

SINOPEC SHANGHAI PETROCHEMICAL CO LTD

Form 6-K

August 30, 2011

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# SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

## FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934

For the month of August 2011

Commission File Number: 1-12158

# Sinopec Shanghai Petrochemical Company Limited

(Translation of registrant's name into English)

Jinshanwei, Shanghai

The People's Republic of China

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If  Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-Not Applicable

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED

Date: August 30, 2011

By: /s/ Wang Zhiqing  
Name: Wang Zhiqing  
Title: President

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*(A joint stock limited company incorporated in the People's Republic of China)*

**(Stock Code: 00338)**

**2011 Interim Results Announcement**

**1 IMPORTANT MESSAGE**

- 1.1 The board of directors (the Board) and the Supervisory Committee of Sinopec Shanghai Petrochemical Company Limited (the Company or SPC) as well as its Directors, Supervisors and Senior Management warrant that there are no false representations or misleading statements contained in, or material omission from, the 2011 interim report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information contained in the 2011 interim report.

This summary of the interim report is extracted from the full text of the interim report. The full report is published on [www.sse.com.cn](http://www.sse.com.cn) simultaneously. For detailed content, investors are advised to read the full text of the interim report.

- 1.2 If any Director fails to attend the Board meeting for considering and approving the 2011 interim report of the Company, his name shall be set out separately:

| Name of      |               | Reasons for the     |               |
|--------------|---------------|---------------------|---------------|
| Director not | Position      | Absence             | Name of Proxy |
| Attending    |               |                     |               |
| Wu Haijun    | Vice Chairman | Business engagement | Rong Guangdao |
| Lei Dianwu   | Director      | Business engagement | Rong Guangdao |

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- 1.3 The financial report of the Company for the six-month period ended 30 June 2011 (the Reporting Period ) was unaudited.
- 1.4 There was no appropriation of funds by controlling shareholder and its connected parties for non-operation purpose.
- 1.5 The Company did not provide external guarantees in violation of required decision-making procedures.
- 1.6 Mr. Rong Guangdao, our Chairman and the responsible person of the Company, Mr. Ye Guohua, our Chief Financial Officer (overseeing the accounting operations) and Mr. Hua Xin, our Finance Manager (Accounting Chief) hereby warrant the truthfulness and completeness of the financial report contained in the 2011 interim report.

**2 CORPORATE INFORMATION**

**2.1 Corporate Information**

|                        |   |
|------------------------|---|
| Stock Abbreviation     | S   |
| Shares Stock Code      | 600688  |
| Stock Exchange Listing | Shanghai Stock Exchange   |
| Stock Abbreviation     | Shanghai Petrochemical  |
| Shares Stock Code      | 00338   |
| Stock Exchange Listing | Hong Kong Exchanges and Clearing Limited ( Hong Kong Stock Exchange ) |
| Shares Stock Code      | SHI   |
| Stock Exchange Listing | New York Stock Exchange   |

**Securities Affairs**

|                        | <b>Secretary to the Board</b>   | <b>Representative</b>  |
|------------------------|---|--|
| Name                   | Zhang Jingming  | Tang Weizhong  |
| Correspondence Address | 48 Jinyi Road,<br>Jinshan District, Shanghai,<br>the People's Republic of<br>China (the PRC ) | Suite B, 28 / F, Huamin<br>Empire Plaza, 728 West<br>Yan'an Road, Shanghai,<br>PRC Postal Code: 200050 |
| Telephone              | Postal Code: 200540<br>86-21-57943143 / 52377880  | 86-21-57943143/52377880  |
| Fax                    | 86-21-57940050 / 52375091   | 86-21-57940050/52375091  |
| E-mail                 | spc@spc.com.cn  | tom@spc.com.cn   |

**Table of Contents****2.2 Major Financial Data and Indicators**

*Prepared under the China Accounting Standards for Business Enterprises ( CAS )*

**2.2.1 Major Accounting Data and Financial Indicators (Unaudited)**

|   |  |  | Unit: RMB 000  |
|---|--|--|--|
|   | As at the end<br>of the<br>Reporting<br>Period | As at the end<br>of the<br>previous year | Increase/decrease<br>at the end of<br>the Reporting<br>Period as<br>compared to<br>the<br>end of the<br>previous year<br>(%) |
| Total assets  | 32,943,260                                     | 29,158,104                               | 12.98  |
| Total equity attributable to equity shareholders of the Company                     | 18,612,631                                     | 17,913,040                               | 3.91   |
| Net asset value per share attributable to equity shareholders of the Company (RMB)* | 2.585  | 2.488                                    | 3.91   |

