

Notes to the Financial Statements

(Prepared under International Financial Reporting Standards)

1 Significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set out below:

(a) Statement of compliance

The financial statements of Sinopec Shanghai Petrochemical Company Limited (“the Company”) and its subsidiaries (collectively “the Group”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board (“IASB”). IFRS includes International Accounting Standards (“IAS”) and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company also prepares a set of financial statements which complies with the People’s Republic of China (“PRC”) Accounting Rules and Regulations. A reconciliation of the Group’s results and the Group and the Company’s shareholders’ equity prepared under IFRS and PRC Accounting Rules and Regulations is presented in section C.

(b) Basis of preparation

The consolidated financial statements are prepared on the historical cost basis as modified by the revaluation of certain property, plant and equipment where stated in note 1(d). The accounting policies have been consistently applied by the Group. As described in note 25(g) to the financial statements, land use rights are carried at cost less amortisation effective 1 January 2002. The effect of this change resulted in a decrease in the shareholders’ equity as of 1 January 2002.

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements of the Group include the financial statements of the Company and all of its principal subsidiaries. Subsidiaries are those enterprises 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 financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The share of results attributable to minority interests is deducted from or added to profit after tax.

1 Significant accounting policies (continued)

(c) Basis of consolidation (continued)

(ii) Associates

Associates are those enterprises in which the Company or the Group has significant influence, but not control, over the financial and operating policies. The Company's financial statements and the Group's consolidated financial statements include the Company's and the Group's share of the total recognised gains and losses of the principal associates on an equity accounted basis respectively, from the date that significant influence commences until the date that significant influence ceases. When the Company's or the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company or the Group has incurred obligations in respect of the associate.

(iii) Transactions eliminated on consolidation

All material intercompany transactions and balances, and any unrealised gains arising from intercompany transactions, are eliminated on consolidation.

(iv) Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of their net identifiable assets on acquisition. Goodwill is stated at cost less amortisation and impairment losses (see note 1(r)). Amortisation is charged on a straight-line basis to the income statement over its economic useful life.

Negative goodwill arising on acquisition represents the excess of the fair value of the net identifiable assets of subsidiaries acquired over the cost of acquisition. Negative goodwill is, where material, credited to deferred income which is recognised in the income statement on a systematic basis.

(d) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost or valuation (see note 12(d)) less accumulated depreciation and impairment losses (see note 1(r)). Revaluations are performed periodically to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

(i) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the component being written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

1 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Depreciation and amortisation

Depreciation is provided to write off the costs/revalued amount of property, plant and equipment over their estimated useful lives on a straight-line basis, after taking into account their estimated residual values, as follows:

Buildings	15 to 40 years
Plant, machinery, equipment and others	5 to 14 years

(iii) Retirement or disposal

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.

(iv) Lease prepayments

Lease prepayments represent land use rights paid to the PRC's land bureau. Land use rights are carried at cost and amortised on a straight-line basis over the respective periods of the rights. At 31 December 2002, lease prepayments which comprise of land use rights have been presented in a separate balance sheet caption. Accordingly, the comparative amount at 31 December 2001 which was previously included in property, plant and equipment was reclassified to conform with the current year's presentation.

(e) Construction in progress

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost less government grants that compensate the Company for the cost of construction, and impairment losses (see note 1(r)). 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.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided in respect of construction in progress.

(f) Investments in subsidiaries

In the Company's financial statements, investments in subsidiaries are accounted for using the equity method.

(g) Investments

Investments in unlisted equity securities are stated at cost less provision for impairment losses (see note 1(r)). A provision is made where, in the opinion of management, the carrying amount of the investments exceeds its recoverable amount.

1 Significant accounting policies (continued)

(h) 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 sale.

When inventories are sold, the carrying amount of the 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. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

(i) Trade debtors

Trade debtors are stated at cost less allowance for doubtful accounts. An allowance for doubtful accounts is provided based upon the evaluation of the recoverability of these accounts at the balance sheet date.

(j) Cash and cash equivalents

Cash equivalents consist of time deposits with financial institutions with an initial term of less than three months when purchased. Cash equivalents are stated at cost, which approximates fair value.

(k) Translation of foreign currencies

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. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Renminbi at the foreign exchange rate ruling at the date of the transaction.

Foreign currency translation differences relating to funds borrowed to finance the construction of property, plant and equipment 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.

