Notes to the Interim Financial Statements

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 and its subsidiaries ("the Group") is a highly integrated entity 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 10(d) entitled "Long-term equity investments.

2. Significant accounting policies

The significant accounting policies adopted in the preparation of the financial statement are in conformity with the "Accounting Standards for Business Enterprises" and "Accounting Regulations for Business Enterprises" and other relevant regulations issued by the Ministry of Finance ("MOF").

(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 30 June 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 period 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.

(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.

2. Significant accounting policies *(continued)*

(g) Inventories

Inventories, other than spare parts and consumables, are stated at the lower of cost and net realisable value. Difference between the cost and net realisable value of each category of inventories is recognised as provision for diminution in value of inventories. Cost of inventories includes the cost of purchase of raw materials, processing and other costs. Cost of purchase of raw materials is computed by using weighted average method. In addition to the puchase of cost of raw materials, work in progress and finished goods include direct labour and 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 and related taxes necessary to make the sale.

Spare parts and consumables are expensed when being comsumed.

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 and associates are accounted for in the long-term equity investment using the equity method. Equity method is to recognise the initial investment cost, adjusted by subsequent change in the share of shareholders' fund in respective investee companies. 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 have control, joint control or does not exercise significant influence in their management are stated at cost. Investment income is recognised when an investee company declares cash dividend or distributes profit.

Disposals or transfers of long-term equity investments are recognised in the income statement based on the difference between the disposal proceeds and the carrying amount of the investments.

Long-term equity investments are valued at the lower of the carrying amount and the recoverable amount. A provision for impairment losses is made when the recoverable amount is lower than the carrying amount.

2. Significant accounting policies *(continued)*

(i) Fixed assets and construction in progress

Fixed assets 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, equipment and others	5 to 14 years	3%	6.9%-19.4%

(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.

2. Significant accounting policies *(continued)*

(k) Taxations

The principal taxes and the related rates are as follows:

(i) Income tax

Income tax is the provision for income tax recognised in the income statement for the period using the tax-effect accounting method. It comprises current and deferred tax.

Current tax

Current tax is the expected tax payable on the taxable income for the period, 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%. 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

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 profit 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.

2. **Significant accounting policies** *(continued)*

(k) Taxations *(continued)*

(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,including long-term equity investments,fixed assets and construction in progress, 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 impairment loss is recognised as an expense in the income statement.

If there is any indication that impairment loss recognised for an asset in prior years may no longer exist or there has been a change in the estimates used to determine the recoverable amount by which the impairment loss is reduced, the impairment loss is reversed. The reversal is recognised as income in the period in the income statement. The reversed amount should not exceed its historical net value.

(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 repect 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.

2. Significant accounting policies *(continued)*

(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 costs

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 33.

(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 entities.

3. Scope of consolidation

Except for that disclosed in Note 10(d), there has been no change in the scope of consolidation during the reporting period .

4. Cash at bank and in hand

Cash at bank and in hand as at 30 June 2003 is analysed as follows:

	The Group			
	30 June 2003 Exchange rate	Original currency '000	**At 30 June 2003 RMB'000**	At 31 December 2002 RMB'000 (audited)
Cash in hand				
Renminbi			**314**	177
Cash at bank				
Renminbi			**1,648,458**	1,204,039
Hong Kong Dollars	**1.0615**	24,157	**25,643**	25,325
United States Dollars	**8.2772**	3,929	**32,521**	21,075
Swiss Francs	**6.1305**	129	**791**	771
Euro	**9.4553**	-	**-**	32,019
Cash at bank and in hand			**1,707,727**	1,283,406
Deposits at related party (Note 30(f))				
Renminbi			**295,658**	461,220
			2,003,385	1,744,626

	The Company			
	30 June 2003 Exchange rate	Original currency '000	**At 30 June 2003 RMB'000**	At 31 December 2002 RMB'000 (audited)
Cash in hand				
Renminbi			**144**	59
Cash at bank				
Renminbi			**1,066,501**	704,506
Hong Kong Dollars	**1.0615**	24,157	**25,643**	25,325
United States Dollars	**8.2772**	2,439	**20,192**	8,095
Swiss Francs	**6.1305**	129	**791**	771
Euro	**9.4553**	-	**-**	32,019
Cash at bank and in hand			**1,113,271**	770,775
Deposits at related party (Note 30(f))				
Renminbi			**293,642**	456,500
			1,406,913	1,227,275

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

5. Bills receivable

Bills receivable are commercial and bank bills due in six months. As at 30 June 2003, 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 5% or more shareholding included in the balance of bills receivable.