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|   | <b>The<br/>Reporting<br/>Period<br/>(January<br/>to June)</b> | <b>Corresponding<br/>period of the<br/>previous year</b> | <b>Increase/decrease<br/>during the<br/>Reporting<br/>Period as<br/>compared to the<br/>corresponding<br/>period of the<br/>previous year<br/>(%)</b> |
|---|---|--|---|
| Operating profit  | 1,818,377   | 1,887,627  | -3.67   |
| Profit before income tax  | 1,805,805   | 1,882,526  | -4.08   |
| Net profit attributable to equity shareholders of the Company                               | 1,381,533   | 1,493,930  | -7.52   |
| Net profit attributable to equity shareholders of the Company excluding non-recurring items | 1,391,700   | 1,497,812  | -7.08   |
| Basic earnings per share (RMB)  | 0.192   | 0.207  | -7.52   |
| Basic earnings per share excluding non-recurring items (RMB)                                | 0.193   | 0.208  | -7.08   |
| Diluted earnings per share (RMB)  | 0.192   | 0.207  | -7.52   |
| Return on net assets (weighted average) (%)*  | 7.565   | 9.344  | Decreased by<br>1.779 percentage<br>points  |
| Net cash inflow from operating activities   | 1,115,924   | 366,735  | 204.29  |
| Net cash inflow per share from operating activities (RMB)                                   | 0.155   | 0.051  | 204.29  |

\* The above-mentioned net assets do not include minority shareholders' interests.



**Table of Contents****2.2.2 Non-recurring items**

|   | Unit: RMB 000 |
|---|---------------|
| Non-recurring Items   | Amount        |
| Net loss from disposal of non-current assets  | -7,198        |
| Employee reduction expenses   | -1,158        |
| Government grants recorded in profit and loss (except for government grants under the State's unified standards on quota and amount entitlements and closely related to corporate business) | 5,240         |
| Income from external entrusted loans  | 705           |
| Other non-operating income and expenses other than those mentioned above  | -10,614       |
| Income tax effect   | 3,135         |
| Effect attributable to minority interests (after tax)   | -277          |
| Total   | -10,167       |

**2.2.3 Differences between financial report prepared under CAS and International Financial Reporting Standards ( IFRS )**

|                     | Unit: RMB 000   |  |   |                                    |
|---------------------|---|--|---|------------------------------------|
|                     | Net profit attributable to equity shareholders of the Company |  | Total equity attributable to equity shareholders of the Company |                                    |
|                     |   | Corresponding period of the previous year (restated) | At the beginning of the Reporting Period (restated)             | At the end of the Reporting Period |
|                     | The Reporting Period  |  |   | Reporting Period                   |
| Prepared under CAS  | 1,381,533   | 1,493,930  | 17,913,040  | 18,612,631                         |
| Prepared under IFRS | 1,425,719   | 1,513,739*   | 17,689,457*   | 18,395,176                         |

For detailed differences, please refer to 7.3.

\* For details, please refer to Note 2, Changes in Accounting Policies, of 7.2.

**Table of Contents****3 CHANGE IN SHARE CAPITAL AND SHAREHOLDERS****3.1 Total Number of Shareholders and Their Shareholdings**

Unit: share

Total number of shareholders as at the end of the Reporting Period

106,724

**Shareholdings of top ten shareholders**

| Name of shareholders  | Type of shareholders               | Percentage of total shareholding (%) | Number of shares held | Increase (+)/ decrease ( ) during the Reporting Period | Type of shares  | Number of non-circulating shares held | Number of shares pledged or frozen |
|---|------------------------------------|--------------------------------------|-----------------------|--|-----------------|---------------------------------------|------------------------------------|
| China Petroleum & Chemical Corporation  | State-owned enterprise shareholder | 55.56                                | 4,000,000,000         | 0  | Non-circulating | 4,000,000,000                         | Nil                                |
| HKSCC (Nominees) Limited  | Foreign shareholder                | 31.86                                | 2,293,834,101         | +370,000   | Circulating     | 0                                     | Unknown                            |
| China Construction Bank - CIFM China Advantage Security Investment Fund                             | Others                             | 0.90                                 | 64,515,310            | -7,484,690   | Circulating     | 0                                     | Unknown                            |
| Shanghai Kangli Gong Mao Company  | Others                             | 0.23                                 | 16,730,000            | 0  | Non-circulating | 16,730,000                            | Unknown                            |
| ICBC - SWS MU New Economy Balanced Equity Fund  | Others                             | 0.23                                 | 16,255,747            | Unknown  | Circulating     | 0                                     | Unknown                            |
| China Life Insurance Company Limited - Bonus - Individual Bonus - 005L-FH002 Shanghai               | Others                             | 0.21                                 | 15,294,394            | +5,578,590   | Circulating     | 0                                     | Unknown                            |
| China Life Insurance Company Limited - Tradition - Ordinary Insurance Product - 005L-CT001-Shanghai | Others                             | 0.17                                 | 12,408,194            | -2,000,000   | Circulating     | 0                                     | Unknown                            |

