

Interim Report

The Directors of Sinopec Shanghai Petrochemical Company Limited (the "Company") are pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002.

The Directors jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this report and confirm that there are no material omissions or false or misleading statements in this report.

REPORT OF THE BOARD OF DIRECTORS

The following financial data, where applicable, are extracted from the Group's unaudited interim financial report prepared in accordance with IAS 34 "Interim Financial Reporting".

To: All Shareholders

We hereby report the operating results of the Group for the six-month period ended 30 June 2002. For the six months ended 30 June 2002, the Group's turnover from principal operations amounted to RMB9,523.0 million (HK\$8,978.9 million), a decrease of RMB237.1 million (HK\$223.5 million) or 2.43% as compared to the same period last year. Profit before taxation amounted to RMB273.7 million (HK\$258.0 million), representing an increase of 35.36% as compared to the same period last year. Profit after taxation and minority interests amounted to RMB208.6 million (HK\$196.7 million), an increase of 30.54% as compared to the same period last year.

Management Discussion and Analysis

The global economy for the six months ended 30 June 2002 was greeted by signs of recovery following a sustained downturn. Domestically, the Chinese economy continued to grow with strong momentum underpinned by a thriving domestic market. While the petrochemical industry as a whole took a positive turn, the costs of raw materials and product prices remained volatile. As crude oil prices started to rise from a low level at the beginning of 2002, prices of petrochemical products also increased to a certain extent, although the overall price levels remained relatively lower compared to the same period last year.

In accordance with paragraph 40 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save as disclosed herein, the Company confirms that its current information in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company's 2001 annual report.

Operating Results

Market prices of the Group's four major categories of products started to rise in March 2002, although overall price levels still remained relatively low. As compared to the same period last year, the selling prices of the major products of the Group, namely synthetic fibres, resins and plastics, intermediate petrochemical products and petroleum products, decreased respectively. Meanwhile, crude oil, a major raw material of the Group, experienced a steady price increase since the beginning of the year and currently features a relatively higher price.

Confronted with a complex external environment, the Group further enhanced the operation of production plants and equipment and the material balances, optimized its turnaround schedule and planned production to meet market demand while exercising stringent cost controls. As a result, the Group's overall performance increased to a certain extent.

The Company processed 3.3964 million tons of crude oil during the six months ended 30 June 2002, an increase of 9,400 tons as compared to the same period last year, including 171,000 tons from Daqing, 709,300 tons from Shengli, 2.1253 million tons from imports and 390,800 tons from offshore oilfields. The weighted average cost of crude oil processing was RMB1,385 per ton. During the six months ended 30 June 2002, the output of ethylene was 340,000 tons, an increase of 9.54%; output of propylene was 180,600 tons, an increase of 12.76%; output of plastics and resins was 347,700 tons, an increase of 18.24%; output of polymers was 234,000 tons, an increase of 19.22%; output of synthetic fibres was 170,400 tons, an increase of 29.86% as compared to the same period last year. While increasing output, the Group implemented timely adjustments to its marketing strategies in a bid to expand the sales of its products. The sales to output ratio during the six months ended 30 June 2002 was over 100%.

Net sales of the Group during the six months ended 30 June 2002 amounted to RMB9,247.9 million, representing a minor reduction as compared to the same period last year.

The following table indicates the Group's sales volume and net sales during the six months ended 30 June 2002:

	Six-month periods ended					
	2002 Net sales			2001 Net sales		
	Sales volume '000 tons	RMB million	(%)	Sales volume '000 tons	RMB million	(%)
Manufactured products						
Synthetic fibre	187	1,638	17.71	133	1,253	13.22
Resins and plastics	487	2,681	28.99	398	2,546	26.86
Intermediate petrochemical products	461	1,326	14.34	318	1,169	12.33
Petroleum products	1,871	3,247	35.11	2,003	4,149	43.78
Trading and other activities	-	356	3.85	-	361	3.81
Total	3,006	9,248	100.00	2,852	9,478	100.00

Net sales of synthetic fibres during the six months ended 30 June 2002 reached RMB1,637.8 million, an increase of RMB385.1 million or 30.74% as compared to the same period last year. The increase was mainly attributable to the commissioning of the upgraded acrylic plant in July 2001 and its operation at full capacity during the six months ended 30 June 2002, which resulted in an increase of 89.72% and 136.96%, respectively, in the sales volume of acrylic fibre and acrylic top. Sales volume of the Group's synthetic fibres during the six months ended 30 June 2002 increased by 40.36% to 187,060 tons as compared to the same period last year. The average selling price for synthetic fibres dropped by 6.85% to RMB8,755 per ton as compared to the same period last year.

