

B. Interim Accounts Prepared Under PRC Accounting Rules and Regulations

Balance Sheets (unaudited)

	Note	The Group		The Company	
		At 30 June 2001	At 31 December 2000	At 30 June 2001	At 31 December 2000
		RMB'000	RMB'000	RMB'000	RMB'000
			(audited)		(audited)
Assets					
Current assets					
Cash at bank and in hand		1,935,543	1,640,197	1,525,723	1,336,324
Bills receivable		799,762	385,921	577,844	299,153
Interest receivable		45	498	45	498
Trade debtors	4	615,188	569,681	303,524	323,598
Other debtors	5	1,357,541	930,441	1,559,388	1,077,858
Advance payments		131,599	127,489	84,729	68,121
Inventories	6	3,291,847	3,307,759	2,749,047	2,843,075
Total current assets		8,131,525	6,961,986	6,800,300	5,948,627
Long-term investments					
Long-term equity investments	7	1,340,726	1,146,155	2,296,205	1,909,050
Fixed assets					
Fixed assets at cost		21,777,302	21,247,352	18,881,952	18,378,937
Less: Accumulated depreciation		(10,926,277)	(10,273,876)	(10,022,365)	(9,476,344)
Fixed assets net book value		10,851,025	10,973,476	8,859,587	8,902,593
Construction materials		94,283	98,922	94,283	98,922
Construction in progress	8	3,040,606	2,107,357	3,019,245	2,092,598
Total fixed assets		13,985,914	13,179,755	11,973,115	11,094,113
Intangible assets		788,567	798,282	727,417	734,804
Deferred tax assets		13,479	13,479	13,479	13,479
Total assets		24,260,211	22,099,657	21,810,516	19,700,073

	The Group		The Company	
	At 30 June 2001	At 31 December 2000	At 30 June 2001	At 31 December 2000
	RMB'000	RMB'000	RMB'000	RMB'000
		(audited)		(audited)
Liabilities and shareholders' equity				
Current liabilities				
Short-term loans	3,334,000	2,306,500	3,059,500	2,081,500
Bills payable	855,639	324,343	836,569	316,096
Trade creditors	450,222	613,371	283,458	482,047
Receipts in advance	186,034	154,780	100,526	90,752
Wages payable	84,640	82,561	55,638	55,638
Staff welfare payable	77,644	75,917	28,211	28,845
Dividends payable	-	432,000	-	432,000
Taxes payable	177,587	169,880	170,826	171,284
Other creditors	9,903	10,319	8,211	8,202
Other payables	1,056,064	1,295,806	900,201	1,157,568
Accrued expenses	23,692	14,892	6,097	5,227
Current portion of long-term liabilities	935,103	893,745	557,991	494,547
Total current liabilities	7,190,528	6,374,114	6,007,228	5,323,706
Long-term liabilities				
Long-term loans	3,010,228	1,863,776	2,161,802	875,476
Housing revolving fund	-	(316,147)	-	(316,147)
Other long-term liabilities	74,864	80,623	-	-
Total long-term liabilities	3,085,092	1,628,252	2,161,802	559,329
Total liabilities	10,275,620	8,002,366	8,169,030	5,883,035
Minority interests	343,105	280,253	-	-
Shareholders' equity				
Share capital	7,200,000	7,200,000	7,200,000	7,200,000
Capital reserves	2,856,278	2,856,278	2,856,278	2,856,278
Surplus reserves	2,928,616	2,928,616	2,928,616	2,928,616
of which:				
Statutory public welfare fund	741,962	741,962	741,962	741,962
Retained profits	656,592	832,144	656,592	832,144
Total shareholders' equity	13,641,486	13,817,038	13,641,486	13,817,038
Total liabilities and shareholders' equity	24,260,211	22,099,657	21,810,516	19,700,073

Income Statements and Profit Appropriation Statements (unaudited)

