

10. Long-term equity investments

	The Group						
	Interests in associates	Equity investment differences	Interests in joint ventures	Interests in non-consolidated subsidiaries	Other unlisted investments	Provision for impairment losses	Total
	(Note(a))	(Note(b))	(Note(c))	(Note(d))		(Note(f))	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2002	178,990	42,931	765,023	209,072	335,848	(4,768)	1,527,096
Additions for the period	-	-	178,260	68,554	22,320	-	269,134
Share of profits less losses from investments accounted for under the equity method	(498)	-	-	-	-	-	(498)
Dividends received	(6,000)	-	-	-	-	-	(6,000)
Disposals for the period	-	-	(10,242)	(11,426)	(1,527)	-	(23,195)
Amortisation for the period	-	(5,072)	-	-	-	-	(5,072)
Balance at 30 June 2002	<u>172,492</u>	<u>37,859</u>	<u>933,041</u>	<u>266,200</u>	<u>356,641</u>	<u>(4,768)</u>	<u>1,761,465</u>

	The Company						
	Interests in associates	Equity investment differences	Interests in joint ventures	Interests in consolidated subsidiaries	Other unlisted investments	Total	
	(Note(a))	(Note(b))	(Note(c))	(Note(e))			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2002	86,947	42,931	626,214	1,609,098	164,024	2,529,214	
Additions for the period	-	-	177,618	82,390	-	260,008	
Share of profits less losses from investments accounted for under the equity method	(10,255)	-	-	59,445	-	49,190	
Amortisation for the period	-	(5,072)	-	-	-	(5,072)	
Balance at 30 June 2002	<u>76,692</u>	<u>37,859</u>	<u>803,832</u>	<u>1,750,933</u>	<u>164,024</u>	<u>2,833,340</u>	

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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 30 June 2002 are as follows:

Company	Percentage of equity			Principal activities
	Registered capital '000	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 Jinzhe Jiulong Petrochemical Company	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

10. Long-term equity investments *(continued)*

- (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 4 to 6 years.
- (c) The Group's interests in joint ventures include an investment of RMB580,000,000 representing a 38.26% equity interest in Shanghai Chemical Industry Park Development Company Limited ("SCIP"), and an investment of RMB223,832,000 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 30 June 2002, the Group had commitments of RMB27,770,000 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 30 June 2002, the Group had commitments of RMB1,272,558,000 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 period ended 30 June 2002 is not material in relation to the profit of the Group for the said period and therefore is not equity accounted for.

- (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 30 June 2002 are as follows:

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10. Long-term equity investments *(continued)*

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 25,500	-	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	-	58.43	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	-	50.38	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.

10. Long-term equity investments (continued)

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

	The Group	
	2002 RMB'000	2001 RMB'000
Balance at 1 January	4,768	7,863
Provision for the period	-	1,960
Written back for the period	-	(5,055)
Balance at 30 June / 31 December	<u>4,768</u>	<u>4,768</u>

At 30 June 2002, the Group and the Company did not have individually significant provision for impairment losses on long-term equity investments.

(g) Major investment changes

At 30 June 2002, 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 at 1 January 2002 RMB'000	Addition for the period RMB'000	Share of profits/ (losses) accounted for under the equity method RMB'000	Dividends received RMB'000	Balance at 30 June 2002 RMB'000
Shanghai Chemical Industry Park Development Company Limited (i)	30 years	38%	560,000	20,000	-	-	580,000
Shanghai Secco Petrochemical Company Limited (i)	50 years	20%	66,214	157,618	-	-	223,832
Shanghai Jinpu Plastics Packaging Material Company Limited	30 years	50%	78,000	-	11,000	(6,000)	83,000
Shanghai Golden Conti Petrochemical Company Limited	30 years	48%	71,000	-	(5,000)	-	66,000
Hangzhou Real Estate Company	30 years	92%	64,000	62,700	-	-	126,700

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10. Long-term equity investments *(continued)*

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 period ended 30 June 2002.