Net sales of resins and plastics during the six months ended 30 June 2002 reached RMB2,680.9 million, an increase of RMB134.8 million or 5.30% as compared to the same period last year. Sales volume increased by 22.26% mainly due to substantial growth in the sales of polyester chips, PE films and polypropylene by 32,570 ton or 30.35%, 7,630 tons or 9.78% and 29,760 tons or 26.94%, respectively, as compared to the same period last year. The consolidated average selling price of resins and plastics dropped by 13.87% as compared to the same period last year.

Net sales of intermediate petrochemicals during the six months ended 30 June 2002 increased by RMB157.3 million or 13.46% to RMB1,326.0 million as compared to the same period last year, mainly as a result of an increase of approximately 49,720 tons in the sales of ethylene glycol as compared to the same period last year. The average selling price of the Group's intermediate petrochemical products dropped by 21.82% while sales increased by 45.13%.

Net sales of petroleum products during the six months ended 30 June 2002 decreased by RMB 902.5 million or 21.75% to RMB3,246.9 million as compared to the same period last year. The sales volume and the average selling price of the Group's petroleum products dropped by 6.60% and 16.22%, respectively as compared to the same period last year. The average selling prices for gasoline, diesel and aviation oil decreased by 21.41%, 13.95% and 20%, respectively. The sales volume of gasoline and aviation oil decreased by 11.13% and 17.88%, respectively, but the sales volume of diesel increased by 2.49%.

Net sales from trading and other products amounted to RMB356.3 million during the six months ended 30 June 2002, a decrease of 1.47% as compared to the same period last year.

Most of the products manufactured by the Group were sold in eastern China.

Cost of sales was lowered by 3.81% to RMB8,631.2 million or 93.33% of net sales during the six months ended 30 June 2002. Crude oil costs accounted for 54.50% of the cost of sales. During the six months ended 30 June 2002, the average cost of crude oil dropped by 19.89% as compared to the same period last year. With a slight increase in the volume of processed crude oil, total crude oil costs decreased by 19.85% to RMB4,704.2 million during the six months ended 30 June 2002.

Expenses for other ancillary materials increased to RMB1,589.9 million during the six months ended 30 June 2002, representing a substantial increase as compared to the same period last year, mainly attributable to the purchase of intermediate raw materials to ensure normal production by downstream units given the partial overhaul of upstream units during the six months ended 30 June 2002. Fuel costs increased to RMB295.2 million from RMB233.0 million previously, mainly reflecting increased expenses for extra purchase of external power and coal for more power and steam consumption required by the operation of new or modified units. Depreciation charge during the six months ended 30 June 2002 increased by RMB29.40 million to RMB732.8 million. Repair and maintenance costs increased by RMB55 million to RMB309.0 million.

Selling and administrative expenses increased to RMB200.4 million during the six months ended 30 June 2002 from RMB158.3 million in the same period last year.

Finance costs during the six months ended 30 June 2002 rose 60.13% to RMB173.4 million as compared to the same period last year, as approximately RMB22.60 million in general loan interest expenses incurred during the six months ended 30 June 2001 was capitalised in construction in progress, whereas for the current period only RMB4.41 million of such expenses were capitalised. The increase in financial expenses in the current period was also due to the fact that loan interests in respect of certain units in the "Phase IV" project were no longer capitalised after part of such units were assigned to commissioning.

Other operating expenses during the six months ended 30 June 2002 decreased by 44.50% to RMB58.3 million. This was primarily due to the payment of RMB77.3 million in connection with the termination of employment contracts during the six months ended 30 June 2001. During the six months ended 30 June 2002, the Group did not have such expenses.