	The Group			The Company			
	Six-month period ended 30 June 2001 RMB'000	Six-month period ended 30 June 2000 RMB'000	Year ended 31 December 2000 RMB'00 (unaudited)	Six-month period ended 30 June 2001 RMB'000	Six-month period ended 30 June 2000 RMB'000	Year ended 31 December 2000 RMB'000 (unaudited)	
	Note						
Income from principal operations		9,760,097	9,639,324	20,467,583	9,019,602	8,758,817	18,276,455
Less: Cost of sales		(8,472,347)	(7,959,489)	(17,150,495)	(7,935,934)	(7,281,967)	(15,391,572)
Business taxes and surcharges		(281,610)	(276,678)	(548,713)	(271,533)	(266,622)	(525,630)
Profit from principal operations		1,006,140	1,403,157	2,768,375	812,135	1,210,228	2,359,253
Add: Profit from other operations	9	61,823	57,639	84,194	53,723	42,374	64,288
Less: Selling expenses		(158,335)	(150,900)	(314,870)	(117,879)	(115,380)	(233,340)
Administrative expenses		(500,645)	(597,096)	(1,100,295)	(396,163)	(485,492)	(869,672)
Financial expenses	10	(130,908)	(147,934)	(272,186)	(111,929)	(119,654)	(224,837)
Income from operation		278,075	564,866	1,165,218	239,887	532,076	1,095,692
Add: Investment (losses)/income	11	(10,169)	(19,539)	(17,748)	19,435	7,212	31,669
Non-operating income		10,111	12,446	31,542	746	4,085	11,256
Less: Non-operating expenses	12	(98,404)	(62,647)	(98,367)	(98,095)	(58,946)	(86,514)
Total profit		179,613	495,126	1,080,645	161,973	484,427	1,052,103
Less: Income tax		(26,166)	(72,981)	(153,415)	(21,378)	(70,124)	(148,171)
Profit after taxation		153,447	422,145	927,230	140,595	414,303	903,932
Minority interests		(12,852)	(7,842)	(23,298)	-	-	-
Net profit		140,595	414,303	903,932	140,595	414,303	903,932
Add: Retained profits at beginning of period/year as previously reported	2	832,144	540,998	540,998	832,144	540,998	540,998
Less: Write-off of Housing Revolving Fund	2	(316,147)	-	-	(316,147)	-	-
Retained profits of the beginning of the period	2	515,997	540,998	540,998	515,997	540,998	540,998
Distributable profits		656,592	955,301	1,444,930	656,592	955,301	1,444,930
Less: Transfer to statutory surplus reserve		-	-	(90,393)	-	-	(90,393)
Transfer to statutory public welfare fund		-	-	(90,393)	-	-	(90,393)
Distributable profits to shareholders		656,592	955,301	1,264,144	656,592	955,301	1,264,144
Less: Appropriated ordinary dividend		-	-	(432,000)	-	-	(432,000)
Retained profits of the end of period / year		656,592	955,301	832,144	656,592	955,301	832,144

Cash Flow Statements *(unaudited)*

Six-month period ended 30 June 2001

	Note	The Group RMB'000	The Company RMB'000
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		9,586,244	8,888,205
Refund of taxes and levies		1,534,957	1,427,209
Other cash received relating to operating activities		4,982	28
Sub-total of cash inflows		11,126,183	10,315,442
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Cash paid for goods and services		(8,699,351)	(8,236,258)
Cash paid to and on behalf of employees		(488,753)	(326,532)
Taxes paid		(1,906,391)	(1,782,345)
Other cash paid relating to operating activities		(18,204)	(16,113)
Sub-total of cash outflows		(11,112,699)	(10,361,248)
Net cash flows from operating activities	(a)	13,484	(45,806)
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Cash flows from investing activities:			
Cash received from disposal of investments		36,654	28,000
Cash received from investment income		13,647	2,280
Cash received from disposal of fixed assets, intangible assets and other long-term assets		3,041	718
Other cash received relating to investing activities		22,641	18,188
Sub-total of cash inflows		75,983	49,186
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Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(1,470,136)	(1,433,738)
Cash paid for purchase of investments		(227,041)	(370,000)
Other cash paid relating to investing activities		(6,222)	(6,222)
Sub-total of cash outflows		(1,703,399)	(1,809,960)
Net cash flows from investing activities		(1,627,416)	(1,760,774)

