

Notes to the Financial Statements

(Prepared under PRC Accounting Rules and Regulations)

1. Background of the Company

Sinopec Shanghai Petrochemical Company Limited (“the Company”), formerly Shanghai Petrochemical Company Limited, was established in the People’s Republic of China (“the PRC”) on 29 June 1993 as a joint stock limited company to hold the assets and liabilities of the production divisions and certain other units of the Shanghai Petrochemical Complex (“SPC”), a State-owned enterprise. SPC was under the direct supervision of China Petrochemical Corporation (“CPC”), a ministry-level enterprise in the PRC responsible for administration and development of the petrochemical industry in the PRC.

CPC finished its reorganisation on February 25, 2000. After the reorganisation, China Petroleum & Chemical Corporation (“Sinopec Corp”) was established. As a part of the reorganisation, CPC transferred its 4,000,000,000 of the Company’s stated owned legal shares, which represented 55.56 percent of the issued share capital of the Company, to Sinopec Corp. Sinopec Corp became the largest shareholder of the Company.

The Company changed its name to Sinopec Shanghai Petrochemical Company Limited on 12 October 2000.

The Company is a highly integrated petrochemical complex which processes crude oil into synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products. Details of the Company’s principal subsidiaries are set out in note 10(e) entitled “Long-term equity investments”.

2. Change in accounting policy

Pursuant to the notices “Cai Qi [2000] No.295” and “Cai Kuai [2001] No.5” issued by Ministry of Finance (“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 financial statements are consistent with those adopted in the 2000 annual financial statements.

The effect the above change in accounting policy on the undistributed profits is as follows:

The Group and the Company

	RMB’000
Undistributed profits at 31 December 2000	832,144
Wite-off of debit balance of Housing Revolving Fund, net of the amount attributable to minority interests	(316,147)
Undistributed profits at 1 January 2001 (as restated)	515,997

3. Significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are by reference to the “Accounting Standards for Business Enterprises”, and “Accounting Regulations for Business Enterprises”.

(a) Accounting year

The accounting year of the Group is from 1 January to 31 December.

(b) Basis of consolidation

The Group prepared the consolidated financial statements according to Cai Kuai Zi [1995] No.11 “Temporary regulations on consolidated financial statements” issued by the MOF.

The consolidated financial statements include the financial statements of the Company and all of its principal subsidiaries made up to 31 December each year. Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated income statement of the Company only includes the results of the subsidiaries during the period when such control effectively commences until the date that control effectively ceases. The effect of minority interests on equity and profit/loss attributable to minority interests are separately shown in the consolidated financial statements.

Where the accounting policies adopted by the subsidiaries are different from the policies adopted by the Company, the financial statements of the subsidiaries have been adjusted in accordance with the accounting policies adopted by the Company on consolidation. All significant inter-company balances and transactions, and any unrealised gains arising from inter-company transactions, have been eliminated on consolidation. For those subsidiaries whose assets and results of operation are not significant and have no significant effect on the Group’s consolidated financial statements, the Company does not consolidate these subsidiaries, but includes in the long-term equity investments.

The Company’s costs of investments in equity-holding subsidiaries and its share of their net asset values on acquisition are eliminated on consolidation. The equity investment differences arising from such elimination are debited or credited, as appropriate, to “equity investment differences” under long-term equity investments and are amortised on a straight-line basis over the specified period.

(c) Basis of accounting and principle of valuation

The Group’s financial statements are prepared on an accrual basis under the historical cost convention, unless otherwise stated.

3. Significant accounting policies (continued)

(d) Fixed assets and intangible assets

Fixed assets and construction in progress are stated in the balance sheet at cost or revalued amount less accumulated depreciation and impairment losses. Valuation is carried out in accordance with the relevant rules and regulations in the PRC and fixed assets and construction in progress are adjusted to the revalued amounts accordingly.

All direct and indirect costs related to the purchase or construction of fixed assets, including interest charges and foreign exchange gains or losses on related borrowings during the construction period, are capitalised as construction in progress.

Construction in progress is transferred to fixed assets when the asset is substantially completed and ready for its intended use.