11. Fixed assets
(a) The Group

	Land and buildings RMB'000	Plant, machinery, equipment and others RMB'000	Total RMB'000
Cost or valuation:			
As at 1 January 2002	5,541,572	18,822,883	24,364,455
Additions	42,205	82,866	125,071
Transferred from construction in progress (Note 13)	1,913	3,610,827	3,612,740
Disposals	(32,047)	(139,654)	(171,701)
As at 30 June 2002	5,553,643	22,376,922	27,930,565
Representing:			
Cost	3,867,765	15,848,660	19,716,425
Valuation - in 1993	1,685,878	6,528,262	8,214,140
	5,553,643	22,376,922	27,930,565
Accumulated depreciation:			
As at 1 January 2002	2,332,830	9,339,262	11,672,092
Charge for the period	88,947	645,578	734,525
Written back on disposal	(5,678)	(112,334)	(118,012)
As at 30 June 2002	2,416,099	9,872,506	12,288,605
Net book value:			
As at 30 June 2002	<u>3,137,544</u>	<u>12,504,416</u>	<u>15,641,960</u>
As at 31 December 2001(audited)	<u>3,208,742</u>	<u>9,483,621</u>	<u>12,692,363</u>

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11. Fixed assets *(continued)*

(b) The Company

	Land and buildings RMB'000	Plant, machinery, equipment and others RMB'000	Total RMB'000
Cost or valuation:			
As at 1 January 2002	4,675,177	16,691,916	21,367,093
Additions	249	48,423	48,672
Transferred from construction in progress (Note 13)	1,863	3,607,611	3,609,474
Disposals	(31,936)	(129,808)	(161,744)
As at 30 June 2002	4,645,353	20,218,142	24,863,495
Representing:			
Cost	2,959,475	13,689,880	16,649,355
Valuation - in 1993	1,685,878	6,528,262	8,214,140
	4,645,353	20,218,142	24,863,495
Accumulated depreciation:			
As at 1 January 2002	2,155,764	8,491,461	10,647,225
Charge for the period	71,689	554,244	625,933
Written back on disposal	(5,580)	(104,190)	(109,770)
As at 30 June 2002	2,221,873	8,941,515	11,163,388
Net book value:			
As at 30 June 2002	<u>2,423,480</u>	<u>11,276,627</u>	<u>13,700,107</u>
As at 31 December 2001 (audited)	<u>2,519,413</u>	<u>8,200,455</u>	<u>10,719,868</u>

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

12. Construction materials

	The Group and the Company	
	At 30 June 2002 RMB'000	At 31 December 2001 RMB'000 (audited)
Equipment and accessories	31,744	36,106

13. Construction in progress

	The Group		The Company	
	2002 RMB'000	2001 RMB'000 (audited)	2002 RMB'000	2001 RMB'000 (audited)
Balance at 1 January	4,276,591	2,107,357	4,238,739	2,092,598
Additions	1,803,366	4,246,189	1,694,400	4,207,888
of which:				
Capitalised interest costs	80,462	115,088	78,116	114,420
	6,079,957	6,353,546	5,933,139	6,300,486
Transferred to fixed assets(Note 11)	(3,612,740)	(2,076,955)	(3,609,474)	(2,061,747)
Balance at 30 June/31 December	2,467,217	4,276,591	2,323,665	4,238,739

Construction in progress comprises costs incurred on property, plant and machinery not yet commissioned at 30 June 2002.

At 30 June 2002, the Group's principal construction in progress is as follows:

Project name	Budgeted amount RMB'000	Balance at 1 January 2002 RMB'000	Additions for the period RMB'000	Balance at 30 June 2002 RMB'000	Percentage of completion	Source of funding	Interest
							capitalised for the period ended 30 June 2002 RMB'000
Thermal power plant						Bank loans &	
Phase 2 expansion	810,060	551,945	126,801	678,746	84%	self-financing	17,229
High sulphur-content crude oil processing unit	1,080,880	10,027	480,047	490,074	45%	Bank loans & self-financing	3,880

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13. Construction in progress *(continued)*

Interest capitalised for the period ended 30 June 2002 is as follows:

	The Group RMB'000	The Company RMB'000
Balance at 1 January 2002	128,349	127,681
Additions	80,462	78,116
Transferred to fixed assets	(159,370)	(158,702)
Balance at 30 June 2002	<u>49,441</u>	<u>47,095</u>
Interest rate	<u>5.31%-6.03%</u>	<u>5.31%-6.03%</u>

14. Taxation

(a) Taxation in the income statement represents:

	Six-month periods ended 30 June			
	The Group		The Company	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Provision for PRC income tax for the period	46,798	26,166	31,590	21,378
Tax refund	(141)	-	(141)	-
	<u>46,657</u>	<u>26,166</u>	<u>31,449</u>	<u>21,378</u>

The charge for PRC income tax is calculated at the rate of 15% (2001: 15%) on the estimated assessable profit of the period determined in accordance with relevant income tax rules and regulations. The Group did not carry on business in overseas and Hong Kong and therefore no provision has been made for overseas and Hong Kong income tax.

