

11. Fixed assets

(a) The Group

	Land and buildings RMB'000	Plant, machinery, equipment and others RMB'000	Total RMB'000
Cost or valuation:			
As at 1 January 2003	5,610,313	24,245,193	29,855,506
Additions	6,464	127,025	133,489
Transferred from construction in progress (Note 13)	12,125	1,092,710	1,104,835
Disposals	(12,930)	(91,787)	(104,717)
As at 30 June 2003	5,615,972	25,373,141	30,989,113
Accumulated depreciation:			
As at 1 January 2003	2,502,216	10,489,009	12,991,225
Charge for the period	91,621	834,231	925,852
Written back on disposal	(4,800)	(67,625)	(72,425)
As at 30 June 2003	2,589,037	11,255,615	13,844,652
Net book value:			
As at 30 June 2003	<u>3,026,935</u>	<u>14,117,526</u>	<u>17,144,461</u>
As at 31 December 2002(audited)	<u>3,108,097</u>	<u>13,756,184</u>	<u>16,864,281</u>

11. Fixed assets (continued)

(b) The Company

	Land and buildings RMB'000	Plant, machinery, equipment and others RMB'000	Total RMB'000
Cost or valuation:			
As at 1 January 2003	4,761,338	21,798,426	26,559,764
Additions	119	105,835	105,954
Transferred from construction in progress (Note 13)	7,517	1,070,562	1,078,079
Disposals	(5,630)	(61,411)	(67,041)
As at 30 June 2003	4,763,344	22,913,412	27,676,756
Accumulated depreciation:			
As at 1 January 2003	2,275,245	9,367,553	11,642,798
Charge for the period	74,714	755,875	830,589
Written back on disposal	(1,169)	(56,784)	(57,953)
As at 30 June 2003	2,348,790	10,066,644	12,415,434
Net book value:			
As at 30 June 2003	<u>2,414,554</u>	<u>12,846,768</u>	<u>15,261,322</u>
As at 31 December 2002(audited)	<u>2,486,093</u>	<u>12,430,873</u>	<u>14,916,966</u>

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

12. Construction materials

	The Group and the Company	
	At 30 June 2003 RMB'000	At 31 December 2002 RMB'000 (audited)
Equipment and accessories	<u>21,851</u>	<u>19,667</u>

13. Construction in progress

	The Group		The Company	
	2003 RMB'000	2002 RMB'000 (audited)	2003 RMB'000	2002 RMB'000 (audited)
Balance at 1 January	890,051	4,276,591	847,121	4,238,739
Additions	873,177	2,283,573	837,632	2,036,050
of which:				
Capitalised interest costs	2,892	95,006	2,892	91,353
	<u>1,763,228</u>	6,560,164	<u>1,684,753</u>	6,274,789
Transferred to fixed assets(Note 11)	<u>(1,104,835)</u>	(5,670,113)	<u>(1,078,079)</u>	(5,427,668)
Balance at 30 June/31 December	<u>658,393</u>	<u>890,051</u>	<u>606,674</u>	<u>847,121</u>

Construction in progress comprises costs incurred on property, plant and machinery not yet commissioned at 30 June 2003.

There were no individual projects of balances over RMB 50 million as at 30 June 2003.

13. Construction in progress *(continued)*

Interest capitalised for the period ended 30 June 2003 is as follows:

	The Group RMB'000	The Company RMB'000
Balance at 1 January 2003	32,378	28,725
Additions for the period	2,892	2,892
Transferred to fixed assets	(20,084)	(16,431)
Balance at 30 June 2003	<u>15,186</u>	<u>15,186</u>
Rate for the capitalisation of interest	<u>4.78%-5.31%</u>	<u>4.78%-5.31%</u>

14. Intangible assets

	The Group and the Company	
	2003 RMB'000	2002 RMB'000 (audited)
Cost:		
At 1 January and 30 June / 31 December	134,482	134,482
Accumulated amortisation:		
At 1 January	85,171	71,723
Amortisation for the period / year	6,724	13,448
At 30 June / 31 December	91,895	85,171
Net book value:		
At 30 June / 31 December	<u>42,587</u>	<u>49,311</u>

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 financial statements. 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.