Depreciation is provided to write off the cost of fixed assets over their estimated useful lives on a straight-line basis, after taking into account their estimated residual values.

The respective estimated useful lives, residual values and annual depreciation rates on fixed assets are as follows:

	Useful life	Residual value	Depreciation rate
Land and buildings	15 to 35 years	3%-5%	2.1%-6.7%
Plant, machinery, equipment and others (Note 29)	5 to 14 years	3%	5.4%-24.3%

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the period of construction.

Capitalisation of these costs ceases and the construction in progress is transferred to fixed assets when the asset is substantially ready for its intended use.

No depreciation is provided in respect of construction in progress.

(e) Deferred income

Deferred income is amortised to the income statement on a straight line basis over 10 years.

3. Significant accounting policies (continued)

(f) Long-term equity investments

The Group's investments in the associates and the Company's investments in subsidiaries, associates and the related investment income are accounted for in the long-term equity investment using the equity method. Equity investments difference is the difference between initial investment cost and the share of shareholders' funds of the investee companies, which is amortised on a straight-line basis and recognised in the investment income. The amortisation period is determined according to the investment period as stipulated in the relevant agreement or 10 years if not specified.

An associate is a company in which the Group holds, for long-term purposes, not less than 20% but not more than 50% of its equity interests and exercises significant influence in its management.

Long-term investments in entities in which the Group does not hold more than 20% of their equity interests or those in which the Group holds more than 20% of their equity interests but does not exercise significant influence in their management are stated at cost less provision for impairment losses. Provision for impairment losses is made when there is a permanent diminution in the value of investment. Investment income is recognised when an investee company declares cash dividend or distributes profit.

(g) Inventories

Inventories, other than spare parts and consumables, are carried at the lower of cost and net realisable value. Cost includes the cost of materials computed using the weighted average method and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work in progress and finished goods, cost includes direct labour and an appropriate proportion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sales.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

Spare parts and consumables are stated at cost less any provision for obsolescence.

(h) Translation of foreign currencies

The Group's accounting records are maintained in Renminbi. Transactions in foreign currencies are translated into Renminbi at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at rates quoted by the People's Bank of China at the balance sheet date. Foreign currency translation differences relating to funds borrowed to finance the construction of fixed assets to the extent that they are regarded as an adjustment to interest costs are capitalised during the construction period. All other exchange differences are dealt with in the income statement.

(i) Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding the derivation of associated costs or the possible return of goods.

Revenue from the rendering of services is recognised upon performance of the services.

Interest income from bank deposits is accrued on a time-apportioned basis on the outstanding principal and at the applicable rate.

3. Significant accounting policies (continued)

(j) Cash equivalents

Cash equivalents are short-term and highly liquid investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value, including time deposits with financial institutions with an initial term of less than three months.

(k) Provision for bad debt

Doubtful debts are accounted for based on allowance method which are estimated periodically. Trade accounts receivables showing signs of uncollectibility are identified individually and allowance is then made based on the probability of being uncollectible. In respect of trade accounts receivables showing no sign of uncollectibility, allowance is made with reference to the ageing analysis and management's estimation based on past experience. Allowances for other receivables are determined based on the nature and corresponding collectibility. Specific approval from management is required for allowances made in respect of significant doubtful receivables.

(l) Repairs and maintenance expenses

Repairs and maintenance expenses, are charged to the income statement as and when they are incurred.

(m) Research and development costs

Research and development costs are charged to the income statement as and when they are incurred.

(n) Borrowing cost

Borrowing costs represent interest expenses and foreign exchange difference on loans. Borrowing costs are expensed in income statement in the period in which they are incurred, except to the extent that they are capitalised as being attributable to the construction of an asset which necessarily takes a period of time to get ready for its intended use.

3. Significant accounting policies (continued)

(o) Taxation

The principal taxes and the related rates are as follows:

(i) Income tax

Income tax is provided using the tax-effect accounting method. Income tax on the profit or loss for the year comprises current tax and deferred tax.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Pursuant to the relevant PRC tax regulations, the income tax rate applicable to the Company is 15% in 2001. The subsidiaries are subject to income tax pursuant to the relevant PRC tax regulations.

