

4. NOTES ON THE UNAUDITED INTERIM ACCOUNTS

(i) BASIS OF PREPARATION

Pursuant to the notice “Cai Kui Zi [2000] No.25” issued by the Ministry of Finance (“MOF”) on 29 December 2000, all joint stock limited company should adopt the “Enterprise Accounting Rules and Regulations” in the preparation of the accounts effective from 1 January 2001.

The Group and the Company adopted the “Enterprise Accounting Rules and Regulations” in preparing the 2000 annual accounts. Accordingly, the accounting policies have been consistently applied by the Group and, except for the adjustment for the Housing Revolving Fund detailed in Note 4(ii) below, are consistent with those adopted in the 2000 annual accounts.

(ii) CHANGE IN ACCOUNTING POLICY

Pursuant to the notices “Cai Qi [2000] No. 295” and “Cai Kui Zi [2001] No.5” issued by MOF on 6 September 2000 and 7 January 2001, respectively, the debit balance of Housing Revolving Fund at 31 December 2000, net of the amount attributable to minority interests, should be written-off against the undistributed profits brought forward in 2001. The shareholders’ funds of the Group and the Company were reduced by RMB 484 million accordingly.

The effect of the above change in accounting policy is as follows:

	The Group and the Company RMB millions
Undistributed profits at 31 December 2000	6,212
Write-off of debit balance of Housing Revolving Fund, net of the amount attributable to minority interests	(484)
Undistributed profits at 1 January 2001 (as restated)	5,728

(iii) TRADE ACCOUNTS RECEIVABLES

	The Group		The Company	
	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions (Audited)	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions (Audited)
Subsidiaries	—	—	5,101	5,142
Sinopec Group Company and fellow subsidiaries	3,532	3,280	2,507	1,632
Associates and jointly controlled entities	195	117	192	103
Others	15,458	12,107	9,707	7,246
	19,185	15,504	17,507	14,123
Less: Allowance for doubtful accounts	2,869	2,817	2,099	2,064
	16,316	12,687	15,408	12,059

The ageing analysis of trade accounts receivables (net of allowance for doubtful accounts) are as follows:

	The Group				The Company			
	At 30 June 2001 RMB millions	%	At 31 December 2000 RMB millions (Audited)	%	At 30 June 2001 RMB millions	%	At 31 December 2000 RMB millions (Audited)	%
Within one year	14,152	86.7	11,440	90.2	14,315	92.8	11,480	95.2
Between one and two years	1,273	7.8	638	5.0	702	4.6	348	2.9
Between two and three years	352	2.2	359	2.8	227	1.5	208	1.7
Over three years	539	3.3	250	2.0	164	1.1	23	0.2
	16,316	100.0	12,687	100.0	15,408	100.0	12,059	100.0

Except for the balances disclosed in Note 4 (xvii), the above balances did not include balances due from shareholders who own 5% or more shareholding of the Company.

At 30 June 2001, the Group and the Company did not have individual significant trade accounts receivables that aged over three years.

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(iv) OTHER RECEIVABLES

	The Group		The Company	
	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions (Audited)	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions (Audited)
Subsidiaries	—	—	6,797	1,695
Sinopec Group Company and fellow subsidiaries	11,685	9,956	8,416	7,954
Associates and jointly controlled entities	690	321	690	321
Others	15,345	11,868	10,972	8,936
	27,720	22,145	26,875	18,906
Less: Allowance for doubtful accounts	1,559	2,040	1,380	1,799
	26,161	20,105	25,495	17,107

The ageing analysis of other receivables (net of allowance for doubtful accounts) are as follows:

	The Group				The Company			
	At 30 June 2001 RMB millions	%	At 31 December 2000 RMB millions (Audited)	%	At 30 June 2001 RMB millions	%	At 31 December 2000 RMB millions (Audited)	%
Within one year	21,743	83.1	19,139	95.2	18,523	72.6	16,751	97.9
Between one and two years	3,585	13.7	326	1.6	6,726	26.4	167	1.0
Between two and three years	210	0.8	93	0.5	67	0.3	65	0.4
Over three years	623	2.4	547	2.7	179	0.7	124	0.7
	26,161	100.0	20,105	100.0	25,495	100.0	17,107	100.0

At 30 June 2001, the five largest other receivables are shown below:

Name of entity	Particulars	Amount RMB millions
Sinopec Group Company	Current account	3,252
Daqing Petrochemical Complex	Current account	2,105
Fushun Petrochemical Company	Current account	1,194
Yuelian Wanda Petrochemical Company Limited	Current account	543
Lanzhou Chemical Industry Company	Current account	447

Except for the balances disclosed in Note 4 (xvii), the above balances did not include balances due from shareholders who own 5% or more shareholding of the Company.