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| Name of shareholders                                 | Type of shareholders | Percentage of total shareholding (%) | Number of shares held | Increase (+)/ decrease ( ) during the Reporting Period | Type of shares  | Number of non-circulating shares held | Number of shares pledged or frozen |
|--|----------------------|--------------------------------------|-----------------------|--|-----------------|---------------------------------------|------------------------------------|
| Zhejiang Economic Construction Investment Co., Ltd   | Others               | 0.17                                 | 12,000,000            | 0  | Non-circulating | 12,000,000                            | Unknown                            |
| CBC - HFT Style Rotation Equity Fund                 | Others               | 0.15                                 | 10,845,757            | Unknown  | Circulating     | 0                                     | Unknown                            |
| ICBC - China Universal Aggressive Growth Equity Fund | Others               | 0.14                                 | 10,000,000            | Unknown  | Circulating     | 0                                     | Unknown                            |

**Top ten shareholders of shares in circulation**

| Name of shareholders  | Number of circulating shares held | Type of shares                  |
|---|-----------------------------------|---------------------------------|
| HKSCC (Nominees) Limited  | 2,293,834,101                     | Overseas listed foreign shares  |
| China Construction Bank - CIFM China Advantage Security Investment Fund                             | 64,515,310                        | RMB-denominated ordinary shares |
| ICBC - SWS MU New Economy Balanced Equity Fund  | 16,255,747                        | RMB-denominated ordinary shares |
| China Life Insurance Company Limited - Bonus - Individual Bonus - 005L-FH002 Shanghai               | 15,294,394                        | RMB-denominated ordinary shares |
| China Life Insurance Company Limited - Tradition - Ordinary Insurance Product - 005L-CT001 Shanghai | 12,408,194                        | RMB-denominated ordinary shares |

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| <b>Name of shareholders</b>                                    | <b>Number of<br/>circulating<br/>shares held</b> | <b>Type of shares</b>           |
|--|--|---------------------------------|
| CBC - HFT Style Rotation Equity Fund                           | 10,845,757                                       | RMB-denominated ordinary shares |
| ICBC - China Universal Aggressive Growth Equity Fund           | 10,000,000                                       | RMB-denominated ordinary shares |
| BOC - HFT Equity Fund  | 9,018,432  | RMB-denominated ordinary shares |
| BOC - E Fund Stable Growth Balanced Equity Fund                | 6,500,390  | RMB-denominated ordinary shares |
| Agricultural Bank of China - BOCOM Schroder Growth Equity Fund | 5,699,933  | RMB-denominated ordinary shares |

**Description of any connected relationship or act-in-concert parties relationships among the above shareholders**

Among the above-mentioned shareholders, China Petroleum & Chemical Corporation, the State-owned enterprise shareholder, does not have any connected relationship with the other shareholders, and is not a act-in-concert party of the other shareholders under the Administrative Measures on Acquisition of Listed Companies. Among the above-mentioned shareholders, HKSCC (Nominees) Limited is a nominee shareholder. Apart from the above, the Company is not aware of any other connected relationships among the other shareholders, or any act-in-concert parties under the Administrative Measures on Acquisition of Listed Companies.

