

1 Significant accounting policies

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

(a) Statement of compliance

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

(b) Basis of preparation

The consolidated financial statements are prepared on the historical cost basis as modified by the revaluation of certain property, plant and equipment where stated in note 1(d). The accounting policies have been consistently applied by the Group.

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

(c) Basis of consolidation

(i) *Subsidiaries*

The consolidated financial statements of the Group include the financial statements of the Company and all of its principal subsidiaries. Subsidiaries are those enterprises controlled by the Company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The result of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The share of results attributable to minority interests is deducted from or added to profit after tax.

1 Significant accounting policies (continued)

(c) Basis of consolidation (continued)

(ii) Associates

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

(iii) Transactions eliminated on consolidation

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

(iv) Goodwill

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

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

(d) Property, plant and equipment

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

(i) Subsequent expenditure

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

1 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Depreciation and amortisation

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

Buildings	15 to 40 years
Plant, machinery, equipment and others	5 to 26 years

(iii) Retirement or disposal

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

(e) Lease prepayments

Lease prepayments represent land use rights paid to the PRC's land bureau. Land use rights are carried at cost and amortised on a straight-line basis over the respective periods of the rights.

(f) Construction in progress

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost less government grants that compensate the Company for the cost of construction, and impairment losses (see note 1(s)). Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the period of construction.

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

No depreciation is provided in respect of construction in progress.

(g) Interests in subsidiaries

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

(h) Investments

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

1 Significant accounting policies (continued)

(i) Inventories

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

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

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

(j) Trade debtors

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

(k) Cash and cash equivalents

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

(l) Translation of foreign currencies

Transactions in foreign currencies are translated into Renminbi at the applicable exchange rates ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at rates quoted by the People's Bank of China at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Renminbi at the foreign exchange rate ruling at the date of the transaction.

Foreign currency translation differences relating to funds borrowed to finance the construction of property, plant and equipment to the extent that they are regarded as an adjustment to interest costs are capitalised during the construction period. All other exchange differences are dealt with in the income statement.

1 Significant accounting policies (continued)

(m) Revenue recognition

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

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

(n) Grants

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

(o) Net financing costs

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

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

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

(p) Repairs and maintenance expenses

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

(q) Research and development costs

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

1 Significant accounting policies (continued)

(r) Retirement benefits

The contributions payable under the Group's retirement plans are charged to the income statement according to the contribution determined by the plans. Further information is set out in note 27.

(s) Impairment loss

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

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

(t) Deferred income

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

(u) Dividends

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

(v) Income tax

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

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

1 Significant accounting policies (continued)

(v) Income tax (continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to goodwill not deductible for tax purposes and the initial recognition of assets or liabilities which affect neither accounting nor taxable income. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. The effect on deferred tax of any changes in tax rates is charged to the income statement.

A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(w) Provisions

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

(x) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(y) Segment reporting

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

2 Turnover

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

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

3 Other operating income

	2003 RMB'000	2002 RMB'000
Income from rendering of services	74,040	63,739
Income from joint ventures and other unlisted investments	18,059	36,505
Amortisation of deferred income (Note 20)	12,367	14,822
Others	16,613	21,565
	121,079	136,631

4 Other operating expenses

	2003 RMB'000	2002 RMB'000
Employee reduction expenses (Note 5)	64,108	-
Loss on disposal of property, plant and equipment	57,571	85,134
Impairment loss of property, plant and equipment (Note 12)	24,600	-
Amortisation of goodwill (Note 17)	13,448	13,448
Service fee	37,593	26,798
Donations	10,080	1,699
Others	9,032	27,756
	216,432	154,835

5 Employee reduction expenses

In accordance with the Group's voluntary employee reduction plan, the Group recorded employee reduction expenses of RMB 64,108,000 (2002:RMB Nil) during the year ended 31 December 2003 in respect of the voluntary resignation of approximately 950 employees.

6. Net financing costs

	2003 RMB'000	2002 RMB'000
Interest on bank loans and advances	430,030	523,500
Less: Amount capitalised as construction in progress*	14,095	101,753
Interest expenses, net	415,935	421,747
Interest income	(27,419)	(25,015)
Foreign exchange loss, net	3,505	3,924
	392,021	400,656

*Borrowing costs have been capitalised at a rate of between 2.98% and 5.31% per annum (2002: 4.18%-6.03%) for construction in progress.