Pursuant to the document "Cai Shui Zi(1999) No. 290" issued by the Ministry of Finance and the State Administration of Taxation of the PRC on 8 December 1999, the Company received an income tax refund of RMB141,000 (period ended 30 June 2001: RMB Nil) during the period relating to the purchase of equipment produced in the PRC for technological improvements.

14. Taxation (continued)

(b) Taxes payable in the balance sheets represents:

	The Group		The Company	
	At 30 June 2002 RMB'000	At 31 December 2001 RMB'000 (audited)	At 30 June 2002 RMB'000	At 31 December 2001 RMB'000 (audited)
Income tax	28,309	(39,423)	18,219	(39,704)
VAT	36,809	74,565	27,176	74,630
Consumption tax	32,479	33,846	32,479	33,846
Business tax	1,750	2,602	104	372
Other taxes	5,963	18,189	4,340	17,175
	105,310	89,779	82,318	86,319

(c) Deferred taxation

	The Group and the Company	
	2002 RMB'000	2001 RMB'000 (audited)
At 1 January	8,796	13,479
Reversal of deferred taxation arising from provision for inventories and bad debts	-	(4,683)
At 30 June / 31 December	8,796	8,796

Deferred tax asset primarily represents provisions arising from debtors and inventories

There is no significant deferred tax liability not provided for in the financial report.

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15. Short-term loans

The Group's and Company's short-term loans represent:

	The Group		The Company	
	At 30 June 2002 RMB'000	At 31 December 2001 RMB'000 (audited)	At 30 June 2002 RMB'000	At 31 December 2001 RMB'000 (audited)
Short-term bank loans	3,140,419	3,029,500	2,994,919	2,643,000
Short-term loans with related parties(Note 28(g))	400,000	-	400,000	-
	<u>3,540,419</u>	<u>3,029,500</u>	<u>3,394,919</u>	<u>2,643,000</u>

The above loans are unsecured loans without guarantee and payable in full when due. The weighted average interest rate of short-term loans of the Group was 4.21% (2001: 5.85%) at 30 June 2002.

16. Trade creditors, bills payable, receipts in advance and other payables

There are no material trade creditors, receipts in advance and other payables aged over 3 years.

Bills payable are mainly bank bills issued for the purchase of material, merchandises and products, generally due in 3 to 6 months.

Except for the balances disclosed in Note 28(e), there is no amount due to shareholders who held more than 5% shareholding included in the balance of trade creditors, bills payable, receipts in advance and other payables.

Ageing analysis of trade creditors is as follows:

	The Group			
	At 30 June 2002		At 31 December 2001 (audited)	
	Amount RMB'000	Proportion %	Amount RMB'000	Proportion %
Within 3 months	583,393	71.38	657,512	86.43
Between 3 and 6 months	198,001	24.23	73,754	9.70
Over 6 months	35,866	4.39	29,437	3.87
	<u>817,260</u>	<u>100.00</u>	<u>760,703</u>	<u>100.00</u>

16. Trade creditors, bills payable, receipts in advance and other payables (continued)

Ageing analysis of trade creditors is as follows (continued):

	The Company			
	At 30 June 2002		At 31 December 2001 (audited)	
	Amount RMB'000	Proportion %	Amount RMB'000	Proportion %
Within 3 months	477,871	70.24	524,442	88.24
Between 3 and 6 months	197,086	28.97	65,676	11.05
Over 6 months	5,348	0.79	4,233	0.71
	680,305	100.00	594,351	100.00

17. Accrued expenses

At 30 June 2002, the Group's and the Company's accrued expenses primarily represented accrued interest expenses and other operational production expenses.

