

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

8 Directors', supervisors' and senior management's emoluments

(i) Directors' and supervisors' emoluments:

	2004			
	Salaries and other benefits RMB'000	Retirement scheme contributions RMB'000	Discretionary bonus RMB'000	Total RMB'000
Lu Yiping	73	7	183	263
Rong Guangdao	73	6	169	248
Du Chongjun	73	6	169	248
Han Zhihao	59	6	145	210
Wu Haijun	59	6	144	209
Gao Jinping	59	5	137	201
Dai Shuming	59	6	136	201
Zhu Weiyan	57	6	101	164
Zhang Chenghua	57	6	94	157
Gu Chuanxun	80	-	-	80
Wang Yongshou	80	-	-	80
Wang Xingyu	80	-	-	80
	809	54	1,278	2,141

	2003			
	Salaries and other benefits RMB'000	Retirement scheme contributions RMB'000	Discretionary bonus RMB'000	Total RMB'000
Lu Yiping	60	6	151	217
Rong Guangdao	53	6	132	191
Du Chongjun	52	6	132	190
Xu Kaicheng	57	6	151	214
Feng Jianping	50	6	129	185
Jiang Baoxing	50	5	129	184
Zhang Chenghua	40	5	85	130
Zhu Weiyan	40	5	82	127
Gu Chuanxun	80	-	-	80
Wang Yongshou	80	-	-	80
Wang Xingyu	80	-	-	80
	642	45	991	1,678

For the years ended 31 December 2004 and 2003, no emolument was paid to the directors or supervisors as an inducement to join or upon joining the Company or as compensation for loss of office.

8 Directors', supervisors' and senior management's emoluments *(continued)*

(ii) Senior management's emoluments:

Details of emoluments paid to the five highest paid individuals (none of them is a director or a supervisor) of the Group during the year are as follows:

	2004 RMB'000	2003 RMB'000
Salaries and other emoluments	970	855
Retirement scheme contributions	29	23
	999	878

An analysis of emoluments paid to the five highest paid individuals by number of individuals and emolument range is as follows:

	2004 Number	2003 Number
Nil to HK\$ 1,000,000	5	5

9 Taxation

(a) Taxation in the consolidated income statement represents:

	2004 RMB'000	2003 RMB'000
Provision for income tax for the year	725,897	249,285
Deferred taxation	(13,257)	(12,053)
Tax refund(Note)	(75,579)	(92,167)
	637,061	145,065

Note:

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 is entitled to an income tax refund of RMB 75,579,000 (2003: RMB 92,167,000) 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:

	2004 RMB'000	2003 RMB'000
Profit from ordinary activities before taxation	4,696,229	1,590,365
Expected tax at statutory tax rate of 15%	704,435	238,555
Non-deductible expenses	9,888	3,437
Non-taxable earnings	(7,589)	(7,032)
Income tax refund	(75,579)	(92,167)
Differential tax rate on subsidiaries' income	5,906	2,272
Income tax expense	637,061	145,065

The charge for income tax is calculated at the rate of 15% (2003:15%) 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 therefore does not incur overseas income tax. The Company has not received notice from the Ministry of Finance that the 15% tax rate will be revoked in 2005. It is possible that the Company's tax rate will increase in the future. However, the Company continues to use the 15% tax rate in 2004.

9. Taxation (continued)

(b) Deferred taxation:

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

	The Group					
	Assets		Liabilities		Net balance	
	2004	2003	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Current</i>						
Provisions	32,600	21,163	-	-	32,600	21,163
<i>Non-current</i>						
Provision for impairment losses	8,842	3,690	-	-	8,842	3,690
Lease prepayments	19,928	20,453	-	-	19,928	20,453
Capitalisation of borrowing costs	-	-	(12,453)	(9,646)	(12,453)	(9,646)
Deferred tax assets/(liabilities)	61,370	45,306	(12,453)	(9,646)	48,917	35,660

	The Company					
	Assets		Liabilities		Net balance	
	2004	2003	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Current</i>						
Provisions	31,312	21,163	-	-	31,312	21,163
<i>Non-current</i>						
Provision for impairment losses	8,842	3,690	-	-	8,842	3,690
Lease prepayments	19,928	20,453	-	-	19,928	20,453
Capitalisation of borrowing costs	-	-	(12,453)	(9,646)	(12,453)	(9,646)
Deferred tax assets/(liabilities)	60,082	45,306	(12,453)	(9,646)	47,629	35,660