6. Trade debtors

The Group

	At 30 June 2003				At 31 December 2002			
	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %	Amount RMB'000 (audited)	Proportion %	Bad debt provision RMB'000	Provision proportion %
Within 1 year	494,850	82.75	1,395	0.28	471,583	83.88	1,155	0.24
Between 1 and 2 years	31,064	5.19	2,132	6.86	30,853	5.49	2,026	6.57
Between 2 and 3 years	30,109	5.03	18,480	61.38	24,343	4.33	15,679	64.41
Over 3 years	42,047	7.03	35,122	83.53	35,447	6.30	24,479	69.06
	598,070	100.00	57,129	9.55	562,226	100.00	43,339	7.71
Trade debtors,net	540,941				518,887			

The Company

	At 30 June 2003				At 31 December 2002			
	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %	Amount RMB'000 (audited)	Proportion %	Bad debt provision RMB'000	Provision proportion %
Within 1 year	510,928	87.90	1,015	0.20	471,869	88.68	1,022	0.22
Between 1 and 2 years	29,233	5.03	2,084	7.13	25,749	4.84	1,851	7.19
Between 2 and 3 years	10,611	1.83	6,329	59.65	7,994	1.50	1,733	21.68
Over 3 years	30,474	5.24	25,928	85.08	26,508	4.98	21,465	80.98
	581,246	100.00	35,356	6.08	532,120	100.00	26,071	4.90
Trade debtors,net	545,890				506,049			

6. **Trade debtors** *(continued)*

Bad debt provision

	The Group		The Company	
	2003	2002	**2003**	2002
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(audited)		(audited)
Balance at 1 January	**43,339**	33,752	**26,071**	26,825
Additions for the period / year	**14,870**	17,041	**9,285**	6,195
Provision written off	**(1,080)**	(7,454)	**-**	(6,949)
Balance at 30 June / 31 December	**57,129**	43,339	**35,356**	26,071

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

	At 30 June 2003	**At 31 December 2002**
Amount(RMB'000)	**145,302**	**120,086**
Percentage of total trade debtors	**24.30%**	**21.36%**

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

7. **Other debtors**

	The Group							
	At 30 June 2003				At 31 December 2002			
	Amount	**Proportion**	**Bad debt provision**	**Provision proportion**	Amount	Proportion	Bad debt provision	Provision proportion
	RMB'000	**%**	**RMB'000**	**%**	RMB'000 (audited)	%	RMB'000	%
Within 1 year	**333,776**	**73.95**	**234**	**0.07**	405,466	69.78	1,183	0.29
Between 1 and 2 years	**67,088**	**14.86**	**605**	**0.90**	50,342	8.67	1,135	2.25
Between 2 and 3 years	**12,070**	**2.67**	**1,140**	**9.44**	14,627	2.52	2,016	13.78
Over 3 years	**38,436**	**8.52**	**4,618**	**12.01**	110,543	19.03	18,908	17.10
	451,370	**100.00**	**6,597**	**1.46**	580,978	100.00	23,242	4.00
Other debtors,net	**444,773**				557,736			

7. Other debtors *(continued)*

	The Company							
	At 30 June 2003				At 31 December 2002			
	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %	Amount RMB'000 (audited)	Proportion %	Bad debt provision RMB'000	Provision proportion %
Within 1 year	311,516	84.36	168	0.05	302,563	66.67	1,097	0.36
Between 1 and 2 years	19,305	5.23	335	1.74	35,515	7.83	1,107	3.12
Between 2 and 3 years	9,359	2.53	804	8.59	11,606	2.56	1,336	11.51
Over 3 years	29,080	7.88	3,048	10.48	104,069	22.94	16,590	15.94
	369,260	100.00	4,355	1.18	453,753	100.00	20,130	4.44
Other debtors,net	364,905				433,623			

