

## 1. Background of the Company

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

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

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

The Company is a highly integrated petrochemical complex which processes crude oil into synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products. Details of the Company’s principal subsidiaries are set out in note 9(d) entitled “Long-term equity investments”.

## 2. Significant accounting policies

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

### (a) Accounting year

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

### (b) Basis of consolidation

The Group prepared the consolidated financial statements according to “Accounting Regulations for Business Enterprises” and Cai Kuai Zi [1995] No.11 “Provisional regulations on consolidated financial statements” issued by the MOF.

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

## 2. Significant accounting policies (continued)

### (b) Basis of consolidation (continued)

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

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

### (c) Basis of accounting and principle of valuation

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

### (d) Reporting currency and translation of foreign currencies

The Group's financial statements are prepared in Renminbi. Foreign currencies transactions during the year are translated into Renminbi at exchange rates quoted by the People's Bank of China ("PBOC rates") prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Renminbi at the PBOC rates at the balance sheet date. Exchange differences, other than those arising from foreign currency loans using to finance the construction of fixed assets before they are ready for their intended use are capitalised, are recognised as income or expenses in the income statement.

### (e) Cash equivalents

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

### 2. Significant accounting policies (continued)

#### (f) Provision for bad debt

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

#### (g) Inventories

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

Consumables are expensed when being consumed.

Inventories are recorded by perpetual method.

#### (h) Long-term equity investments

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

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

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

## 2. Significant accounting policies (continued)

### (i) Fixed assets and construction in progress

Fixed assets and represent the assets held by the Group for production of products and administrative purpose with useful life over 1 year and comparatively high unit value.

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

All direct and indirect costs related to the purchase or construction of fixed assets, incurred before the assets are ready for its intended use, are capitalised as construction in progress. Those costs included borrowing costs, which include foreign exchange gains or losses on specific borrowings for the construction of the fixed assets during the construction period.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use. No depreciation is provided in respect of construction in progress.

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

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

|   | Useful life    | Residual value | Depreciation rate |
|---|----------------|----------------|-------------------|
| Land and buildings                        | 15 to 40 years | 3%-5%          | 2.4%-6.5%         |
| Plant, machinery,<br>equipment and others | 5 to 14 years  | 3%             | 6.9%-19.4%        |

## 2. Significant accounting policies (continued)

### (j) Intangible assets

Intangible assets are carried at cost or valuation less accumulated amortisation and provision for impairment losses. Amortisation is provided on a straight-line basis. Amortisation period is the shorter of the beneficial period as specified in the related agreement and the legal life of the intangible assets. Amortisation is provided over 10 years if it is not specified in agreements or stipulated by law.

### (k) Taxation

The principal taxes and the related rates are as follows:

#### (i) Income tax

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

#### Current tax

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

Pursuant to the relevant PRC tax regulations, the income tax rate applicable to the Company is 15% in 2002. The subsidiaries are subject to income tax pursuant to the relevant PRC tax regulations.

The subsidiaries granted with tax concession are set out below:

| Name of subsidiaries                                      | Applicable tax rate | Reasons for granting concession  |
|---|---------------------|--|
| Shanghai Jindong Petrochemical Industrial Company Limited | 15%                 | Preferential tax rate at Pudong new district                               |
| Shanghai Golden-Phillips Petrochemical Company Limited    | 27%                 | A Sino-foreign Joint-equity manufacturing enterprise in old urban district |
| Shanghai Jinhua Industrial Company Limited                | 15%                 | Preferential tax rate at Pudong new district                               |
| Shanghai Golden Way Petrochemical Company Limited         | 27%                 | A Sino-foreign Joint-equity manufacturing enterprise in old urban district |
| Shanghai Jinchang Engineering Plastics Company Limited    | 27%                 | A Sino-foreign Joint-equity manufacturing enterprise in old urban district |
| SPC Marketing Development Corporation                     | 15%                 | Preferential tax rate at Pudong new district                               |

## 2. Significant accounting policies (continued)

### (k) Taxation (continued)

#### (i) Income tax (continued)

##### Deferred tax

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. 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 profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

The VAT rate applicable to the Group is 17%.

#### (iii) Consumption tax

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

### (l) Impairment loss

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

The Group assesses at each balance sheet date whether there is any indication that impairment loss recognised for an asset in prior years may no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount by which the impairment loss is reduced. The reversal is recognised as income in the period in the income statement. The reversed amount should not exceed its historical net value.

### 2. Significant accounting policies (continued)

#### (m) Deferred income

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

#### (n) Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. 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.

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

Interest income is recognised on a time apportioned basis by reference to the principal outstanding and the rate applicable.

#### (o) Repairs and maintenance expenses

Repairs and maintenance expenses are recognised as expenses in the period in which they are incurred.