7. Profit before tax

Profit before tax is arrived at after charging:

	2003 RMB'000	2002 RMB'000
Cost of inventories#	26,396,224	19,853,928
Depreciation#	1,850,013	1,585,823
Repairs and maintenance expenses#	787,246	673,255
Research and development costs#	101,223	83,952
Employer's pension costs#		
- Municipal retirement scheme costs	168,276	168,747
- Supplementary retirement scheme costs	39,153	24,781
Staff costs#	1,090,687	1,079,318
Auditors' remuneration	4,552	4,510

Cost of inventories includes RMB 4,023,181,000 (2002: RMB 3,603,794,000) relating to staff costs, depreciation, repairs and maintenance expenses, research and development costs and pension costs, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

The profit attributable to shareholders of RMB 1,401,690,000 (2002: RMB 916,365,000) has been dealt with in the financial statements of the Company.

8 Directors' and supervisors' emoluments

Directors' and supervisors' emoluments:

	2003 RMB'000	2002 RMB'000
Directors' fees	-	-
Salaries and other benefits	642	394
Retirement scheme contributions	45	50
Discretionary bonuses	991	1,148
	1,678	1,592

Salaries and other benefits paid to independent non-executive directors and independent supervisors amounted to RMB 240,000 and RMB Nil respectively during the year (2002:RMB Nil and RMB Nil respectively).

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

Hong Kong dollars	Number of directors and supervisors	
	2003	2002
0-1,000,000	19	21

The five highest paid individuals in the Group in 2003 and 2002 were all executive directors whose total emoluments have been shown above.

9 Taxation

(a) Taxation in the consolidated income statement represents:

	2003 RMB'000	2002 RMB'000
Provision for PRC income tax for the year	249,285	155,874
Deferred taxation		
-the Group(Note 9(b)(ii))	(8,229)	(4,975)
-associates	(3,824)	-
Tax refund	(92,167)	(66,405)
	145,065	84,494

9 Taxation *(continued)*

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

Pursuant to the document "Cai Shui Zi (1999) No. 290" issued by the Ministry of Finance and the State Administration of Taxation of the PRC on 8 December 1999, the Company received an income tax refund of RMB 92,167,000 (2002: RMB 66,405,000) during the year relating to the purchase of equipment produced in the PRC for technological improvements.

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

	2003 RMB'000	2002 RMB'000
Profit before taxation	1,590,365	1,045,038
Expected PRC tax at statutory tax rate of 15%	238,555	156,756
Non-deductible expenses	3,437	2,706
Non-taxable earnings	(7,032)	(10,108)
Income tax refund	(92,167)	(66,405)
Differential tax rate on subsidiaries income	2,272	1,545
Income tax expense	145,065	84,494

The charge for PRC income tax is calculated at the rate of 15% (2002:15%) on the estimated assessable income of the year determined in accordance with relevant income tax rules and regulations. The Group did not carry out business overseas and in Hong Kong and therefore does not incur overseas and Hong Kong income taxes. The Company has not received notice from the Ministry of Finance that the 15% tax rate will continue to be applicable to the Company in 2004. As such, it is possible that the Company's tax rate will increase in 2004.

9 Taxation (continued)

(b) Deferred taxation:

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

	The Group and the Company					
	Assets		Liabilities		Net balance	
	2003	2002	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Current</i>						
Provisions	21,163	15,171	-	-	21,163	15,171
<i>Non-current</i>						
Provision for impairment losses	3,690	-	-	-	3,690	-
Land use rights	20,453	20,978	-	-	20,453	20,978
Capitalisation of borrowing costs	-	-	(9,646)	(8,718)	(9,646)	(8,718)
Deferred tax assets/(liabilities)	45,306	36,149	(9,646)	(8,718)	35,660	27,431

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

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

	The Group and the Company		
	Balance at	Recognised	Balance at
	1 January	in income	31 December
	2003	statement	2003
	RMB'000	RMB'000	RMB'000
<i>Current</i>			
Provisions	15,171	5,992	21,163
<i>Non-current</i>			
Provision for impairment losses	-	3,690	3,690
Land use rights	20,978	(525)	20,453
Capitalisation of borrowing costs	(8,718)	(928)	(9,646)
Net deferred tax assets	27,431	8,229	35,660

10 Dividend

(a) Dividend attributable to the year

	The Group and the Company	
	2003	2002
	RMB'000	RMB'000
Final dividend proposed after the balance sheet date of RMB 0.08 per share (2002: RMB 0.05 per share)	576,000	360,000

Pursuant to a resolution passed at the directors' meeting on 26 March 2004, a final dividend of RMB 0.08 per share totalling RMB 576,000,000 (2002: RMB 0.05 per share totalling RMB 360,000,000) was proposed for shareholders' approval at the Annual General Meeting. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	The Group and the Company	
	2003	2002
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB 0.05 per share (2002: RMB Nil per share)	360,000	-

11 Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of RMB 1,401,690,000 (2002: RMB 916,365,000) and 7,200,000,000 (2002: 7,200,000,000) shares in issue during the year.

