

Notes to the Cash Flow Statement

For the year ended 31 December 2002
(Prepared under PRC Accounting Rules and Regulations)

(a) Reconciliation of net profit to cash flows from operating activities

	2002 RMB'000
Net profit	908,965
Depreciation	1,424,076
Loss on disposal of fixed assets and other long-term assets	64,880
Financial expenses	367,648
Investment income	(115,087)
Increase in inventories	(612,114)
Increase in operating receivables	(112,954)
Decrease in operating payables	(245,866)
Net cash flows from operating activities	1,679,548

(b) Increase in cash and cash equivalents

	2002 RMB'000
Cash at the end of the year	1,168,200
Less: Cash at the beginning of the year	(955,438)
Add: Cash equivalents at the end of the year	32,980
Less: Cash equivalents at the beginning of the year	(32,111)
Net increase in cash and cash equivalents	213,631

(c) Major non-cash transactions

- (1) As noted in Note 9(d), the assets and liabilities transferred from Shanghai Jinyang Fibre Plant to the Company are as below:

	2002 RMB'000
Net assets transferred in:	
Cash at bank and in hand	48,285
Bills receivable	23,854
Trade receivable	58,008
Other receivables	4,716
Long-term equity investment	9,314
Fixed assets	264,304
Bills payable	(205)
Other payables	(290,450)
Bank loans	(79,068)
	38,758
Decrease in investment	(38,758)
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- (2) During the year, the Company increased its investment by transferring fixed assets with net book value of RMB 123,999,000 to one of its wholly owned subsidiaries, Shanghai Petrochemical Enterprise Development Company Limited.

The notes to the financial statements form part of these financial statements.