Name of subsidiaries	Applicable tax rate	Reasons for granting concession
Shanghai Jindong Petrochemical Industrial Company Limited	15%	Preferential tax rate at Pudong new District
Shanghai Golden-Phillips Petrochemical Company Limited	27%	A Sino-foreign Joint-equity manufacturing enterprise in old urban district

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

3. Significant accounting policies (continued)

(o) Taxation (continued)

(i) Income tax (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(ii) Value-added tax ("VAT")

Pursuant to the relevant PRC tax regulations, the Group is subject to VAT which is levied on the majority of the Group's products at the rate of 17% on the invoiced value of sales ("output VAT"). Output VAT is borne by customers in addition to the invoiced value of sales. VAT paid by the Group on its purchases ("input VAT") is recoverable out of VAT collected from its customers on its sales.

(iii) Consumption tax

Pursuant to the relevant PRC tax regulations, the Group's sales of gasoline and diesel oil are subject to the consumption tax at a rate of RMB277.60 per tonne and RMB 117.60 per tonne respectively.

(p) Impairment loss

The carrying amounts of the Group's long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected future cash flows generated by the assets are discounted to their present value. The amount of the reduction is recognised as an expense in the income statement.

The Group assesses at each balance sheet date whether there is any indication that impairment loss recognised for an asset in prior years may no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is recognised as income in the income statement.

(q) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(r) Retirement scheme costs

The contributions payable under the Group's retirement plans are charged to the income statement according to the contribution determined by the plans. Further information is set out in Note 31.

Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

3. Significant accounting policies (continued)

(s) Profit distribution

Profit distribution is made in accordance with the relevant rules and regulations set out in the Company Law of the PRC and the Articles of Association of the Company and its subsidiaries.

4. Cash at bank and in hand

Cash at bank and in hand as at 31 December is analysed as follows:

	2001 Exchange rate	The Group			The Company		
		Original currency '000	2001 RMB'000	2000 RMB'000	Original currency '000	2001 RMB'000	2000 RMB'000
Cash in hand							
Renminbi			306	407		184	212
Cash at bank							
Renminbi			1,187,825	1,151,881		711,682	848,203
Hong Kong Dollars	1.0606	19,032	20,186	19,275	19,032	20,186	19,275
United States Dollars	8.2766	5,375	44,485	51,332	5,075	42,002	51,332
Deutsche Marks	-	-	-	1,893	-	-	1,893
Swiss Francs	4.9421	129	639	648	129	639	648
Japanese Yen	0.0630	15,218	959	24	15,218	959	24
Euro	7.3302	3,945	28,918	28,548	3,945	28,918	28,548
Cash at bank and in hand			1,283,318	1,254,008		804,570	950,135
Deposits at related party (note 30(f))							
Renminbi			204,175	386,189		203,794	386,189
			1,487,493	1,640,197		1,008,364	1,336,324

Deposits at related party represent bank deposits placed at Sinopec Finance Company Limited. Deposits interest is calculated at market rate.

5. Bills receivable

Bills receivable are commercial and bank bills due in six months. As at 31 December 2001, there are no significant bills receivable at discount or pledged.

Except for the balances disclosed in note 30(e), there is no amount due from major shareholders who held more than 5% shareholding included in the balance of bills receivable.

Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

6. Trade debtors

	The Group							
	2001				2000			
	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %
Within one year	506,319	84.39	1,131	0.22	577,861	87.54	2,714	0.47
Between one and two years	31,759	5.29	1,164	3.67	38,421	5.82	2,862	7.45
Between two and three years	19,294	3.22	6,180	32.03	10,456	1.58	1,453	13.90
Over three years	42,600	7.10	25,277	59.34	33,404	5.06	18,342	54.91
	599,972	100.00	33,752	5.63	660,142	100.00	25,371	3.84
Trade debtors, net	566,200				634,771			

	The Company							
	2001				2000			
	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %
Within one year	454,953	82.96	1,097	0.24	533,024	88.56	1,854	0.35
Between one and two years	23,293	4.25	1,107	4.75	19,852	3.30	1,863	9.38
Between two and three years	37,656	6.87	1,336	3.55	25,422	4.22	1,453	5.72
Over three years	32,489	5.92	23,285	71.67	23,575	3.92	16,865	71.54
	548,391	100.00	26,825	4.89	601,873	100.00	22,035	3.66
Trade debtors, net	521,566				579,838			

Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

6. Trade debtors (continued)

The five largest other debtors at 31 December 2001 are shown below:

Name of entity	Reason for outstanding	Amount RMB'000	% of total trade debtors
China Petroleum & Chemical Corporation Shanghai Gaoqiao Branch	Not due for repayment	38,987	6.50
Jiangyin City Changshou Filter Tip Materials Company Limited	Not due for repayment	13,494	2.25
Jiangsu Provincial Textile Material Company	Not due for repayment	12,331	2.06
Jixiong(Zhangjiagang) Synthetic Fibre Company Limited	Not due for repayment	8,595	1.43
Guangdong Meiya Group Stock Company Limited	Not due for repayment	7,350	1.23

Except for balances disclosed in Note 30 (e), there is no amount due from major shareholders who held more than 5% shareholding included in the balance of trade debtors.

7. Other debtors

	The Group							
	2001				2000			
	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %
Within one year	651,167	71.52	-	-	408,446	52.73	-	-
Between one and two years	72,053	7.91	-	-	116,014	14.98	-	-
Between two and three years	68,235	7.49	16	0.02	121,135	15.64	-	-
Over three years	119,059	13.08	3,711	3.12	128,952	16.65	1,200	0.93
	910,514	100.00	3,727	0.41	774,547	100.00	1,200	0.15
Other debtors, net	906,787				773,347			

Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

7. Other debtors (continued)

	The Company							
	2001				2000			
	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %
Within one year	444,629	66.62	-	-	322,802	48.73	-	-
Between one and two years	71,609	10.73	-	-	87,534	13.21	-	-
Between two and three years	43,961	6.59	-	-	127,354	19.22	-	-
Over three years	107,201	16.06	1,200	1.12	124,774	18.84	1,200	0.96
	667,400	100.00	1,200	0.18	662,464	100.00	1,200	0.18
Other debtors, net	666,200				661,264			

The five largest other debtors at 31 December 2001 are shown below:

Name of entity	Reason for outstanding	Amount RMB'000	% of total other debtors
Zhejiang Zhongzhe Real Estate Company	Expenses paid on behalf	88,536	9.72
Wanguo Real Estate Company	Deposits for purchase of property	47,326	5.20
Hangzhou Real Estate Company	Expenses paid on behalf	46,500	5.11
Jinzhe Zhejiang Jiulong Petrochemical Company	Expenses paid on behalf	28,105	3.09
Golden Resources Petrochemical Company Limited	Expenses paid on behalf	18,297	2.01

There is no amount due from major shareholders who held more than 5% shareholding included in the balance of other debtors.

8. Advance payments

Advance payments are all within one year.

Except for the balances disclosed in Note 30(e), there is no amount due from major shareholders who held more than 5% shareholding included in the balance of advance payments.

Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

9. Inventories

	The Group				The Company			
	2001		2000		2001		2000	
	Provision for diminution in inventories		Provision for diminution in inventories		Provision for diminution in inventories		Provision for diminution in inventories	
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
RMB'000	RMB'000	RMB'000	RMB'000	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	581,197	8,612	652,862	1,637	326,686	2,072	412,565	1,637
Spare parts and consumables	551,723	14,699	591,402	18,080	515,805	12,478	543,627	14,509
Total	2,776,521	23,311	3,327,476	19,717	2,271,615	14,550	2,859,221	16,146
Inventories, net	2,753,210		3,307,759		2,257,065		2,843,075	

Provision for diminution in inventories is analysed as follows:

	The Group					The Company				
	2001		2000			2001		2000		
	Spare parts and consumables		Spare parts and consumables		Raw materials	Spare parts and consumables		Spare parts and consumables		Raw materials
	Finished goods	Finished goods	Finished goods	Finished goods	Raw materials	Finished goods	Finished goods	Finished goods	Finished goods	Raw materials
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January	1,637	18,080	8,459	29,083	7,329	1,637	14,509	8,459	29,083	7,329
Additions	6,975	-	-	6,220	-	435	-	-	2,649	-
Provision written back	-	(3,381)	(6,822)	(17,223)	(7,329)	-	(2,031)	(6,822)	(17,223)	(7,329)
At 31 December	8,612	14,699	1,637	18,080	-	2,072	12,478	1,637	14,509	-