**Table of Contents****3.2 Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares of the Company**

As at 30 June 2011, the interests and short positions of the Company's substantial shareholders (including those who are entitled to exercise, or control the exercise of, 5% or more of the voting power at any general meeting of the Company) and other persons (excluding the Directors, Supervisors and Senior Management of the Company) who are required to disclose their interests pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (SFO) in the shares, underlying shares of equity derivatives or debentures of the Company as recorded in the register which is required to be kept under Section 336 of the SFO were as set out below:

## (i) Interests in ordinary shares of the Company

| Name of shareholders                   | Number and type of shares held                  | % of total issued share capital | % of shareholding in the Company's total issued H shares | Capacity  |
|--|---|---------------------------------|--|---|
| China Petroleum & Chemical Corporation | 4,000,000,000 Promoter legal person shares (L)  | 55.56                           |  | Beneficial owner  |
| JPMorgan Chase & Co.                   | 159,205,090(L)<br>3,055,000(S)<br>30,222,238(P) | 2.21(L)<br>0.04(S)<br>0.42(P)   | 6.83(L)<br>0.13(S)<br>1.30(P)                            | Beneficial owner;<br>Investment managers;<br>Other (Available-for-lending shares) |

(L): Long position (S): Short position (P): Available-for-lending shares

Save as disclosed above, no interests of substantial shareholders or other persons (excluding the Directors, Supervisors and Senior Management of the Company) who are required to disclose their interests pursuant to Part XV of the SFO in the shares, underlying shares of equity derivatives or debentures of the Company were recorded in the register required to be kept under Section 336 of the SFO.

## (ii) Short positions in shares and underlying shares of the Company

As at 30 June 2011, no short positions of substantial shareholders or other persons (excluding the Directors, Supervisors and Senior Management of the Company) who are required to disclose their interests pursuant to Part XV of the SFO in the shares, underlying shares of equity derivatives, or debentures of the Company were recorded in the register required to be kept under Section 336 of the SFO.

**Table of Contents****4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT****4.1 Shareholdings of Directors, Supervisors and Senior Management**

During the Reporting Period, there were no changes to the number of shares of the Company held by the Directors, Supervisors and Senior Management of the Company. The actual number of shares in the issued share capital of the Company held by the Directors, Supervisors and Senior Management as at the end of the Reporting Period were as follows:

| Name          | Position                              | Unit: share  |  |           |
|---------------|---------------------------------------|--|--|-----------|
|               |                                       | Number of shares held at the beginning of the Reporting Period | Number of shares held at the end of the Reporting Period | Change    |
| Rong Guangdao | Chairman                              | 3,600  | 3,600  | No change |
| Wang Zhiqing  | Vice Chairman and President           | Nil  | Nil  | No change |
| Wu Haijun     | Vice Chairman                         | Nil  | Nil  | No change |
| Li Honggen    | Director and Vice President           | Nil  | Nil  | No change |
| Shi Wei       | Director and Vice President           | Nil  | Nil  | No change |
| Ye Guohua     | Director and Chief Financial Officer  | Nil  | Nil  | No change |
| Lei Dianwu    | Director                              | Nil  | Nil  | No change |
| Xiang Hanyin  | Director                              | Nil  | Nil  | No change |
| Shen Liqiang  | Independent Director                  | Nil  | Nil  | No change |
| Jin Mingda    | Independent Director                  | Nil  | Nil  | No change |
| Wang Yongshou | Independent Director                  | 3,600  | 3,600  | No change |
| Cai Tingji    | Independent Director                  | Nil  | Nil  | No change |
| Gao Jinping   | Chairman of the Supervisory Committee | Nil  | Nil  | No change |
| Zuo Qiang     | Supervisor                            | Nil  | Nil  | No change |

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| Name           | Position                              | Number of shares held at the beginning of the Reporting Period | Number of shares held at the end of the Reporting Period | Change    |
|----------------|---------------------------------------|--|--|-----------|
| Li Xiaoxia     | Supervisor                            | Nil  | Nil  | No change |
| Zhai Yalin     | Supervisor                            | Nil  | Nil  | No change |
| Wang Liqun     | Supervisor                            | Nil  | Nil  | No change |
| Chen Xinyuan   | Independent Supervisor                | Nil  | Nil  | No change |
| Zhou Yunnong   | Independent Supervisor                | Nil  | Nil  | No change |
| Zhang Zhiliang | Vice President                        | Nil  | Nil  | No change |
| Zhang Jianping | Vice President                        | Nil  | Nil  | No change |
| Tang Chengjian | Vice President                        | Nil  | Nil  | No change |
| Zhang Jingming | Company Secretary and General Counsel | Nil  | Nil  | No change |

Shares held by the above individuals are A shares and represent their personal interests in their capacity as beneficial owners.