Profit before tax increased by 35.36% to RMB273.7 million from RMB202.2 million during the six months ended 30 June 2002. During the same period, profit after tax increased by 30.54% to RMB208.6 million from RMB159.8 million. The improved profitability was mainly attributable to the significant reduction in crude oil costs.

Liquidity and Capital Resources

The following table shows how the indicators, namely, total assets, total liabilities and shareholders' equity, and cash and cash equivalents of the Group as at 30 June 2002 have changed as compared to 31 December 2001 (Unit: RMB million):

Financial indicators	At 30 June 2002	At 31 December 2001	% Change
Total assets	26,391.9	24,325.6	8.49%
Total liabilities	12,745.9	10,904.0	16.89%
Shareholders' equity	13,272.4	13,063.8	1.60%
Cash and cash equivalents	1,584.0	1,446.7	9.49%
Debt/Equity ratio (%) (long-term loans/(shareholders' equity + long-term loans) x 100%)	24.46%	20.96%	

The Group's total assets as at 30 June 2002 amounted to RMB26,391.9 million, representing an 8.49% increase as compared to the beginning of the period. Total liabilities has increased by RMB1,841.9 million as a result of additional bank loans borrowed for capital expenditure items such as the "Phase IV" project. Shareholders' equity amounted to RMB13,272.4 million, an increase of approximately 1.60% representing the amount of undistributed profit during the six months ended 30 June 2002. Cash and cash equivalents as at 30 June 2002 amounted to RMB1,584.0 million, an increase of approximately RMB137.3 million compared to the beginning of the period, representing mainly improvements in net cash inflow from operating activities.

During the six months ended 30 June 2002, net cash inflow from the Group's operating activities amounted to RMB799.2 million, an increase of RMB987.1 million as compared to the same period last year. The amount of net cash inflow during the six months ended 30 June 2002 mainly included increase in cash inflow amounting to RMB273.7 million as a result of profit before taxation realised from ordinary activities (an increase by RMB71.5 million as compared to the same period last year). Interest expenses and depreciation charges accounted for RMB179.2 million and RMB732.8 million, respectively, in the increase of net cash flow (representing increases of RMB42.8 million and RMB31.1 million, respectively as compared to the same period last year). Increase in inventory balance as at 30 June 2002 accounted for RMB358.7 million in cash flow reduction (compared to RMB20.6 million in the increase of cash inflow as a result of reductions in inventory balance at the end of the same period last year). Increase in the balance of trade debtors, bills receivable and other receivables accounted for RMB142.2 million in the decrease of cash inflow (compared to RMB692.2 million in cash inflow reductions as a result of the increase of such balance in the same period last year). Increase in the balance of trade creditors, bills payable and other creditors accounted for RMB235.5 million in the increase of cash inflow (compared to RMB228.9 million in the same period last year). Increase in amounts owed to the parent company and its subsidiaries accounted for RMB105.4 million in the increase of cash inflow (compared to a reduction of RMB477.9 million in the same period last year as a result of a decrease in such amounts). In addition, interest and tax amounts paid during the six months ended 30 June 2002 accounted for RMB277.9 million in cash inflow reductions (compared to a reduction of RMB236.4 million in the same period last year).

The total amount of the Group's borrowings as at 30 June 2002 increased by RMB1,346.6 million as compared to that of the beginning of this year to RMB8,916.3 million, including a RMB513.3 million increase in short-term loans and a RMB833.3 million increase in long-term loans. The Group's long-term loans were mainly used for capital expenditure projects. The Group usually arranged its long-term loans according to its capital expenditure plan, and in general, there were no seasonal loans. Short-term loans were used to meet cash flow requirements arising from normal production operations of the Group.

As of 30 June 2002, the Group had contingent liabilities of RMB300.3 million in respect of guarantees issued to banks in favour of its joint ventures and certain third parties and to third parties in favour of the joint ventures.

Capital expenditure

During the six months ended 30 June 2002, the Group's capital expenditure amounted to RMB1,850.0 million, mainly comprising capital expenditure items in the "Phase IV" project, which was completed and entered into operation in June 2002. The project included the new 200,000-ton polypropylene plant, the 250,000-ton polyethylene unit, the expansion of the 700,000-ton ethylene unit and the coal-fired power plant.