Notes to the Financial Statements (continued)

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10. Long-term equity investments

	The Group						Total
	Interests in	Equity	Interests	Interests in	Other	Provision	
	associates	investment	in joint	non-consolidated	unlisted	for impairment	
	(Note(a))	differences	ventures	subsidiaries	investments	losses	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2001	126,410	53,075	433,050	215,777	325,706	(7,863)	1,146,155
Additions for the year	-	-	428,971	2,375	24,292	-	455,638
Reclassification	73,210	-	(73,210)	-	-	-	-
Share of profits less losses from investments accounted for under the equity method	(20,630)	-	-	-	-	-	(20,630)
Disposals for the year	-	-	(23,788)	(9,080)	(14,150)	-	(47,018)
Amortisation for the year	-	(10,144)	-	-	-	-	(10,144)
Change in provision	-	-	-	-	-	3,095	3,095
Balance at 31 December 2001	178,990	42,931	765,023	209,072	335,848	(4,768)	1,527,096

	The Company					Total
	Interests in	Equity	Interests	Interests in	Other	
	associates	investment	in joint	consolidated	unlisted	
	(Note(a))	differences	ventures	subsidiaries	investments	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2001	126,410	53,075	250,000	1,311,840	167,725	1,909,050
Additions for the year	-	-	376,214	209,675	-	585,889
Share of profits less losses from investments accounted for under the equity method	(39,463)	-	-	87,583	-	48,120
Disposals for the year	-	-	-	-	(3,701)	(3,701)
Amortisation for the year	-	(10,144)	-	-	-	(10,144)
Balance at 31 December 2001	86,947	42,931	626,214	1,609,098	164,024	2,529,214

10. Long-term equity investments (continued)

- (a) 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 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 Packaging Material Company Limited	RMB15,000	-	50	Trading in petrochemical products
Shanghai YaNan Electrical Appliances Company	RMB5,420	-	44	Trading of electrical appliances
SPC XinLian Entertainment Company	RMB11,000	-	36	Catering services
XinLian Special Sealings Company	RMB5,000	-	33	Production of special sealing material

- (b) The difference between the Company's cost of investments in subsidiaries, and its share of their net asset values was treated as an "equity investment difference". The "equity investment difference" is amortised on a straight-line basis over 10 years. The remaining period of amortisation is 5 to 6 years.

- (c) 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 RMB66,214,000 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 RMB347,770,000 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 and therefore is not equity accounted for.

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10. Long-term equity investments (continued)

- (d) 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. These interests are accounted for under cost method.
- (e) 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 31 December 2001 are as follows:

Company	Registered capital '000	Percentage of equity		Principal activities
		held by the Company %	held by subsidiaries %	
Shanghai Petrochemical Investment Development Company Limited	RMB 650,000	100	-	Investment management
SPC Marketing Development Corporation	RMB 25,000	100	-	Trading in petrochemical products
China Jinshan Associated Trading Corporation	RMB 25,000	70	-	Import and export of petrochemical products and equipment
Shanghai Jinhua Industrial Company Limited	RMB 25,000	-	81.46	Trading in petrochemical products
Shanghai Jindong Petrochemical Industrial Company Limited	RMB 40,000	-	60	Trading in petrochemical products
Shanghai Jinyang Acrylic Fibre Plant	RMB 177,797	100	-	Production of acrylic fibre products
Zhejiang Jinzhe Petrochemical Associated Company Limited	RMB 40,000	-	53.4	Trading in petrochemical products
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 products
Shanghai Golden-Phillips Petrochemical Company Limited	US\$ 50,000	-	60	Production of polyethylene products
Zhejiang Jin Yong Acrylic Fibre Company Limited	RMB 250,000	75	-	Production of acrylic fibre products
Shanghai Petrochemical Enterprise Development Company Limited	RMB 220,000	100	-	Investment management
Shanghai Petrochemical Jianghai Textiled Yarn Plant	RMB 3,000	-	100	Production of textiled yarn fibre products

None of these subsidiaries has issued any debt securities.

Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

10. Long-term equity investments (continued)

(f) Provision for impairment losses are analysed as follows:

	The Group	
	2001 RMB'000	2000 RMB'000
Balance at 1 January	7,863	25,827
Provision for the year	1,960	-
Written back for the year	(5,055)	(17,964)
Balance at 31 December	4,768	7,863

At 31 December 2001, the Group and the Company did not have individually significant provision for impairment losses on long-term equity investments.

(g) Major investment changes

At 31 December 2001, details of principal equity investment changes of the Group are as follows:

Name of investee	Investment terms	Percentage of equity interest held by the Group	Balance	Addition for the year	Share of profits/ (losses) accounted for under the equity method	Dividends received	Balance at
			at 1 January 2001		RMB'000		RMB'000
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shanghai Chemical Industry Park Development Company Limited(i)	30 years	38%	250,000	310,000	-	-	560,000
Shanghai Secco Petrochemical Company Limited(i)	50 years	20%	-	66,000	-	-	66,000
Shanghai Jinpu Plastics Packaging Material Company Limited	30 years	50%	50,000	10,000	18,000	-	78,000
Shanghai Golden Conti Petrochemical Company Limited	30 years	48%	99,000	-	(28,000)	-	71,000
Hangzhou Real Estate Company	30 years	84%	64,000	-	-	-	64,000

No provision for impairment losses or equity investment difference was made for the long-term equity investments as set out above.

The above non-consolidated subsidiaries, which the Group has over 50% equity interest are not consolidated as their assets and results of operation have no significant effect on the Group.

(i) These companies are still under construction and have not commenced operation. Accordingly the Group did not account for the interest of these companies for the year ended 31 December 2001.

Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

11. Fixed assets

(a) The Group

	Land and buildings RMB'000	Plant, machinery, equipment and other fixed assets RMB'000	Total RMB'000
Cost or valuation:			
At 1 January 2001	5,416,522	16,752,522	22,169,044
Additions	51,465	175,610	227,075
Transferred from construction in progress (Note 13)	78,738	1,998,217	2,076,955
Disposals	(5,153)	(103,466)	(108,619)
At 31 December 2001	5,541,572	18,822,883	24,364,455
Representing:			
Cost	3,823,758	12,164,813	15,988,571
Valuation - in 1993	1,717,814	6,658,070	8,375,884
	5,541,572	18,822,883	24,364,455
Accumulated depreciation:			
At 1 January 2001	2,140,307	8,256,979	10,397,286
Charge for the year	196,082	1,163,560	1,359,642
Written back on disposal	(3,559)	(81,277)	(84,836)
At 31 December 2001	2,332,830	9,339,262	11,672,092
Net book value:			
At 31 December 2001	3,208,742	9,483,621	12,692,363
At 31 December 2000	3,276,215	8,495,543	11,771,758

Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

11. Fixed assets (continued)

(b) The Company

	Land and buildings RMB'000	Plant, machinery, equipment and other fixed assets RMB'000	Total RMB'000
Cost or valuation:			
At 1 January 2001	4,557,137	14,662,380	19,219,517
Additions	46,247	139,824	186,071
Transferred from construction in progress (Note 13)	76,303	1,985,444	2,061,747
Disposals	(4,510)	(95,732)	(100,242)
At 31 December 2001	4,675,177	16,691,916	21,367,093
Representing:			
Cost	2,957,363	10,033,846	12,991,209
Valuation - in 1993	1,717,814	6,658,070	8,375,884
	4,675,177	16,691,916	21,367,093
Accumulated depreciation:			
At 1 January 2001	2,000,039	7,582,081	9,582,120
Charge for the year	158,871	987,628	1,146,499
Written back on disposal	(3,146)	(78,248)	(81,394)
At 31 December 2001	2,155,764	8,491,461	10,647,225
Net book value:			
At 31 December 2001	2,519,413	8,200,455	10,719,868
At 31 December 2000	2,557,098	7,080,299	9,637,397

All of the Group's buildings are located in the PRC (including Hong Kong).