#### 4.2 Interests and Short Positions of Directors, Supervisors and Senior Management in Shares, Underlying Shares and Debentures of the Company

Save as disclosed above, as at 30 June 2011, none of the Directors, Supervisors or Senior Management of the Company had any interests or short positions in any shares, underlying shares of equity derivatives or debentures of the Company or its associated corporations (within the meaning ascribed to it in Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the Model Code ).

As of 30 June 2011, none of the Directors or Supervisors of the Company or their respective spouses and children under 18 years of age had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company or any of its associated corporations.

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### **5. REPORT OF THE DIRECTORS**

#### **5.1 Discussion and analysis of the overall operation during the Reporting Period**

*The following discussion and analysis should be read in conjunction with the unaudited financial report of the Group (the Company and its subsidiaries) and notes in the interim report. The financial data involved hereinafter are extracted from the unaudited financial report prepared in accordance with IFRS.*

#### **Review and discussion on operating results**

In the first half of 2011, the world economy went through a strenuous recovery due to a number of difficulties such as the war in Libya, the political turmoil in West Asia and North Africa, the major earthquake, tsunami and nuclear leakage accident that severely hit the Japanese economy, the lower-than-expected economic recovery and a rebound in the unemployment rate in the U.S., the challenging sovereign debt crisis in Europe, and the spread of inflation from countries with emerging markets to developed nations. The Chinese economy continued to maintain stable and relatively fast growth amid a complex and volatile international environment, the continuous implementation of the macro-economic control initiatives in the country and the emergence of more new situations and new issues in China's economic operation. In the first half of 2011, China's gross domestic product (GDP) grew 9.6%, and its economic operation looked sound in general, moving towards the expected direction set in the macro-economic control initiatives. China's petrochemical industry continued to maintain a healthy and steady operation, witnessed by a steady and relatively fast growth in production, expanded market demand, stable supply and demand as a whole, active import and export trade, stable pace of growth in industrial investment and satisfactory profitability as a whole.

During the first half of 2011, the Group was faced with a complex and volatile international environment, an overall stability of the domestic macro-economy, a healthy and steady operation of the petrochemical industry, high international crude oil prices after a significant surge, and a substantial decline in the profitability of the oil refining industry resulting in a turnaround from profits to losses. The Group applied the assurance of safety, maximisation of profitability, focusing on reform, strengthening of management, adjustment on structure and promotion of development as its work theme, coping with external market changes in an aggressive approach, continuing to increase total physical production volume of products, and pushing forward various tasks on production, operation, reform and development. In the first half of 2011, the Group maintained sound operations and production, and crude oil processing volume and output of gasoline, diesel, jet fuel, synthetic resin, plastics and other products reached record highs once again as compared to previous corresponding periods. No accidents involving serious consequences or major fires, explosions or environmental pollution happened. Major production plants maintained high utilisation and load rates. Major technical and economic indices were fulfilled well. The output-to-sales ratio and the receivable recovery ratio continued to remain at satisfactory levels. The natural gas integrated utilisation project reaped good economic benefits. As at 30 June 2011, the Group's turnover amounted to RMB49,500.8 million, an increase of RMB13,372.5 million or 37.01% year-on-year; profit before taxation amounted to RMB1,858.1 million, a decrease of RMB37.9 million year-on-year; and profit after taxation and non-controlling interests amounted to RMB1,425.7 million, a decrease of RMB 88.0 million year-on-year.



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The fully completed Phase 5 Project of the Group continued to effectively produce its overall scale effect during the first half of 2011. As a result, total volume of goods produced increased by 14.87% over the corresponding period of the previous year. From January to June 2011, the Group processed 5,678,300 tons of crude oil (including 131,400 tons of crude oil processed on a sub-contracting basis), an increase of 635,500 tons or 12.60% over the corresponding period of the previous year. Specifically, imported crude oil and offshore crude oil processed amounted to 5,165,900 tons and 512,400 tons respectively. Output of gasoline, diesel and jet fuel were 510,300 tons, 2,055,700 tons and 402,500 tons respectively, representing increases of 10.24%, 33.49% and 5.78% year-on-year respectively. Output of ethylene and propylene were 492,100 tons and 258,700 tons respectively, representing decreases of 0.36% and 4.30% year-on-year respectively. Output of synthetic resins and plastics (excluding polyester and polyvinyl alcohol) was 570,800 tons, representing an increase of 0.39% year-on-year. Output of synthetic fibre monomers, synthetic fibre polymers and synthetic fibres were 499,600 tons, 326,400 tons and 129,100 tons respectively, representing an increase of 0.04%, a decrease of 1.03% and an increase of 4.20% year-on-year respectively. The Group's output-to-sales ratio and receivable recovery ratio in the first half of 2011 were 99.85% and 99.37% respectively.