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

9. Taxation (continued)

(b) Deferred taxation:

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

	The Group		
	Balance at 1 January 2004 RMB'000	Recognised in income statement RMB'000	Balance at 31 December 2004 RMB'000
<i>Current</i>			
Provisions	21,163	11,437	32,600
<i>Non-current</i>			
Provision for impairment losses	3,690	5,152	8,842
Lease prepayments	20,453	(525)	19,928
Capitalisation of borrowing costs	(9,646)	(2,807)	(12,453)
Net deferred tax assets	35,660	13,257	48,917

	The Company		
	Balance at 1 January 2004 RMB'000	Recognised in income statement RMB'000	Balance at 31 December 2004 RMB'000
<i>Current</i>			
Provisions	21,163	10,149	31,312
<i>Non-current</i>			
Provision for impairment losses	3,690	5,152	8,842
Lease prepayments	20,453	(525)	19,928
Capitalisation of borrowing costs	(9,646)	(2,807)	(12,453)
Net deferred tax assets	35,660	11,969	47,629

10. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of RMB 3,971,103,000 (2003: RMB 1,401,690,000) and 7,200,000,000 (2003: 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.

11. Dividend

(a) Dividend attributable to the year

	The Group and the Company	
	2004 RMB'000	2003 RMB'000
Final dividend proposed after the balance sheet date of RMB 0.20 per share (2003: RMB 0.08 per share)	1,440,000	576,000

Pursuant to a resolution passed at the directors' meeting on 23 March 2005, a final dividend of RMB 0.20 per share totalling RMB 1,440,000,000 (2003: RMB 0.08 per share totalling RMB 576,000,000) 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	
	2004 RMB'000	2003 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB 0.08 per share (2003: RMB 0.05 per share)	576,000	360,000

12 Property, plant and equipment

(a) The Group

	Buildings	Plant and other fixed assets	Total
	RMB'000	RMB'000	RMB'000
Cost or valuation:			
At 1 January 2004	5,080,323	25,441,075	30,521,398
Additions	22,582	184,902	207,484
Transferred from construction in progress (Note 14)	268,295	692,752	961,047
Disposals	(47,027)	(454,790)	(501,817)
At 31 December 2004	5,324,173	25,863,939	31,188,112
Accumulated depreciation and impairment losses:			
At 1 January 2004	2,591,695	11,909,599	14,501,294
Charge for the year	224,480	1,568,604	1,793,084
Impairment loss (Note 4)	-	34,345	34,345
Written back on disposals	(11,924)	(335,012)	(346,936)
At 31 December 2004	2,804,251	13,177,536	15,981,787
Net book value:			
At 31 December 2004	2,519,922	12,686,403	15,206,325
At 31 December 2003	2,488,628	13,531,476	16,020,104

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 2004	4,070,436	22,736,711	26,807,147
Additions	-	148,984	148,984
Transferred from construction in progress (Note 14)	173,655	663,765	837,420
Disposals	(39,468)	(423,850)	(463,318)
At 31 December 2004	4,204,623	23,125,610	27,330,233
Accumulated depreciation and impairment losses:			
At 1 January 2004	2,303,359	10,617,579	12,920,938
Charge for the year	172,826	1,391,697	1,564,523
Impairment loss (Note 4)	-	34,345	34,345
Written back on disposals	(9,641)	(315,910)	(325,551)
At 31 December 2004	2,466,544	11,727,711	14,194,255
Net book value:			
At 31 December 2004	1,738,079	11,397,899	13,135,978
At 31 December 2003	1,767,077	12,119,132	13,886,209

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 36,500,000 (2003: RMB 37,684,000) 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 2 February 2005, 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 2004, no property, plant and equipment were pledged by the Group and the Company (2003: the Group and the Company: RMB 414,342,000 and RMB Nil respectively).

