Notes to the Unaudited 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 state-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 (collectively "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) "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") of the PRC.

(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 at 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' equity of the investee companies is accounted for as follows:

- 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 unamortised balance is included in long-term equity investments at the period end.

- Any shortfall of the initial investment cost over the share of shareholders' equity of the investee companies is recognised in capital reserve - reserve for equity investment acquired after the issuance of Cai Kuai [2003] No.10 "Questions and answers on implementing Accounting Regulations for Business Enterprises and related accounting standards (II)". If the investment was acquired before the issuance of the Cai Kuai [2003] No.10, such shortfall is amortised on a straight-line basis over the investment period as stipulated in the relevant agreement, or 10 years if the investment period is not specified in the agreement. The unamortised balance is included in long-term equity investments at the period end.

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 investment income/losses based on the difference between the disposal proceeds and the carrying amount of the investments.

The Group makes provision for impairment losses on long-term equity investments (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 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:

	Estimated useful life	Estimated residual value	Estimated 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' equity 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.

Current tax

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 Golden-Phillips Petrochemical Company Limited	27%	A Sino-foreign Joint-equity manufacturing enterprise in old urban 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

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 RMB277.6 per tonne and RMB 117.6 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) Debentures payable

Debentures payable is stated in the balance sheet based on the proceeds received upon issuance. Interest expenses are calculated based on actual interest rate.

Discount on debentures is amortised on a straight-line basis over the maturity period when interest expenses accrued.

2. Significant accounting policies *(continued)*

(p) 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.

(q) Repairs and maintenance expenses

Repairs and maintenance expenses are recognised as expenses in the period in which they are incurred.

(r) Research and development costs

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

(s) 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.

(t) 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 on an accrual basis. After contribution made to the retirement scheme, the Company has no other payment obligation. Further information is set out in Note 31.

(u) 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.

(v) 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 2006 are analysed as follows:

		The Group			The Company		
	30 June 2006 Exchange rate	Original currency '000	**30 June 2006 RMB'000**	31 December 2005 RMB'000	Original currency '000	**30 June 2006 RMB'000**	31 December 2005 RMB'000
Cash in hand							
Renminbi			**303**	185		**201**	107
Cash at bank							
Renminbi			**550,358**	1,062,457		**344,018**	603,235
Hong Kong Dollars	1.0294	41,772	**43,000**	46,095	36,097	**37,158**	36,962
United States Dollars	7.9956	5,574	**44,567**	55,329	44	**352**	428
Swiss Francs	6.4755	129	**835**	792	129	**835**	792
Euro Yuan	10.1313	116	**1,175**	1,111	-	-	-
Japanese Yen	0.0695	987	**69**	2	-	-	-
Cash at bank and in hand			**640,307**	1,165,971		**382,564**	641,524
Deposits at related party (note 30(f))							
Renminbi			**152,945**	181,266		**142,403**	180,040
			793,252	1,347,237		**524,967**	821,564

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		The Company	
	30 June 2006 RMB'000	31 December 2005 RMB'000	**30 June 2006 RMB'000**	31 December 2005 RMB'000
Bank bills	**816,920**	709,027	**640,596**	497,954
Commercial bills	**32,921**	30,767	**19,000**	20,000
Total	**849,841**	739,794	**659,596**	517,954

Bills receivable are due in six months. At 30 June 2006, there are no significant bills receivable at discount or pledged.

Except for the balances disclosed in Note 30(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 ageing of trade debtors is analyzed as follows:

The Group

	At 30 June 2006				At 31 December 2005			
	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	821,207	93.98	468	0.06	513,350	90.08	504	0.10
Between 1 and 2 years	26,890	3.08	1,532	5.70	31,252	5.48	43	0.14
Between 2 and 3 years	3,007	0.34	3,007	100.00	3,918	0.69	3,918	100.00
Over 3 years	22,732	2.60	22,732	100.00	21,380	3.75	21,380	100.00
Total	873,836	100.00	27,739		569,900	100.00	25,845	
Trade debtors,net	846,097				544,055			

