

Notes to the Financial Statements (continued)

(Prepared under International Accounting Standards)

15. Interests in associates

| | The Group | | The Company | |
|---------------------|-----------------|-----------------|-----------------|-----------------|
| | 2001 RMB'000 | 2000 RMB'000 | 2001 RMB'000 | 2000 RMB'000 |
| Share of net assets | 178,990 | 126,410 | 86,947 | 126,410 |

The above amount represents the share of net assets of the Group's interest in its associates. The particulars of these associates, which are limited companies established and operating in the PRC, which principally affected the results or assets of the Group at 31 December 2001 are as follows:

| Company | Registered capital '000 | Percentage of equity | | Principal Activities |
|--|----------------------------|--------------------------|---------------------------|--|
| | | held by the Company % | held by subsidiaries % | |
| 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 |
| Shanghai Jinpu Plastics Packaging Material Company Limited | US\$ 11,988 | - | 50 | Production of polypropylene film |
| Zhejiang Jiulong Petrochemical Company | RMB 15,000 | - | 50 | Trading in petrochemical products |
| Shanghai YaNan Electrical Appliances Company | RMB 5,420 | - | 44 | Trading of electrical appliances |
| SPC XinLian Entertainment Company | RMB 11,000 | - | 36 | Catering services |
| XinLian Special Sealings Company | RMB 5,000 | - | 33 | Production of special sealing material |

Notes to the Financial Statements (continued)

(Prepared under International Accounting Standards)

16. Investments

| | The Group | | The Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2001 RMB'000 | 2000 RMB'000 | 2001 RMB'000 | 2000 RMB'000 |
| Interests in joint ventures | 765,023 | 433,050 | 626,214 | 250,000 |
| Interests in non-consolidated subsidiaries | 209,072 | 215,777 | - | - |
| Other unlisted investments | 335,848 | 325,706 | 164,024 | 167,725 |
| | 1,309,943 | 974,533 | 790,238 | 417,725 |
| Less: Provision | (4,768) | (7,863) | - | - |
| | 1,305,175 | 966,670 | 790,238 | 417,725 |

The Group's interests in joint ventures include an investment of RMB 560,000,000 representing a 38.26% equity interest in Shanghai Chemical Industry Park Development Company Limited ("SCIP") and an investment of RMB 66,214,000 representing a 20% equity interest in Shanghai Secco Petrochemical Company Limited ("Secco"), both companies 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 31 December 2001, the Group had commitments of RMB 347,770,000 in respect of outstanding capital contributions to SCIP. The principal activity of Secco is the production of ethylene and other petrochemical products. The interest in Secco is not equity accounted for as it is in the initial stage of constructing the production facilities and has not commenced operation. At 31 December 2001, the Group had commitments of RMB 1,430,176,000 in respect of outstanding capital contributions to Secco.

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 year ended 31 December 2001 is not material in relation to the profit of the Group for the said period.

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

Notes to the Financial Statements (continued)

(Prepared under International Accounting Standards)

17. Goodwill

| | The Group and the Company | |
|------------------------------------|---------------------------|---------|
| | 2001 | 2000 |
| | RMB'000 | RMB'000 |
| Cost: | | |
| At 1 January and 31 December | 134,482 | 134,482 |
| Accumulated amortisation: | | |
| At 1 January | 58,275 | 44,827 |
| Amortisation for the year (Note 4) | 13,448 | 13,448 |
| At 31 December | 71,723 | 58,275 |
| | 62,759 | 76,207 |

18. Inventories

| | The Group | | The Company | |
|-----------------------------|-----------|-----------|-------------|-----------|
| | 2001 | 2000 | 2001 | 2000 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Raw materials | 753,083 | 1,190,308 | 634,571 | 1,108,163 |
| Work in progress | 890,518 | 892,904 | 794,553 | 794,866 |
| Finished goods | 572,585 | 651,225 | 334,614 | 410,928 |
| Spare parts and consumables | 573,130 | 672,244 | 529,433 | 628,040 |
| | 2,789,316 | 3,406,681 | 2,293,171 | 2,941,997 |

At 31 December 2001, the Group and the Company had inventories carried at net realisable value with carrying amount of RMB 40,265,000 and RMB 26,863,000 respectively. (2000: the Group and the Company RMB 41,913,000 and RMB 36,556,000 respectively).