18. Long-term loans

	The Group		The Company	
	At 30 June 2002	At 31 December 2001	At 30 June 2002	At 31 December 2001
	RMB'000	RMB'000 (audited)	RMB'000	RMB'000 (audited)
After 5 years	26,318	33,503	26,318	33,503
Between 3 and 5 years	1,664,384	1,389,954	1,632,484	1,382,554
Between 2 and 3 years	1,947,231	1,302,002	1,765,244	975,664
Between 1 and 2 years	659,070	738,288	284,247	359,256
	4,297,003	3,463,747	3,708,293	2,750,977
Within 1 year:				
Current portion of long-term loans	1,078,920	1,076,541	683,261	731,502
	5,375,923	4,540,288	4,391,554	3,482,479

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18. Long-term loans (continued)

Long-term loans are analysed as follows:

Repayment terms and last payment date	Interest type	Interest rate at 30 June 2002	Original currency	Exchange rate at 30 June 2002	The Group		The Company	
					At 30 June 2002	At 31 December 2001	At 30 June 2002	At 31 December 2001
					RMB'000	RMB'000	RMB'000	RMB'000
						(audited)		(audited)
Arranged by Central Treasury of the Company:								
U.S. Dollar denominated:								
Payable semi-annually through 2002	Fixed	6.20%	-	8.2771	-	49,660	-	49,660
Payable semi-annually through 2003	Floating	LIBOR+0.6%	8,732	8.2771	72,276	108,407	72,276	108,407
Payable semi-annually through 2004 (Note(a))	Fixed	7.10%	5,438	8.2771	45,010	54,009	45,010	54,009
Payable semi-annually through 2008 (Note(a))	Fixed	1.50%	10,800	8.2771	89,393	96,836	89,393	96,836
Payable semi-annually through 2015 (Note(a))	Floating	LIBOR+0.5%	2,191	8.2771	18,135	18,054	18,135	18,054
Due in 2004	Floating	LIBOR+0.5%	-	8.2771	-	41,383	-	41,383
Renminbi denominated:								
Due in 2002	Floating	6.03%			195,000	395,000	195,000	395,000
Due in 2003	Floating	5.94%			288,840	288,840	288,840	288,840
Due in 2004	Floating	5.49%-5.94%			1,150,000	900,000	1,150,000	900,000
Due in 2005	Floating	5.05%-6.03%			1,190,000	350,000	1,190,000	350,000
Due in 2006	Floating	5.58%-6.03%			1,000,000	1,000,000	1,000,000	1,000,000
Due in 2007	Floating	5.73%			250,000	-	250,000	-
Other loans due in 2003	-	Interest free			15,000	15,000	15,000	15,000
Arranged by individual plants of the Company:								
Renminbi denominated:								
Due in 2002	Floating	5.85%-6.03%			77,900	165,290	77,900	165,290

18. Long-term loans (continued)

Repayment terms and last payment date	Interest type	Interest rate at 30 June 2002	Original currency	Exchange rate at 30 June 2002	The Group		The Company	
					At 30 June 2002	December 2001	At 30 June 2002	December 2001
					RMB'000	RMB'000	RMB'000	RMB'000
						At 31		At 31
						December 2001		December 2001
						(audited)		(audited)
Arranged by subsidiaries of the Company								
U.S. Dollar denominated:								
Payable semi-annually through 2002	Floating	LIBOR+0.5%	-	8.2771	-	13,794	-	-
Payable semi-annually through 2004	Floating	2.45%	16,846	8.2771	139,445	160,506	-	-
Payable annually through 2004	-	Interest free	2,919	8.2771	24,155	24,155	-	-
Japanese Yen denominated:								
Payable semi-annually through 2004	Fixed	5.6%-5.65%	1,130,598	0.0689	77,904	87,489	-	-
Renminbi denominated:								
Payable semi-annually through 2003	-	Interest free			44,510	59,110	-	-
Payable semi-annually through 2004	Floating	6.21%			102,200	136,300	-	-
Payable semi-annually from 2003 through 2004	Floating	7.13%			45,000	45,000	-	-
Payable annually through 2004(Note(a))	-	Interest free			377,055	381,855	-	-
Payable annually through 2005(Note(a))	-	Interest free			29,600	29,600	-	-
Due in 2002	Floating	4.95%			15,000	15,000	-	-
Due in 2003(Note(a))	Floating	6.24%-7.13%			65,000	65,000	-	-
Due in 2004(Note(a))	Floating	6.24%			40,000	40,000	-	-
Due in 2007(Note(a))	Floating	5.58%			24,500	-	-	-
Total long-term bank loans outstanding					5,375,923	4,540,288	4,391,554	3,482,479
Less: Amounts due within one year					(1,078,920)	(1,076,541)	(683,261)	(731,502)
Amounts due after one year					4,297,003	3,463,747	3,708,293	2,750,977

Note: (a) Guaranteed by China Petrochemical Corporation

Except for loans indicated as guaranteed, all loans are unsecured loans without guarantee.