15. Taxation

(a) Taxation in the income statement represents:

	Six-month periods ended 30 June			
	The Group		The Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for PRC income tax for the period	100,524	46,798	84,423	31,590
Deferred taxation	(1,012)	-	(1,012)	-
Tax refund	99,512	46,798	83,411	31,590
	-	(141)	-	(141)
	99,512	46,657	83,411	31,449

The charge for PRC income tax is calculated at the rate of 15% (2002: 15%) on the estimated assessable profit of the period determined in accordance with relevant income tax rules and regulations. The Group did not carry out business in overseas and Hong Kong and therefore no provision has been made for overseas and Hong Kong income tax.

The Company has not received notice from the Ministry of Finance that the 15% tax rate will continue to be applicable to the Company in 2003. As such, it is possible that the Company's tax rate will increase in 2003.

15. Taxation (continued)

(b) Taxes payable in the balance sheets represents:

	The Group		The Company	
	At 30 June 2003 RMB'000	At 31 December 2002 RMB'000 (audited)	At 30 June 2003 RMB'000	At 31 December 2002 RMB'000 (audited)
Income tax	20,585	23,799	11,624	16,858
VAT	89,194	157,237	92,362	160,414
Consumption tax	33,159	47,804	33,159	47,804
Business tax	1,552	3,134	160	696
Other taxes	9,796	21,679	8,840	19,924
	154,286	253,653	146,145	245,696

(c) Deferred taxation

	The Group and the Company	
	2003 RMB'000	2002 RMB'000 (audited)
At 1 January	15,171	8,796
Deferred taxation arising from provision for inventories and bad debts	1,012	6,375
At 30 June / 31 December	16,183	15,171

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

16. Short-term loans

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

	The Group		The Company	
	At 30 June 2003 RMB'000	At 31 December 2002 RMB'000 (audited)	At 30 June 2003 RMB'000	At 31 December 2002 RMB'000 (audited)
Short-term bank loans	3,515,212	3,094,726	3,208,949	2,830,045
Short-term loans with related party(Note 30(g))	105,000	130,000	-	-
	3,620,212	3,224,726	3,208,949	2,830,045

The above loans are unsecured loans without guarantee and payable in full when due. The weighted average interest rate of short-term loans of the Group at 30 June 2003 was 2.66% (31 December 2002: 3.86%)

17. 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 5% or more shareholding included in the balance of trade creditors, bills payable, receipts in advance and other payables.

Ageing analysis of trade creditors is as follows:

	The Group			
	At 30 June 2003		At 31 December 2002 (audited)	
	Amount RMB'000	Proportion %	Amount RMB'000	Proportion %
Within 3 months	1,065,189	89.78	1,053,982	89.56
Between 3 and 6 months	83,175	7.01	81,519	6.93
Over 6 months	38,040	3.21	41,350	3.51
	1,186,404	100.00	1,176,851	100.00

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

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

	The Company			
	At 30 June 2003		At 31 December 2002	
	Amount	Proportion	Amount	Proportion
	RMB'000	%	RMB'000	%
Within 3 months	1,009,259	93.17	932,959	90.73
Between 3 and 6 months	65,110	6.01	86,039	8.37
Over 6 months	8,860	0.82	9,181	0.90
	1,083,229	100.00	1,028,179	100.00

18. Accrued expenses

At 30 June 2003, the Group's and the Company's accrued expenses primarily represented accrued interest expenses and other production expenses.

19. Dividends

Pursuant to the shareholders' approval at the Annual General Meeting on 18 June 2003, a final dividend of RMB 0.05 per share totalling RMB 360,000,000 (2001: RMB Nil) in respect of the year ended 31 December 2002 was approved and paid on 10 July 2003. The Board of Directors does not recommend the payment of an interim dividend for the period (2002:RMB Nil).