13. Investment property

	The Group RMB'000	The Company RMB'000
Cost:		
At 1 January 2004	-	-
Transferred from construction in progress (Note 14)	512,343	603,138
At 31 December 2004	512,343	603,138
Accumulated depreciation:		
At 1 January 2004	-	-
Charge for the year	1,036	1,219
At 31 December 2004	1,036	1,219
Net book value:		
At 31 December 2004	511,307	601,919
At 31 December 2003	-	-

13. Investment property (continued)

Investment property represents certain floors of an office building rented out under the terms of operating leases.

The fair values of the investment property of the Group and the Company as at 31 December 2004 are estimated by the directors to be approximately RMB 565,214,000 and RMB 664,195,000 respectively by reference to market conditions. The investment property has not been valued by an external independent valuer.

No rental income is received during the year as lease agreements for the investment property were formed with lessees subsequent to the year ended 31 December 2004.

14. Construction in progress

	The Group		The Company	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
At 1 January	385,373	896,798	362,073	853,868
Additions	1,895,494	1,065,131	1,830,601	1,027,224
Transferred to property, plant and equipment (Note 12)	(961,047)	(1,576,556)	(837,420)	(1,519,019)
Transferred to investment property (Note 13)	(512,343)	-	(603,138)	-
At 31 December	807,477	385,373	752,116	362,073

Construction in progress comprises costs incurred on property, plant and equipment not yet commissioned at 31 December 2004.

15. Interests in subsidiaries

	2004 RMB'000	2003 RMB'000
Share of net assets	2,045,962	1,883,586
Amounts due from subsidiaries	165,130	121,787
Negative goodwill (Note 21)	(2,549)	(3,398)
	2,208,543	2,001,975

The above amount represents the Company's interests in its consolidated subsidiaries. At 31 December 2004, the following list contains the particulars of subsidiaries, all of which are limited companies established and operated in the PRC, which principally affected the results and assets of the Group.

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

15. 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 polypropylene 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	RMB 295,776	-	100	Production of petrochemical products

None of the subsidiaries has issued any debt securities.

16. Interests in associates

	The Group		The Company	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	1,906,917	1,370,339	1,770,779	1,255,239

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 2004 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

17. Investments

	The Group		The Company	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Investments in joint ventures	62,730	92,521	-	-
Investments in non-consolidated subsidiaries (unlisted)	274,623	288,230	-	-
Other unlisted investments	353,433	333,874	164,772	164,387
	690,786	714,625	164,772	164,387
Less: Provision for impairment losses	(60,409)	(25,788)	-	-
	630,377	688,837	164,772	164,387

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 2004 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 interests in these subsidiaries which do not principally affect the results, assets or liabilities of the Group and, therefore, are not consolidated.

18. Goodwill

	The Group		The Company	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January and 31 December	134,482	134,482	134,482	134,482
Accumulated amortisation:				
At 1 January	98,619	85,171	98,619	85,171
Amortisation for the year (Note 4)	13,448	13,448	13,448	13,448
At 31 December	112,067	98,619	112,067	98,619
	22,415	35,863	22,415	35,863

18. 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.

19. Inventories

	The Group		The Company	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Raw materials	1,163,508	1,226,324	934,855	1,087,783
Work in progress	1,340,643	1,188,187	1,268,444	1,047,292
Finished goods	758,081	608,533	606,423	469,845
Spare parts and consumables	465,517	481,215	406,893	413,422
	3,727,749	3,504,259	3,216,615	3,018,342

At 31 December 2004, the Group and the Company had inventories carried at net realisable value with carrying amount of RMB 104,130,000 and RMB 101,522,000 respectively. (2003: the Group and the Company RMB 98,618,000 and RMB 90,749,000 respectively).

20. Trade accounts receivable

	The Group		The Company	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors	440,635	511,928	196,756	293,238
Less: Allowance for doubtful debts	(45,282)	(39,811)	(19,610)	(33,091)
	395,353	472,117	177,146	260,147
Bills receivable	1,675,412	1,214,465	1,522,870	1,080,023
Amounts due from parent companies and fellow subsidiaries	585,419	418,440	566,810	418,440
	2,656,184	2,105,022	2,266,826	1,758,610

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

	The Group		The Company	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Invoice date:				
Within one year	2,639,266	2,070,750	2,255,946	1,736,570
Between one and two years	16,918	28,057	10,880	19,003
Between two and three years	-	3,007	-	1,824
Over three years	-	3,208	-	1,213
	2,656,184	2,105,022	2,266,826	1,758,610

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