#### (p) Research and development costs

Research and development costs are recognised as expenses in the period in which they are incurred.

#### (q) Borrowing cost

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

#### (r) Retirement scheme costs

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

#### (s) Profit distribution

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

#### (t) Related parties

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

Related parties may be individuals or other entities.

## Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

### 3. Cash at bank and in hand

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

|   | 2002<br>Exchange<br>rate | The Group                    |                 |                 | The Company                  |                 |                 |
|---|--------------------------|------------------------------|-----------------|-----------------|------------------------------|-----------------|-----------------|
|   |                          | Original<br>currency<br>'000 | 2002<br>RMB'000 | 2001<br>RMB'000 | Original<br>currency<br>'000 | 2002<br>RMB'000 | 2001<br>RMB'000 |
| Cash in hand                              |                          |                              |                 |                 |                              |                 |                 |
| Renminbi                                  |                          |                              | 177             | 306             |                              | 59              | 184             |
| Cash at bank                              |                          |                              |                 |                 |                              |                 |                 |
| Renminbi                                  |                          |                              | 1,204,039       | 1,187,825       |                              | 704,506         | 711,682         |
| Hong Kong Dollars                         | 1.0611                   | 23,867                       | 25,325          | 20,186          | 23,867                       | 25,325          | 20,186          |
| United States Dollars                     | 8.2773                   | 2,547                        | 21,075          | 44,485          | 978                          | 8,095           | 42,002          |
| Swiss Francs                              | 5.9636                   | 129                          | 771             | 639             | 129                          | 771             | 639             |
| Japanese Yen                              | -                        | -                            | -               | 959             | -                            | -               | 959             |
| Euro                                      | 8.6360                   | 3,708                        | 32,019          | 28,918          | 3,708                        | 32,019          | 28,918          |
| Cash at bank and in hand                  |                          |                              | 1,283,406       | 1,283,318       |                              | 770,775         | 804,570         |
| Deposits at related party<br>(note 30(f)) |                          |                              |                 |                 |                              |                 |                 |
| Renminbi                                  |                          |                              | 461,220         | 204,175         |                              | 456,500         | 203,794         |
|   |                          |                              | 1,744,626       | 1,487,493       |                              | 1,227,275       | 1,008,364       |

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

### 4. Bills receivable

Bills receivable mainly are bank bills due in six months. As at 31 December 2002, there are no significant bills receivable at discount or pledged.

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



## Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

### 5. Trade debtors

|                                | The Group         |                 |                                  |                              |                   |                 |                                  |                              |
|--------------------------------|-------------------|-----------------|----------------------------------|------------------------------|-------------------|-----------------|----------------------------------|------------------------------|
|                                | 2002              |                 |                                  |                              | 2001              |                 |                                  |                              |
|                                | Amount<br>RMB'000 | Proportion<br>% | Bad debt<br>provision<br>RMB'000 | Provision<br>proportion<br>% | Amount<br>RMB'000 | Proportion<br>% | Bad debt<br>provision<br>RMB'000 | Provision<br>proportion<br>% |
| Within one year                | 471,583           | 83.88           | 1,155                            | 0.24                         | 506,319           | 84.39           | 1,131                            | 0.22                         |
| Between one<br>and two years   | 30,853            | 5.49            | 2,026                            | 6.57                         | 31,759            | 5.29            | 1,164                            | 3.67                         |
| Between two<br>and three years | 24,343            | 4.33            | 15,679                           | 64.41                        | 19,294            | 3.22            | 6,180                            | 32.03                        |
| Over three years               | 35,447            | 6.30            | 24,479                           | 69.06                        | 42,600            | 7.10            | 25,277                           | 59.34                        |
|                                | 562,226           | 100.00          | 43,339                           | 7.71                         | 599,972           | 100.00          | 33,752                           | 5.63                         |
| Trade debtors, net             | 518,887           |                 |                                  |                              | 566,220           |                 |                                  |                              |

|                                | The Company       |                 |                                  |                              |                   |                 |                                  |                              |
|--------------------------------|-------------------|-----------------|----------------------------------|------------------------------|-------------------|-----------------|----------------------------------|------------------------------|
|                                | 2002              |                 |                                  |                              | 2001              |                 |                                  |                              |
|                                | Amount<br>RMB'000 | Proportion<br>% | Bad debt<br>provision<br>RMB'000 | Provision<br>proportion<br>% | Amount<br>RMB'000 | Proportion<br>% | Bad debt<br>provision<br>RMB'000 | Provision<br>proportion<br>% |
| Within one year                | 471,869           | 88.68           | 1,022                            | 0.22                         | 454,953           | 82.96           | 1,097                            | 0.24                         |
| Between one<br>and two years   | 25,749            | 4.84            | 1,851                            | 7.19                         | 23,293            | 4.25            | 1,107                            | 4.75                         |
| Between two<br>and three years | 7,994             | 1.50            | 1,733                            | 21.68                        | 37,656            | 6.87            | 1,336                            | 3.55                         |
| Over three years               | 26,508            | 4.98            | 21,465                           | 80.98                        | 32,489            | 5.92            | 23,285                           | 71.67                        |
|                                | 532,120           | 100.00          | 26,071                           | 4.90                         | 548,391           | 100.00          | 26,825                           | 4.89                         |
| Trade debtors, net             | 506,049           |                 |                                  |                              | 521,566           |                 |                                  |                              |