In the second half of the year, the Group shall continue to carry out the following capital expenditure projects, including the sulphuric crude oil upgrade project, the technology upgrade project for acrylonitrile and other technology upgrade and investment projects. The Group's planned capital expenditures can be funded from cash inflow from operating activities and bank loans available.

On 31 August 2001, the Group, China Petroleum & Chemical Corporation ("Sinopec Corp") and BP Chemicals East China Investments Limited entered into a joint venture agreement to establish a Sino-foreign equity joint venture in China. The purpose of the equity joint venture is to develop a petrochemical complex with a designed capacity of 900,000 tons of ethylene, which is to be engaged in the production and marketing of ethylene, polyethylene, styrene, polystyrene, propylene, acrylonitrile, polypropylene, butadiene, aromatics and other by-products, the provision of related after-sales services and technical advisory service for such petrochemical products and by-products, as well as the development of polymer applications. The equity joint venture is scheduled to be completed in 2005 with a total registered capital of US\$901,440,964, of which the RMB equivalent of US\$180,287,952 (accounting for 20% of the total registered capital of the equity joint venture) shall be provided by the Group. As at 30 June 2002, the Group had contributed RMB224 million to the equity joint venture.

FINANCIAL REPORT PREPARED UNDER THE PEOPLE'S REPUBLIC OF CHINA("PRC") ACCOUNTING RULES AND REGULATIONS

Other than differences in classification of certain financial statements assertions and the accounting treatment of the items described in Section C of this financial report, there are no material differences between the Company's financial report prepared in accordance with PRC Accounting Rules and Regulations and International Financial Reporting Standards ("IFRS").

Financial data under PRC Accounting Rules and Regulations (unaudited)

	<u>Six-month periods ended 30 June</u>	
	2002 RMB'000	2001 RMB'000
Income from principal operations	9,523,023	9,760,097
Profit from principal operations	1,184,762	1,006,140
Net profit	203,369	140,595
Net increase in cash and cash equivalents	137,352	317,124
	At 30 June	At 31 December
	2002	2001
	RMB'000	RMB'000
Total assets	26,888,590	24,770,182
Total shareholders' equity	13,775,864	13,572,495

During the six months ended 30 June 2002, the Group's income from principal operations and profit from principal operations increased by RMB178.6 million and RMB62.8 million respectively. The increase was mainly attributable to the decrease in crude oil cost as compared to the same period last year, and also the increase in sales volume of products.

As at 30 June 2002, the Group's total assets increased RMB2,118.4 million as compared to the beginning of the period (1 January 2002). The increase was mainly attributable to the current assets and fixed assets which increased by RMB748.2 million and RMB1,135.9 million as compared to the same period last year, respectively. The Group's total shareholder' equity increased RMB203.4 million as compared to the beginning of the period, mainly due to the newly added undistributed profits at the beginning of the period.

The segment information of the group for the six-month period ended 30 June 2002 is as follows:

	Income from principal operations RMB'000	Cost of principal operations RMB'000
Synthetic fibres	1,648,124	1,544,330
Resins and plastics	2,696,553	2,324,428
Intermediate petrochemicals	1,334,629	1,062,801
Petroleum products	3,477,123	2,980,643
All others	366,594	150,941
Total	9,523,023	8,063,143

Work Arrangements for the Second Half of the Year

The petrochemical sector has begun a slow recovery since the second quarter, however the market outlook for the remainder of the year remains less than optimistic. Overall prices of petrochemical products remain at a relatively low level and are subject to continued volatility. Crude oil prices tend to remain on the upside although trends of movement are less than clear given numerous market uncertainties. In view of such conditions, the Group shall, in the second half of 2002, focus its efforts on:

- (1) Enhance the organisation and coordination of production operations and improve the operating quality of new plants and units. While ensuring safe and stable production, the Group shall also procure the overall coordination and balancing of production operations, seeking further improvements in the quantity and quality of new operational units of "Phase IV" projects such as the 700,000-ton ethylene plant, so as to draw on the strengths of new units and increase their operating efficiency.
- (2) Further refine our marketing approach, adjusting our strategies and targeted market segments, with a view to expanding the sales of our products given continued growth in production volumes.
- (3) Carry on with our technological improvement endeavours and technology upgrades to enhance the Group's market competitiveness.
- (4) Enhance the efficiency of funds application and reduce the Group's production costs and other expenses by reinforcing financial budgeting controls and enhancing cost management, with a view to enhancing the cost efficiency of the Group as a whole.
- (5) Strengthen the Group's internal management and further improve its management information system.