The Company

	At 30 June 2006				At 31 December 2005			
	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	574,340	93.66	-	0.00	369,390	89.85	-	0.00
Between 1 and 2 years	18,329	2.99	-	0.00	21,050	5.12	-	0.00
Between 2 and 3 years	1,316	0.21	1,316	100.00	3,774	0.92	3,774	100.00
Over 3 years	19,240	3.14	19,240	100.00	16,917	4.11	16,917	100.00
Total	613,225	100.00	20,556		411,131	100.00	20,691	
Trade debtors,net	592,669				390,440			

5. Trade debtors *(continued)*

Bad debt provision is analyzed as follows:

	The Group		The Company	
	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000	**At 30 June 2006 RMB'000**	31 December 2005 RMB'000
Balance at 1 January	**25,845**	45,282	**20,691**	19,610
Additions for the period / year	**2,029**	13,683	**-**	13,683
Provision written off	**(135)**	(33,120)	**(135)**	(12,602)
Balance at 30 June / 31 December	**27,739**	25,845	**20,556**	20,691

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

	At 30 June 2006	At 31 December 2005
Amount(RMB'000)	**490,468**	302,461
Percentage of total trade debtors	**56.13%**	53.07%

Except for balances disclosed in Note 30(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. At 30 June 2006, the Group and the Company did not have individually significant trade debtors that aged over three years.

6. Other debtors

Other debtors are analyzed as follows:

	The Group							
	At 30 June 2006				At 31 December 2005			
	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	**444,040**	**90.84**	**5,005**	**1.13**	486,398	84.54	5,000	1.03
Between 1 and 2 years	**26,518**	**5.43**	**6**	**0.02**	64,532	11.22	9	0.01
Between 2 and 3 years	**7,916**	**1.62**	**495**	**6.25**	7,335	1.27	-	-
Over 3 years	**10,330**	**2.11**	**3,812**	**36.90**	17,091	2.97	3,116	18.23
Total	**488,804**	**100.00**	**9,318**		575,356	100.00	8,125	
Other debtors,net	**479,486**				567,231			

6. Other debtors *(continued)*

	The Company							
	At 30 June 2006				At 31 December 2005			
	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	395,262	93.67	-	-	617,691	91.40	-	-
Between 1 and 2 years	21,225	5.03	-	-	46,486	6.88	-	-
Between 2 and 3 years	582	0.14	-	-	675	0.10	-	-
Over 3 years	4,898	1.16	2,422	49.45	10,924	1.62	2,422	22.17
Total	421,967	100.00	2,422		675,776	100.00	2,422	
Other debtors,net	419,545				673,354			

Bad debt provision is analyzed as follows:

	The Group		The Company	
	At 30 June 2006	At 31 December 2005	At 30 June 2006	At 31 December 2005
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January	8,125	9,692	2,422	4,355
Additions for the period / year	3,843	366	-	-
Provision written off	(2,650)	(1,933)	-	(1,933)
Balance at 30 June / 31 December	9,318	8,125	2,422	2,422

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

	At 30 June 2006	At 31 December 2005
Amount(RMB'000)	333,320	361,129
Percentage of total other debtors	68.19%	62.77%

Except for balances disclosed in Note 30(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 2006, 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 30(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 2006		At 31 December 2005		**At 30 June 2006**		At 31 December 2005	
	Amount RMB'000	**Provision for diminution in value RMB'000**	Amount RMB'000	Provision for diminution in value RMB'000	**Amount RMB'000**	**Provision for diminution in value RMB'000**	Amount RMB'000	Provision for diminution in value RMB'000
Raw materials	**1,284,965**	**-**	1,050,904	-	**994,398**	**-**	829,000	-
Work in progress	**2,025,076**	**-**	1,592,298	-	**1,940,633**	**-**	1,505,739	-
Finished goods	**967,823**	**33,407**	895,951	-	**813,027**	**33,407**	719,040	-
Spare parts and consumables	**635,104**	**50,070**	625,895	50,070	**540,329**	**49,186**	533,078	49,186
Total	**4,912,968**	**83,477**	4,165,048	50,070	**4,288,387**	**82,593**	3,586,857	49,186
Inventories, net	**4,829,491**		4,114,978		**4,205,794**		3,537,671	