#### Bad debt provision

|                                      | The Group       |                 | The Company     |                 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                      | 2002<br>RMB'000 | 2001<br>RMB'000 | 2002<br>RMB'000 | 2001<br>RMB'000 |
| Balance at the beginning of the year | 33,752          | 25,371          | 26,825          | 22,035          |
| Add: Additions for the year          | 17,041          | 9,098           | 6,195           | 4,790           |
| Less: Provision written off          | (7,454)         | (717)           | (6,949)         | -               |
| Balance at the end of the year       | 43,339          | 33,752          | 26,071          | 26,825          |

## Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

### 5. Trade debtors (continued)

The aggregate amount of five largest trade debtors at the end of the year are shown below:

|                                   | 2002           | 2001   |
|-----------------------------------|----------------|--------|
| Amount (RMB'000)                  | <b>120,086</b> | 80,757 |
| Percentage of total trade debtors | <b>21.36%</b>  | 13.46% |

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

During the year ended 31 December 2002, the Group and the Company had no individually significant write off or write back of doubtful debts which had been fully or substantially provided in prior years. At 31 December 2002, the Group and the Company did not have individually significant trade debtors that aged over three years.

### 6. Other debtors

|                                | The Group         |                 |                                  |                              |                   |                 |                                  |                              |
|--------------------------------|-------------------|-----------------|----------------------------------|------------------------------|-------------------|-----------------|----------------------------------|------------------------------|
|                                | 2002              |                 |                                  |                              | 2001              |                 |                                  |                              |
|                                | Amount<br>RMB'000 | Proportion<br>% | Bad debt<br>provision<br>RMB'000 | Provision<br>proportion<br>% | Amount<br>RMB'000 | Proportion<br>% | Bad debt<br>provision<br>RMB'000 | Provision<br>proportion<br>% |
| Within one year                | 405,466           | 69.78           | 1,183                            | 0.29                         | 651,475           | 71.52           | -                                | -                            |
| Between one<br>and two years   | 50,342            | 8.67            | 1,135                            | 2.25                         | 72,053            | 7.91            | -                                | -                            |
| Between two<br>and three years | 14,627            | 2.52            | 2,016                            | 13.78                        | 68,235            | 7.49            | 16                               | 0.02                         |
| Over three years               | 110,543           | 19.03           | 18,908                           | 17.10                        | 119,059           | 13.08           | 3,711                            | 3.12                         |
| Total                          | 580,978           | 100.00          | 23,242                           | 4.00                         | 910,822           | 100.00          | 3,727                            | 0.41                         |
| Other debtors, net             | 557,736           |                 |                                  |                              | 907,095           |                 |                                  |                              |

## Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

### 6. Other debtors (continued)

|                                | The Company       |                 |                                  |                              |                   |                 |                                  |                              |
|--------------------------------|-------------------|-----------------|----------------------------------|------------------------------|-------------------|-----------------|----------------------------------|------------------------------|
|                                | 2002              |                 |                                  |                              | 2001              |                 |                                  |                              |
|                                | Amount<br>RMB'000 | Proportion<br>% | Bad debt<br>provision<br>RMB'000 | Provision<br>proportion<br>% | Amount<br>RMB'000 | Proportion<br>% | Bad debt<br>provision<br>RMB'000 | Provision<br>proportion<br>% |
| Within one year                | 302,563           | 66.67           | 1,097                            | 0.36                         | 444,851           | 66.63           | -                                | -                            |
| Between one<br>and two years   | 35,515            | 7.83            | 1,107                            | 3.12                         | 71,609            | 10.73           | -                                | -                            |
| Between two<br>and three years | 11,606            | 2.56            | 1,336                            | 11.51                        | 43,961            | 6.58            | -                                | -                            |
| Over three years               | 104,069           | 22.94           | 16,590                           | 15.94                        | 107,201           | 16.06           | 1,200                            | 1.12                         |
| Total                          | 453,753           | 100.00          | 20,130                           | 4.44                         | 667,622           | 100.00          | 1,200                            | 0.18                         |
| Other debtors, net             | 433,623           |                 |                                  |                              | 666,422           |                 |                                  |                              |

