Notes to the Interim Financial Statements

(Prepared under PRC Accounting Rules and Regulations)

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 9(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 . Subsidiaries are those entities held by the Company, directly or indirectly, over 50% of the equity interests (not including 50%), or less than 50% but the Company has the power to effectively control the entities. The consolidated income statement of the Company only includes the results of the subsidiaries during the period when the Company holds, directly or indirectly, over 50% of the equity interests or the Company has effective control over the subsidiaries. The effect of minority interests on equity and profit / loss attributable to minority interests are separately shown in the consolidated financial statements. 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.

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.

(c) Basis of preparation and measurement basis

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 (see note2(i)),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

Trade accounts receivable showing signs of uncollectibility are identified individually and allowance is then made based on the probability of being uncollectible. Allowances for other receivables are determined based on the nature and corresponding collectibility.

(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. Inventories are measured at their actual cost upon acquisition. The cost of inventories is calculated using weighted average method. In addition to the puchase 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.

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

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

The Group's long-term equity investments in subsidiaries and associates are accounted for using the equity method. Equity method is to recognise the initial investment cost, subsequently adjusted in accordance with the share of shareholders' equity in respective investee companies. Equity investments difference, which is the difference between investment cost and the share of shareholders' funds of the investee companies is accounted for as follow.

- Any excess of the initial investment cost over the share of shareholders' equity of the investee is amortised on a straight-line basis. The amortisation period is determined according to the investment period as stipulated in the relevant agreement, or 10 years if the investment period is not specified in the agreement. The amortisation is recognised as investment loss in the income statement in the relevant period.

- Any shortfall of the initial investment cost over the share of shareholders' equity of the investee is recognised in "capital reserve-reserve for equity investment". Such shortfall is amortised on a straight-line basis if the investment was acquired before the issuance of Cai Kuai [2003] No. 10 "Questions and answers on implementing Accounting Regulations for Business Enterprises and related accounting standards (II)" on 7 April 2003.

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 (see note 2(k)).

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 are stated in the balance sheet at cost or revalued amount less accumulated depreciation and impairment losses (see note 2(k)). Construction in progress is stated in the balance sheet at cost or revalued amount less impairment losses(see note 2(k)). Valuation is carried out in accordance with the relevant rules and regulations in the PRC and fixed assets 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 their intended uses, 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 26 years	3%-5%	3.7%-19.4%

(j) Intangible assets

Intangible assets are carried in the balance sheet at cost or valuation less accumulated amortisation and provision for impairment losses (see note 2(k)). Amortisation is provided on a straight-line basis. Amortisation period is the shorter of the beneficial period as specified in the related agreement and the legal life of the intangible assets. Amortisation is provided over 10 years if it is not specified in agreements or stipulated by law.

(k) Impairment loss

The carrying amounts of assets (including long-term equity investments, fixed assets, construction in progress, intangible assets and other assets) are reviewed regularly to determine whether their recoverable amounts have declined below their carrying amounts. 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 amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

2. Significant accounting policies *(continued)*

(k) Impairment loss *(continued)*

Provision for impairment loss is calculated on an item by item basis and recognised as an expense in the income statement. However, when a deficit between the initial investment cost and the Group's share of the shareholders' funds of the investee enterprise has been credited to the capital reserve, any impairment losses for long-term equity investment are firstly set off against the difference initially recognised in the capital reserve relating to the investment and any excess impairment losses are then recognised in the income statement.

If there is an indication that there has been a change in the estimates used to determine the recoverable amount and as a result the estimated recoverable amount is greater than the carrying amount of the asset, the impairment loss recognised in prior years is reversed. Reversals of impairment losses are recognised in the income statement. Impairment losses are reversed to the extent of the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. In respect of the reversal of an impairment loss for a long-term equity investment, the reversal starts with the impairment losses that had previously been recognised in the income statement and then the impairment losses that had been charged to capital reserve.

(l) 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.

<u>Current tax</u>

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.

Pursuant to the relevant PRC tax regulations, the income tax rate applicable to the Company is 15%. Other than those granted with tax concession as set out below, the subsidiaries are subject to income tax at a rate of 33% pursuant to the relevant PRC tax regulations.