Bad debt provision

	The Group 2003 RMB'000	The Group 2002 RMB'000 (audited)	The Company 2003 RMB'000	The Company 2002 RMB'000 (audited)
Balance at 1 January	23,242	3,727	20,130	1,200
Additions for the period / year	4,355	19,515	4,355	18,930
Provision written off	(21,000)	-	(20,130)	-
Balance at 30 June / 31 December	6,597	23,242	4,355	20,130

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

	At 30 June 2003	At 31 December 2002
Amount(RMB'000)	38,698	109,418
Percentage of total other debtors	8.57%	18.83%

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

8. 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 5% or more shareholding included in the balance of advance payments.

9. Inventories

	The Group				The Company			
	At 30 June 2003		At 31 December 2002		At 30 June 2003		At 31 December 2002	
	Amount RMB'000	Provision for diminution in inventories RMB'000	Amount RMB'000 (audited)	Provision for diminution in inventories RMB'000 (audited)	Amount RMB'000	Provision for diminution in inventories RMB'000	Amount RMB'000 (audited)	Provision for diminution in inventories RMB'000 (audited)
Raw materials	1,075,228	-	1,024,755	-	1,030,469	-	961,370	-
Work in progress	1,079,058	-	1,077,202	-	954,146	-	971,023	-
Finished goods	662,008	5,798	666,513	9,048	509,869	2,268	499,082	5,518
Spare parts and consumables	524,311	17,624	531,673	17,624	451,761	16,313	459,535	16,313
Total	3,340,605	23,422	3,300,143	26,672	2,946,245	18,581	2,891,010	21,831
Inventories, net	3,317,183		3,273,471		2,927,664		2,869,179	

Provision for diminution in inventories is analysed as follows:

	The Group				The Company			
	2003		2002		2003		2002	
	Finished goods RMB'000	Spareparts and consumables RMB'000	Finished goods RMB'000 (audited)	Spareparts and consumables RMB'000 (audited)	Finished goods RMB'000	Spareparts and consumables RMB'000	Finished goods RMB'000 (audited)	Spareparts and consumables RMB'000 (audited)
At 1 January	9,048	17,624	8,612	14,699	5,518	16,313	2,072	12,478
Additions for the period/year	1,345	-	4,668	5,146	1,345	-	3,579	3,835
Written off	(4,595)	-	(4,232)	(2,221)	(4,595)	-	(133)	-
At 30 June / 31 December	5,798	17,624	9,048	17,624	2,268	16,313	5,518	16,313

For the six-month period ended 30 June 2003, the Group and the Company recognised cost of inventories of RMB 12,393,952,000(2002: RMB 8,063,143,000) and RMB 11,812,956,000 (2002: RMB 7,388,049,000) respectively.

10. Long-term equity investments

The Group

	Interests in associates (Note(a)) RMB'000	Equity investment differences (Note(b)) RMB'000	Interests in non-consolidated subsidiaries (Note(c)) RMB'000	Other unlisted investments (Note(e)) RMB'000	Provision for impairment losses (Note(f)) RMB'000	Total RMB'000
Balance at 1 January 2003	1,060,159	(16,524)	287,740	456,415	(9,658)	1,778,132
Additions for the period	132,432	-	15,306	15,468	-	163,206
Share of profits less losses from investments accounted for under the equity method	(7,487)	-	-	-	-	(7,487)
Dividends receivable	(7,716)	-	-	-	-	(7,716)
Disposals for the period	(5,794)	12,277	(25,685)	(49,679)	-	(68,881)
Amortisation for the period	-	425	-	-	-	425
Net movement of provision for impairment losses	-	-	-	-	(6,550)	(6,550)
Balance at 30 June 2003	1,171,594	(3,822)	277,361	422,204	(16,208)	1,851,129