20. Long-term loans

	The Group		The Company	
	At 30 June	At 31 December	At 30 June	At 31 December
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
After 5 years	39,500	75,966	15,000	51,466
Between 3 and 5 years	30,090	1,029,798	30,090	1,029,798
Between 2 and 3 years	2,082,457	1,922,299	1,965,057	1,804,899
Between 1 and 2 years	1,985,074	1,562,828	1,805,056	1,257,639
	4,137,121	4,590,891	3,815,203	4,143,802
Within 1 year:				
Current portion of long-term loans	703,720	777,589	334,117	393,386
	4,840,841	5,368,480	4,149,320	4,537,188

20. Long-term loans (continued)

Long-term loans are analysed as follows:

Repayment terms and last payment date		Interest type	Interest rate at 30 June 2003	Original currency	Exchange rate at 30 June 2003	The Group		The Company	
						At 31		At 31	
						December 2003	December 2002	December 2003	December 2002
						RMB'000	RMB'000	RMB'000	RMB'000
						(audited)	(audited)		
Arranged by Central Treasury of the Company:									
U.S. Dollar denominated:									
Payable semi-annually from 2001 through 2003	Floating	LIBOR+0.6%	-	8.2772	-	36,021	-	36,021	
Payable semi-annually through 2004 (Note(a))	Fixed	7.10%	3,263	8.2772	27,009	36,004	27,009	36,004	
Payable semi-annually through 2008 (Note(a))	Fixed	1.50%	9,076	8.2772	75,124	81,947	75,124	81,947	
Payable semi-annually from 2000 through 2015 (Note(a))	Floating	LIBOR+0.5%	-	8.2772	-	29,014	-	29,014	
Japanese Yen denominated:									
Payable semi-annually through 2004	Fixed	5.7%	614,598	0.0691	42,469	60,362	42,469	60,362	
Renminbi denominated:									
Due in 2003	Floating	5.94%			-	288,840	-	288,840	
Due in 2004	Floating	5.05%-5.49%			700,000	1,200,000	700,000	1,200,000	
Due in 2005	Floating	4.49%-5.58%			1,789,718	1,790,000	1,789,718	1,790,000	
Due in 2006	Floating	4.94%-5.30%			1,500,000	1,000,000	1,500,000	1,000,000	
Other loans due in 2003	-	Interest free			15,000	15,000	15,000	15,000	
Arranged by subsidiaries:									
U.S. Dollar denominated:									
Payable semi-annually through 2004	Floating	1.76%	7,637	8.2772	63,213	84,284	-	-	
Payable annually through 2004	-	Interest free	1,100	8.2772	9,105	14,065	-	-	
Payable annually through 2004	Fixed	5.00%	1,819	8.2772	15,056	10,090	-	-	

20. Long-term loans (continued)

Long-term loans are analysed as follows: (continued)

Repayment terms and last payment date	Interest type	Interest rate at 30 June 2003	Original currency '000	Exchange rate at 30 June 2003	The Group		The Company	
					At 31		At 31	
					At 30 June 2003	December 2002	At 30 June 2003	December 2002
					RMB'000	RMB'000	RMB'000	RMB'000
						(audited)	(audited)	
Renminbi denominated:								
Payable semi-annually through 2003	-	Interest free			15,310	29,910	-	-
Payable semi-annually through 2004	Floating	5.76%			102,225	136,300	-	-
Payable annually from 2003 through 2004	Floating	7.13%			15,000	45,000	-	-
Payable annually through 2004	-	Interest free			225,912	265,843	-	-
Payable annually through 2004	Floating	5.31%-5.85%			89,000	49,100	-	-
Payable annually from 2001 through 2005	-	Interest free			22,200	22,200	-	-
Due in 2004	Floating	6.24%			-	40,000	-	-
Due in 2005 and after	Floating	4.94%-5.58%			134,500	134,500	-	-
Total long-term loans outstanding					4,840,841	5,368,480	4,149,320	4,537,188
Less: Amounts due within one year					(703,720)	(777,589)	(334,117)	(393,386)
Amounts due after one year					4,137,121	4,590,891	3,815,203	4,143,802