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The following table sets forth the Group's sales volume and net sales, net of sales taxes and surcharges, for the Reporting Period:

|                                   | For the six-month period ended 30 June |                                  |               |                                    |                                  |               |
|-----------------------------------|--|----------------------------------|---------------|------------------------------------|----------------------------------|---------------|
|                                   | 2011                                   |                                  |               | 2010                               |                                  |               |
|                                   | Sales<br>Volume<br>( '000<br>tons)     | Net<br>Sales<br>(RMB<br>Million) | % of<br>Total | Sales<br>Volume<br>( '000<br>tons) | Net<br>Sales<br>(RMB<br>Million) | % of<br>Total |
| Synthetic fibres                  | 128.7                                  | 2,292.8                          | 4.95          | 123.7                              | 1,871.2                          | 5.56          |
| Resins and plastics               | 804.2                                  | 8,505.9                          | 18.35         | 821.6                              | 7,524.6                          | 22.34         |
| Intermediate petrochemicals       | 1,202.3                                | 10,197.0                         | 22.00         | 1,117.1                            | 7,851.4                          | 23.31         |
| Petroleum products                | 3,593.0                                | 18,899.6                         | 40.78         | 2,852.5                            | 12,876.4                         | 38.23         |
| Trading of petrochemical products |  | 5,988.0                          | 12.92         |                                    | 3,200.5                          | 9.50          |
| Others                            |  | 461.8                            | 1.00          |                                    | 354.1                            | 1.06          |
| <b>Total</b>                      | <b>5,728.2</b>                         | <b>46,345.1</b>                  | <b>100.00</b> | <b>4,914.9</b>                     | <b>33,678.2</b>                  | <b>100.00</b> |

In the first half of 2011, the Group realised total net sales of RMB46,345.1 million, representing an increase of 37.61% as compared to the corresponding period of the previous year, of which net sales derived from petroleum products, intermediate petrochemicals, resins and plastics, synthetic fibres and trading of petrochemical products increased by 46.78%, 29.87%, 13.04%, 22.53% and 87.10% respectively. Increase in net sales of products were primarily attributable to increased prices of raw materials and energy, resulting in increased prices for petroleum products, intermediate petrochemicals, resins and plastics and synthetic fibres, as well as increases in sales volume for a portion of products as compared to the corresponding period of the previous year. Compared to the first half of 2010, the average prices (excluding tax) of the Group's petroleum products, intermediate petrochemicals, resins and plastics and synthetic fibres increased by 16.53%, 20.67%, 15.49% and 17.77% respectively during the Reporting Period. When comparing to the second half of 2010, the average prices (excluding tax) of the above four major categories of products of the Group increased by 15.78%, 15.08%, 14.52% and 15.72% respectively. In the first half of 2011, net sales of the Group's trading of petrochemical products increased by 87.10% as compared to the corresponding period of the previous year, primarily because the business volume of the trading company controlled by the Group increased significantly. In the first half of 2011, net sales of the Group's other activities increased by 30.42% as compared to the corresponding period of the previous year, primarily because the Group's other activities including sales of water, electricity and gas, and revenues from processing crude oil on a sub-contracting basis increased substantially as compared to the corresponding period of the previous year.

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A majority of the Group's products were sold in eastern China.

During the first half of 2011, the Group's cost of sales increased by 39.38% year-on-year to RMB44,348.7 million, accounting for 95.69% of net sales.