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

12 Property, plant and equipment

(a) The Group

	Buildings RMB'000	Plant and other fixed assets RMB'000	Total RMB'000
Cost or valuation:			
At 1 January 2003	4,731,863	23,911,111	28,642,974
Additions	11,115	210,117	221,232
Transferred from construction in progress (Note 13)	91,214	1,485,342	1,576,556
Acquisition of subsidiary (Note 14(i))	283,637	224,857	508,494
Disposals	(37,506)	(390,352)	(427,858)
At 31 December 2003	5,080,323	25,441,075	30,521,398
Accumulated depreciation and impairment losses:			
At 1 January 2003	2,358,969	10,474,512	12,833,481
Charge for the year	188,353	1,661,660	1,850,013
Impairment loss	-	24,600	24,600
Acquisition of subsidiary (Note 14(i))	59,972	44,485	104,457
Written back on disposals	(15,599)	(295,658)	(311,257)
At 31 December 2003	2,591,695	11,909,599	14,501,294
Net book value:			
At 31 December 2003	2,488,628	13,531,476	16,020,104
At 31 December 2002	2,372,894	13,436,599	15,809,493

12. Property, plant and equipment (continued)

(b) The Company

	Buildings	Plant and other fixed assets	Total
	RMB'000	RMB'000	RMB'000
Cost or valuation:			
At 1 January 2003	3,989,536	21,464,344	25,453,880
Additions	8,449	164,965	173,414
Transferred from construction in progress (Note 13)	77,260	1,441,759	1,519,019
Disposals	(4,809)	(334,357)	(339,166)
At 31 December 2003	4,070,436	22,736,711	26,807,147
Accumulated depreciation and impairment losses:			
At 1 January 2003	2,149,119	9,353,056	11,502,175
Charge for the year	157,305	1,492,019	1,649,324
Impairment loss	-	24,600	24,600
Written back on disposals	(3,065)	(252,096)	(255,161)
At 31 December 2003	2,303,359	10,617,579	12,920,938
Net book value:			
At 31 December 2003	1,767,077	12,119,132	13,886,209
At 31 December 2002	1,840,417	12,111,288	13,951,705

12. Property, plant and equipment (continued)

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

Buildings in Hong Kong with a net book value of RMB 37,684,000 (2002: RMB 38,870,000) were held under medium-term leases.

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

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

- (e) At 31 December 2003, the net book value of property, plant and equipment that were pledged by the Group and the Company are RMB 414,342,000 and RMB Nil respectively (2002: Group and Company: RMB Nil).

13. Construction in progress

	The Group		The Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
At 1 January	896,798	4,001,169	853,868	3,963,317
Additions	1,065,131	2,290,320	1,027,224	2,042,797
Transferred to property, plant and equipment (Note 12)	(1,576,556)	(5,394,691)	(1,519,019)	(5,152,246)
At 31 December	385,373	896,798	362,073	853,868

Construction in progress comprises costs incurred on property, plant and equipment not yet commissioned at 31 December 2003.

14. Interests in subsidiaries

	2003 RMB'000	2002 RMB'000
Share of net assets	1,883,586	1,873,102
Amounts due from subsidiaries	121,787	262,007
Negative goodwill (Note 20)	(3,398)	(16,524)
	2,001,975	2,118,585

The above amount represents the Company's interest in its consolidated subsidiaries. The particulars of these subsidiaries, all of which are limited companies established and operating in the PRC, which principally affected the results or assets of the Group, at 31 December 2003 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 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

14. Interests in subsidiaries (continued)

Company	Registered capital '000	Percentage of equity		Principal activities
		held by the company %	held by subsidiaries %	
Shanghai Golden Way Petrochemical Company Limited	US\$ 3,460	-	75	Production of vinyl acetate products
Shanghai Jinchang Engineering Plastics Company Limited	US\$ 4,750	-	50.38	Production of polypropylene compound products
Shanghai Golden-Phillips Petrochemical Company Limited	US\$ 50,000	-	60	Production of polyethylene products
Zhejiang Jin Yong Acrylic Fibre Company Limited	RMB 250,000	75	-	Production of acrylic fibre products
Shanghai Petrochemical Enterprise Development Company Limited	RMB 455,000	100	-	Investment management
Shanghai Golden Conti Petrochemical Company Limited(Note(i))	RMB 295,776	-	100	Production of petrochemical products

None of the subsidiaries has issued any debt securities.