The subsidiaries granted with tax concession are set out below:

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

2. Significant accounting policies *(continued)*

(l) Taxations *(continued)*

Deferred tax

Deferred tax is provided under the liability method, for timing differences between the accounting profit before tax and the taxable income arising from the differences in the accounting and tax treatment of income and expenses or losses. When the tax rates change or new types of tax are levied, adjustments should be made to the amounts originally recognised for the timing differences. The enacted tax rates are used in arriving at the reversal amounts when the timing differences are reversed.

Deferred tax assets arising from the tax value of losses, which are expected to be utilised against future taxable income, are set off against the deferred tax liabilities of the same taxpayer and within the same jurisdiction. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

The VAT rate applicable to the Group is 17%.

(iii) Consumption tax

Pursuant to the relevant PRC tax regulations, the Group's sales of gasoline and diesel oil are subject to the consumption tax at a rate of RMB277.61 per tonne and RMB 117.61 per tonne respectively.

(m) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made.

Where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the obligation is disclosed as a contingent liability.

(n) Deferred income

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

(o) Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the possible return of goods, or when the amount of revenue and the costs incurred or to be incurred in respect of the transaction cannot be measured reliably.

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

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

2. Significant accounting policies *(continued)*

(p) Repairs and maintenance expenses

Repairs and maintenance expenses, including overhauling expense, are recognised as expenses in the period in which they are incurred.

(q) Research and development costs

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

(r) Borrowing costs

Borrowing costs incurred on specific borrowings for the construction of fixed assets are capitalised into the cost of the fixed assets during the construction period which brings the assets to their intended uses.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

(s) Retirement scheme costs

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution retirement plan for the employees arranged by a governmental organisation. The Group makes contributions to the retirement scheme at the applicable rate(s) based on the employees' salaries. The required contributions under the retirement plans are charged to the income statement. Further information is set out in Note 30.

(t) 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.

Dividends appropriated to shareholders are recognised in the profit appropriation statement when approved. Dividends proposed or approved after the balance sheet date but before the date on which the financial statements are authorised for issue are separately disclosed under shareholders' equity on the balance sheet.

(u) 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. Cash at bank and in hand

The Group's and the Company's cash at bank and in hand as at 30 June 2005 are analysed as follows:

	30 June 2005 Exchange rate	The Group Original currency '000	The Group 30 June 2005 RMB'000	The Group 31 December 2004 RMB'000 (audited)	The Company Original currency '000	The Company 30 June 2005 RMB'000	The Company 31 December 2004 RMB'000 (audited)
Cash in hand							
Renminbi			**202**	327		**84**	174
Cash at bank							
Renminbi			**1,025,160**	1,281,744		**779,129**	863,500
Hong Kong Dollars	**1.0649**	108,966	**116,038**	39,656	104,351	**111,127**	36,729
United States Dollars	**8.2765**	7,359	**60,903**	118,173	53	**441**	11,927
Swiss Francs	**6.4582**	129	**835**	944	129	**835**	944
Euro Yuan	**9.961**	116	**1,156**	1,181		**-**	-
Japanese Yen	**0.075149**	462	**35**	37		**-**	-
Cash at bank and in hand			**1,204,329**	1,442,062		**891,616**	913,274
Deposits at related party (note 29(f))							
Renminbi			**195,928**	252,438		**125,926**	250,125
			1,400,257	1,694,500		**1,017,542**	1,163,399

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

4. Bills receivable

	The Group 30 June 2005 RMB'000	The Group 31 December 2004 RMB'000 (audited)	The Company 30 June 2005 RMB'000	The Company 31 December 2004 RMB'000 (audited)
Bank bills	**1,721,521**	1,695,577	**1,596,395**	1,556,250
Commercial bills	**26,465**	13,215	**20,000**	-
Total	**1,747,986**	1,708,792	**1,616,395**	1,556,250

Bills receivable are due in six months. As at 30 June 2005, there are no significant bills receivable at discount or pledged.

Except for the balances disclosed in Note 29(e), there is no amount due from major shareholders who held 5% or more shareholding included in the balance of bills receivable.