1 Significant accounting policies (continued)

(l) Revenue recognition

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes value added tax and is after deduction of any trade discounts and returns. Revenue from the rendering of services is recognised in the income statement upon performance of the services. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the possible return of goods, or when the amount of revenue and the costs incurred or to be incurred in respect of the transaction cannot be measured reliably.

Dividend income is recognised when the shareholder's right to receive payment is established.

(m) Grants

Capital-based government grants consist of grants for the purchase of equipment used for technology improvements. Such grants are offset against the cost of asset to which the grant related and are recognised in the income statement on a systematic basis over the useful life of the asset.

(n) Net financing costs

Net financing costs comprise interest expense on borrowings, interest income on bank deposits, foreign exchange gains and losses and bank charges.

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

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of net financing costs, except to the extent that they are capitalised as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(o) Repairs and maintenance expenses

Repairs and maintenance expenses, including cost of major overhaul, are charged to the income statement as and when they are incurred.

(p) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

1 Significant accounting policies (continued)

(q) Retirement benefits

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 27.

(r) 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 an impairment loss recognised for an asset in prior years may no longer exist. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A subsequent increase in the recoverable amount of an asset, when the circumstances and events that led to the write-down or write-off cease to exist, is recognised as income. The reversal is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

(s) Deferred income

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

(t) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(u) Income tax

Income tax on the income statement for the year comprises current and deferred 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.

1 Significant accounting policies (continued)

(u) Income tax (continued)

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, except differences relating to goodwill not deductible for tax purposes and the initial recognition of assets or liabilities which affect neither accounting nor taxable income. 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. The effect on deferred tax of any changes in tax rates is charged to the income statement.

A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the assets 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.

(v) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(w) Related parties

For the purposes of these financial statements, 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.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services and is subject to risks and rewards that are different from those of other segments.

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

2 Turnover

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.

Turnover represents the sales value of goods sold to customers, net of value added tax and is after deduction of any sales discounts and returns.

3 Other operating income

	2002	2001
	RMB'000	RMB'000
Income from rendering of services	63,739	66,939
Income from joint ventures and other unlisted investments	36,505	44,727
Amortisation of deferred income (Note 20)	14,822	14,822
Others	21,565	33,534
	136,631	160,022

4 Other operating expenses

	2002	2001
	RMB'000	RMB'000
Employee reduction expenses (Note 5)	-	171,033
Loss on disposal of property, plant and equipment	85,134	15,444
Amortisation of goodwill (Note 17)	13,448	13,448
Service fee	26,798	7,000
Donation	1,699	1,425
Others	27,756	8,991
	154,835	217,341

5 Employee reduction expenses

In accordance with the Group's voluntary employee reduction plan, the Group recorded employee reduction expenses of RMB 171,033,000 during the year ended 31 December 2001 in respect of the voluntary resignation of approximately 1,500 employees.

There was no employee reduction expenses incurred during the year ended 31 December 2002.

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

6. Net financing costs

	2002	2001
	RMB'000	RMB'000
Interest on bank loans and advances	523,500	445,469
Less: Amount capitalised as construction in progress*	(101,753)	(167,376)
Interest expenses, net	421,747	278,093
Interest income	(25,015)	(40,719)
Foreign exchange loss/(gain), net	3,924	(9,616)
	400,656	227,758

* Borrowing costs have been capitalised at a rate of between 4.18% and 6.03% per annum (2001: 5.85% - 6.03%) for construction in progress.

7. Profit before tax

Profit before tax is arrived at after charging:

	2002	2001
	RMB'000	RMB'000
Cost of inventories#	19,853,928	18,803,044
Depreciation#	1,585,823	1,359,642
Repairs and maintenance expenses#	673,255	614,907
Research and development costs#	83,952	40,808
Employer's pension costs		
- Municipal retirement scheme costs#	168,747	182,975
- Supplementary retirement scheme costs#	24,781	25,741
Staff costs#	1,079,318	1,067,441
Auditors' remuneration	4,510	4,950

Cost of inventories includes RMB 3,615,876,000 (2001: RMB 3,291,514,000) relating to staff costs, depreciation, repairs and maintenance expenses, research and development costs and pension costs, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

The profit attributable to shareholders of RMB 916,365,000 (2001: RMB 116,049,000) has been dealt with in the financial statements of the Company.

