given to the extent of the Company's respective interest in these entities.