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19. Other long-term liabilities

Deferred income

	The Group	
	2002 RMB'000	2001 RMB'000 (audited)
Cost:		
As at 1 January and at 30 June / 31 December	115,177	115,177
Accumulated amortisation:		
As at 1 January	46,072	34,554
Amortisation for period / year	5,759	11,518
As at 30 June / 31 December	51,831	46,072
Net book value:		
At 30 June / 31 December	63,346	69,105

In 1998, the Group obtained the assets, liabilities and employees of certain businesses and various other net assets from the community of Jinshanwei without monetary consideration. The value of net assets obtained amounted to RMB115,177,000 and was recorded as deferred income in the consolidated financial report.

20. Share capital

	The Group and the Company	
	At 30 June 2002 RMB'000	At 31 December 2001 RMB'000 (audited)
Registered capital:		
4,870,000,000 A shares of RMB 1 each	4,870,000	4,870,000
2,330,000,000 H shares of RMB 1 each	2,330,000	2,330,000
	<u>7,200,000</u>	<u>7,200,000</u>
Issued and paid up capital		
Shares not in trade:		
4,150,000,000 A shares of RMB 1 each		
of which:		
Domestic legal persons owned shares	4,150,000	4,150,000
Total shares not in trade	<u>4,150,000</u>	<u>4,150,000</u>
Shares in trade:		
720,000,000 A shares of RMB 1 each		
2,330,000,000 H shares of RMB 1 each		
of which:		
RMB ordinary A shares listed in the PRC	720,000	720,000
Foreign investment H shares listed overseas	2,330,000	2,330,000
Total shares in trade	<u>3,050,000</u>	<u>3,050,000</u>
Total share capital	<u>7,200,000</u>	<u>7,200,000</u>

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

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21. Capital reserves

	The Group and the Company	
	2002	2001
	RMB'000	RMB'000 (audited)
Balance at 30 June / 31 December	2,856,278	2,856,278

Balance of capital reserves at 30 June 2002 and 31 December 2001 is represented by:

	Note	The Group and the Company	
		At 30 June 2002	At 31 December 2001
		RMB'000	RMB'000 (audited)
Share premium		2,420,841	2,420,841
Safety fund	(a)	4,180	4,180
Valuation surplus	(b)	44,887	44,887
Government grants	(c)	386,370	386,370
		2,856,278	2,856,278

- (a) The safety fund represents gifts or grants received from China Petrochemical Corporation for enhancement of production safety.
- (b) Valuation surplus represents the excess of fair value over the carrying value of assets given up in part exchange for investments.
- (c) Government grants represent grants received for the purchase of equipment used for technology improvements.

22. Surplus reserves

	The Group and the Company					Total
	Statutory surplus reserve	Statutory public welfare fund	General surplus reserve	Discretionary surplus reserve		
	Note					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2001		824,051	741,962	82,089	1,280,514	2,928,616
Transferred from the income statement	(a)	7,160	7,160	-	-	14,320
Balance at 1 January and 30 June 2002		<u>831,211</u>	<u>749,122</u>	<u>82,089</u>	<u>1,280,514</u>	<u>2,942,936</u>

(a) Appropriation of profit was made in accordance with the relevant rules and regulations of the Company Law and the Articles of Association of the Company.

23. Income from principal operations

The Group's principal activity is the processing of crude oil into petrochemical products for sale and substantially all of its products are sold in the PRC domestic markets.

Income from principal operations represents the invoiced value of goods sold to customers, net of VAT.