Note: (a) Guaranteed by China Petrochemical Corporation

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

21. Other long-term liabilities

Deferred income

	The Group	
	2003 RMB'000	2002 RMB'000 (audited)
Cost:		
As at 1 January and at 30 June / 31 December	115,177	115,177
Accumulated amortisation:		
As at 1 January	57,590	46,072
Amortisation for the period / year	5,759	11,518
As at 30 June / 31 December	63,349	57,590
Net book value:		
At 30 June / 31 December	<u>51,828</u>	<u>57,587</u>

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

22. Share capital

The Group and the Company		
	At 30 June 2003	At 31 December 2002
	RMB'000	RMB'000 (audited)
Registered capital:		
4,870,000,000 A shares of RMB 1 each	4,870,000	4,870,000
2,330,000,000 H shares of RMB 1 each	2,330,000	2,330,000
	<u>7,200,000</u>	<u>7,200,000</u>
Issued and paid up capital		
Shares not in trade:		
4,150,000,000 A shares of RMB 1 each		
of which:		
Domestic legal persons owned shares	4,150,000	4,150,000
Total shares not in trade	<u>4,150,000</u>	<u>4,150,000</u>
Shares in trade:		
720,000,000 A shares of RMB 1 each		
2,330,000,000 H shares of RMB 1 each		
of which:		
RMB ordinary A shares listed in the PRC	720,000	720,000
Foreign investment H shares listed overseas	2,330,000	2,330,000
Total shares in trade	<u>3,050,000</u>	<u>3,050,000</u>
Total share capital	<u>7,200,000</u>	<u>7,200,000</u>

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

Capital verifications of the issued and paid up capital were performed by KPMG Huazhen. Capital verification reports were issued on 27 October 1993, 10 June 1994, 15 September 1996 and 20 March 1997 accordingly.

23. Capital reserves

	The Group and the Company	
	2003	2002
	RMB'000	RMB'000
		(audited)
Balance at 30 June / 31 December	2,856,278	2,856,278

Balance of capital reserves at 30 June 2003 and 31 December 2002 is represented by:

	Note	The Group and the Company	
		At 30 June 2003	At 31 December 2002
		RMB'000	RMB'000
			(audited)
Share premium		2,420,841	2,420,841
Safety fund	(a)	4,180	4,180
Valuation surplus	(b)	44,887	44,887
Government grants	(c)	386,370	386,370
		2,856,278	2,856,278

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

24. Surplus reserves

The Group and the Company					
Note	Statutory surplus reserve	Statutory public welfare fund	General surplus reserve	Discretionary surplus reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2002	831,211	749,122	82,089	1,280,514	2,942,936
Appropriation of net profit (a)	90,897	90,897	-	-	181,794
Balance at 1 January and 30 June 2003	<u>922,108</u>	<u>840,019</u>	<u>82,089</u>	<u>1,280,514</u>	<u>3,124,730</u>

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

25. Income from principal operations

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

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

For the period ended 30 June 2003, total sales to top five customers are shown below:

	2003	2002
Amount (RMB'000)	5,126,300	3,310,006
Percentage of total sales	<u>36.3%</u>	<u>34.8%</u>

26. Business taxes and surcharges

	Six-month periods ended 30 June			
	The Group		The Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Consumption tax	199,624	207,680	199,624	207,680
City construction tax	46,697	49,291	43,191	38,649
Education surcharge and others	28,191	18,147	18,510	16,564
	<u>274,512</u>	<u>275,118</u>	<u>261,325</u>	<u>262,893</u>

The charge for consumption tax is calculated at RMB277.6 per tonne and RMB117.6 per tonne on the sales of gasoline and diesel respectively in accordance with relevant tax rules and regulations. The charges for city construction tax and education surcharge are based on 7% and 3% respectively of the VAT, consumption tax and business tax paid during the year.