Notes to the Financial Statements (continued)

(Prepared under International Accounting Standards)

19. Trade accounts receivables

| | The Group | | The Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2001 RMB'000 | 2000 RMB'000 | 2001 RMB'000 | 2000 RMB'000 |
| Trade debtors | 556,763 | 595,052 | 311,426 | 345,633 |
| Less: Allowance for doubtful debts | (33,752) | (25,371) | (26,825) | (22,035) |
| | 523,011 | 569,681 | 284,601 | 323,598 |
| Bills receivable | 340,265 | 385,921 | 218,213 | 299,153 |
| Amounts due from parent company and fellow subsidiaries - trade | 54,320 | 157,074 | 54,320 | 157,074 |
| | 917,596 | 1,112,676 | 557,134 | 779,825 |

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

| | The Group | | The Company | |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2001 RMB'000 | 2000 RMB'000 | 2001 RMB'000 | 2000 RMB'000 |
| Invoice date: | | | | |
| Within one year | 856,564 | 1,053,052 | 529,490 | 751,157 |
| Between one and two years | 30,595 | 35,559 | 17,726 | 17,989 |
| Between two and three years | 13,114 | 9,003 | 5,795 | 3,969 |
| Over three years | 17,323 | 15,062 | 4,123 | 6,710 |
| | 917,596 | 1,112,676 | 557,134 | 779,825 |

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

Notes to the Financial Statements (continued)

(Prepared under International Accounting Standards)

20. Deferred income

| | Negative goodwill | | Net assets obtained | | Total | |
|------------------------------|-------------------|---------|---------------------|---------|---------|---------|
| | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cost: | | | | | | |
| At 1 January and 31 December | 33,044 | 33,044 | 115,177 | 115,177 | 148,221 | 148,221 |
| Accumulated amortisation: | | | | | | |
| At 1 January | 9,912 | 6,608 | 34,554 | 23,036 | 44,466 | 29,644 |
| Amortisation for the year | 3,304 | 3,304 | 11,518 | 11,518 | 14,822 | 14,822 |
| At 31 December | 13,216 | 9,912 | 46,072 | 34,554 | 59,288 | 44,466 |
| | 19,828 | 23,132 | 69,105 | 80,623 | 88,933 | 103,755 |

21. Bank loans

Bank loans are unsecured and are repayable as follows:

| | The Group | | The Company | |
|------------------------------------|-----------|-----------|-------------|-----------|
| | 2001 | 2000 | 2001 | 2000 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| After five years | 33,503 | 41,510 | 33,503 | 41,510 |
| Between two and five years | 2,691,956 | 761,534 | 2,358,218 | 118,353 |
| Between one and two years | 738,288 | 1,060,732 | 359,256 | 715,613 |
| | 3,463,747 | 1,863,776 | 2,750,977 | 875,476 |
| Within one year | | | | |
| Current portion of long term loans | 1,076,541 | 893,745 | 731,502 | 494,547 |
| Short term loans | 3,029,500 | 2,306,500 | 2,643,000 | 2,081,500 |
| | 4,106,041 | 3,200,245 | 3,374,502 | 2,576,047 |
| | 7,569,788 | 5,064,021 | 6,125,479 | 3,451,523 |

Details of loans are set out in note 31.