CHANGE OF SHARE CAPITAL AND MAJOR SHAREHOLDERS

(1) Change of Share Capital

During the six months ended 30 June 2002, there was no change to the Company's share capital structure.

(2) Major Shareholders

- As at the end of the reporting period, the total number of shareholders was 328,113.
- Shareholding of major shareholders

As at 30 June 2002, the top ten shareholders of the Company were as follows:

Rank	Name	Number of Shares held at End of the Period	Percentage of Total Share Capital (%)	Type of Shares
1	China Petroleum & Chemical Corporation	4,000,000,000	55.56	Promoter legal person share
2	HKSCC Nominees Ltd.	1,853,481,401	25.74	H Share
3	Hongkong & Shanghai Banking Corporation (Nominees) Limited	354,402,000	4.92	H Share
4	Shanghai Kangli Gong Mao Company	16,730,000	0.23	Legal person share
5	Zhejiang Province Economic Construction and Investment Company	12,000,000	0.17	Legal person share
6	Hongkong & Shanghai Banking Corporation (Nominees) Limited	10,406,000	0.14	H Share
7	Hali Fund	5,807,500	0.08	A Share
8	Shanghai Textile Material Trading Company	5,500,000	0.08	Legal person share
9	Kaiyuan Fund	5,030,501	0.07	A Share
10	Jingfu Fund	4,600,000	0.06	A Share

Shares held by legal person shareholders holding 5% or more of the Company's shares were not pledged or frozen.

Directors, Supervisors and Senior Management and their Interests in Shares

As at 30 June 2002, the interests held by Directors, Supervisors and senior management in the Company were as follows: (Unit: 1 Share)

Name	Position	Number of Shares Held at the end of the period
Lu Yiping	Chairman and President	3,600
Xu Kaicheng	Vice Chairman	3,600
Rong Guangdao	Director and Vice President	3,600
Feng Jianping	Director and Vice President	3,600
Zhang Zhiliang	Director and Vice President	3,600
Jiang Baoxing	Director	3,600
Li Weichang	Director	1,000
Liu Wenlong	External Director	Nil
Zhang Baojian	External Director	Nil
Zhang Honglin	External Director	Nil
Huang Jian	External Director	Nil
Gu Chuanxun	Independent Director	Nil
Wang Yongshou	Independent Director	Nil
Wang Xingyu	Independent Director	Nil
Du Chongjun	Chairman of Supervisory Committee	1,000
Zhang Chenghua	Supervisor	Nil
Zhu Weiyan	Supervisor	Nil
Zhang Jianjun	External Supervisor	Nil
Lu Xiangyang	External Supervisor	Nil
Chen Xinyuan	Independent Supervisor	Nil
Liu Xiangdong	Independent Supervisor	Nil
Liu Xunfeng	Vice President	1,500
Wu Haijun	Vice President	1,500
Yin Jihai	Vice President	Nil
Han Zhihao	Chief Financial Officer	Nil
Zhang Jingming	Company Secretary	Nil

The above shares held by the above people are A shares of the Company and represent their personal interests. There was no change of the Company's shares held by the Company's Directors, Supervisors and Senior Management during the reporting period. Save as disclosed above, none of the Directors, Supervisors or senior management and their respective associates had any beneficial interest in or right to subscribe for any equity or debt securities of the Company or its associated corporations as at 30 June 2002.