	Note	Six-month period ended 30 June 2001	
		The Group RMB'000	The Company RMB'000
Cash flows from financing activities:			
Proceeds from borrowings		3,021,840	2,956,840
Other cash received relating to financing activities		50,000	-
Sub-total of cash inflows		3,071,840	2,956,840
Repayment of borrowings			
Cash paid for dividends,distribution of profits and interest		(796,744) (341,201)	(629,014) (307,230)
Sub-total of cash outflows		(1,137,945)	(936,244)
Net cash outflows from financing activities		1,933,895	2,020,596
Effect of foreign exchange rate changes		(2,839)	(2,839)
Net increase in cash and cash equivalents	(b)	317,124	211,177

Notes to the Cash Flow Statement

(a) Reconciliation of net profit to cash flows from operating activities

	Six-month period ended 30 June 2001	
	The Group RMB'000	The Company RMB'000
Net profit	140,595	140,595
Minority interests	12,852	-
Depreciation	692,001	584,383
Amortisation of intangible assets	11,417	9,089
Decrease in accrued expenses	(519,328)	(549,441)
Loss on disposal of fixed assets,intangible assets and other long-term assets	4,640	5,340
Financial expenses	136,743	107,768
Investment loss/(income)	10,169	(19,435)
Increase in inventories	15,912	94,028
Increase in operating receivables	(890,558)	(756,755)
Increase in operating payables	399,401	331,658
Others	(360)	6,964
Net cash flows from operating activities	13,484	(45,806)

(b) Net increase in cash and cash equivalents

	<u>Six-month period ended 30 June 2001</u>	
	The Group RMB'000	The Company RMB'000
Cash at the end of the period	1,839,949	1,430,129
Less: Cash at the beginning of the period	(1,510,945)	(1,207,072)
Add: Cash equivalents at the end of the period	89,372	89,372
Less: Cash equivalents at the beginning of the period	(101,252)	(101,252)
Net increase in cash and cash equivalents	<u>317,124</u>	<u>211,177</u>

Notes to the Interim Accounts

1. Basis of preparation

In the current period, the Group adopted Accounting Regulations for Business Enterprises issued by the Ministry of Finance ("MOF") of the PRC, which was effective from 1 January 2001.

The adoption of Accounting Regulations for Business Enterprises had no impact on the financial position and results of operation of the Group and the Company for the year ended 31 December 2000.

2. Change in accounting policy

Pursuant to the notices "Cai Qi[2000]No.295" and "Cai Kuai[2001]No.5" issued by MOF on 6 September 2000 and 7 January 2001, respectively, the debit balance of Housing Revolving Fund at 31 December 2000 should be written-off against the undistributed profits brought forward in 2001. The shareholders' equity of the Group and the Company were reduced by RMB 316,147,000 accordingly. Apart from this change, the accounting policies adopted for these interim accounts are consistent with those adopted in the 2000 annual accounts.

The effect of the above change in accounting policy is as follows:

	<u>The Group and the Company</u> RMB'000
Retained profits at 31 December 2000	832,144
Write-off of Housing Revolving Fund	<u>(316,147)</u>
Adjusted retained profits at 1 January 2001	<u>515,997</u>

3. During the reporting period, there has been no change in the scope of consolidation.
4. Trade debtors

	The Group						The Company					
	As at 31 June 2001			As at 31 December 2000			As at 31 June 2001			As at 31 December 2000		
	Bad debt			Bad debt			Bad debt			Bad debt		
	Amount	Proportion	Provision	Amount	Proportion	Provision	Amount	Proportion	Provision	Amount	Proportion	Provision
RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	
			(audited)		(audited)				(audited)		(audited)	
Within one year	550,182	86%	-	512,771	86	2,714	281,181	86%	-	296,784	86	1,854
Between one												
and two years	26,074	4%	1,854	38,421	6	2,862	12,055	4%	1,854	19,852	6	1,863
Between two							5,007					
and three years	21,709	4%	1,863	10,456	2	1,453		2%	1,863	5,422	1	1,453
After three years	40,307	6%	19,367	33,404	6	18,342	27,316	8%	18,318	23,575	7	16,865
	<u>638,272</u>	<u>100%</u>	<u>23,084</u>	<u>595,052</u>	<u>100</u>	<u>25,371</u>	<u>325,559</u>	<u>100%</u>	<u>22,035</u>	<u>345,633</u>	<u>100</u>	<u>22,035</u>
Trade debtors, net	<u>615,188</u>			<u>569,681</u>			<u>303,524</u>			<u>323,598</u>		