The five largest customers for the period ended 30 June 2002 are shown below:

Name of entity	Amount RMB'000	Proportion
Sinopec Huadong Sales Company	2,870,815	30.1%
China International United Petroleum & Chemicals Co.,Ltd	206,949	2.2%
China Petroleum & Chemical Corporation Shanghai Gaoqiao Branch	141,592	1.5%
Shanghai GuoJia Plastics & Chemical Company Limited	49,440	0.5%
Shanghai Jiaside Industrial Company Limited	41,210	0.4%

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24. Business taxes and surcharges

	Six-month periods ended 30 June			
	The Group		The Company	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Consumption tax	207,680	218,733	207,680	218,664
City construction tax	49,291	46,550	38,649	37,008
Education surcharge	18,147	16,327	16,564	15,861
	275,118	281,610	262,893	271,533

25. Financial expenses

	Six-month periods ended 30 June			
	The Group		The Company	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	(11,466)	(22,188)	(7,480)	(17,735)
Interest expenses	183,567	158,931	158,835	125,503
Exchange gain	(4,596)	(10,618)	(3,642)	-
Exchange loss	7,673	3,120	420	3,064
Others	2,665	1,663	1,965	1,097
	177,843	130,908	150,098	111,929

26. Investment income / (losses)

	Six-month periods ended 30 June			
	The Group		The Company	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Cost method	24,024	13,647	11,368	2,283
Share of profits of subsidiaries	-	-	59,445	40,968
Share of losses of associates	(498)	(18,744)	(10,255)	(18,744)
Amortisation of equity investment differences	(5,072)	(5,072)	(5,072)	(5,072)
	18,454	(10,169)	55,486	19,435

27. Non-operating expenses

	Six-month periods ended 30 June			
	The Group		The Company	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Loss on disposal of fixed assets	44,364	4,640	42,912	5,340
Service fee	3,000	7,000	3,000	7,000
Donations	1,000	750	1,000	750
Employee reduction expenses	-	77,302	-	77,302
Other expenses	3,261	8,712	2,763	7,703
	51,625	98,404	49,675	98,095

There was no employee reduction expenses incurred during the six-month ended 30 June 2002. In accordance with the Sinopec Group's employee reduction plan, the Company recorded employee reduction expenses of RMB77,302,000 during the six-month period ended 30 June 2001.

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28. Related parties and related party transactions

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

Name of company	:	China Petroleum & Chemical Corporation ("Sinopec Corp")
Registered address	:	No.6, Hui Xin Dong Jie Jia, Chao Yang Qu, Beijing
Scope of operations	:	Oil and gas operations consisting of exploring for, developing and producing crude oil and natural gas; transporting crude oil, natural gas and products by pipelines; refining crude oil into finished petroleum products; and marketing crude oil, natural gas and refined petroleum products. Chemical operations including the manufacturing and marketing of a wide range of chemicals for industrial uses.
Relationship with the Company	:	The immediate parent company
Economic nature	:	Joint stock limited company
Legal representative	:	Li Yizhong
Registered capital	:	RMB86.7billion

As at 30 June 2002, Sinopec Corp held 4 billion shares of the Company.

- (b) Other related parties

China Petrochemical Corporation (the ultimate parent company)

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

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

Sinopec Huadong Sales Company Limited (subsidiary of the immediate parent company)

28. Related parties and related party transactions (continued)

- (c) Most of the transactions undertaken by the Group during the reporting period have been effected with such counterparties and on such terms as have been determined by Sinopec Corp and other relevant PRC authorities.

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

	Six-month periods ended 30 June	
	2002	2001
	RMB'000	RMB'000
Purchases of crude oil	4,978,349	5,808,928

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

	Six-month periods ended 30 June	
	2002	2001
	RMB'000	RMB'000
Sales	3,233,273	3,988,636
Purchases	209,884	-
Repairing charges	117,456	48,330
Insurance expenses	35,935	38,119
Net withdrawal from deposits with related parties	137,431	337,037
Interest income	268	4,045
Net loans obtained from related parties	400,000	-
Interest expense	2,159	-
Transportation fees	4,039	2,000
Construction and installation fees	377,149	351,912

The sales and purchases transactions between the Group and the other related parties as disclosed in note (b) accounted for approximately 90% of the related party transactions of the similar nature.