At 30 June 2001, the Group and the Company did not have individually significant other receivables that aged over three years.

(v) INVENTORIES

	The Group		The Company	
	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions (Audited)	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions (Audited)
Raw materials	20,141	18,637	12,759	10,522
Work in progress	6,963	5,828	4,295	3,618
Finished goods	25,001	23,534	17,972	17,493
Spare parts and consumables	2,961	2,603	1,220	1,161
	55,066	50,602	36,246	32,794
Less: Provision for diminution in value of inventories	622	841	333	560
	54,444	49,761	35,913	32,234

The provision for diminution in value of inventories is mainly provided for finished goods.

(vi) LONG-TERM EQUITY INVESTMENTS**The Group**

	Listed stock investments RMB millions	Unlisted stock and other equity investments RMB millions	Equity investment differences RMB millions	Provision for impairment losses RMB millions	Total RMB millions
Balance at 1 January 2001	644	4,248	553	(210)	5,235
Additions for the period	—	1,691	355	—	2,046
Share of profits less losses from investments accounted for under the equity method	85	(12)	—	—	73
Disposals for the period	—	(48)	—	—	(48)
Amortisation for the period	—	—	(78)	—	(78)
Provision for impairment losses for the period	—	—	—	(14)	(14)
Balance at 30 June 2001	729	5,879	830	(224)	7,214

The Company

	Listed stock investments RMB millions	Unlisted stock and other equity investments RMB millions	Equity investment differences RMB millions	Provision for impairment losses RMB millions	Total RMB millions
Balance at 1 January 2001	36,953	42,295	473	(140)	79,581
Change in accounting policy (Note 4 (ii))	(484)	—	—	—	(484)
Additions for the period	—	861	352	—	1,213
Share of profits less losses from investments accounted for under the equity method	245	6,440	—	—	6,685
Dividend received	(655)	(10,169)	—	—	(10,824)
Amortisation for the period	—	—	(61)	—	(61)
Provision for impairment losses for the period	—	—	—	(9)	(9)
Balance at 30 June 2001	36,059	39,427	764	(149)	76,101

At 30 June 2001, the Group and the Company had no individually significant provision for long-term equity investments.

Other equity investments represent the Group's interests in the PRC domiciled enterprises which are mainly engaged in non oil and gas and chemical activities and operations. These include unconsolidated investments for which the Group has interests over 50% at insignificant investment cost or the Group has no controlling interests in the board of directors. The stock investments of the Company represent investments in subsidiaries and associates.

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(vi) LONG-TERM EQUITY INVESTMENTS (continued)

At 30 June 2001, details of listed stock investments of the Group are as follows:

Name of invested company	Type of Investment	Initial investment cost RMB millions	Balance at 1 January 2001 RMB millions	Share of profits accounted for under the equity method RMB millions	Balance at 30 June 2001 RMB millions	Market value at 30 June 2001 RMB millions
Shengli Oil Field Dynamic Company Limited	Legal person shares	223	362	40	402	1,230
Sinopec Shandong Taishan Petroleum Company Limited	Legal person shares	124	282	45	327	1,953
			644	85	729	

The above listed stock investments cannot be traded on open market, and their market values are for reference only.