8 Directors' and supervisors' emoluments

Directors' and supervisors' emoluments:

	2002	2001
	RMB'000	RMB'000
Directors' fees	-	-
Salaries and other benefits	394	388
Retirement scheme contributions	50	51
Discretionary bonuses	1,148	812
	1,592	1,251

Salaries and other benefits paid to independent non-executive directors and supervisors amounted to RMB Nil and RMB 370,209 respectively (2001: RMB Nil and RMB 286,136 respectively).

The remuneration of the directors and supervisors are within the following band:

Hong Kong dollars	Number of directors and supervisors	
	2002	2001
0-1,000,000	21	22

The five highest paid individuals in the Group in 2002 and 2001 were all executive directors whose total emoluments have been shown above.

9 Taxation

(a) Taxation in the consolidated income statement represents:

	2002	2001
	RMB'000	RMB'000
Provision for PRC income tax for the year	155,874	7,948
Deferred taxation(Note9(b)(ii))	(4,975)	12,526
	150,899	20,474
Tax refund	(66,405)	(19,318)
	84,494	1,156

9 Taxation (continued)

(a) Taxation in the consolidated income statement represents: (continued)

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 RMB 66,405,000 (2001: RMB 19,318,000) during the year relating to the purchase of equipment produced in the PRC for technological improvements.

A reconciliation of income tax calculated at the applicable tax rate with income tax expense is as follows:

	2002 RMB'000	2001 RMB'000
Profit before taxation	1,045,038	145,797
Expected PRC tax at statutory tax rate of 15%	156,756	21,870
Non-deductible expenses	-	3,095
Non-taxable earnings	(10,108)	(4,975)
Income tax refund	(66,405)	(19,318)
Differential tax rate on subsidiaries income	4,251	484
Income tax expense	84,494	1,156

The charge for PRC income tax is calculated at the rate of 15% (2001: 15%) on the estimated assessable income of the year determined in accordance with relevant income tax rules and regulations. The Group did not carry on business overseas and in Hong Kong and therefore does not incur overseas and Hong Kong income taxes. The Company has not received notice from the Ministry of Finance that the 15% tax rate will continue to be applicable to the Company in 2003. As such, it is possible that the Company's tax rate will increase in 2003.

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

9 Taxation (continued)

(b) Deferred taxation:

- (i) Deferred tax assets and deferred tax liabilities are attributable to the items detailed in the table below:

	The Group and the Company					
	Assets		Liabilities		Net balance	
	2002	2001	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Current</i>						
Provisions	15,171	8,796	-	-	15,171	8,796
<i>Non-current</i>						
Land use rights (Note)	20,978	21,503	-	-	20,978	21,503
Capitalisation of borrowing costs	-	-	(8,718)	(7,843)	(8,718)	(7,843)
Deferred tax assets/(liabilities)	36,149	30,299	(8,718)	(7,843)	27,431	22,456

There is no other significant deferred tax asset or liability that has not been provided for in the financial statements.

- (ii) Movements in the deferred tax assets and liabilities are as follows:

	The Group and the Company		
	Balance at	Recognised	Balance at
	1 January	in income	31 December
	2002	statement	2002
	RMB'000	RMB'000	RMB'000
<i>Current</i>			
Provisions	8,796	6,375	15,171
<i>Non-current</i>			
Land use rights (Note)	21,503	(525)	20,978
Capitalisation of borrowing costs	(7,843)	(875)	(8,718)
Net deferred tax assets	22,456	4,975	27,431

Note: As described in note 25(g) to the financial statement, land use rights are carried at cost effective 1 January 2002. Accordingly, the surplus on the revaluation of land use rights net of deferred asset are reversed to shareholders' equity.

10 Dividend

(a) Dividend attributable to the year

	The Group and the Company	
	2002	2001
	RMB'000	RMB'000
Final dividend proposed after the balance sheet date of RMB 0.05 per share (2001: RMB Nil per share)	360,000	-

Pursuant to a resolution passed at the directors' meeting on 26 March 2003, a final dividend of RMB 0.05 per share totalling RMB 360,000,000 (2001: RMB Nil) was proposed for shareholders' approval at the Annual General Meeting. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividend attributable to the previous financial year, approved and paid during the year

	The Group and the Company	
	2002	2001
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB Nil per share (2001: RMB 0.06 per share)	-	432,000

11 Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of RMB 916,365,000 (2001: RMB 116,049,000) and 7,200,000,000 (2001: 7,200,000,000) shares in issue during the year.

The amount of diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence for either year.