The five largest trade debtors at 30 June 2001 are shown below:

Name of entity	Period of original debts	Reason for outstanding	Amount RMB'000
Zhangjiagang Bonded Area Jixiong International Trading Company	2001	Not due for repayment	8,595
Shanghai Qingpu Polyester Filament Plant	2001	Not due for repayment	7,264
Henan Zhongzhou Pulan Textile Chemical Industrial Company	2001	Not due for repayment	6,233
Guangdong Meiya Group Stock Company Limited	2001	Not due for repayment	4,989
Jiangsu Textile Material Trading Company	2001	Not due for repayment	4,716

5. Other debtors:

	The Group						The Company					
	As at 30 June 2001			As at 31 December 2000			As at 30 June 2001			As at 31 December 2000		
	Bad debt			Bad debt			Bad debt			Bad debt		
	Amount	Proportion	Provision	Amount	Proportion	Provision	Amount	Proportion	Provision	Amount	Proportion	Provision
	RMB'000	%RMB'000		RMB'000	%RMB'000		RMB'000	%RMB'000		RMB'000	%RMB'000	
				(audited)		(audited)				(audited)		(audited)
Within one year	870,295	65	-	565,540	61	-	1,034,692	68	-	739,396	68	-
Between one and two years	230,018	17	-	116,014	12	-	279,705	18	-	87,534	8	-
Between two and three years	90,425	7	-	121,135	13	-	78,238	5	-	127,354	12	-
After three years	171,290	11	4,487	128,952	14	1,200	167,953	9	1,200	124,774	12	1,200
	<u>1,362,028</u>	<u>100</u>	<u>4,487</u>	<u>931,641</u>	<u>100</u>	<u>1,200</u>	<u>1,560,588</u>	<u>100</u>	<u>1,200</u>	<u>1,079,058</u>	<u>100</u>	<u>1,200</u>
Other debtors, net	<u>1,357,541</u>			<u>930,441</u>			<u>1,559,388</u>			<u>1,077,858</u>		

The five largest other debtors at 30 June 2001 are shown below:

Name of entity	Period of		Amount RMB'000
	original debts	Reason for outstanding	
Sinopec Sales Company Eastern Branch	2001	Not due for repayment	185,303
China International United Petroleum & Chemicals Co. Ltd	2001	Not due for repayment	79,957
Hangzhou Real Estate Company	2001	Expenses paid on behalf	71,440
Wangou Real Estate Company	1997	Deposits for purchase of property	47,326
Zhejiang Jiulong Petrochemical Company	1999	Expenses paid on behalf	28,105

Other payables included amounts due to shareholders who held more than 5% shareholdings which totalled RMB 302,107,000 (31 December 2000: RMB 37,391,000).

6. Inventories

	The Group				The Company			
	As at 31 June 2001		As at 31 December 2000		As at 31 June 2001		As at 31 December 2000	
	Provision for diminution in Amount inventories		Provision for diminution in Amount inventories		Provision for diminution in Amount inventories		Provision for diminution in Amount inventories	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(audited)	(audited)			(audited)	(audited)
Raw materials	1,201,971	-	1,190,308	-	1,106,153	-	1,108,163	-
Work in progress	839,585	-	892,904	-	741,082	-	794,866	-
Finished goods	717,320	1,590	652,862	1,637	411,929	380	412,565	1,637
Spare parts and consumables	549,260	14,699	591,402	18,080	502,741	12,478	543,627	14,509
	<u>3,308,136</u>	<u>16,289</u>	<u>3,327,476</u>	<u>19,717</u>	<u>2,761,905</u>	<u>12,858</u>	<u>2,859,221</u>	<u>16,146</u>
Inventories, net	<u><u>3,291,847</u></u>		<u><u>3,307,759</u></u>		<u><u>2,749,047</u></u>		<u><u>2,843,075</u></u>	