#### Bad debt provision

|                                      | The Group       |                 | The Company     |                 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                      | 2002<br>RMB'000 | 2001<br>RMB'000 | 2002<br>RMB'000 | 2001<br>RMB'000 |
| Balance at the beginning of the year | 3,727           | 1,200           | 1,200           | 1,200           |
| Add: Additions for the year          | 19,515          | 2,527           | 18,930          | -               |
| Balance at the end of the year       | 23,242          | 3,727           | 20,130          | 1,200           |

The aggregate amount of five largest other debtors at the end of the year are shown below:

|                                   | 2002    | 2001    |
|-----------------------------------|---------|---------|
| Amount (RMB'000)                  | 109,418 | 228,764 |
| Percentage of total other debtors | 18.83%  | 25.12%  |

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

During the year ended 31 December 2002, the Group and the Company had no individually significant write off of other debtors. At 31 December 2002, the Group and the Company did not have individually significant other debtors that aged over three years.

### 7. Advance payments

All advance payments are within one year.

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

## Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

### 8. Inventories

|                             | The Group |   |           |   | The Company |   |           |   |
|-----------------------------|-----------|---|-----------|---|-------------|---|-----------|---|
|                             | 2002      |   | 2001      |   | 2002        |   | 2001      |   |
|                             | Amount    | Provision for diminution in inventories | Amount    | Provision for diminution in inventories | Amount      | Provision for diminution in inventories | Amount    | Provision for diminution in inventories |
|                             | RMB'000   | RMB'000                                 | RMB'000   | RMB'000                                 | 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              | 666,513   | 9,048                                   | 581,197   | 8,612                                   | 499,082     | 5,518                                   | 326,686   | 2,072                                   |
| Spare parts and consumables | 531,673   | 17,624                                  | 551,723   | 14,699                                  | 459,535     | 16,313                                  | 515,805   | 12,478                                  |
| Total                       | 3,300,143 | 26,672                                  | 2,776,521 | 23,311                                  | 2,891,010   | 21,831                                  | 2,271,615 | 14,550                                  |
| Inventories, net            | 3,273,471 |   | 2,753,210 |   | 2,869,179   |   | 2,257,065 |   |

Provision for diminution in inventories is analysed as follows:

|                       | The Group      |                             |                |                             | The Company    |                             |                |                             |
|-----------------------|----------------|-----------------------------|----------------|-----------------------------|----------------|-----------------------------|----------------|-----------------------------|
|                       | 2002           |                             | 2001           |                             | 2002           |                             | 2001           |                             |
|                       | Finished goods | Spare parts and consumables | Finished goods | Spare parts and consumables | Finished goods | Spare parts and consumables | Finished goods | Spare parts and consumables |
|                       | RMB'000        | RMB'000                     | RMB'000        | RMB'000                     | RMB'000        | RMB'000                     | RMB'000        | RMB'000                     |
| At 1 January          | 8,612          | 14,699                      | 1,637          | 18,080                      | 2,072          | 12,478                      | 1,637          | 14,509                      |
| Additions             | 4,668          | 5,146                       | 6,975          | -                           | 3,579          | 3,835                       | 435            | -                           |
| Provision written off | (4,232)        | (2,221)                     | -              | (3,381)                     | (133)          | -                           | -              | (2,031)                     |
| At 31 December        | 9,048          | 17,624                      | 8,612          | 14,699                      | 5,518          | 16,313                      | 2,072          | 12,478                      |

|  | The Group |         | The Company |         |
|--|-----------|---------|-------------|---------|
|  | 2002      | 2001    | 2002        | 2001    |
|  | RMB'000   | RMB'000 | RMB'000     | RMB'000 |

Cost of inventories recognised in the income statement and profit appropriation statement are as follows:

|               |            |            |            |            |
|---------------|------------|------------|------------|------------|
| Cost of sales | 18,743,107 | 17,841,620 | 17,732,686 | 16,283,409 |
|---------------|------------|------------|------------|------------|

# Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

## 9. Long-term equity investments

|   | The Group    |             |                  |             |                | Total     |
|---|--------------|-------------|------------------|-------------|----------------|-----------|
|   | Interests in | Equity      | Interests in     | Other       | Provision      |           |
|   | associates   | investment  | non-consolidated | unlisted    | for impairment |           |
|   | (Note(a))    | differences | subsidiaries     | investments | losses         |           |
|   | RMB'000      | RMB'000     | RMB'000          | RMB'000     | RMB'000        |           |
| Balance at 1 January 2002   | 178,990      | 42,931      | 209,072          | 1,100,871   | (4,768)        | 1,527,096 |
| Additions for the year  | 23,800       | -           | 87,415           | 220,915     | -              | 332,130   |
| Reclassification  | 831,602      | -           | -                | (831,602)   | -              | -         |
| Share of profits less losses from investments accounted for under the equity method | 32,007       | -           | -                | -           | -              | 32,007    |
| Dividend receivable   | (6,240)      | -           | -                | -           | -              | (6,240)   |
| Disposals for the year  | -            | -           | (8,747)          | (33,769)    | -              | (42,516)  |
| Transferred to intangible asset (Note 13)   | -            | (49,311)    | -                | -           | -              | (49,311)  |
| Amortisation for the year   | -            | (10,144)    | -                | -           | -              | (10,144)  |
| Change in provision   | -            | -           | -                | -           | (4,890)        | (4,890)   |
| Balance at 31 December 2002   | 1,060,159    | (16,524)    | 287,740          | 456,415     | (9,658)        | 1,778,132 |

|   | The Company  |             |              |             | Total     |
|---|--------------|-------------|--------------|-------------|-----------|
|   | Interests in | Equity      | Interests in | Other       |           |
|   | associates   | investment  | consolidated | unlisted    |           |
|   | (Note(a))    | differences | subsidiaries | investments |           |
|   | RMB'000      | RMB'000     | RMB'000      | RMB'000     |           |
| Balance at 1 January 2002   | 86,947       | 42,931      | 1,609,098    | 790,238     | 2,529,214 |
| Additions for the year  | -            | -           | 291,132      | 205,388     | 496,520   |
| Reclassification  | 831,602      | -           | -            | (831,602)   | -         |
| Share of profits less losses from investments accounted for under the equity method | 14,343       | -           | 99,238       | -           | 113,581   |
| Dividend receivable   | -            | -           | (52,035)     | -           | (52,035)  |
| Disposals for the year  | (78,182)     | -           | (29,444)     | -           | (107,626) |
| Transferred to intangible asset (Note 13)   | -            | (49,311)    | -            | -           | (49,311)  |
| Amortisation for the year   | -            | (10,144)    | -            | -           | (10,144)  |
| Balance at 31 December 2002   | 854,710      | (16,524)    | 1,917,989    | 164,024     | 2,920,199 |

## Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

### 9. Long-term equity investments (continued)

- (a) The particulars of the associates, which are limited companies established and operating in the PRC, which principally affected the results or assets of the Group at 31 December 2002 are as follows:

| Company   | Registered capital<br>'000 | Percentage of equity     |                           | Principal activities   |
|---|----------------------------|--------------------------|---------------------------|--|
|   |                            | held by the Company<br>% | held by subsidiaries<br>% |  |
| 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 Packaging Material Company Limited         | RMB15,000                  | -                        | 50                        | Trading in petrochemical products  |
| Shanghai YaNan Electrical Appliances Company                | RMB5,420                   | -                        | 44                        | Trading of electrical appliances   |
| SPC XinLian Entertainment Company                           | RMB11,000                  | -                        | 36                        | Catering services  |
| XinLian Special Sealings Company                            | RMB5,000                   | -                        | 33                        | Production of special sealing material   |
| Shanghai Secco Petrochemical Company Limited                | US\$901,441                | 20                       | -                         | Manufacturing and distribution of chemical products                                |
| Shanghai Chemical Industry Park Development Company Limited | RMB2,372,439               | 38.26                    | -                         | Planning, development and operation of the Chemical Industry Park in Shanghai, PRC |

- (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 9 years.
- (c) 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.

## Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

### 9. Long-term equity investments (continued)

- (d) The particulars of subsidiaries, all of which are limited companies established and operating in the PRC which principally affected the results or assets of the Group, at 31 December 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                         |
| 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.

Note:

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 PRC Accounting Rules and Regulations)

### 9. Long-term equity investments (continued)

(e) The Group's other unlisted investments include non-controlling equity investments in various enterprises which are mainly engaged in manufacturing or trading activities related to the Group's operations. The Group's share of results attributable to these interests during the year ended 31 December 2002 is not material in relation to the profit of the Group for the said period and therefore is not equity accounted for.