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

12 Property, plant and equipment

(a) The Group

	Buildings	Plant and other fixed assets	Total
	RMB'000	RMB'000	RMB'000
Cost or valuation:			
At 1 January 2002	4,677,058	18,764,223	23,441,281
Additions	42,010	173,093	215,103
Transferred from construction in progress (Note 13)	70,451	5,324,240	5,394,691
Disposals	(57,656)	(350,445)	(408,101)
At 31 December 2002	4,731,863	23,911,111	28,642,974
Accumulated depreciation:			
At 1 January 2002	2,207,599	9,339,262	11,546,861
Charge for the year	163,348	1,422,475	1,585,823
Written back on disposal	(11,978)	(287,225)	(299,203)
At 31 December 2002	2,358,969	10,474,512	12,833,481
Net book value:			
At 31 December 2002	2,372,894	13,436,599	15,809,493
At 31 December 2001	2,469,459	9,424,961	11,894,420

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

12. Property, plant and equipment (continued)

(b) The Company

	Buildings RMB'000	Plant and other fixed assets RMB'000	Total RMB'000
Cost or valuation:			
At 1 January 2002	3,921,143	16,633,256	20,554,399
Additions	249	113,980	114,229
Transferred from / (to) subsidiaries, net	57,830	(91,561)	(33,731)
Transferred from construction in progress (Note 13)	59,620	5,092,626	5,152,246
Disposals	(49,306)	(283,957)	(333,263)
At 31 December 2002	3,989,536	21,464,344	25,453,880
Accumulated depreciation:			
At 1 January 2002	2,044,833	8,491,461	10,536,294
Charge for the year	130,302	1,264,082	1,394,384
Transferred to subsidiaries, net	(16,557)	(153,024)	(169,581)
Written back on disposal	(9,459)	(249,463)	(258,922)
At 31 December 2002	2,149,119	9,353,056	11,502,175
Net book value:			
At 31 December 2002	1,840,417	12,111,288	13,951,705
At 31 December 2001	1,876,310	8,141,795	10,018,105

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

12. Property, plant and equipment (continued)

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

Buildings in Hong Kong with a net book value of RMB 38,870,000 (2001: RMB 40,056,000) were held under medium-term leases.

- (d) The Company was established in the PRC on 29 June 1993 as a joint stock limited company as part of the restructuring of Shanghai Petrochemical Complex ("SPC"). On the same date, the principal business undertakings of SPC together with the relevant assets and liabilities were taken over by the Company. As required by the relevant PRC rules and regulations, a valuation of the assets and liabilities to be injected into the Company was carried out as at 1 January 1993 by the State-owned Assets Administration Bureau and the injected assets and liabilities were reflected in the financial statements on this basis.

In accordance with IAS 16, subsequent to this revaluation, which was based on depreciated replacement costs, property, plant and equipment are carried at revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Revaluation is performed periodically to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Based on a revaluation performed as of 30 September 1999, which was based on depreciated replacement costs, the carrying value of property, plant and equipment did not differ materially from their fair value.

13 Construction in progress

	The Group		The Company	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
At 1 January	4,001,169	1,720,987	3,963,317	1,706,228
Additions	2,290,320	4,298,477	2,042,797	4,260,176
Transferred to property, plant and equipment (Note 12)	(5,394,691)	(2,018,295)	(5,152,246)	(2,003,087)
At 31 December	896,798	4,001,169	853,868	3,963,317

Construction in progress comprises costs incurred on property, plant and equipment not yet commissioned at 31 December 2002, after deducting government grants totalling RMB Nil (2001: RMB 327,710,000) that compensate the Company for the cost of construction.

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

14. Interests in subsidiaries

	2002 RMB'000	2001 RMB'000
Share of net assets	1,873,102	1,564,211
Amounts due from subsidiaries	262,007	410,996
Goodwill	-	62,759
Negative goodwill (Note 20)	(16,524)	(19,828)
	2,118,585	2,018,138

The above amount represents the Company's interest in its consolidated subsidiaries. The particulars of these 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 2002 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 25,500	-	81.46	Trading in petrochemical products
Shanghai Jindong Petrochemical Industrial Company Limited	RMB 40,000	-	60	Trading in petrochemical products

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

14. Interests in subsidiaries (continued)

Company	Registered capital '000	Percentage of equity		Principal activities
		held by the Company %	held by subsidiaries %	
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 compound 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 products

None of the subsidiaries has issued any debt securities.

In 2002, one of the Group's wholly owned subsidiaries, Shanghai Jinyang Acrylic Fibre Plant ("Jinyang") was deregistered.

