

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

(i) Directors' and supervisors' emoluments: (continued)

For the years ended 31 December 2005 and 2004, 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.

(ii) Individuals with highest emoluments

Of the five individuals with the highest emoluments, five (2004:five) are directors whose emoluments are disclosed in Note 10(i).

11. Taxation**(a) Taxation in the consolidated income statement represents:**

	2005 RMB'000	2004 RMB'000
Provision for income tax for the year	340,532	725,897
Deferred taxation	25,768	(13,257)
Tax refund	-	(75,579)
	366,300	637,061

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

	2005 RMB'000	2004 RMB'000
Profit from ordinary activities before taxation	2,287,594	4,696,229
Expected tax at statutory tax rate of 15%	343,139	704,435
Non-deductible expenses	16,824	6,401
Non-taxable earnings	(4,438)	(7,589)
Tax effect of unused tax losses not recognised for deferred tax	7,090	3,487
Income tax refund	-	(75,579)
Differential tax rate on subsidiaries income	3,685	5,906
Income tax expense	366,300	637,061

The charge for income tax is calculated at the rate of 15% (2004: 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. Up to the date of approval of these financial statements, the Company has not received notice from the Ministry of Finance that the 15% tax rate will be revoked in 2005 or in the future. It is possible that the Company's tax rate will increase in the future, however, management feels that 15% is the applicable rate for 2005 and future periods when temporary tax differentials are expected to reverse.

11. 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	
	2005	2004	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Current</i>						
Provisions	11,396	32,600	-	-	11,396	32,600
<i>Non-current</i>						
Provision for impairment losses	8,842	8,842	-	-	8,842	8,842
Land use rights	19,403	19,928	-	-	19,403	19,928
Capitalisation of borrowing costs	-	-	(16,492)	(12,453)	(16,492)	(12,453)
Deferred tax assets/(liabilities)	39,641	61,370	(16,492)	(12,453)	23,149	48,917

	The Company					
	Assets		Liabilities		Net balance	
	2005	2004	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Current</i>						
Provisions	11,396	31,312	-	-	11,396	31,312
<i>Non-current</i>						
Provision for impairment losses	8,842	8,842	-	-	8,842	8,842
Land use rights	19,403	19,928	-	-	19,403	19,928
Capitalisation of borrowing costs	-	-	(16,492)	(12,453)	(16,492)	(12,453)
Deferred tax assets/(liabilities)	39,641	60,082	(16,492)	(12,453)	23,149	47,629

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

11. Taxation (continued)

(b) Deferred taxation: (continued)

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

	The Group		
	Balance at 1 January 2005 RMB'000	Recognised in income statement RMB'000	Balance at 31 December 2005 RMB'000
<i>Current</i>			
Provisions	32,600	(21,204)	11,396
<i>Non-current</i>			
Provision for impairment losses	8,842	-	8,842
Land use rights	19,928	(525)	19,403
Capitalisation of borrowing costs	(12,453)	(4,039)	(16,492)
Net deferred tax assets	48,917	(25,768)	23,149

	The Company		
	Balance at 1 January 2005 RMB'000	Recognised in income statement RMB'000	Balance at 31 December 2005 RMB'000
<i>Current</i>			
Provisions	31,312	(19,916)	11,396
<i>Non-current</i>			
Provision for impairment losses	8,842	-	8,842
Land use rights	19,928	(525)	19,403
Capitalisation of borrowing costs	(12,453)	(4,039)	(16,492)
Net deferred tax assets	47,629	(24,480)	23,149

12. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB 1,850,449,000 (2004: RMB 3,971,103,000) and 7,200,000,000 (2004: 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.

13. Dividend

(a) Dividend attributable to the year

	The Group and the Company	
	2005	2004
	RMB'000	RMB'000
Final dividend proposed after the balance sheet date of RMB 0.10 per share (2004: RMB 0.20 per share)	720,000	1,440,000

Pursuant to a resolution passed at the director's meeting on 24 March 2006, a final dividend of RMB 0.10 per share totalling RMB 720,000,000 (2004: RMB 0.20 per share totalling RMB 1,440,000,000) 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	
	2005	2004
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB 0.20 per share (2004: RMB 0.08 per share)	1,440,000	576,000