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

|                           | The Group       |                 |
|---------------------------|-----------------|-----------------|
|                           | 2002<br>RMB'000 | 2001<br>RMB'000 |
| Balance at 1 January      | 4,768           | 7,863           |
| Provision for the year    | 8,998           | 1,960           |
| Written back for the year | (4,108)         | (5,055)         |
| Balance at 31 December    | 9,658           | 4,768           |

At 31 December 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 31 December 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<br>RMB'000 | Addition for the year<br>RMB'000 | Share of profits/(losses) accounted for under the equity method<br>RMB'000 | Dividends received<br>RMB'000 | Balance at                  |
|---|------------------|---|--------------------------------------|----------------------------------|--|-------------------------------|-----------------------------|
|   |                  |   |                                      |                                  |  |                               | 31 December 2002<br>RMB'000 |
| Shanghai Chemical Industry Park Development Company Limited | 30 years         | 38%   | 560,000                              | 47,770                           | 23,108   | -                             | 630,878                     |
| Shanghai Secco Petrochemical Company Limited                | 50 years         | 20%   | 66,214                               | 157,618                          | -  | -                             | 223,832                     |
| Shanghai Jinpu Plastics Packaging Material Company Limited  | 30 years         | 50%   | 78,000                               | 24,000                           | 18,000   | (6,000)                       | 114,000                     |
| Shanghai Golden Conti Petrochemical Company Limited         | 30 years         | 48%   | 71,000                               | -                                | (5,000)  | -                             | 66,000                      |
| Hangzhou Real Estate Company                                | 30 years         | 84%   | 64,000                               | 62,700                           | -  | -                             | 126,700                     |



## Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

### 9. 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.

### 10. Fixed assets

#### (a) The Group

|  | Land and<br>buildings<br>RMB'000 | Plant, machinery,<br>equipment and<br>other fixed assets<br>RMB'000 | Total<br>RMB'000 |
|--|----------------------------------|---|------------------|
| <b>Cost or valuation:</b>                              |                                  |   |                  |
| At 1 January 2002                                      | 5,541,572                        | 18,822,883  | 24,364,455       |
| Additions  | 55,946                           | 173,093   | 229,039          |
| Transferred from construction<br>in progress (Note 12) | 70,451                           | 5,599,662   | 5,670,113        |
| Disposals  | (57,656)                         | (350,445)   | (408,101)        |
| At 31 December 2002                                    | 5,610,313                        | 24,245,193  | 29,855,506       |
| <b>Accumulated depreciation:</b>                       |                                  |   |                  |
| At 1 January 2002                                      | 2,332,830                        | 9,339,262   | 11,672,092       |
| Charge for the year                                    | 181,364                          | 1,436,972   | 1,618,336        |
| Written back on disposal                               | (11,978)                         | (287,225)   | (299,203)        |
| At 31 December 2002                                    | 2,502,216                        | 10,489,009  | 12,991,225       |
| <b>Net book value:</b>                                 |                                  |   |                  |
| At 31 December 2002                                    | 3,108,097                        | 13,756,184  | 16,864,281       |
| At 31 December 2001                                    | 3,208,742                        | 9,483,621   | 12,692,363       |

## Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

### 10. Fixed assets (continued)

#### (b) The Company

|  | Land and<br>buildings<br>RMB'000 | Plant, machinery,<br>equipment and<br>other fixed assets<br>RMB'000 | Total<br>RMB'000 |
|--|----------------------------------|---|------------------|
| <b>Cost or valuation:</b>                              |                                  |   |                  |
| At 1 January 2002                                      | 4,675,177                        | 16,691,916  | 21,367,093       |
| Additions  | 13,562                           | 113,980   | 127,542          |
| Transferred from/(to) subsidiaries, net                | 62,285                           | (91,561)  | (29,276)         |
| Transferred from construction<br>in progress (Note 12) | 59,620                           | 5,368,048   | 5,427,668        |
| Disposals  | (49,306)                         | (283,957)   | (333,263)        |
| At 31 December 2002                                    | 4,761,338                        | 21,798,426  | 26,559,764       |
| <b>Accumulated depreciation:</b>                       |                                  |   |                  |
| At 1 January 2002                                      | 2,155,764                        | 8,491,461   | 10,647,225       |
| Charge for the year                                    | 145,497                          | 1,278,579   | 1,424,076        |
| Transferred to subsidiaries                            | (16,557)                         | (153,024)   | (169,581)        |
| Written back on disposal                               | (9,459)                          | (249,463)   | (258,922)        |
| At 31 December 2002                                    | 2,275,245                        | 9,367,553   | 11,642,798       |
| <b>Net book value:</b>                                 |                                  |   |                  |
| At 31 December 2002                                    | 2,486,093                        | 12,430,873  | 14,916,966       |
| At 31 December 2001                                    | 2,519,413                        | 8,200,455   | 10,719,868       |

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

# Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

## 11. Construction materials

|                         | The Group and the Company |         |
|-------------------------|---------------------------|---------|
|                         | 2002                      | 2001    |
|                         | RMB'000                   | RMB'000 |
| Equipment & accessories | 19,667                    | 36,106  |