Notes to the Financial Statements (continued)

(Prepared under International Accounting Standards)

22. Trade accounts payable

| | The Group | | The Company | |
|--|------------------|-----------------|------------------|-----------------|
| | 2001 RMB'000 | 2000 RMB'000 | 2001 RMB'000 | 2000 RMB'000 |
| Trade creditors | 935,551 | 768,151 | 682,016 | 572,799 |
| Bills payable | 795,377 | 324,343 | 795,221 | 316,096 |
| Amounts due to parent company and fellow subsidiaries | 591,412 | 838,262 | 591,412 | 838,262 |
| | 2,322,340 | 1,930,756 | 2,068,649 | 1,727,157 |

The ageing analysis of trade accounts payable is as follows:

| | The Group | | The Company | |
|---------------------------------------|------------------|-----------------|------------------|-----------------|
| | 2001 RMB'000 | 2000 RMB'000 | 2001 RMB'000 | 2000 RMB'000 |
| Due within 1 month or on demand | 1,959,114 | 1,781,327 | 1,705,422 | 1,626,066 |
| Due after 1 month and within 3 months | 363,226 | 149,429 | 363,227 | 101,091 |
| | 2,322,340 | 1,930,756 | 2,068,649 | 1,727,157 |

23. Amounts due from/to parent company and fellow subsidiaries

Amounts due from/to parent company and fellow subsidiaries are unsecured, interest free and have no fixed repayment terms.

24. Share capital

| | The Group and the Company | |
|--|---------------------------|-----------------|
| | 2001 RMB'000 | 2000 RMB'000 |
| Registered, issued and paid up capital: | | |
| 4,870,000,000 A shares of RMB 1.00 each | 4,870,000 | 4,870,000 |
| 2,330,000,000 H shares of RMB 1.00 each | 2,330,000 | 2,330,000 |
| | 7,200,000 | 7,200,000 |

All the A and H shares rank pari passu in all respects.

Notes to the Financial Statements (continued)

(Prepared under International Accounting Standards)

25. Reserves

Movements on reserves comprise:

| | | The Group and the Company | |
|--------------------------------------|------|---------------------------|------------------|
| | | 2001 | 2000 |
| | Note | RMB'000 | RMB'000 |
| Share premium | | | |
| At 1 January and 31 December | (a) | 2,420,841 | 2,420,841 |
| Statutory surplus reserve | | | |
| At 1 January | | 824,051 | 733,658 |
| Appropriation | | 7,160 | 90,393 |
| At 31 December | (b) | 831,211 | 824,051 |
| Statutory public welfare fund | | | |
| At 1 January | | 741,962 | 651,569 |
| Appropriation | | 7,160 | 90,393 |
| At 31 December | (c) | 749,122 | 741,962 |
| General surplus reserve | | | |
| At 1 January and 31 December | (d) | 82,089 | 82,089 |
| Capital reserve fund | | | |
| At 1 January and 31 December | (e) | 4,180 | 4,180 |
| Discretionary surplus reserve | | | |
| At 1 January and 31 December | (f) | 1,280,514 | 1,280,514 |
| Retained profits | | | |
| | (g) | 617,726 | 947,997 |
| | | 5,985,683 | 6,301,634 |

25. Reserves (continued)

Notes:

- (a) The application of the share premium account is governed by Sections 178 and 179 of the PRC Company Law.
- (b) According to the Company's Articles of Association, the Company is required to transfer 10% of its profit after taxation, as determined under PRC Accounting Rules and Regulations, to a statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve is made before distribution of a dividend to shareholders.