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

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

(e) The Group's balances with related parties are as follow:

	Immediate Parent Company		Other related parties	
	At 30 June 2002 RMB'000	At 31 December 2001 RMB'000 (audited)	At 30 June 2002 RMB'000	At 31 December 2001 RMB'000 (audited)
Bills receivable	11,269	11,111	-	-
Trade debtors	47,347	38,987	104,897	4,222
Advance payments	-	-	19,732	-
Bills payable	186,118	192,564	424,127	273,246
Trade creditors	122,747	38,936	15,423	462
Other payables	70,954	66,695	6,360	19,509

(f) Deposits with related parties

	The Group		The Company	
	At 30 June 2002 RMB'000	At 31 December 2001 RMB'000 (audited)	At 30 June 2002 RMB'000	At 31 December 2001 RMB'000 (audited)
Cash at bank	66,744	204,175	59,956	203,794

(g) Loans with related parties

	The Group		The Company	
	At 30 June 2002 RMB'000	At 31 December 2001 RMB'000 (audited)	At 30 June 2002 RMB'000	At 31 December 2001 RMB'000 (audited)
Short-term loan	400,000	-	400,000	-

29. Capital commitments

Capital commitments outstanding at 30 June 2002 and 31 December 2001 are as follows:

	<u>The Group and the Company</u>	
	<u>At 30 June</u>	<u>At 31 December</u>
	<u>2002</u>	<u>2001</u>
	RMB'000	RMB'000
<u>Property, plant and equipment</u>		
Contracted but not provided for	3,260,750	4,631,866
Authorised by the Board but not contracted for	893,261	1,122,193
	4,154,011	5,754,059
<u>Investment</u>		
Contracted but not provided for	1,300,328	1,477,946
	5,454,339	7,232,005

30. Contingent liabilities

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

	<u>The Group</u>		<u>The Company</u>	
	<u>At 30 June</u>	<u>At 31 December</u>	<u>At 30 June</u>	<u>At 31 December</u>
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
		(audited)		(audited)
Guarantees issued to banks in favour of:				
-subsidiaries	-	-	869,328	1,164,637
-associates	236,830	315,830	221,830	315,830
-joint ventures	63,491	119,766	53,720	88,530
	300,321	435,596	1,144,878	1,568,997

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

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31. Retirement schemes

As stipulated by the relevant regulations, 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 up 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 account 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. During the six-month period ended 30 June 2002, the Company's contribution to this plan amounted to RMB11,564,000 (period ended 30 June 2001: RMB12,970,000).

32. Events after the balance sheet date

To the date of this report, the Group has no significant events after the balance sheet date that need to be disclosed.

33. Segment reporting
Income from principal operations

	Six-month periods ended 30 June	
	2002	2001
	RMB'000	RMB'000
Synthetic Fibres		
External sales	1,648,124	1,259,249
Intersegment sales	5,609	1,358
Sub-total	1,653,733	1,260,607

Resins and Plastics		
External sales	2,696,553	2,558,697
Intersegment sales	11,519	11,077
Sub-total	2,708,072	2,569,774

Intermediate Petrochemicals		
External sales	1,334,629	1,177,029
Intersegment sales	2,462,505	2,364,579
Sub-total	3,797,134	3,541,608

Petroleum Products		
External sales	3,477,123	4,393,875
Intersegment sales	297,615	281,095
Sub-total	3,774,738	4,674,970

All Others		
External sales	366,594	371,247
Intersegment sales	1,485,347	606,911
Sub-total	1,851,941	978,158

Eliminations of intersegment sales	(4,262,595)	(3,265,020)

Total	9,523,023	9,760,097

External Sales include sales to subsidiaries of Sinopec Corp.

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33. Segment reporting *(continued)*

Cost of principal operations

	<u>Six-month periods ended 30 June</u>	
	2002	2001
	RMB'000	RMB'000
Synthetic Fibres	1,544,330	1,193,543
Resins and Plastics	2,324,428	2,172,446
Intermediate Petrochemicals	1,062,801	973,401
Petroleum Products	2,980,643	3,933,183
All Others	150,941	199,774
Total	<u>8,063,143</u>	<u>8,472,347</u>

Gross profit of principal operations

	<u>Six-month periods ended 30 June</u>	
	2002	2001
	RMB'000	RMB'000
Synthetic Fibres	93,445	59,136
Resins and Plastics	356,507	373,620
Intermediate Petrochemicals	263,189	195,307
Petroleum Products	266,284	216,273
All Others	205,337	161,804
Total	<u>1,184,762</u>	<u>1,006,140</u>