## 12. Construction in progress

|                                       | The Group   |             | The Company |             |
|---------------------------------------|-------------|-------------|-------------|-------------|
|                                       | 2002        | 2001        | 2002        | 2001        |
|                                       | RMB'000     | RMB'000     | RMB'000     | RMB'000     |
| Balance at 1 January                  | 4,276,591   | 2,107,357   | 4,238,739   | 2,092,598   |
| Additions                             | 2,283,573   | 4,246,189   | 2,036,050   | 4,207,888   |
| of which:                             |             |             |             |             |
| Capitalised interest costs            | 95,006      | 115,088     | 91,353      | 114,420     |
|                                       | 6,560,164   | 6,353,546   | 6,274,789   | 6,300,486   |
| Transferred to fixed assets (Note 10) | (5,670,113) | (2,076,955) | (5,427,668) | (2,061,747) |
| Balance at 31 December                | 890,051     | 4,276,591   | 847,121     | 4,238,739   |

Construction in progress comprises costs incurred on property, plant and machinery not yet commissioned at 31 December 2002.

At 31 December 2002, the Group's principal construction in progress is as follows:

| Project name                                   | Budgeted amount | Balance at 1 January 2002 | Additions for the year | Transferred to fixed assets | Balance at 31 December 2002 | Percentage of completion | Source of funding           | Interest  |
|--|-----------------|---------------------------|------------------------|-----------------------------|-----------------------------|--------------------------|-----------------------------|---|
|  |                 |                           |                        |                             |                             |                          |                             | capitalised for the year ended 31 December 2002 |
|  | RMB'000         | RMB'000                   | RMB'000                | RMB'000                     | RMB'000                     | %                        |                             | RMB'000   |
| High sulphur-content crude oil processing unit | 736,120         | 10,027                    | 633,855                | (491,250)                   | 152,632                     | 87%                      | Bank loans & self-financing | 14,753  |
| Acrylonitrile improvement project              | 325,760         | 7,158                     | 99,185                 | -                           | 106,343                     | 33%                      | Bank loans & self-financing | 1,704   |

## Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

### 12. Construction in progress (continued)

Interest capitalised for the year ended 31 December 2002 is as follows:

|                             | The Group   | The Company |
|-----------------------------|-------------|-------------|
|                             | RMB'000     | RMB'000     |
| Balance at 1 January 2002   | 128,349     | 127,681     |
| Additions                   | 95,006      | 91,353      |
| Transferred to fixed assets | (190,977)   | (190,309)   |
| Balance at 31 December 2002 | 32,378      | 28,725      |
| Interest rate               | 5.85%-6.03% | 5.85%-6.03% |

### 13. Intangible assets

|  | The Group and the Company |         |
|--|---------------------------|---------|
|  | 2002                      | 2001    |
|  | RMB'000                   | RMB'000 |
| Cost:                                  |                           |         |
| At 1 January                           | -                         | -       |
| Transferred from long-term investments | <b>134,482</b>            | -       |
| At 31 December                         | <b>134,482</b>            | -       |
| Accumulated amortisation:              |                           |         |
| At 1 January                           | -                         | -       |
| Transferred from long-term investments | <b>85,171</b>             | -       |
| At 31 December                         | <b>85,171</b>             | -       |
| Net book value:                        |                           |         |
| At 31 December(Note 9)                 | <b>49,311</b>             | -       |

On 16 August 1996, the Company acquired the equity interest in Shanghai Jinyang Acrylic Fibre Plant ("Jinyang") for consideration of RMB 38,800,000 satisfied in cash. Equity investment difference of RMB 134,482,000 on acquisition has been recognised in the accounts. Such equity investment difference is amortised over 10 years which was the then remaining economic useful life of the related plants of the subsidiary.

In 2002, Jinyang was deregistered and all its operations, assets and liabilities were transferred to the Company of carrying value. Accordingly, Jinyang has changed from a wholly owned subsidiary to a division of the Company. Since there is no investment in subsidiary after the deregistration of Jinyang, the unamortised amount of the equity investment difference of RMB 49,311,000 was transferred to intangible assets and will be amortised over its remaining useful life.

## Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

### 14. Taxation

(a) Taxation in the income statement represents:

|  | The Group |          | The Company |          |
|--|-----------|----------|-------------|----------|
|  | 2002      | 2001     | 2002        | 2001     |
|  | RMB'000   | RMB'000  | RMB'000     | RMB'000  |
| Provision for PRC income tax<br>for the year | 143,124   | 7,948    | 112,833     | 836      |
| Deferred taxation                            | 6,375     | 4,683    | 6,375       | 4,683    |
|  | 149,499   | 12,631   | 119,208     | 5,519    |
| Tax refund                                   | (66,405)  | (19,318) | (66,405)    | (19,318) |
|  | 83,094    | (6,687)  | 52,803      | (13,799) |

The charge for PRC income tax is calculated at the rate of 15% (2001: 15%) on the estimated assessable profits of the year 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 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.