The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

- (c) According to the Company's Articles of Association, the Company is required to transfer 5% to 10% of its profit after taxation, as determined under PRC Accounting Rules and Regulations, to the statutory public welfare fund. This fund can only be utilised on capital items for the collective benefits of the Company's employees such as the construction of dormitories, canteen and other staff welfare facilities. This fund is non-distributable other than in liquidation. The transfer to this reserve must be made before distribution of a dividend to shareholders. The Directors have resolved to transfer 10% (2000: 10%) of the current year's profit after taxation to the fund.
- (d) When the statutory public welfare fund is utilised, an amount equal to the lower of cost of the assets and the balance of the statutory public welfare fund is transferred from the statutory public welfare fund to the general surplus reserve. This reserve is non-distributable other than in liquidation. When the relevant assets are disposed of or written off, the original transfers from the statutory public welfare fund are reversed. In 2001, the Company did not utilise the statutory public welfare fund (2000: RMB Nil). As at 31 December 2001, the net book value of assets acquired utilising the statutory public welfare fund was RMB 69,258,000 (2000: RMB 71,904,000).
- (e) This reserve represents gifts or grants received from China Petrochemical Corporation, the ultimate parent company and which are required to be included in this reserve fund by PRC regulations.
- (f) The transfer to this reserve from the retained profit is subject to the approval by shareholders at general meetings. Its usage is similar to that of statutory surplus reserve.
- (g) According to the Company's Articles of Association, the reserve available for distribution is the lower of the amount determined under PRC Accounting Rules and Regulations and the amount determined under IAS. As of 31 December 2001, the reserve available for distribution was RMB 573,281,000 (2000: RMB 947,997,000). Final dividend of RMB Nil (2000: RMB 432,000,000) in respect of the financial year 2001 was declared after the balance sheet date.

26. Change in accounting estimate

In January 2001, the Group performed an extensive review of the useful lives of certain plant, machinery, equipment and others. Based on the results, 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 118,320,000 and increasing profit after taxation by RMB 100,572,000 (RMB 0.014 per share) for the year ended 31 December 2001.

27. Related party transactions

- (a) Most of the transactions undertaken by the Group during the year ended 31 December 2001 have been effected with such counterparties and on such terms as have been determined by China Petroleum & Chemical Corporation ("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 year ended 31 December 2001, the value of crude oil purchased in accordance with Sinopec Corp's allocation was as follows:

| | 2001 RMB'000 | 2000 RMB'000 |
|------------------------|-----------------|-----------------|
| Purchases of crude oil | 10,499,582 | 11,641,888 |

- (b) Other transactions between the Group and other related parties during the year ended 31 December 2001 were as follows:

| | 2001 RMB'000 | 2000 RMB'000 |
|-----------------------------------|-----------------|-----------------|
| Sales | 7,137,458 | 7,317,930 |
| Purchases other than crude oil | 338,292 | 312,101 |
| Repairing charges | 174,694 | 102,476 |
| Insurance premiums paid | 77,140 | 73,506 |
| Interest received and receivable | 1,673 | 2,903 |
| Research and development expenses | - | 75,000 |

27. Related party transactions (continued)

(c) Time deposits in related parties

| | The Group and the Company | |
|---------------|---------------------------|---------|
| | 2001 | 2000 |
| | RMB'000 | RMB'000 |
| Time deposits | 204,175 | 386,189 |

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.

28. Retirement schemes

As stipulated by the regulations of the PRC, the Group participates in a defined contribution retirement plan organised by the Shanghai Municipal Government for its staff. The Group is required to make contributions to the retirement plan at a rate of 22.5% of the salaries, bonuses and certain allowances of its staff. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at his retirement date. The Group has no other material obligation for the payment of pension benefits associated with this plan beyond the annual contributions described above. In addition, pursuant to a document "Lao Bu Fa (1995) No.464" dated 29 December 1995 issued by the Ministry of Labour of the PRC, the Company has set out a supplementary defined contribution retirement plan for the benefit of employees. Employees who have served the Company for five years or more may participate in this plan. The Company and participating employees make defined contributions to their pension savings accounting according to the plan. The assets of this plan are held separately from those of the Company in an independent fund administered by a committee consisting of representatives from the employees and the Company. In 2001, the Company's contribution to this plan amounted to RMB 25,741,000 (2000: RMB 26,516,000).