27. Financial expenses

	Six-month periods ended 30 June			
	The Group		The Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Interest expenses	223,190	183,567	205,909	158,835
Less: Interest income	(12,995)	(11,466)	(8,657)	(7,480)
Exchange loss	2,480	7,673	2,368	420
Less: Exchange gain	(4,623)	(4,596)	(3,958)	(3,642)
Others	1,289	2,665	312	1,965
	<u>209,341</u>	<u>177,843</u>	<u>195,974</u>	<u>150,098</u>

28. Investment (losses)/ income

	Six-month periods ended 30 June			
	The Group		The Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Cost method	13,113	24,024	6,086	11,368
Share of profits of subsidiaries	-	-	21,609	59,445
Share of(losses)/profits of associates	(7,487)	(498)	5,000	(10,255)
Amortisation of equity investment differences	425	(5,072)	425	(5,072)
Loss on disposal of subsidiary	(7,229)	-	-	-
	(1,178)	(18,454)	33,120	55,486

29. Non-operating expenses

	Six-month periods ended 30 June			
	The Group		The Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Net loss on disposal of fixed assets	2,529	44,364	3,100	42,912
Service fee	10,000	3,000	10,000	3,000
Donations	5,650	1,000	5,650	1,000
Other expenses	4,244	3,261	2,413	2,763
	22,423	51,625	21,163	49,675

30. Related parties and related party transactions

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

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

The above registered capital has not been changed during the six-month period ended 30 June 2003.

As at 30 June 2003, Sinopec Corp held 4 billion shares of the Company. There are no changes during the reporting period.

(b) Companies not having the direct ability to exercise significant influence over the Group

	<u>Relationships with the Company</u>
China Petrochemical Corporation	The ultimate parent company
Sinopec Finance Company Limited	Subsidiary of the ultimate parent company
Sinopec Zhenhai Refining and Chemical Company Limited	Subsidiary of the immediate parent company
Sinopec Huadong Sales Company Limited	Subsidiary of the immediate parent company

30. Related parties and related party transactions (continued)

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

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

	Six-month periods ended 30 June	
	2003	2002
	RMB'000	RMB'000
Purchases of crude oil	7,845,725	4,978,349

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

	Six-month periods ended 30 June	
	2003	2002
	RMB'000	RMB'000
Sales	4,872,132	3,233,273
Purchases	315,820	209,884
Repairing charges	59,605	117,456
Insurance expenses	44,821	35,935
Net withdrawal from deposits with related parties	165,562	137,431
Interest received and receivable	653	268
New loans obtained from related parties	25,000	400,000
Loans repaid to related parties	50,000	-
Interest paid and payable	3,472	2,159
Transportation fees	5,624	4,039
Construction and installation fees	153,006	377,149

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

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

30. Related parties and related party transactions (continued)

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

	<u>Immediate parent Company</u>		<u>Other related parties</u>	
	<u>At 30 June</u> <u>2003</u> <u>RMB'000</u>	<u>At 31 December</u> <u>2002</u> <u>RMB'000</u> <u>(audited)</u>	<u>At 30 June</u> <u>2003</u> <u>RMB'000</u>	<u>At 31 December</u> <u>2002</u> <u>RMB'000</u> <u>(audited)</u>
Bills receivable	40,000	24,955	-	-
Trade debtors	10,920	19,543	105,680	75,128
Other debtors	6,354	6,354	1,533	7,050
Advance payments	353	-	50,924	18,515
Bills payable	-	-	9,300	4,770
Trade creditors	157,357	45,135	452,580	473,704
Other payables	96,837	-	102,901	22,855
Receipts in advance	2,112	7,782	-	-
Dividend payable	200,000	-	-	-