7. Long-term equity investments

	Note	The Group		The Company	
		As at 30 June 2001 RMB'000	As at 31 December 2000 RMB'000 (audited)	As at 30 June 2000 RMB'000	As at 31 December 2000 RMB'000 (audited)
Interests in consolidated subsidiaries (a)		-	-	1,542,811	1,311,840
Interests in associates (b)		107,666	126,410	107,666	126,410
Equity investment differences (c)		48,003	53,075	48,003	53,075
Interests in joint ventures (d)		645,936	433,050	430,000	250,000
Interests in non-consolidated subsidiaries (e)		210,845	215,777	-	-
Other unlisted investments		336,139	325,706	167,725	167,725
		<u>1,348,589</u>	<u>1,154,018</u>	<u>2,296,205</u>	<u>1,909,050</u>
Less: Provision for permanent diminution in value		(7,863)	(7,863)	-	-
		<u><u>1,340,726</u></u>	<u><u>1,146,155</u></u>	<u><u>2,296,205</u></u>	<u><u>1,909,050</u></u>

Movement on long-term equity investments comprises:

	At 1 January 2001		Additions		Disposals		At 30 June 2001	
	Amount RMB'000	Provision RMB'000	Amount RMB'000	Provision RMB'000	Amount RMB'000	Provision RMB'000	Amount RMB'000	Provision RMB'000
The Group	1,154,018	7,863	227,041	-	(32,470)	-	1,348,589	7,863
The Company	1,909,050	-	410,971	-	(23,816)	-	2,296,205	-

7. Long-term equity investments(Continued)

- (a) The particulars of subsidiaries, all of which are limited companies established and operating in the PRC which principally affected the results or assets of the Group, at 30 June 2001 are as follows:

Company	Registered capital '000	Percentage of eq- held by the		Principal activities
		Company	subsidiaries	
		%	%	
Shanghai Petrochemical Investment Development Company Limited	RMB650,000	100	-	Investment management
SPC Marketing Development Corporation	RMB25,000	100	-	Trading in petrochemical products
China Jinshan Associated Trading Corporation	RMB25,000	70	-	Import and export of petrochemical products and equipment
Shanghai Jinhua Industrial Company Limited	RMB25,500	-	81.46	Trading in petrochemical products
Shanghai Jindong Petrochemical Industrial Company Limited	RMB40,000	-	52.5	Production of petrochemical products
Shanghai Jinyang Acrylic Fibre Plant	RMB177,797	100	-	Production of acrylic fibre products
Zhejiang Jinzhe Petrochemical Associated Company Limited	RMB40,000	-	53.4	Trading in petrochemical products

7. Long-term equity investments(Continued)

Company	Registered capital '000	Percentage of equity		Principal activities
		held by the Company %	held by subsidiaries %	
Shanghai Golden Way Petrochemical Company Limited	US\$ 3,460	-	75	Production of vinyl acetate products
Shanghai Jinchang Engineering Plastics Company Limited	US\$ 4,750	-	50.84	Production of polypropylene compound products
Shanghai Golden-Phillips Petrochemical Company Limited	US\$ 50,000	-	60	Production of polyethylene products
Zhejiang Jin Yong Acrylic Fibre Company Limited	RMB250,000	75	-	Production of acrylic fibre products
Shanghai Petrochemical Enterprise Development Company Limited	RMB200,000	100	-	Investment management
Shanghai Petrochemical Jianghai Textiled Yarn Plant	RMB3,000	-	100	Production of textiled yarn fibre products

None of the subsidiaries has issued any debt securities.