Notes to the Financial Statements (continued)

(Prepared under International Accounting Standards)

29. Capital commitments

In addition to commitments of outstanding capital contributions as disclosed in note 16, the Group and the Company had further capital commitments outstanding at 31 December not provided for in the financial statements as follows:

| | The Group and the Company | |
|--|---------------------------|-----------|
| | 2001 | 2000 |
| | RMB'000 | RMB'000 |
| Contracted but not provided for | 4,631,866 | 6,583,805 |
| Authorised by the Board but not contracted for | 1,122,193 | 1,159,875 |
| | 5,754,059 | 7,743,680 |

30. Contingent liabilities

At 31 December, the Group and the Company had the following contingent liabilities:

| | The Group | | The Company | |
|--|-----------|---------|-------------|-----------|
| | 2001 | 2000 | 2001 | 2000 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Guarantees issued to banks in favour of: | | | | |
| - subsidiaries | - | - | 1,164,637 | 1,052,378 |
| - associates | 315,830 | 283,640 | 315,830 | 283,640 |
| - joint ventures | 119,766 | 100,700 | 88,530 | 100,700 |
| - third parties | - | 55,100 | - | 55,100 |
| | 435,596 | 439,440 | 1,568,997 | 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.

Notes to the Financial Statements (continued)

(Prepared under International Accounting Standards)

31. Details of bank loans

The interest rates and terms of repayment for bank loans of the Group and the Company are as follows:

| Repayment terms and last payment date | Interest rate at 31 December 2001 | Interest type | The Group | | The Company | |
|--|--------------------------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| | | | 2001 RMB'000 | 2000 RMB'000 | 2001 RMB'000 | 2000 RMB'000 |
| Arranged by Central Treasury of the Company: | | | | | | |
| U.S. Dollar denominated: | | | | | | |
| Payable semi-annually through 2001 | LIBOR+0.7% | Floating | - | 16,556 | - | 16,556 |
| Payable semi-annually through 2002 | 6.20% | Fixed | 49,660 | 149,006 | 49,660 | 149,006 |
| Payable semi-annually from 2001 through 2003 | LIBOR+0.6% | Floating | 108,407 | 180,711 | 108,407 | 180,711 |
| Payable semi-annually through 2004(Note(a)) | 7.10% | Fixed | 54,009 | 72,025 | 54,009 | 72,025 |
| Payable semi-annually through 2008(Note(a)) | 1.50% | Fixed | 96,836 | 111,754 | 96,836 | 111,754 |
| Payable semi-annually through 2015(Note(a)) | LIBOR+0.5% | Floating | 18,054 | 6,681 | 18,054 | 6,681 |
| Due in 2004 | LIBOR+0.5% | Floating | 41,383 | - | 41,383 | - |
| Renminbi denominated: | | | | | | |
| Due in 2001 | 5.94%-6.03% | Floating | - | 180,000 | - | 180,000 |
| Due in 2002 | 5.94%-6.03% | Floating | 395,000 | 395,000 | 395,000 | 395,000 |
| Due in 2003 | 5.94% | Floating | 288,840 | - | 288,840 | - |
| Due in 2004 | 5.94% | Floating | 900,000 | - | 900,000 | - |
| Due in 2005 | 6.03% | Floating | 350,000 | - | 350,000 | - |
| Due in 2006 | 6.03% | Floating | 1,000,000 | - | 1,000,000 | - |
| Other loans due in 2002 | Interest free | - | 15,000 | 15,000 | 15,000 | 15,000 |
| Arranged by individual plants of the Company: | | | | | | |
| Loans due in 2001 | 6.03%-7.65% | Floating | - | 78,000 | - | 78,000 |
| Loans due in 2002 | 5.85%-6.03% | Floating | 165,290 | 165,290 | 165,290 | 165,290 |
| Arranged by subsidiaries: | | | | | | |
| U.S. Dollar denominated: | | | | | | |
| Due in 2001 | LIBOR+1.12% | Floating | - | 82,781 | - | - |
| Payable semi-annually through 2002 | LIBOR+0.5% | Floating | 13,794 | 41,391 | - | - |
| Payable semi-annually through 2004 | 2.45% | Floating | 160,506 | 168,572 | - | - |
| Payable annually through 2004 | Interest free | - | 24,155 | - | - | - |