(f) Deposits with related parties

	<u>The Group</u>		<u>The Company</u>	
	<u>At 30 June</u> <u>2003</u> <u>RMB'000</u>	<u>At 31 December</u> <u>2002</u> <u>RMB'000</u> <u>(audited)</u>	<u>At 30 June</u> <u>2003</u> <u>RMB'000</u>	<u>At 31 December</u> <u>2002</u> <u>RMB'000</u> <u>(audited)</u>
Cash at bank	295,658	461,220	293,642	456,500

(g) Loans with related parties

	<u>The Group</u>		<u>The Company</u>	
	<u>At 30 June</u> <u>2003</u> <u>RMB'000</u>	<u>At 31 December</u> <u>2002</u> <u>RMB'000</u> <u>(audited)</u>	<u>At 30 June</u> <u>2003</u> <u>RMB'000</u>	<u>At 31 December</u> <u>2002</u> <u>RMB'000</u> <u>(audited)</u>
Short-term loans	105,000	130,000	-	-

31. Capital commitments

Capital commitments outstanding at 30 June 2003 and 31 December 2002 are as follows:

	<u>The Group and the Company</u>	
	<u>At 30 June</u>	<u>At 31 December</u>
	<u>2003</u>	<u>2002</u>
	RMB'000	RMB'000
<u>Property, plant and equipment</u>		
Contracted but not provided for	540,077	1,186,054
Authorised by the Board but not contracted for	618,000	418,000
	1,158,077	1,604,054
<u>Investment</u>		
Contracted but not provided for	1,140,126	1,272,558
	2,298,203	2,876,612

32. Contingent liabilities

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

	<u>The Group</u>		<u>The Company</u>	
	<u>At 30 June</u>	<u>At 31 December</u>	<u>At 30 June</u>	<u>At 31 December</u>
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RMB'000	RMB'000	RMB'000	RMB'000
		(audited)		(audited)
Guarantees issued to banks in favour of:				
-subsidiaries	-	-	1,065,878	1,181,577
-associates	218,290	265,990	218,290	265,990
-other unlisted investment companies	81,442	79,442	40,300	40,300
	299,732	345,432	1,324,468	1,487,867

Guarantees issued to banks in favour of subsidiaries are given to the extent of the Company's respective interest in these entities.

Guarantees issued to banks in favour of associates and other unlisted investment companies are given to the extent of the Group's and the Company's respective interest in these entities.

The Group monitors the conditions that are subject to the guarantees to identify whether it is probable that a loss has occurred, and recognised any such losses under guarantees when those losses are estimable. At 30 June 2003 and 31 December 2002, it is not probable that the Group will be required to make payments under the guarantees. Thus no liability has been accrued for a loss related to the Group's and the Company's obligation under this guarantee arrangements.

33. Retirement schemes

As stipulated by the relevant regulations, the Group participates in a defined contribution retirement plan organised by the Shanghai Municipal Government for its staff. The Group is required to make contributions to the retirement plan at a rate of 22.5% of the salaries, bonuses and certain allowances of its staff. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at his retirement date. The Group has no other material obligation for the payment of pension benefits associated with this plan beyond the annual contributions described above. In addition, pursuant to a document "Lao Bu Fa (1995) No.464" dated 29 December 1995 issued by the Ministry of Labour of the PRC, the Company has set up a supplementary defined contribution retirement plan for the benefit of employees. Employees who have served the Company for five years or more may participate in this plan. The Company and participating employees make defined contributions to their pension savings account according to the plan. The assets of this plan are held separately from those of the Company in an independent fund administered by a committee consisting of representatives from the employees and the Company. In April 2003, the Company revised certain terms of the plan and increased the amount of contributions. During the six-month period ended 30 June 2003, the Company's contribution to this plan amounted to RMB17,622,000 (period ended 30 June 2002: RMB11,564,000).

34. Events after the balance sheet date

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

35. Segment reporting

Segment information is presented in respect of the Group's business segments, the format of which is based on the Group's management and internal reporting structure. In view of the fact that the Company and its subsidiaries operate mainly in the PRC, no geographical segment information is presented.