5. **Trade debtors**

The Group

	At 30 June 2005				At 31 December 2004 (audited)			
	Amount	**Proportion**	**Bad debt provision**	**Provision proportion**	Amount	Proportion	Bad debt provision	Provision proportion
	RMB'000	**%**	**RMB'000**	**%**	RMB'000	%	RMB'000	%
Within 1 year	**729,789**	**95.21**	**16,674**	**2.28**	587,441	90.67	1,762	0.30
Between 1 and 2 years	**7,069**	**0.92**	**239**	**3.38**	17,404	2.69	486	2.79
Between 2 and 3 years	**8,785**	**1.15**	**8,785**	**100.00**	9,142	1.41	9,142	100.00
Over 3 years	**20,876**	**2.72**	**20,876**	**100.00**	33,892	5.23	33,892	100.00
Total	**766,519**	**100.00**	**46,574**		647,879	100.00	45,282	
Trade debtors,net	**719,945**				602,597			

The Company

	At 30 June 2005				At 31 December 2004 (audited)			
	Amount	**Proportion**	**Bad debt provision**	**Provision proportion**	Amount	Proportion	Bad debt provision	Provision proportion
	RMB'000	**%**	**RMB'000**	**%**	RMB'000	%	RMB'000	%
Within 1 year	**525,112**	**96.34**	**1,092**	**0.21**	440,173	93.77	1,243	0.28
Between 1 and 2 years	**1,590**	**0.29**	**151**	**9.50**	11,031	2.35	151	1.37
Between 2 and 3 years	**6,048**	**1.11**	**6,048**	**100.00**	2,784	0.59	2,784	100.00
Over 3 years	**12,319**	**2.26**	**12,319**	**100.00**	15,432	3.29	15,432	100.00
Total	**545,069**	**100.00**	**19,610**		469,420	100.00	19,610	
Trade debtors,net	**525,459**				449,810			

5. Trade debtors *(continued)*

Bad debt provision

	The Group		The Company	
	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)	**At 30 June 2005 RMB'000**	31 December 2004 RMB'000 (audited)
Balance at 1 January	**45,282**	39,811	**19,610**	33,091
Additions for the period / year	**1,978**	22,814	**-**	3,862
Provision written off	**(686)**	(17,343)	**-**	(17,343)
Balance at 30 June / 31 December	**46,574**	45,282	**19,610**	19,610

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

	At 30 June 2005	At 31 December 2004
Amount(RMB'000)	**348,132**	207,923
Percentage of total trade debtors	**45.42%**	32.09%

Except for balances disclosed in Note 29(e), there is no amount due from major shareholders who held 5% or more shareholding included in the balance of trade debtors.

During the period, the Group and the Company had no individually significant write off or write back of doubtful debts which had been fully or substantially provided for in prior years. As at 30 June 2005, the Group and the Company did not have individually significant other debtors that aged over three years.

6. Other debtors

	The Group							
	At 30 June 2005				At 31 December 2004 (audited)			
	Amount RMB'000	**Proportion %**	**Bad debt provision RMB'000**	**Provision proportion %**	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %
Within 1 year	**340,856**	**88.85**	**880**	**0.26**	584,442	92.92	1,217	0.21
Between 1 and 2 years	**11,535**	**3.01**	**336**	**2.91**	9,090	1.44	223	2.45
Between 2 and 3 years	**6,658**	**1.74**	**223**	**3.35**	7,983	1.27	502	6.28
Over 3 years	**24,574**	**6.40**	**8,253**	**33.58**	27,458	4.37	7,750	28.22
Total	**383,623**	**100.00**	**9,692**		628,973	100.00	9,692	
Other debtors,net	**373,931**				619,281			

6. **Other debtors** *(continued)*

	The Company							
	At 30 June 2005				At 31 December 2004 (audited)			
	Amount RMB'000	**Proportion %**	**Bad debt provision RMB'000**	**Provision proportion %**	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %
Within 1 year	**365,822**	**94.76**	**747**	**0.20**	710,330	96.76	956	0.13
Between 1 and 2 years	**1,243**	**0.32**	**209**	**16.81**	4,268	0.58	153	3.58
Between 2 and 3 years	**186**	**0.05**	**153**	**82.26**	283	0.04	6	2.12
Over 3 years	**18,819**	**4.87**	**3,246**	**17.25**	19,224	2.62	3,240	16.85
Total	**386,070**	**100.00**	**4,355**		734,105	100.00	4,355	
Other debtors,net	**381,715**				729,750			

Bad debt provision

	The Group		The Company	
	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)	**At 30 June 2005 RMB'000**	At 31 December 2004 RMB'000 (audited)
Balance at 1 January	**9,692**	6,676	**4,355**	4,355
Additions for the period / year	**–**	3,016	**–**	–
Provision written off	**–**	–	**–**	–
Balance at 30 June / 31 December	**9,692**	9,692	**4,355**	4,355

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

	At 30 June 2005	At 31 December 2004
Amount(RMB'000)	**153,673**	106,142
Percentage of total other debtors	**40.06%**	16.88%

Except for balances disclosed in Note 29(e), there is no amount due from major shareholders who held 5% or more shareholding included in the balance of other debtors.