Notes to the Financial Statements (continued)

(Prepared under International Accounting Standards)

31. Details of bank loans (continued)

| Repayment terms and last payment date | Interest rate at 31 December 2001 | Interest type | The Group | | The Company | |
|--|-----------------------------------|---------------|-------------|-----------|-------------|-----------|
| | | | 2001 | 2000 | 2001 | 2000 |
| | | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Arranged by subsidiaries (continued): | | | | | | |
| Japanese Yen denominated: | | | | | | |
| Payable semi-annually through 2004 | 5.6%-5.65% | Fixed | 87,489 | 137,934 | - | - |
| Renminbi denominated: | | | | | | |
| Payable semi-annually through 2003 | Interest free | - | 59,110 | 88,310 | - | - |
| Payable semi-annually through 2004 | 6.21% | Floating | 136,300 | 238,600 | - | - |
| Payable semi-annually from 2003 through 2004 | 7.13% | Floating | 45,000 | - | - | - |
| Payable annually through 2004 | Interest free | - | 381,855 | 527,910 | - | - |
| Payable annually from 2001 through 2005 | Interest free | - | 29,600 | 37,000 | - | - |
| Due in 2002 | 4.95% | Floating | 15,000 | 15,000 | - | - |
| Due in 2003 | 6.24%-7.13% | Floating | 65,000 | 50,000 | - | - |
| Due in 2004 | 6.24% | Floating | 40,000 | - | - | - |
| Total long-term bank loans outstanding | | | 4,540,288 | 2,757,521 | 3,482,479 | 1,370,023 |
| Less: Amounts due within one year (Note 21) | | | (1,076,541) | (893,745) | (731,502) | (494,547) |
| Amounts due after one year (Note 21) | | | 3,463,747 | 1,863,776 | 2,750,977 | 875,476 |

Note: (a) Guaranteed by China Petrochemical Corporation

Short term bank loans are unsecured loans without guarantee and payable in full when due. The weighted average short term interest rates for the Group and the Company were 5.85% (2000: 5.81%) at 31 December 2001.

32. Segment reporting

Segment information is presented in respect of the Group's business segments. The format of which is based on the Group's management and internal reporting structure. In view of the fact that the Company and its subsidiaries operate mainly in the PRC, no geographical segment information is presented.

The Group evaluates performance based on operating profits before income tax and non-operating income and expenses. Certain administrative expenses are allocated based on the percentage of sales.

Inter-segment transfer pricing is based on cost plus an appropriate margin, as specified by Group policy.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

The Group principally operates in four operating segments: synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products. All of the Group's products are produced through intermediate steps from the principal raw material of crude oil. The specific products of each segment are as follows:

- (i) The synthetic fibres segment produces primarily polyester and acrylic fibres primarily used in the textile and apparel industries.
- (ii) The resins and plastics segment produces primarily polyester chips, low density polyethylene resins and films, polypropylene resins and PVA granules. The polyester chips are used in the processing of polyester fibres and construction coating materials and containers. Low density polyethylene resins and plastics are used in cable jacketing, sheeting, the manufacture of moulded products, such as housewares and toys and for agricultural and packaging uses. Polypropylene resins are used in the manufacturing of extruded films or sheets and injection moulded products such as housewares, toys and household electric appliance and automobile parts.
- (iii) The intermediate petrochemicals segment primarily produces ethylene and benzene. Most of the intermediate petrochemicals produced by the Group are used by the Group as raw materials in the production of other petrochemicals, resins, plastics and synthetic fibres. A portion of the intermediate petrochemicals as well as certain by-products of the production process are sold to outside customers.