Change of Directors, Supervisors and Senior Management

The terms of office of the third sessions of the Board of Directors and the Supervisory Committee terminated on 18 June 2002. On the same day, the Company convened the 2001 Annual General Meeting and elected Mr. Lu Yiping, Mr. Xu Kaicheng, Mr. Rong Guangdao, Mr. Feng Jianping, Mr. Zhang Zhiliang, Mr. Jiang Baoxing, Mr. Li Weichang, Mr. Liu Wenlong, Mr. Zhang Honglin, Mr. Zhang Baojian, Mr. Huang Jian, Mr. Wang Yongshou, Mr. Gu Chuanxun and Mr. Wang Xingyu as members of the fourth session of the Board of Directors, of whom Mr. Gu Chuanxun, Mr. Wang Yongshou and Mr. Wang Xingyu were elected as Independent Directors; Mr. Du Chongjun, Ms. Zhang Jianjun, Mr. Lu Xiangyang, Mr. Chen Xinyuan and Mr. Liu Xiangdong were elected by the Company as members of the fourth session of the Supervisory Committee, among whom Mr. Chen Xinyuan and Mr. Liu Xiangdong were Independent Supervisors; Mr. Zhang Chenghua and Mr. Zhu Weiyan were elected by the staff democratically as Supervisors representing the staff and members of the fourth session of the Supervisory Committee.

The first meeting of the fourth session of the Board of Directors was convened on 18 June 2002, at which Mr. Lu Yiping was elected as Chairman and Mr. Xu Kaicheng was elected as Vice-Chairman. As nominated by the Board of Directors, Mr. Lu Yiping was appointed as President. As nominated by the President, Mr. Rong Guangdao, Mr. Feng Jianping, Mr. Zhang Zhiliang, Mr. Liu Xunfeng, Mr. Wu Haijun and Mr. Yin Jihai were appointed as Vice-Presidents while Mr. Han Zhihao was appointed as Chief Financial Officer. As nominated by the Chairman, Mr. Zhang Jingming was appointed as Secretary to the Board of Directors.

The first meeting of the fourth Supervisory Committee was convened on 18 June 2002 at which Mr. Du Chongjun was elected as Chairman of the Supervisory Committee.

Mr. He Fei, Independent Director of the third session of the Board of Directors, ceased to be a Director of the Company. Mr. Jin Weicheng, Ms. Xia Jianying and Mr. Liu Xinghan, Supervisors of the third session of the Supervisory Committee ceased to be Supervisors of the Company.

CODE OF BEST PRACTICE

The Company has complied with "The Code of Best Practice" set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2002.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the six months ended 30 June 2002, no shares of the Company were purchased, sold or redeemed by the Company or its subsidiaries.

MAJOR EVENTS

(1) Corporate Governance

During the reporting period, the Company has completed the “Listed Companies Self-Assessment Report on the Establishment of a Modern Enterprise System”, in strict compliance with the requirements of the relevant documents issued by the China Securities Regulatory Commission (“CSRC”).

In order to ensure the disclosure of information in a truthful, accurate, complete and timely manner, and in accordance with the relevant disclosure requirements in CSRC’s “Guidelines for Corporate Governance of Listed Companies”, the first meeting of the fourth board of directors of the Company has reviewed and approved the “Sinopec Shanghai Petrochemical Company Limited Corporate Information Disclosure Internal Control System”.

The Company has taken measures to establish governance structures to improve and protect the rights and interests of the shareholders as a whole, however, there has been some discrepancy with the requirements of the “Guidelines for Corporate Governance of Listed Companies”. Accordingly the Company plans to take the following steps to further improve its corporate governance structures:

1. Amend the Company’s “Articles of Association” as soon as possible, with reference to the “Guidelines for Corporate Governance of Listed Companies”.
2. Further regulate the relationship between the Company and its controlling shareholder.
3. Further improve and regulate the operation of the committees of the Board of Directors.
4. Actively progress and improve the performance assessment and performance-related bonus systems for Directors, Supervisors and senior management.

(2) Interim dividend for 2002

The Board of the Company does not propose to distribute any interim dividend for 2002 or to increase its share capital by transferring any amount from reserve funds.