14. 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 16)	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
At 1 January 2005	5,324,173	25,863,939	31,188,112
Additions	-	164,816	164,816
Transferred from construction in progress (Note 16)	215,194	808,233	1,023,427
Disposals	(37,480)	(134,456)	(171,936)
At 31 December 2005	5,501,887	26,702,532	32,204,419
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	-	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
At 1 January 2005	2,804,251	13,177,536	15,981,787
Charge for the year	174,911	1,517,302	1,692,213
Written back on disposals	(25,653)	(95,095)	(120,748)
At 31 December 2005	2,953,509	14,599,743	17,553,252
Net book value:			
At 31 December 2005	2,548,378	12,102,789	14,651,167
At 31 December 2004	2,519,922	12,686,403	15,206,325

14. 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 16)	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
At 1 January 2005	4,204,623	23,125,610	27,330,233
Additions	-	146,789	146,789
Transferred from construction in progress (Note 16)	191,524	784,183	975,707
Disposals	(15,174)	(87,084)	(102,258)
At 31 December 2005	4,380,973	23,969,498	28,350,471
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	-	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
At 1 January 2005	2,466,544	11,727,711	14,194,255
Charge for the year	137,953	1,341,205	1,479,158
Written back on disposals	(13,415)	(64,708)	(78,123)
At 31 December 2005	2,591,082	13,004,208	15,595,290
Net book value:			
At 31 December 2005	1,789,891	10,965,290	12,755,181
At 31 December 2004	1,738,079	11,397,899	13,135,978

14. 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 35,314,000 (2004: RMB 36,500,000) 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 5 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.

15. Investment property

	The Group RMB'000	The Company RMB'000
Cost:		
At 1 January 2004	-	-
Additions	512,343	603,138
At 31 December 2004	512,343	603,138

At 1 January 2005	512,343	603,138
Additions	16,122	12,196
At 31 December 2005	528,465	615,334

Accumulated depreciation:		
At 1 January 2004	-	-
Charge for the year	1,036	1,219
At 31 December 2004	1,036	1,219

At 1 January 2005	1,036	1,219
Charge for the year	12,847	14,947
At 31 December 2005	13,883	16,166

Net book value:		
At 31 December 2005	514,582	599,168
At 31 December 2004	511,307	601,919

15. 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 2005 and 2004 was estimated by the directors to be approximately RMB 596,598,000 and RMB 695,900,000, respectively, by reference to market conditions. The investment property has not been valued by an external independent valuer. (2004: the Group and the Company: RMB 565,214,000 and RMB 664,195,000 respectively)

Rental income of RMB 18,681,000 was received by the Group during the year ended 31 December 2005. (2004: RMB Nil)

16. Construction in progress

	The Group		The Company	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
At 1 January	807,477	385,373	752,116	362,073
Additions	1,003,326	1,895,494	967,043	1,830,601
Transferred to property, plant and equipment (Note 14)	(1,023,427)	(961,047)	(975,707)	(837,420)
Transferred to investment property	-	(512,343)	-	(603,138)
At 31 December	787,376	807,477	743,452	752,116

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

17. Interests in subsidiaries (The Company)

	2005 RMB'000	2004 RMB'000 <i>(restated)</i>
Unlisted shares, at cost	2,113,180	1,698,609
Amounts due from subsidiaries	196,006	165,130
Negative goodwill (Note 24)	-	(2,549)
	2,309,186	1,861,190

These amounts represents the investments by the Company in its consolidated subsidiaries. At 31 December 2005, 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
China Jinshan Associated Trading Corporation	RMB 25,000	67.33	-	Import and export of petrochemical products and equipment
Shanghai Jinhua Industrial Company Limited	RMB 25,500	-	81.79	Trading in petrochemical products
Shanghai Jindong Petrochemical Industrial Company Limited	RMB 20,000	-	60	Trading in petrochemical products

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

17. Interests in subsidiaries (The Company) (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 545,776	-	100	Production of petrochemical products

None of the subsidiaries have issued any debt securities.