Notes to the Financial Statements (continued)

(Prepared under International Accounting Standards)

32. Segment reporting (continued)

- (iv) The Group's petroleum products segment has crude oil distillation facilities used to produce vacuum and atmospheric gas oils used as feedstocks of the Group's downstream processing facilities. Residual oil and low octane gasoline fuels are produced primarily as a co-product of the crude oil distillation process. A proportion of the residual oil is further processed into qualified refined gasoline and diesel oil. In addition, the Group produces a variety of other transportation, industrial and household heating fuels, such as diesel oils, jet fuels, heavy oils and liquefied petroleum gases.
- (v) All other operating segments represent the operating segments which do not meet the quantitative threshold for determining reportable segments. These include trading, consumer products and services and a variety of other commercial activities, which are not allocated to the above four operating segments.

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

Turnover

| | 2001 RMB'000 | 2000 RMB'000 |
|------------------------------|------------------|-----------------|
| Manufactured Products | | |
| Synthetic Fibres | | |
| External sales | 3,233,010 | 3,632,531 |
| Intersegment sales | 1,358 | 21,102 |
| Total | 3,234,368 | 3,653,633 |
| Resins and Plastics | | |
| External sales | 5,666,218 | 6,037,177 |
| Intersegment sales | 26,941 | 25,401 |
| Total | 5,693,159 | 6,062,578 |
| Intermediate Petrochemicals | | |
| External sales | 2,123,670 | 2,250,792 |
| Intersegment sales | 4,584,642 | 4,920,795 |
| Total | 6,708,312 | 7,171,587 |
| Petroleum Products | | |
| External sales | 8,225,905 | 7,884,270 |
| Intersegment sales | 544,370 | 582,112 |
| Total | 8,770,275 | 8,466,382 |

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(Prepared under International Accounting Standards)

32. Segment reporting (continued)

Turnover (continued)

| | 2001 RMB'000 | 2000 RMB'000 |
|---|--------------------|-----------------|
| All others | | |
| External sales | 948,593 | 1,472,498 |
| Intersegment sales | 1,346,082 | 1,382,080 |
| Total | 2,294,675 | 2,854,578 |
| Eliminations of intersegment sales | (6,503,393) | (6,931,490) |
| Consolidated turnover | 20,197,396 | 21,277,268 |

External sales include sales to other Sinopec Corp group companies.

Profit before tax

| | 2001 RMB'000 | 2000 RMB'000 |
|---|------------------|-----------------|
| Profit from operations | | |
| Synthetic fibres | 7,049 | 185,822 |
| Resins and plastics | 173,193 | 595,310 |
| Intermediate petrochemicals | 51,009 | 193,995 |
| Petroleum products | 100,543 | 359,398 |
| All others | 62,391 | 82,797 |
| Consolidated profit from operations | 394,185 | 1,417,322 |
| Share of loss of associates | | |
| All others | (20,630) | (64,491) |
| Consolidated share of loss of associates | (20,630) | (64,491) |
| Net financing costs | (227,758) | (272,186) |
| Consolidated profit before tax | 145,797 | 1,080,645 |

Notes to the Financial Statements (continued)

(Prepared under International Accounting Standards)

32. Segment reporting (continued)

| Assets | 2001 RMB'000 | 2000 RMB'000 |
|---|-------------------------|-------------------------|
| Segment assets | | |
| Synthetic fibres | 2,516,642 | 2,602,411 |
| Resins and plastics | 4,538,142 | 4,451,986 |
| Intermediate petrochemicals | 5,381,794 | 5,667,679 |
| Petroleum products | 6,960,936 | 4,212,829 |
| All others | 1,974,865 | 1,943,444 |
| Total segment assets | 21,372,379 | 18,878,349 |
| Interests in associates | | |
| All others | 178,990 | 126,410 |
| Consolidated interests in associates | 178,990 | 126,410 |
| Unallocated | 2,896,084 | 2,696,551 |
| Consolidated assets | 24,447,453 | 21,701,310 |
| Liabilities | 2001 RMB'000 | 2000 RMB'000 |
| Segment liabilities | | |
| Synthetic fibres | 455,129 | 438,978 |
| Resins and plastics | 857,181 | 766,506 |
| Intermediate petrochemicals | 350,882 | 305,516 |
| Petroleum products | 1,425,408 | 1,041,903 |
| All others | 156,370 | 198,389 |
| Total segment liabilities | 3,244,970 | 2,751,292 |
| Unallocated | 7,659,002 | 5,168,131 |
| Consolidated liabilities | 10,903,972 | 7,919,423 |