(3) 2001 Profit Appropriation Plan

Net profit of the Company for the year ended 31 December 2001 amounted to RMB71,604,000 under PRC Accounting Rules and Regulations and RMB116,049,000 under IFRS. After two transfers, each amounting to 10% of the profit after tax, or RMB7,160,000, were made to the statutory surplus reserve and the statutory public welfare fund respectively, profit available for distribution to shareholders amounted to RMB57,284,000 (or RMB101,729,000 under IFRS). Together with RMB515,997,000 (or RMB947,997,000 under IFRS) brought forward from retained profits, profit available for distribution to shareholders was RMB573,281,000 (or RMB617,726,000 under IFRS). The Directors did not recommend the payment of final dividend to all shareholders. The relevant announcement was published in Shanghai Securities Journal, Chinese Securities Journal and South China Morning Post and Hong Kong Commercial Daily on 2 April 2002.

(4) Material Litigation and Arbitration

The Company was not involved in any material litigation or arbitration during the six months ended 30 June 2002.

(5) Acquisition and Sale

There was no significant acquisition and sale made by the Company during the six months ended 30 June 2002.

(6) Major Connected Transactions

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has confirmed that the conditional waivers (the "Waivers") granted to the Company exempting it from compliance with certain ongoing disclosure and shareholders' approval requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to connected transactions as described in the prospectus of the Company dated 6 July 1993 remain valid after the reorganisation of China Petrochemical Corporation ("Sinopec"), the former substantial shareholder of the Company.

Following completion of the reorganisation of Sinopec, the connected transactions which were previously carried out between the Company and Sinopec and their respective associates under the Waivers will be carried out between the Company and China Petroleum & Chemical Corporation and their respective associates. The Stock Exchange has confirmed that these connected transactions are covered by the Waivers on the basis that there is no change in the ultimate controlling shareholder of the Company.

(7) Trust, Sub-contract and Lease Arrangements

During the six months ended 30 June 2002, the Company did not enter into any trust, sub-contract or lease arrangements relating to its own assets or the assets of any other company.

(8) Material Contracts

During the six months ended 30 June 2002, the Company had no material contracts for which the Company did not perform its obligations.

(9) Commitments of the Company or any shareholder with a shareholding above 5% of the total shares in issue

Neither the Company nor any shareholder with a shareholding above 5% of the total shares in issue has disclosed in the designated newspapers or Websites any commitments with any parties.

(10) Deposits

The Company did not have any designated deposit during the six months ended 30 June 2002. As at 30 June 2002, the Company did not have any time deposit which could not be collected upon maturity.

(11) Trust Financial Management

During the six months ended 30 June 2002, no trust financial management was made by the Company.

(12) Auditors

KPMG Huazhen and KPMG were re-appointed as the Company's domestic and international auditors respectively for the year 2002, as approved at the 2001 Annual General Meeting.

(13) Tax Rates

The charge for PRC income tax applicable to the Company is currently calculated at the rate of 15% (2001: 15%). The Company has not received any notice from the Ministry of Finance to the effect that the 15% tax rate will not continue to be applicable to the Company in 2002.

(14) Extraordinary General Meeting

The Company did not hold any Extraordinary General Meeting during the six months ended 30 June 2002.

(15) Disclosure

Save as disclosed above, in relation to major events, or discloseable matters referred to in Article 62 of the Securities Law of the PRC, Article 60 of the Provisional Regulations on the Administration of the Issue and Trading of Shares of the PRC and Article 17 of the Implementing Rules on the Disclosure of Information by Publicly Listed Companies (Trial Implementation), there was no other major event or discloseable matter affecting the Group during the six months ended 30 June 2002 under review.

Documents for inspection

The Company's documents are in good order and ready for inspection, including:

1. Interim report with the signature of the Chairman;
2. The financial statements with signatures and chops of legal representative, chief financial officer and accounting supervisor; and
3. Originals of all the documents and relevant announcements that have been disclosed in the newspapers designated by the China Securities Regulatory Commission during the reporting period.

The above-mentioned documents are available from the Secretary's Office to the Board of Directors at the Company's headquarters.

Address:

The Secretary Office to the Board of Directors, No. 48 Jinyi Road, Jinshan District, Shanghai, PRC

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