18. Interests in associates

	The Group		The Company	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Unlisted shares, at cost	-	-	2,136,488	1,838,276
Share of net assets	2,130,803	1,906,917	-	-
	2,130,803	1,906,917	2,136,488	1,838,276

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

18. Interests in associates (continued)

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 2005 are as follows:

Company	Registered capital '000	Percentage of equity		Principal activities
		held by the Company %	held by subsidiaries %	
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
Shanghai Secco Petrochemical Company Limited	US\$ 901,441	20	-	Manufacturing and distribution of chemical products
Shanghai Jinpu Plastics Packaging Material Company Limited	US\$ 20,204	-	50	Production of polypropylene film
Shanghai Jinsen Hydrocarbon Resins Company Limited	US\$ 23,395	-	40	Production of resins products

19. Investments

	The Group		The Company	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Investments in joint ventures	59,291	62,730	-	-
Investments in non-consolidated subsidiaries (unlisted)	326,515	274,623	-	-
Other unlisted investments	335,785	353,433	107,658	164,772
	721,591	690,786	107,658	164,772
Less: Provision for impairment losses	(56,228)	(60,409)	-	-
	665,363	630,377	107,658	164,772

19. Investments (continued)

The Group's other investments in joint ventures include non-controlled equity investments in various enterprises which are mainly engaged in manufacturing or rendering of services related to the Group's operations. The Group's share of results attributable to these investments during the years ended 31 December 2005 and 2004 is not material in relation to the profit of the Group for the periods 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.

20. Goodwill

	<u>The Group and the Company</u>
	RMB'000
Cost:	
At 1 January 2004 and 31 December 2004	134,482
At 1 January 2005	134,482
Opening balance adjustment to eliminate accumulated amortisation	(112,067)
At 31 December 2005	22,415
Accumulated amortisation:	
At 1 January 2004	98,619
Amortisation for the year	13,448
At 31 December 2004	112,067
At 1 January 2005	112,067
Eliminated against cost at 1 January 2005	(112,067)
At 31 December 2005	-
At 31 December 2005	22,415
At 31 December 2004	22,415

20. Goodwill (continued)

On 16 August 1996, the Company acquired the entire equity interest in Shanghai Jinyang Acrylic Fibre Plant ("Jinyang") for a consideration of RMB38,800,000 satisfied in cash. Goodwill of RMB134,482,000 on acquisition has been recognised in the financial statements and was included in interests in subsidiaries.

Prior to 1 January 2005, positive goodwill not already recognised directly in reserves was amortised on a straight-line basis over ten years. The amortisation of positive goodwill for year ended 31 December 2004 was included in "other operating expenses" in the consolidated income statement. As explained further in Note 2(a), with effect from 1 January 2005, the company no longer amortises goodwill. In accordance with transitional provisions set out in IFRS 3, the accumulated amortisation of goodwill as at 1 January 2005 has been eliminated against the cost of goodwill as at that date. Such goodwill is tested annually for impairment.

21. Inventories

(a) Inventories in the balance sheet comprise:

	The Group		The Company	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Raw materials	1,050,904	1,163,508	829,000	934,855
Work in progress	1,592,298	1,340,643	1,505,739	1,268,444
Finished goods	895,951	758,081	719,040	606,423
Spare parts and consumables	575,825	465,517	483,892	406,893
	4,114,978	3,727,749	3,537,671	3,216,615

At 31 December 2005, the Group and the Company had inventories carried at net realisable value with carrying amount of RMB 187,129,000 and RMB 187,040,000 (2004: RMB 104,130,000 and RMB 101,522,000, respectively) respectively.

(b) The analysis of the amount of inventories recognised as an expense is as follows:

The cost of inventories recognised as an expense in the consolidated income statement amounted to RMB 42,887,742,000 for the year ended 31 December 2005 (2004: RMB 33,223,604,000).

Notes to the Financial Statements (continued)

(Prepared under International Financial Reporting Standards)

22. Trade accounts receivable

	The Group		The Company	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors	278,011	440,635	96,850	196,756
Less: Impairment losses for bad and doubtful debts	(25,845)	(45,282)	(20,691)	(19,610)
	252,166	395,353	76,159	177,146
Bills receivable	731,204	1,675,412	466,183	1,522,870
Amounts due from parent companies and fellow subsidiaries	561,552	585,419	549,111	566,810
	1,544,922	2,656,184	1,091,453	2,266,826

The ageing analysis of trade accounts receivable (net of impairment losses for bad and doubtful debts) is as follows:

	The Group		The Company	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Invoice date:				
Within one year	1,517,158	2,639,266	1,074,565	2,255,946
Between one and two years	27,764	16,918	16,888	10,880
	1,544,922	2,656,184	1,091,453	2,266,826

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

23. Cash and cash equivalents

	The Group		The Company	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits with banks and other Financial institutions	181,266	252,438	180,040	250,125
Cash at bank and in hand	1,165,971	1,438,062	641,524	913,274
Cash and cash equivalents in the balance sheet	1,347,237	1,690,500	821,564	1,163,399