Notes to the Financial Statements (continued)

(Prepared under International Accounting Standards)

32. Segment reporting (continued)

| Depreciation | 2001 RMB'000 | 2000 RMB'000 |
|----------------------------------|------------------|-----------------|
| Synthetic fibres | 183,969 | 200,826 |
| Resins and plastics | 309,853 | 342,152 |
| Intermediate petrochemicals | 445,212 | 489,348 |
| Petroleum products | 270,013 | 318,286 |
| All others | 150,595 | 164,098 |
| Consolidated depreciation | 1,359,642 | 1,514,710 |

Expenditures for segment long-lived assets

| | 2001 RMB'000 | 2000 RMB'000 |
|--|------------------|-----------------|
| Synthetic fibres | 470,090 | 174,690 |
| Resins and plastics | 882,146 | 353,272 |
| Intermediate petrochemicals | 1,134,557 | 553,567 |
| Petroleum products | 1,483,291 | 363,068 |
| All others | 388,092 | 128,326 |
| Consolidated expenditures for segment long-lived assets | 4,358,176 | 1,572,923 |

33. Financial instruments

Financial assets of the Company and the Group include cash and cash equivalents, deposits with banks, investments, trade debtors, bills receivable, deposits, other debtors and amounts due from parent company and fellow subsidiaries. Financial liabilities of the Company and the Group include bank loans, trade creditors, other creditors and amounts due to parent company and fellow subsidiaries. The Group does not hold or issue financial instruments for trading purposes. The Group had no positions in derivative contracts at 31 December 2001 and 2000.

(a) Interest rate risk

The interest rates and terms of repayment of loans of the Company and the Group are disclosed in note 31.

(b) Credit risk

The Group's financial instruments do not represent a concentration of credit risk because the Group deals with a variety of major financial institutions with good credit ratings, and its trade debtors are spread among a number of major industries and customers.

Notes to the Financial Statements (continued)

(Prepared under International Accounting Standards)

33. Financial instruments (continued)

(c) Foreign currency risk

The Group has foreign currency risk as certain loans and cash and cash equivalents are denominated in foreign currencies, principally U.S. dollars and Hong Kong dollars. Depreciation or appreciation of Renminbi against foreign currencies will affect the Group's financial position and results of operations.

(d) Fair value

The following table presents the carrying amounts and fair values of the Group's long term bank loans at 31 December 2000 and 2001.

| | 2001 | | 2000 | |
|----------------------|-------------------------------|--------------------------|-------------------------------|--------------------------|
| | Carrying amount RMB'000 | Fair value RMB'000 | Carrying amount RMB'000 | Fair value RMB'000 |
| Liabilities: | | | | |
| Long term bank loans | 4,540,288 | 4,551,090 | 2,757,521 | 2,725,310 |

Long term bank loans - the fair values are estimated based on applying a discounted cash flow using current market interest rates for similar financial instruments.

Investments are unquoted interests, primarily equity interests in joint ventures. There is no quoted market price for such interest and securities in the PRC, and accordingly a reasonable estimate of fair value could not be made without incurring excessive costs. Further details pertinent to the valuation of these interests are disclosed in note 16.

The fair values of cash, trade debtors, bills receivable, deposits, other debtors, trade creditors, other creditors and amounts due from/to parent company and fellow subsidiaries are not materially different from their carrying amounts.

Time deposits and short term bank loans - the carrying value is estimated to approximate fair value based on the nature or short-term maturity of these instruments.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

34. Parent companies

The Directors consider the immediate parent company and the ultimate parent company at 31 December 2001 to be China Petroleum & Chemical Corporation and China Petrochemical Corporation, respectively, which are incorporated in the PRC.