The Group evaluates performance based on operating profits before income tax and non-operating income and expenses. Certain administrative expenses are allocated based on the percentage of sales.

Inter-segment transfer pricing is based on cost plus an appropriate margin, as specified by the Group policy.

35. Segment reporting (continued)

The Group principally operates in four operating segments: synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products. All of the Group's products are produced through intermediate steps from the principal raw material of crude oil. The specific products of each segment are as follows:

- (i) The synthetic fibres segment produces primarily polyester and acrylic fibres primarily used in the textile and apparel industries.
- (ii) The resins and plastics segment produces primarily polyester chips, low density polyethylene resins and films, polypropylene resins and PVA granules. The polyester chips are used in the processing of polyester fibres and construction coating materials and containers. Low density polyethylene resins and plastics are used in cable jacketing, sheeting, the manufacture of moulded products, such as housewares and toys and for agricultural and packaging uses. Polypropylene resins are used in the manufacturing of extruded films or sheets and injection moulded products such as housewares, toys and household electric appliance and automobile parts.
- (iii) The intermediate petrochemicals segment primarily produces ethylene and benzene. Most of the intermediate petrochemicals produced by the Group are used by the Group as raw materials in the production of other petrochemicals, resins, plastics and synthetic fibres. A portion of the intermediate petrochemicals as well as certain by-products of the production process are sold to outside customers.
- (iv) The Group's petroleum products segment has crude oil distillation facilities used to produce vacuum and atmospheric gas oils used as feedstocks of the Group's downstream processing facilities. Residual oil and low octane gasoline fuels are produced primarily as a co-product of the crude oil distillation process. A proportion of the residual oil is further processed into qualified refined gasoline and diesel oil. In addition, the Group produces a variety of other transportation, industrial and household heating fuels, such as diesel oils, jet fuels, heavy oils and liquefied petroleum gases.
- (v) All other operating segments represent the operating segments which do not meet the quantitative threshold for determining reportable segments. These include trading, consumer products and services and a variety of other commercial activities, which are not allocated to the above four operating segments.

35. Segment reporting (continued)

Income from principal operations

	Six-month periods ended 30 June	
	2003 RMB'000	2002 RMB'000
Synthetic fibres		
External sales	1,904,874	1,648,124
Intersegment sales	478	5,609
Sub-total	1,905,352	1,653,733
Resins and plastics		
External sales	4,158,411	2,696,553
Intersegment sales	14,028	11,519
Sub-total	4,172,439	2,708,072
Intermediate petrochemicals		
External sales	1,950,095	1,164,200
Intersegment sales	3,847,506	2,462,505
Sub-total	5,797,601	3,626,705
Petroleum products		
External sales	5,240,592	3,477,123
Intersegment sales	377,199	297,615
Sub-total	5,617,791	3,774,738
All others		
External sales	885,098	537,023
Intersegment sales	1,709,274	1,485,347
Sub-total	2,594,372	2,022,370
Elimination of intersegment sales	(5,948,485)	(4,262,595)
Total	14,139,070	9,523,023

External sales include sales to subsidiaries of Sinopec Corp.

35. Segment reporting (continued)

Cost of principal operations

	<u>Six-month periods ended 30 June</u>	
	2003	2002
	RMB'000	RMB'000
Synthetic fibres	1,873,545	1,544,330
Resins and plastics	3,734,904	2,324,428
Intermediate petrochemicals	1,443,280	897,276
Petroleum products	4,587,525	2,980,643
All others	754,698	316,466
	<u>12,393,952</u>	<u>8,063,143</u>

Profit from principal operations

	<u>Six-month periods ended 30 June</u>	
	2003	2002
	RMB'000	RMB'000
Synthetic fibres	23,008	93,445
Resins and plastics	405,486	356,507
Intermediate petrochemicals	496,535	258,285
Petroleum products	428,353	266,284
All others	117,224	210,241
	<u>1,470,606</u>	<u>1,184,762</u>