Note:

- (i) In 2003, the Group acquired an additional 52% shareholding in Shanghai Golden Conti Petrochemical Company Limited ("Golden Conti"). Following the acquisition, Golden Conti became a wholly owned subsidiary of the Group and was included in the Group's consolidated financial statements.
- (ii) On 1 January 2003, the Group disposed its 58.43% shareholding in a subsidiary, Zhejiang Jinzhe Petrochemical Associate Company Limited ("Jinzhe"). Effectively, the control of the Group over Jinzhe ceased and was transferred. Accordingly, the results for the current year and net assets as at year end date of Jinzhe were not included in the consolidated financial statements.

15. Interests in associates

	The Group		The Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Share of net assets	1,376,339	1,044,217	1,225,239	838,768
Less: Provision for impairment losses	(6,000)	-	-	-
	1,370,339	1,044,217	1,225,239	838,768

The above amount represents the share of net assets of the Group's interest in its associates.

The particulars of these associates, which are limited companies established and operating in the PRC, which principally affected the results or assets of the Group at 31 December 2003 are as follows:

Company	Registered capital '000	Percentage of equity		Principal activities
		held by the company %	held by subsidiaries %	
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	RMB 5,420	-	44	Trading of electrical appliances
XinLian Special Sealings Company	RMB 5,000	-	33	Production of special sealing material
Shanghai Secco Petrochemical Company Limited	US\$ 901,441	20	-	Manufacturing and distribution of chemical products
Shanghai Chemical Industry Park Development Company Limited	RMB 2,372,439	38.26	-	Planning, development and operation of the Chemical Industry Park in Shanghai, PRC

16. Investments

	The Group		The Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Investments in joint ventures	92,521	121,691	-	-
Investments in non-consolidated subsidiaries (unlisted)	288,230	287,740	-	-
Other unlisted investments	333,874	334,724	164,387	164,024
	714,625	744,155	164,387	164,024
Less: Provision for impairment losses	(25,788)	(9,658)	-	-
	688,837	734,497	164,387	164,024

The Group's other investments in joint ventures include non-controlling equity investments in various enterprises which are mainly engaged in manufacturing or trading activities related to the Group's operations. The Group's share of results attributable to these investments during the year ended 31 December 2003 is not material in relation to the profit of the Group for the said period and therefore is not equity accounted for.

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

17. Goodwill

	The Group		The Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January	134,482	134,482	134,482	-
Reclassification from interests in subsidiaries	-	-	-	134,482
At 31 December	134,482	134,482	134,482	134,482
Accumulated amortisation:				
At 1 January	85,171	71,723	85,171	-
Reclassification from interests in subsidiaries	-	-	-	78,447
Amortisation for the year (Note 4)	13,448	13,448	13,448	6,724
At 31 December	98,619	85,171	98,619	85,171
	35,863	49,311	35,863	49,311

17. Goodwill *(continued)*

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

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

18. Inventories

	The Group		The Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Raw materials	1,226,324	1,024,755	1,087,783	961,370
Work in progress	1,188,187	1,077,202	1,047,292	971,023
Finished goods	608,533	657,465	469,845	493,564
Spare parts and consumables	481,215	533,716	413,422	462,889
	3,504,259	3,293,138	3,018,342	2,888,846

At 31 December 2003, the Group and the Company had inventories carried at net realisable value with carrying amount of RMB 98,618,000 and RMB 90,749,000 respectively. (2002: the Group and the Company RMB 109,411,000 and RMB 106,436,000 respectively).

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

19. Trade accounts receivable

	The Group		The Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors	511,928	467,465	293,238	265,325
Less: Allowance for doubtful debts	(39,811)	(43,339)	(33,091)	(26,071)
	472,117	424,126	260,147	239,254
Bills receivable	1,214,465	518,715	1,080,023	454,884
Amounts due from parent companies and fellow subsidiaries	418,440	151,635	418,440	148,595
	2,105,022	1,094,476	1,758,610	842,733

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

	The Group		The Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Invoice date:				
Within one year	2,070,750	1,046,017	1,736,570	807,531
Between one and two years	28,057	28,827	19,003	23,898
Between two and three years	3,007	8,664	1,824	6,261
Over three years	3,208	10,968	1,213	5,043
	2,105,022	1,094,476	1,758,610	842,733

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