7. Long-term equity investments(Continued)

- (b) The particulars of the associates, which are limited companies established and operating in the PRC, which principally affected the results or assets of the Group, at 30 June 2001 are as follows:

Company	Registered capital '000	Percentage of equity held by the Company	Principal activities
Shanghai Golden Conti Petrochemical Company Limited	US\$ 35,640	48	Trading in petrochemical products
Shanghai Jinsen Hydrocarbon Resins Company Limited	US\$14,695	40	Production of resins products

- (c) The difference between the company's cost of investments in subsidiaries, and its share of their net asset values was treated as "equity investment difference". The "equity investment difference" is amortised on a straight-line basis over 10 years. The remaining period of amortisation is 6 to 7 years.
- (d) The Group's interests in joint ventures include an investment of RMB 430,000,000 representing a 38.26% equity interest in Shanghai Chemical Industry Park Development Company Limited("SCIP"), a company incorporated in the PRC. The principal activity of SCIP is the planning, development and to operate the Chemical Industry Park in Shanghai, PRC. The interest in SCIP is not equity accounted for as it is in the initial stage of constructing the Chemical Industry Park and has not commenced operation. At 30 June 2001 the Group had commitments of RMB 477,770,000 in respect of outstanding capital contributions to SCIP.

The Group's other interests in joint ventures include non-controlling equity investments in various enterprises which are mainly engaged in manufacturing or trading activities related to the Group's operations. The Group's share of results attributable to these interests during the six-month period ended 30 June 2001 is not material in relation to the profit of the Group for the said period and therefore is not equity accounted for.

- (e) Interests in non-consolidated subsidiaries represent the Company's interest in these subsidiaries which do not principally affect the results or assets of the Group and, therefore, are not consolidated.

8. Construction in progress

	The Group RMB'000	The Company RMB'000
Balance at 1 January 2001	2,107,357	2,092,598
Additions	1,449,425	1,438,333
of which:		
Capitalised interest costs	42,046	42,046
	3,556,782	3,530,931
Transferred to fixed assets	(516,176)	(511,686)
Balance at 30 June 2001	<u>3,040,606</u>	<u>3,019,245</u>

Construction in progress comprises expenditure incurred on property, plant and machinery not yet commissioned at 30 June 2001.

9. Profit from other operations

	The Group			The Company		
	Six-month periods ended 30 June	Year ended 31 December		Six-month periods ended 30 June	Year ended 31 December	
	2001	2000	2000	2001	2000	2000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(audited)			(audited)
Service fee and other income	557,082	329,928	873,390	492,853	194,840	689,652
Less: Cost	(495,259)	(272,289)	(789,196)	(439,130)	(152,466)	(625,364)
	<u>61,823</u>	<u>57,639</u>	<u>84,194</u>	<u>53,723</u>	<u>42,374</u>	<u>64,288</u>

10. Financial expenses

	The Group			The Company		
	Six-month periods ended 30 June	Year ended 31 December		Six-month periods ended 30 June	Year ended 31 December	
	2001	2000	2000	2001	2000	2000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(audited)			(audited)
Interest income	(22,188)	(39,901)	(71,922)	(17,735)	(34,410)	(57,341)
Interest expenses	158,931	191,852	355,469	125,503	152,830	277,687
Exchange gain	(10,618)	(6,845)	(22,694)	-	-	(2,123)
Exchange loss	3,120	1,998	5,503	3,064	749	3,821
Others	1,663	830	5,830	1,097	485	2,793
	<u>130,908</u>	<u>147,934</u>	<u>272,186</u>	<u>111,929</u>	<u>119,654</u>	<u>224,837</u>

11. Investment (losses) / income

	The Group			The Company		
	Six-month periods		Year ended	Six-month periods		Year ended
	ended 30 June		31 December	ended 30 June		31 December
	2001	2000	2000	2001	2000	2000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(audited)			(audited)
Cost method	13,647	18,651	56,887	2,283	7,534	20,439
Share of profit of subsidiaries	-	-	-	40,968	37,868	85,865
Share of losses of an associates	(18,744)	(33,118)	(64,491)	(18,744)	(33,118)	(64,491)
Amortisation of equity investment differences	(5,072)	(5,072)	(10,144)	(5,072)	(5,072)	(10,144)
	(10,169)	(19,539)	(17,748)	19,435	7,212	31,669

12. Non-operating expenses

	The Group			The Company		
	Six-month periods		Year ended	Six-month periods		Year ended
	ended 30 June		31 December	ended 30 June		31 December
	2001	2000	2000	2001	2000	2000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(audited)			(audited)
Service fee	7,000	46,000	46,000	7,000	46,000	46,000
Loss on disposal of fixed assets	4,640	3,988	16,548	5,340	3,957	15,650
Donations	750	2,430	15,126	750	2,430	15,126
Employee reduction expenses	77,302	-	-	77,302	-	-
Other expenses	8,712	10,229	20,693	7,703	6,559	9,738
	98,404	62,647	98,367	98,095	58,946	86,514

In accordance with the Sinopec Group's employee reduction plan, the Company recorded employee 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.