During the period, the Group and the Company had no individually significant write off or write back of doubtful debts which have been fully or substantially provided for in prior years. At 30 June 2005, the Group and the Company did not have individually significant other debtors that aged over three years.

7. Advance payments

All advance payments are aged within one year.

Except for the balances disclosed in Note 29(e), there is no amount due from major shareholders who held 5% or more shareholding included in the balance of advance payments.

8. Inventories

	The Group				The Company			
	At 30 June 2005		At 31 December 2004		**At 30 June 2005**		At 31 December 2004	
	Amount RMB'000	**Provision for diminution in value RMB'000**	Amount RMB'000 (audited)	Provision for diminution in value RMB'000 (audited)	**Amount RMB'000**	**Provision for diminution in value RMB'000**	Amount RMB'000 (audited)	Provision for diminution in value RMB'000 (audited)
Raw materials	**1,202,940**	**–**	1,163,508	–	**967,605**	**–**	934,855	–
Work in progress	**1,776,177**	**–**	1,340,643	–	**1,697,972**	**–**	1,268,444	–
Finished goods	**940,620**	**–**	761,861	3,780	**752,019**	**–**	606,423	–
Spare parts and consumables	**575,156**	**52,152**	518,407	52,890	**507,339**	**47,550**	454,443	47,550
Total	**4,494,893**	**52,152**	3,784,419	56,670	**3,924,935**	**47,550**	3,264,165	47,550
Inventories, net	**4,442,741**		3,727,749		**3,877,385**		3,216,615	

Provision for diminution in value of inventories is analysed as follows:

	The Group				The Company			
	2005		2004		**2005**		2004	
	Finished goods RMB'000	**Spare parts and consumables RMB'000**	Finished goods RMB'000 (audited)	Spare parts and consumables RMB'000 (audited)	**Finished goods RMB'000**	**Spare parts and consumables RMB'000**	Finished goods RMB'000 (audited)	Spare parts and consumables RMB'000 (audited)
At 1 January	**3,780**	**52,890**	3,897	64,614	**–**	**47,550**	1,415	62,385
Additions for the period/year	**-**	**-**	3,780	670	**–**	**-**	-	-
Written off	**(3,780)**	**(738)**	(3,897)	(12,394)	**–**	**-**	(1,415)	(14,835)
At 30 June / 31 December	**-**	**52,152**	3,780	52,890	**–**	**47,550**	-	47,550

All inventories were acquired through purchase or production.

	Six-month periods ended 30 June			
	The Group		The Company	
	2005 RMB'000	2004 RMB'000	**2005 RMB'000**	2004 RMB'000
Cost of inventories recognised as cost and expenses	**18,362,576**	14,579,417	**17,219,018**	12,838,239

9. Long-term equity investments

	The Group						
	Interests in associates	Equity investment differences	Interests in non-consolidated subsidiaries	Other unlisted investments	Total before provision	Provision for impairment losses	Total
	(Note(a))	(Note(b))	(Note(c))	(Note(e))		(Note(f))	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2005	2,258,863	(272,549)	274,623	416,163	2,677,100	(61,750)	2,615,350
Additions for the period	155,430	-	8,783	5,809	170,022	-	170,022
Share of profits less losses from investments accounted for under the equity method	(179,328)	-	-	-	(179,328)	-	(179,328)
Dividends received and receivable	(2,401)	-	-	-	(2,401)	-	(2,401)
Disposals for the period	-	-	-	(25,576)	(25,576)	-	(25,576)
Amortisation for the period	-	5,425	-	-	5,425	-	5,425
Change in provision	-	-	-	-	-	344	344
Balance at 30 June 2005	2,232,564	(267,124)	283,406	396,396	2,645,242	(61,406)	2,583,836