24. Deferred income

	Negative goodwill RMB'000	Net assets obtained RMB'000	Total RMB'000
Cost:			
At 1 January 2004 and 31 December 2004	8,492	115,177	123,669
At 1 January 2005	8,492	115,177	123,669
Derecognition of negative goodwill	(8,492)	-	(8,492)
At 31 December 2005	-	115,177	115,177
Accumulated amortisation:			
At 1 January 2004	5,094	69,108	74,202
Amortisation for the year (Note 5)	849	11,518	12,367
At 31 December 2004	5,943	80,626	86,569
At 1 January 2005	5,943	80,626	86,569
Derecognition of negative goodwill	(5,943)	-	(5,943)
Amortisation for the year (Note 5)	-	11,518	11,518
At 31 December 2005	-	92,144	92,144
At 31 December 2005	-	23,033	23,033
At 31 December 2004	2,549	34,551	37,100

24. Deferred income (continued)

Prior to 1 January 2005, negative goodwill not already recognised in the income statement was amortised on a straight-line basis over ten years. The amortisation of negative goodwill for the year ended 31 December 2004 was included in "other operating income" in the consolidated income statements. As explained further in Note 2(a), with effect from 1 January 2005, if the fair value of the net assets acquired in a business combination exceeds the consideration paid, the excess is recognised immediately in the income statement as it arises. In accordance with the transitional arrangements under IFRS 3, previous recognised negative goodwill was derecognised at 1 January 2005, with a corresponding adjustment to the opening balance of retained earnings.

In 1998, the Group obtained the assets, liabilities and employees of certain businesses and various other net assets from the community of Jinshanwei without monetary consideration. The value of net assets obtained amounted to RMB 115,117,000 and was recorded as deferred income in the consolidated financial statements. The deferred income is amortised on a straight-line basis over ten years.

25. Bank loans and loans from a fellow subsidiary

Bank loans are repayable as follows:

	The Group		The Company	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Long term loans				
- After five years	19,706	65,559	15,000	15,000
- Between two and five years	826,738	518,877	741,123	439,038
- Between one and two years	530,817	1,430,178	397,112	1,404,899
	1,377,261	2,014,614	1,153,235	1,858,937
Loans from a fellow subsidiary	100,000	-	-	-
	1,477,261	2,014,614	1,153,235	1,858,937
Within one year				
- Current portion of long term loans	1,373,205	1,257,578	1,340,000	1,114,899
- Short term loans	2,523,537	3,612,727	2,295,195	3,034,556
	3,896,742	4,870,305	3,635,195	4,149,455
- Loans from a fellow subsidiary	30,000	130,000	-	-
	3,926,742	5,000,305	3,635,195	4,149,455
	5,404,003	7,014,919	4,788,430	6,008,392

25. Bank loans and loans from a fellow subsidiary (continued)

At 31 December 2005 and 2004, no bank loans were secured by the way of pledge of property, plant and equipment.

Included in bank loans and loans from a fellow subsidiary are the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
United States Dollars	USD340,154	USD367,490	USD337,394	USD340,120
Hong Kong Dollars	-	HKD170,000	-	HKD170,000

26. Trade accounts payable

	The Group		The Company	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Trade creditors	963,230	797,753	535,739	528,901
Bills payable	68,302	259,746	12,428	80,634
Amounts due to parent company and fellow subsidiaries	467,909	639,445	401,104	631,889
	1,499,441	1,696,944	949,271	1,241,424

The maturity analysis of trade accounts payable is as follows:

	The Group		The Company	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Due within 1 month or on demand	1,269,809	1,420,092	806,230	1,040,473
Due after 1 month and within 3 months	229,632	276,852	143,041	200,951
	1,499,441	1,696,944	949,271	1,241,424

27. Amounts due from / to parent companies and fellow subsidiaries

Amounts due from/ to parent companies and fellow subsidiaries are unsecured, interest free and have no fixed repayment terms.

28. Share capital

	The Group and the Company	
	2005	2004
	RMB'000	RMB'000
Registered, issued and paid up capital:		
4,870,000,000 A shares of RMB 1.00 each	4,870,000	4,870,000
2,330,000,000 H shares of RMB 1.00 each	2,330,000	2,330,000
	7,200,000	7,200,000

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