(b) Taxes payable in the balance sheets represents:

|                 | The Group |          | The Company |          |
|-----------------|-----------|----------|-------------|----------|
|                 | 2002      | 2001     | 2002        | 2001     |
|                 | RMB'000   | RMB'000  | RMB'000     | RMB'000  |
| Income tax      | 23,799    | (39,423) | 16,858      | (39,704) |
| VAT             | 157,237   | 74,565   | 160,414     | 74,630   |
| Consumption tax | 47,804    | 33,846   | 47,804      | 33,846   |
| Business tax    | 3,134     | 2,602    | 696         | 372      |
| Other taxes     | 21,679    | 18,189   | 19,924      | 17,175   |
|                 | 253,653   | 89,779   | 245,696     | 86,319   |

# Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

## 14. Taxation (continued)

(c) Deferred tax assets

|   | The Group and the Company |                 |
|---|---------------------------|-----------------|
|   | 2002<br>RMB'000           | 2001<br>RMB'000 |
| At 1 January  | 8,796                     | 13,479          |
| Deferred taxation arising from provision<br>for inventories and bad debts             | 6,375                     | -               |
| Reversal of deferred taxation arising<br>from provision for inventories and bad debts | -                         | (4,683)         |
| At 31 December  | 15,171                    | 8,796           |

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

## 15. Short-term loans

Short-term loans of the Group and the Company include:

|   | The Group       |                 | The Company     |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2002<br>RMB'000 | 2001<br>RMB'000 | 2002<br>RMB'000 | 2001<br>RMB'000 |
| Short-term bank loans                               | 3,094,726       | 3,029,500       | 2,830,045       | 2,643,000       |
| Short-term loans from<br>related party (Note 30(g)) | 130,000         | -               | -               | -               |
|   | 3,224,726       | 3,029,500       | 2,830,045       | 2,643,000       |

Short-term bank 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 3.86% (2001: 5.85%) at 31 December 2002.

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

There are no material trade creditors and other payables aged over 3 years.

There is no material receipts in advance aged over 1 year.

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 30(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         |                 |                   |                 |
|------------------------------|-------------------|-----------------|-------------------|-----------------|
|                              | 2002              |                 | 2001              |                 |
|                              | Amount<br>RMB'000 | Proportion<br>% | Amount<br>RMB'000 | Proportion<br>% |
| Within three months          | 1,053,982         | 89.56           | 657,512           | 86.43           |
| Between three and six months | 81,519            | 6.93            | 73,754            | 9.70            |
| Over six months              | 41,350            | 3.51            | 29,437            | 3.87            |
|                              | <b>1,176,851</b>  | <b>100.00</b>   | 760,703           | 100.00          |

|                              | The Company       |                 |                   |                 |
|------------------------------|-------------------|-----------------|-------------------|-----------------|
|                              | 2002              |                 | 2001              |                 |
|                              | Amount<br>RMB'000 | Proportion<br>% | Amount<br>RMB'000 | Proportion<br>% |
| Within three months          | 932,959           | 90.73           | 524,442           | 88.24           |
| Between three and six months | 86,039            | 8.37            | 65,676            | 11.05           |
| Over six months              | 9,181             | 0.9             | 4,233             | 0.71            |
|                              | <b>1,028,179</b>  | <b>100.00</b>   | 594,351           | 100.00          |

## Notes to the Financial Statements (continued)

(Prepared under PRC Accounting Rules and Regulations)

### 17. Accrued expenses

At 31 December 2002, the Group's and the Company's accrued expenses primarily represented accrued interest expenses and other operational production expenses.

### 18. Dividend payable

|   | The Group and the Company |                 |
|---|---------------------------|-----------------|
|   | 2002<br>RMB'000           | 2001<br>RMB'000 |
| Final dividend proposed of RMB 0.05 per share (2001: RMB Nil) | 360,000                   | -               |

### 19. Long-term loans

|                                    | The Group       |                 | The Company     |                 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                    | 2002<br>RMB'000 | 2001<br>RMB'000 | 2002<br>RMB'000 | 2001<br>RMB'000 |
| After five years                   | 75,966          | 33,503          | 51,466          | 33,503          |
| Between three and five years       | 1,029,798       | 1,389,954       | 1,029,798       | 1,382,554       |
| Between two and three years        | 1,922,299       | 1,302,002       | 1,804,899       | 975,664         |
| Between one and two years          | 1,562,828       | 738,288         | 1,257,639       | 359,256         |
|                                    | 4,590,891       | 3,463,747       | 4,143,802       | 2,750,977       |
| Within one year:                   |                 |                 |                 |                 |
| Current portion of long-term loans | 777,589         | 1,076,541       | 393,386         | 731,502         |
|                                    | 5,368,480       | 4,540,288       | 4,537,188       | 3,482,479       |