Since then, Jinyang's operations were combined with the Company's Acrylic Fibre Division and all of its assets and liabilities were transferred to the Company on the same date at carrying value.

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

15. Interests in associates

	The Group		The Company	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	1,044,217	178,990	838,768	86,947

The above amount represents the share of net assets of the Group's interest in its associates. The particulars of these associates, which are limited companies established and operating in the PRC, which principally affected the results or assets of the Group at 31 December 2002 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\$ 20,204	-	50	Production of polypropylene film
Zhejiang Jiulong Petrochemical Company	RMB 15,000	-	50	Trading in petrochemical products
Shanghai YaNan Electrical Appliances Company	RMB 5,420	-	44	Trading of electrical appliances
SPC XinLian Entertainment Company	RMB 11,000	-	36	Catering services
XinLian Special Sealings Company	RMB 5,000	-	33	Production of special sealing material
Shanghai Secco Petrochemical Company Limited	US\$ 901,441	20	-	Manufacturing and distribution of chemical products
Shanghai Chemical Industry Park Development Company Limited	RMB 2,372,439	38.26	-	Planning, development and operation of the Chemical Industry Park in Shanghai, PRC

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

16. Investments

	The Group		The Company	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Investments in joint ventures	121,691	765,023	-	626,214
Investments in non-consolidated subsidiaries(unlisted)	287,740	209,072	-	-
Other unlisted investments	334,724	335,848	164,024	164,024
	744,155	1,309,943	164,024	790,238
Less: Provision	(9,658)	(4,768)	-	-
	734,497	1,305,175	164,024	790,238

The Group's other investments 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 investments during the year ended 31 December 2002 is not material in relation to the profit of the Group for the said period and therefore is not equity accounted for.

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

17. Goodwill

	The Group		The Company	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January	134,482	134,482	-	-
Reclassification from interests in subsidiaries	-	-	134,482	-
At 31 December	134,482	134,482	134,482	-
Accumulated amortisation:				
At 1 January	71,723	58,275	-	-
Reclassification from interests in subsidiaries	-	-	85,171	-
Amortisation for the year (Note 4)	13,448	13,448	-	-
At 31 December	85,171	71,723	85,171	-
	49,311	62,759	49,311	-

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

17. Goodwill (continued)

On 16 August 1996, the Company acquired the entire equity interest in Shanghai Jinyang Acrylic Fibre Plant ("Jinyang") for consideration of RMB38,800,000 satisfied in cash. Goodwill of RMB 134,482,000 on acquisition has been recognised in the financial statements and was included in interests in subsidiaries. Such goodwill was amortised over 10 years which is the remaining economic useful life of the related plants of this subsidiary.

In 2002, Jinyang's operations were combined with the Company's Acrylic Fibre Division and all of its assets and liabilities were transferred to the Company at carrying value. Jinyang changed from a wholly owned subsidiary to a division of the Company. Accordingly, the unamortised goodwill (originally included in interest in subsidiaries) as at 31 December 2002 has been reported as a separate item in the Company's balance sheet.

18. Inventories

	The Group		The Company	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	1,024,755	753,083	961,370	634,571
Work in progress	1,077,202	890,518	971,023	794,553
Finished goods	657,465	572,585	493,564	334,614
Spare parts and consumables	533,716	573,130	462,889	529,433
	3,293,138	2,789,316	2,888,846	2,293,171

At 31 December 2002, the Group and the Company had inventories carried at net realisable value with carrying amount of RMB 109,411,000 and RMB 106,436,000 respectively. (2001: the Group and the Company RMB 40,265,000 and RMB 26,863,000 respectively).

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

19. Trade accounts receivables

	The Group		The Company	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors	467,465	556,763	265,325	311,426
Less: Allowance for doubtful debts	(43,339)	(33,752)	(26,071)	(26,825)
	424,126	523,011	239,254	284,601
Bills receivable	518,715	340,265	454,884	218,213
Amounts due from parent company and fellow subsidiaries - trade	151,635	54,320	148,595	54,320
	1,094,476	917,596	842,733	557,134

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

	The Group		The Company	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Invoice date:				
Within one year	1,046,017	856,564	807,531	529,490
Between one and two years	28,827	30,595	23,898	17,726
Between two and three years	8,664	13,114	6,261	5,795
Over three years	10,968	17,323	5,043	4,123
	1,094,476	917,596	842,733	557,134

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