	The Company				
	Interests in associates	Equity investment differences	Interests in consolidated subsidiaries	Other unlisted investments	Total
	(Note(a))	(Note(b))	(Note(d))	(Note(e))	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2005	2,121,384	(272,549)	2,090,849	164,772	4,104,456
Additions for the period	148,977	-	255,188	-	404,165
Share of profits less losses from investments accounted for under the equity method	(176,885)	-	55,735	-	(121,150)
Dividends received and receivable	(2,401)	-	(121,244)	-	(123,645)
Amortisation for the period	-	5,425	5,759	-	11,184
Balance at 30 June 2005	2,091,075	(267,124)	2,286,287	164,772	4,275,010

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

(a) The particulars of the associates, which are limited companies established and operating in the PRC, which principally affected the results or assets of the Group at 30 June 2005 are as follows:

Company	Registered capital '000	Percentage of equity held by the Company %	Percentage of equity held by subsidiaries %	Principal activities
Shanghai Jinsen Hydrocarbon Resins Company Limited	US$23,395	-	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
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.

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

(b) Equity investment difference

Investments	Initial investment RMB'000	Amortisation period	1 January 2005 RMB'000	Amortisation during the period RMB'000	30 June 2005 RMB'000	Reason
Shanghai Chemical Industry Park Development Co., Ltd	(300,000)	30 years	(270,000)	5,000	(265,000)	Investment in associate
Shanghai Jindong Petrochemical Industrial Company Limited	(8,492)	10 years	(2,549)	425	(2,124)	Investment in subsidiary
Total	(308,492)		(272,549)	5,425	(267,124)	

The "equity investment difference" is amortised on a straight-line basis over 10 and 30 years respectively. The remaining period of amortisation is 3 to 27 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.

(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 2005 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 20,000	-	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
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 these subsidiaries has issued any debt securities.

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

(e) The Group's other unlisted investments include non-controlling equity investments in various enterprises which are mainly engaged in manufacturing or trading activities related to the Group's operations. The Group's share of results attributable to these interests during the period ended 30 June 2005 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	
	2005	2004
	RMB'000	RMB'000
		(audited)
Balance at 1 January	**61,750**	31,788
Provision for the period / year	**960**	36,276
Written off for the period / year	**(1,304)**	(1,000)
Written back for the period / year	**-**	(5,314)
Balance at 30 June / 31 December	**61,406**	61,750

The recoverable amount of certain individual long-term equity investments were considered lower than their carrying amount. As a result, the management of the Company has made provision for impairment losses of RMB 960,000 during the period.

(g) Major investment changes

At 30 June 2005, 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 2005 RMB'000	Addition for the period RMB'000	Share of profits/(losses) accounted for under the equity method	Amortisation of equity investment differences RMB'000	Dividends received RMB'000	Balance at 30 June 2005 RMB'000
Shanghai Chemical Industry Park Development Company Limited	30 years	38%	650,878	-	-	5,000	(2,401)	653,477
Shanghai Secco Petrochemical Company Limited	50 years	20%	1,200,505	148,977	(176,885)	-	-	1,172,597
Shanghai Jinpu Plastics Packaging Material Company Limited	30 years	50%	93,405	-	(3,689)	-	-	89,716
Shanghai Jinsen Hydrocarbon Reins Company Limited	40 years	40%	37,144	6,456	1,303	-	-	44,903

No provision for impairment losses was made for the long-term equity investments as set out above.

(h) At 30 June 2005, the Company's proportion of the total invesments to the net assets was 22.37% (31 December 2004: 21.71%).

At 30 June 2005, the Group's proportion of the total invesments to the net assets was 13.84% (31 December 2004: 14.15%).

10. Fixed assets

(a) The Group

	Land and buildings RMB'000	Plant, machinery, equipment and others RMB'000	Total RMB'000
Cost or valuation:			
At 1 January 2005	6,723,530	26,180,679	32,904,209
Additions	16,746	84,732	101,478
Transferred from construction in progress (Note 12)	35,961	584,195	620,156
Disposals	(17,773)	(62,812)	(80,585)
At 30 June 2005	6,758,464	26,786,794	33,545,258
Accumulated depreciation:			
At 1 January 2005	2,987,597	13,177,116	16,164,713
Charge for the period	94,328	784,978	879,306
Written back on disposal	(5,294)	(35,896)	(41,190)
At 30 June 2005	3,076,631	13,926,198	17,002,829
Provision for impairment losses:			
At 1 January 2005	-	58,945	58,945
Charge for the period	-	-	-
At 30 June 2005	-	58,945	58,945
Net book value:			
At 30 June 2005	3,681,833	12,801,651	16,483,484
At 31 December 2004 (audited)	3,735,933	12,944,618	16,680,551