The Company

	Interests in associates (Note(a)) RMB'000	Equity investment differences (Note(b)) RMB'000	Interests in consolidated subsidiaries (Note(d)) RMB'000	Other unlisted investments (Note(e)) RMB'000	Total RMB'000
Balance at 1 January 2003	854,710	(16,524)	1,917,989	164,024	2,920,199
Additions for the period	132,432	-	3,000	363	135,795
Share of profits less losses from investments accounted for under the equity method	5,000	-	9,332	-	14,332
Dividends receivable	-	-	(11,845)	-	(11,845)
Disposals for the period	-	12,277	-	-	12,277
Amortisation for the period	-	425	-	-	425
Balance at 30 June 2003	992,142	(3,822)	1,918,476	164,387	3,071,183

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

(a) The particulars of the associates, which are limited companies established and operating in the PRC, which principally affected the results or assets of the Group at 30 June 2003 are as follows:

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

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

(b) The difference between the Company's cost of investments in subsidiaries, and its share of their net asset values was treated as an "equity investment difference". The "equity investment difference" is amortised on a straight-line basis over 10 years. The remaining period of amortisation is 4 to 5 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.

(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 30 June 2003 are as follows:

Company	Registered capital '000	Percentage of equity held by the Company %	Percentage of equity held by subsidiaries %	Principal activities
Shanghai Petrochemical Investment Development Company Limited	RMB 800,000	100	-	Investment management
SPC Marketing Development Corporation	RMB 25,000	100	-	Trading in petrochemical products
China Jinshan Associated Trading Corporation	RMB 25,000	80	-	Import and export of petrochemical products and equipment
Shanghai Jinhua Industrial Company Limited	RMB 25,500	-	81.46	Trading in petrochemical products
Shanghai Jindong Petrochemical Industrial Company Limited	RMB 40,000	-	60	Trading in petrochemical products
Shanghai 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
Shanghai Petrochemical Enterprise Development Company Limited	RMB 220,000	100	-	Investment management

None of these subsidiaries has issued any debt securities.

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

Note: On 1 January 2003, the Group disposed its 58.43% shareholding in a subsidiary, Zhejiang Jinzhe Petrochemical Associate Company Limited ("Jinzhe") to the transfee. Effectively, the control of the Group over Jinzhe ceased and was transferred to the transfee. Accordingly, the results for the current period and net assets as at period end date of Jinzhe were not included in the consolidated financial statements. The assets and liabilities of Jinzhe were not material to the Group's financial position and operating results. Up to the date of this report, the equity transfer was still in progress.

(e) The Group's other unlisted investments include non-controlling equity investmentsin various enterprises with are mainly engaged in manufacturing or trading activities related to the Group's operations. The Group's share of results attributable to these interest during the period ended 30 June 2003 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	
	At 30 June30 2003	At 31 December 2002
	RMB'000	RMB'000
Balance at 1 January	**9,658**	4,768
Provision for the period / year	**6,550**	8,998
Written back for the period / year	**-**	(4,108)
Balance at 30 June / 31 December	**16,208**	9,658

At 30 June 2003, the Group and the Company did not have individually significant provision for impairment losses on long-term equity investments.

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

(g) Major investment changes

At 30 June 2003, 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 2003 RMB'000	Addition for the period RMB'000	Share of profits/ (losses) accounted for under the equity method RMB'000	Dividends received RMB'000	Balance at 30 June 2003 RMB'000
Shanghai Chemical Industry Park Development Company Limited	30 years	38%	630,878	-	5,000	-	635,878
Shanghai Secco Petrochemical Company Limited	50 years	20%	223,832	132,432	-	-	356,264
Shanghai Jinpu Plastics Packaging Material Company Limited	30 years	50%	114,000	-	(500)	(7,500)	106,000
Shanghai Golden Conti Petrochemical Company Limited	30 years	48%	66,000	-	(11,000)	-	55,000
Hangzhou Jinshan Real Estate Company	30 years	84%	126,700	-	-	-	126,700

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.