At 30 June 2001, details of principal unlisted stock and other equity investments of the Group are as follows:

Name of invested company	Initial investment cost RMB millions	Investment period	Percentage of equity interest held by the Group	Balance at 1 January 2001 RMB millions	Additions for the period RMB millions	Share of profits/(losses) accounted for under the equity method RMB millions	Balance at 30 June 2001 RMB millions
Shanghai Chemical Industry Park Development Co Ltd	430	30 years	38%	250	180	—	430
Shanghai Golden Conti Petrochemical Co Ltd	142	30 years	48%	99	—	(15)	84
Hangzhou Jinshan Real Estate Co Ltd	64	30 years	84%	64	—	—	64
Shanghai Jinpu Packaging Material Co Ltd	50	30 years	50%	50	—	9	59
Shanghai Jinsen Hydrocarbon Resins Co Ltd	49	30 years	40%	28	—	(4)	24
Shanghai BO-KA Co Ltd	21	30 years	67%	21	—	—	21
Jinhuan Petrochemical Development Limited	7	30 years	75%	14	—	1	15
Shanghai Jinshan Associated Industrial Co Ltd	4	30 years	51%	3	—	—	3
Shanghai Jindong Polyester Chemical Co Ltd	3	30 years	50%	3	—	—	3
Fujian Petrochemical Construction Company Ltd	2	30 years	100%	1	—	—	1

Since the results and assets of the above companies which the Group holds more than 50% of equity interest has no material effect on the Group, they are not consolidated.

(vii) CONSTRUCTION IN PROGRESS

	The Group RMB millions	The Company RMB millions
Balance at 1 January 2001	16,150	9,535
Additions for the period	18,928	11,233
Dry hole costs written off	(940)	(560)
Transferred to fixed assets	(8,484)	(5,647)
Balance at 30 June 2001	25,654	14,561

(vii) CONSTRUCTION IN PROGRESS (continued)

Major construction in progress of the Group at 30 June 2001 are as follows:

Project name	Budgeted amount RMB millions	Balance at 1 January 2001 RMB millions	Additions for the period RMB millions	Transferred to fixed assets RMB millions	Balance at 30 June 2001 RMB millions	Percentage of completion	Source of funding	Interest capitalised for the six-month period ended 30 June 2001 RMB millions
660k ton/ year ethylene enhancement project	3,455	1,520	801	—	2,321	67%	Bank loans & self-financing	45
700k ton/year ethylene and polypropylene enhancement project	4,677	378	458	—	836	20%	Government grants, bank loans & self-financing	20
650k ton/year ethylene enhancement project	4,487	243	534	—	777	15%	Bank loans & self-financing	—
Acrylic fibre enhancement project	765	84	424	—	508	67%	Government grants, bank loans & self-financing	13
CFB Boiler system project	545	397	85	—	482	85%	Bank loans	5

The additions of construction in progress of the Group and the Company for the six-month period ended 30 June 2001 include capitalised interest amounting to RMB 136 million and RMB 77 million, respectively.

(viii) INCOME FROM PRINCIPAL OPERATIONS

Income from principal operations represents revenue from the sales of crude oil, natural gas, petroleum and chemical products, net of value-added tax.

(ix) PROFIT FROM OTHER OPERATIONS

	The Group			The Company		
	Six-month periods ended 30 June 2001 RMB millions	2000 RMB millions	Year ended 31 December 2000 RMB millions (Audited)	Six-month periods ended 30 June 2001 RMB millions	2000 RMB millions	Year ended 31 December 2000 RMB millions (Audited)
Sales of ancillary materials and goods	246	128	368	157	40	192
Transportation and other services	213	124	447	130	59	299
Rental income	135	101	213	72	86	184
	594	353	1,028	359	185	675

(x) FINANCIAL EXPENSES

	The Group			The Company		
	Six-month periods ended 30 June 2001 RMB millions	2000 RMB millions	Year ended 31 December 2000 RMB millions (Audited)	Six-month periods ended 30 June 2001 RMB millions	2000 RMB millions	Year ended 31 December 2000 RMB millions (Audited)
Interest expense incurred	3,256	3,591	7,104	2,098	2,144	4,239
Less: Amount capitalised as construction in progress	136	224	575	77	110	324
Interest expenses, net	3,120	3,367	6,529	2,021	2,034	3,915
Interest income	(733)	(311)	(820)	(582)	(135)	(443)
Exchange losses	103	75	84	40	43	21
Exchange gains	(277)	(351)	(950)	(207)	(168)	(503)
	2,213	2,780	4,843	1,272	1,774	2,990