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

	The Group				The Company			
	2006		2005		**2006**		2005	
	Finished goods RMB'000	**Spare parts and consumables RMB'000**	Finished goods RMB'000	Spare parts and consumables RMB'000	**Finished goods RMB'000**	**Spare parts and consumables RMB'000**	Finished goods RMB'000	Spare parts and consumables RMB'000
At 1 January	**-**	**50,070**	3,780	52,890	**-**	**49,186**	-	47,550
Additions for the period/year	**33,407**	**-**	-	1,636	**33,407**	**-**	-	1,636
Written off	**-**	**-**	(3,780)	(4,456)	**-**	**-**	-	-
At 30 June/31 December	**33,407**	**50,070**	-	50,070	**33,407**	**49,186**	-	49,186

All inventories were acquired through purchase or production.

The cost of inventories recognised as costs and expenses by the Group and the Company amounted to RMB 22,335,084,000 (six-month period ended 30 June 2005: RMB 18,362,576,000) and RMB 20,444,130,000 (six-month period ended 30 June 2005: RMB 17,219,018,000) for the six-month period ended 30 June 2006, respectively.

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 2006	2,390,803	(261,700)	326,515	395,076	2,850,694	(56,228)	2,794,466
Additions for the period	-	-	-	27,959	27,959	-	27,959
Share of profits less losses from investments accounted for under the equity method	175,156	-	-	-	175,156	-	175,156
Disposals for the period	-	1,700	(24,840)	(36,803)	(59,943)	3,490	(56,453)
Amortisation for the period	-	5,000	-	-	5,000	-	5,000
Balance at 30 June 2006	2,565,959	(255,000)	301,675	386,232	2,998,866	(52,738)	2,946,128

	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 2006	2,255,052	(261,700)	2,462,897	107,657	4,563,906
Additions for the period	-	-	16,579	-	16,579
Share of profits less losses from investments accounted for under the equity method	171,244	-	118,792	-	290,036
Dividends received	-	-	(145,196)	-	(145,196)
Disposals for the period	-	1,700	-	(2,500)	(800)
Amortisation for the period	-	5,000	-	-	5,000
Balance at 30 June 2006	2,426,296	(255,000)	2,453,072	105,157	4,729,525

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 2006 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 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.

(b) Equity investment difference

Investments	Initial investment RMB'000	Amortisation period	1 January 2006 RMB'000	Amortisation /disposal during the period RMB'000	30 June 2006 RMB'000	Reason
Shanghai Chemical Industry Park Development Co., Ltd	(300,000)	30 years	(260,000)	5,000	(255,000)	Investment in associate
Shanghai Jindong Petrochemical Industrial Company Limited	(8,492)	10 years	(1,700)	1,700	-	Investment in subsidiary
Total	(308,492)		(261,700)	6,700	(255,000)	

The "equity investment difference" is amortised on a straight-line basis over 30 and 10 years respectively. The remaining period of amortisation of Shanghai Chemical Industry Park Development Co., Ltd. is 25.5 years.

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

(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 2006 are as follows:

		Percentage of equity		
Company	Registered capital '000	held by the Company %	held by subsidiaries %	Principal activities
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 Jin hua Industrial Company Limited(Note 1)	RMB 25,500	-	81.79	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 545,776	-	100	Production of petrochemical products

None of these subsidiaries has issued any debt securities.

Note 1: On 23 January 2006, the Group transferred 81.79% shareholdings in Shanghai Jinhua Industrial Company Ltd to Sinopec. The assets and liabilities of Shanghai Jinhua Industrial Company Ltd have no material effect on the financial position of the Group.