13. 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.

14. Related parties and related party transactions

(a) Company having the ability to exercise significant influence over the Group

Name of company	:	China Petroleum & Chemical Corporation ("Sinopec Corp")
Registered address Qu, Beijing	:	No.6, Hui Xin Dong Jie Jia, Chao Yang
Scope of operations	:	Oil and gas operations consisting of exploring, developing and producing crude oil and natural gas; transporting crude oil, natural gas and products by pipelines; refining crude oil into finished petroleum products; and marketing crude oil, natural gas and refined petroleum products; chemical operations including the manufacturing and marketing of a wide range of chemicals for industrial uses.
Relationship with the Company	:	The immediate parent company
Economic nature	:	Joint stock limited company
Legal representative	:	Li Yizhong
Registered capital	:	RMB 83.9billion

As at 30 June 2001, Sinopec Corp held 4 billion shares of the Company.

(b) Other related parties

China Petrochemical Corporation (the ultimate parent company)

Sinopec Finance Company Limited (subsidiary of the ultimate parent company)

Sinopec Zhenhai Refining and Chemical Company Limited (subsidiary of the parent company)

14. Related parties and related party transactions (*continued*)

- (c) Most of the transactions undertaken by the Company during the reporting period have been effected with such counterparties and on such terms as have been determined by Sinopec Corp 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 reporting period, the value of crude oil purchased in accordance with Sinopec Corp's allocation was as follows:

	Six-month period ended 30 June	
	2001	2000
	RMB'000	RMB'000
Purchases of crude oil	5,808,928	5,265,784

- (d) Other transactions between the Group and the other related parties during the period were as follows:

	Six-month period ended 30 June	
	2001	2000
	RMB'000	RMB'000
Sales	3,988,636	2,867,816
Purchases	-	61,098
Repairing charges	48,330	28,276
Insurance expenses	38,119	35,921
Interest income	4,045	1,680
Research and development expenses	-	50,000
Transportation fees	2,000	8,056

The sales and purchases transactions between the Group and the other related parties as disclosed in note (b) accounted for approximately 80% of the related party transactions of the similar nature.

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.

14. Related parties and related party transactions (*continued*)

(e) Amounts due from/ (to) related parties

	The Group		The Company	
	As at 30 June 2001 RMB'000	As at 31 December 2000 RMB'000 (audited)	As at 30 June 2001 RMB'000	As at 31 December 2000 RMB'000 (audited)
Amounts due from subsidiaries	-	-	423,701	358,557
Amount due from immediate parent company	103,962	27,916	97,159	27,916
Amount due to immediate parent company	(302,107)	(37,391)	(302,107)	(37,391)
Amounts due from other related parties	247,138	129,158	247,138	129,158
Amounts due to other related parties	(252,247)	(800,871)	(252,247)	(800,871)

The above balances are included in other debtors and other payables respectively.

(f) Bank deposits with related parties

	The Group		The Company	
	As at 30 June 2001 RMB'000	As at 31 December 2000 RMB'000 (audited)	As at 30 June 2001 RMB'000	As at 31 December 2000 RMB'000 (audited)
Cash at bank and in hand	49,152	386,189	49,152	386,189

15. Contingent liabilities

Contingent liabilities of the Group and the Company are as follows:

	The Group		The Company	
	As at 30 June 2001 RMB'000	As at 31 December 2000 RMB'000	As at 30 June 2001 RMB'000	As at 31 December 2000 RMB'000
Guarantees issued to banks in favour of:				
-subsidiaries	-	-	1,004,412	1,052,378
-associates	289,400	283,640	289,400	283,640
-joint ventures	104,200	100,700	104,200	100,700
-third parties	-	55,100	-	55,100
	393,600	439,440	1,398,012	1,491,818

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