10. Fixed assets *(continued)*

(b) The Company

	Land and buildings RMB'000	Plant, machinery, equipment and others RMB'000	Total RMB'000
Cost or valuation:			
At 1 January 2005	5,541,168	23,442,352	28,983,520
Additions	5,746	62,118	67,864
Transferred from construction in progress (Note 12)	34,197	574,725	608,922
Disposals	(1,000)	(27,834)	(28,834)
At 30 June 2005	5,580,111	24,051,361	29,631,472
Accumulated depreciation:			
At 1 January 2005	2,621,322	11,727,293	14,348,615
Charge for the period	77,190	690,371	767,561
Written back on disposal	(469)	(14,093)	(14,562)
At 30 June 2005	2,698,043	12,403,571	15,101,614
Provision for impairment losses:			
At 1 January 2005	-	58,945	58,945
Charge for the period	-	-	-
At 30 June 2005	-	58,945	58,945
Net book value:			
As at 30 June 2005	2,882,068	11,588,845	14,470,913
As at 31 December 2004 (audited)	2,919,846	11,656,114	14,575,960

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

10. **Fixed assets** *(continued)*

(c) At 30 June 2005, the cost of the Group's fully depreciated fixed assets was RMB6,388,642,216 (31 December 2004: RMB6,133,235,399).

(d) At 30 June 2005, no fixed assets were pledged by the Group (31 December 2004: Nil).

11. **Construction materials**

	The Group		The Company	
	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)	**At 30 June 2005 RMB'000**	At 31 December 2004 RMB'000 (audited)
Equipment and accessories	**25,268**	20,226	**25,268**	20,226

12. **Construction in progress**

	The Group		The Company	
	2005 RMB'000	2004 RMB'000 (audited)	**2005 RMB'000**	2004 RMB'000 (audited)
Balance at 1 January	**763,450**	374,780	**708,089**	351,480
Additions	**585,898**	1,885,181	**566,812**	1,786,574
of which:				
Capitalised interest costs	**-**	-	**-**	-
	1,349,348	2,259,961	**1,274,901**	2,138,054
Transferred to fixed assets(Note 10)	**(620,156)**	(1,496,511)	**(608,922)**	(1,429,965)
Balance at 30 June / 31 December	**729,192**	763,450	**665,979**	708,089

12. Construction in progress *(continued)*

At 30 June 2005, major projects of the Group are as follows:

Project	Budgeted amount RMB'000	At 1 January 2005 RMB'000	Additon RMB'000	At 30 June 2005 RMB'000	Stage of completion
380,000 tonne/annum glycol project	1,249,000	63	112,738	112,801	9%
North-south pipeline project	200,000	50,608	13,111	63,719	32%
Pipeline to Secco project	100,000	97	88,603	88,700	89%

All the above projects were made out of funds other than proceeds from subscription.

13. Intangible assets

	The Group and the Company	
	2005 **RMB'000**	2004 RMB'000 (audited)
Cost:		
At 30 June / 31 December	**134,482**	134,482
Accumulated amortisation:		
At 1 January	**112,067**	98,619
Amortisation for the period / year	**6,724**	13,448
At 30 June / 31 December	**118,791**	112,067
Net book value:		
At 30 June / 31 December	**15,691**	22,415

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 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 was no investment in subsidiary after the deregistration of Jinyang, the unamortised amount of the equity investment difference at 31 December 2002 was transferred to intangible assets and amortised over its remaining useful life.

14. Taxation

(a) Taxation in the income statement represents:

	Six-month periods ended 30 June			
	The Group		The Company	
	2005	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000
Provision for PRC income tax for the period	**357,730**	284,909	**313,562**	256,251
Deferred taxation	**-**	(16,427)	**-**	(15,020)
	357,730	268,482	**313,562**	241,231
Tax refund	**-**	(10,262)	**-**	(10,262)
	357,730	258,220	**313,562**	230,969

The charge for PRC income tax is calculated at the rate of 15% (2004: 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 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 2005.

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 10,262,000 during the period ended 30 June 2004 relating to the purchase of equipment produced in the PRC for technological improvements. During the period ended 30 June 2005, the Company did not receive an income tax refund relating to the purchase of equipment produced in the PRC for technological improvements.