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 2006 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	
	2006	2005
	RMB'000	RMB'000
Balance at 1 January	**56,228**	61,750
Written off for the period / year	**(3,490)**	(5,522)
Balance at 30 June / 31 December	**52,738**	56,228

(g) Major investment changes

At 30 June 2006, 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 2006 RMB'000	Addition for the period RMB'000	Share of profits accounted for under the equity method	Amortisation of equity investment differences RMB'000	Balance at 30 June 2006 RMB'000
Shanghai Chemical Industry Park Development Company Limited	30 years	38%	658,477	-	-	5,000	663,477
Shanghai Secco Petrochemical Company Limited	50 years	20%	1,336,574	-	171,245	-	1,507,819
Shanghai Jinpu Plastics Packaging Material Company Limited	30 years	50%	89,132	-	1,389	-	90,521
Shanghai Jinsen Hydrocarbon Reins Company Limited	40 years	40%	46,620	-	2,522	-	49,142

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

(h) At 30 June 2006, the Company's proportion of the total invesments to the net assets was 25.68% (31 December 2005: 23.81%).

At 30 June 2006, the Group's proportion of the total invesments to the net assets was 16.28% (31 December 2005: 14.87%).

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 2006	6,882,092	26,995,483	33,877,575
Additions	9,487	82,861	92,348
Transferred from construction in progress (Note 11)	63,256	358,601	421,857
Disposals	(31,291)	(62,257)	(93,548)
At 30 June 2006	6,923,544	27,374,688	34,298,232
Accumulated depreciation:			
At 1 January 2006	3,136,927	14,619,829	17,756,756
Charge for the period	99,108	828,477	927,585
Written back on disposals	(7,714)	(12,335)	(20,049)
At 30 June 2006	3,228,321	15,435,971	18,664,292
Provision for impairment losses:			
At 1 January 2006	-	58,945	58,945
Charge for the period	-	-	-
At 30 June 2006	-	58,945	58,945
Net book value:			
At 30 June 2006	3,695,223	11,879,772	15,574,995
At 31 December 2005	3,745,165	12,316,709	16,061,874

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 2006	5,659,954	24,305,735	29,965,689
Additions	-	3,010	3,010
Transferred from construction in progress (Note 11)	62,727	340,669	403,396
Disposals	(2,221)	(21,062)	(23,283)
At 30 June 2006	5,720,460	24,628,352	30,348,812
Accumulated depreciation:			
At 1 January 2006	2,712,745	13,063,017	15,775,762
Charge for the period	79,934	718,924	798,858
Written back on disposals	(681)	(5,020)	(5,701)
At 30 June 2006	2,791,998	13,776,921	16,568,919
Provision for impairment losses:			
At 1 January 2006	-	58,945	58,945
Charge for the period	-	-	-
At 30 June 2006	-	58,945	58,945
Net book value:			
At 30 June 2006	2,928,462	10,792,486	13,720,948
At 31 December 2005	2,947,209	11,183,773	14,130,982

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

10. Fixed assets *(continued)*

(c) At 30 June 2006, the cost of the Group's fully depreciated fixed assets was RMB6,590,491,793 (31 December 2005: RMB6,586,187,754).

(d) At 30 June 2006, no fixed assets were pledged by the Group (31 December 2005: Nil).

11. Construction in progress

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance at 1 January	**754,192**	763,450	**710,268**	708,089
Additions	**1,059,788**	1,006,490	**1,040,534**	966,281
of which:				
Capitalised interest costs	**8,863**	-	**8,863**	-
Transferred to fixed assets(Note 10)	**(421,857)**	(1,015,748)	**(403,396)**	(964,102)
Balance at 30 June / 31 December	**1,392,123**	754,192	**1,347,406**	710,268

At 30 June 2006, major projects of the Group are as follows:

Project	**Budgeted amount**	**At 1 January 2006**	**Additon**	**At 30 June 2006**	**Stage of completion**
	RMB'000	RMB'000	RMB'000	RMB'000	
380,000 tonne/annum glycol project	1,249,000	181,165	576,400	757,565	61%
3.3 million diesel oil hydrogenation project	528,000	107,552	253,586	361,138	68%

The above projects were made out of funds from specific loans.

12. Intangible assets

	The Group and the Company
	RMB'000
Cost:	
At 1 January 2006/ 30 June 2006	134,482
Accumulated amortisation:	
At 1 January 2006	125,515
Amortisation for the period	6,724
At 30 June 2006	132,239
Net book value:	
At 30 June 2006	2,243
At 31 December 2005	8,967

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.