Crude oil is the Group's major raw material. Under the impact of a number of factors such as the war in Libya, the turmoil in West Asia and North Africa, the major earthquake and the nuclear leak in Japan as well as the European debt crisis during the first half of 2011, international crude oil prices fell after a rise but in general tended to surge substantially and remained at high levels. In particular, the increase in Brent crude oil prices was approximately 18 percentage points higher than that in West Texas Intermediate (WTI) crude oil prices. This situation may remain unchanged in the short run. In the first half of 2011, Brent crude oil futures closed highest at US\$126.65/barrel and lowest at US\$93.33/barrel. The average price over the first half was approximately US\$111/barrel, a year-on-year increase of approximately 44%. WTI crude oil futures closed highest at US\$113.93/barrel and lowest at US\$84.32/barrel. The average price over the first half was approximately US\$98/barrel, a year-on-year increase of approximately 26%. With such impact, the Group's average unit cost of crude oil processed (the portion traded for the Group's own account) was RMB4,937.91/ton in the first half of 2011, representing an increase of RMB1,005.54/ton or 25.57% over the corresponding period of the previous year. As a result of the significant increase in the average price of crude oil and the increase in the volume of crude oil processed, the Group's total costs of crude oil processed during the Reporting Period increased substantially by 42.89% to RMB27,390.2 million year-on-year. The crude oil costs accounted for 61.76% of the Group's cost of sales in the first half of 2011.

Expenses on other auxiliary raw materials of the Group amounted to RMB9,880.5 million in the first half of 2011, representing an increase of 57.04% as compared to the corresponding period of the previous year, primarily attributable to increases in prices and volumes of production materials. During the Reporting Period, depreciation and maintenance costs of the Group amounted to RMB830.2 million and RMB523.0 million respectively. Depreciation cost decreased slightly year-on-year while maintenance cost increased year-on-year. Fuel and power expenses increased by RMB290.0 million year-on-year to RMB1,288.2 million as a result of the year-on-year increases to various degrees in both purchase volume and purchase prices of coal for power generation.

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The Group's selling and administrative expenses in the first half of 2011 amounted to RMB335.4 million, representing an increase of 31.22% from RMB255.6 million in the corresponding period of the previous year. The increase was primarily attributable to the increase in sales transportation expenses as a result of a substantial increase in sales volume (as one of the measures to cope with the intense market competition, the percentage of product distribution was raised substantially year-on-year during the first half of 2011, thereby increasing sales transportation and miscellaneous charges accordingly), and the increase in agency fees with respect to product sales in ordinary (continuing) connected transactions as a result of an increase in sales volume during the Reporting Period.

The Group's other operating expenses in the first half of 2011 increased by RMB12.7 million year-on-year to RMB27.5 million, primarily attributable to the provision for the impairment of fixed assets amounting to RMB10.6 million during the Reporting Period.

Financing costs of the Group in the first half of 2011 decreased by 112.11% year-on-year to RMB-14.1 million, primarily because of the appreciation of Renminbi against US dollar during the current period. As a result, there was an increase in net foreign exchange gains of the Group during the Reporting Period. Furthermore, the Group has adjusted the borrowing structure between US dollar-denominated loans and Renminbi-denominated loans, and borrowed more US dollar-denominated borrowings with lower interest rates during the Reporting Period than in the corresponding period of the previous year, resulting in a drop in interest expenses.

The Group's profit after taxation and non-controlling interests was RMB1,425.7 million in the first half of 2011, representing a decrease of RMB88.0 million from RMB1,513.7 million in the corresponding period of the previous year.

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### **Liquidity and capital resources**

The Group's net cash inflow from operating activities amounted to RMB965.6 million for the first half of 2011, representing an increase in cash inflow of RMB757.9 million as compared to net cash inflow of RMB207.7 million in the corresponding period of the previous year, due to the following reasons: (1) the Group's net cash inflow from profit before tax (net of share of profit of associates and jointly controlled entities) amounted to RMB1,675.5 million, representing an increase in cash inflow of RMB170.2 million as compared to net cash inflow of RMB1,505.3 million in the corresponding period of the previous year; (2) the increased inventory balance by RMB3,632.6 million led to an increase in cash outflow of RMB 3,084.5 million as compared to the increased inventory balance by RMB548.1 million in the corresponding period of the previous year; and (3) the increased balance of net amounts due to related parties by RMB2,747.9 million led to a decrease in cash outflow of RMB3,621.9 million as compared to the decreased balance by RMB874.0 million in the corresponding period of the previous year.

In the first half of 2011, the Group's net cash outflow from investing activities amounted to RMB833.7 million, as compared to the net cash inflow of RMB572.4 million in the corresponding period of the previous year, due to the following reasons: (1) in the corresponding period of the previous year, the Group redeemed the financial products which were purchased from state-controlled banks in China at the end of 2009, amounting to RMB700.0 million, and (2) the Group purchased financial products amounting to RMB700.0 million from state-controlled banks in China during the Reporting Period.

In the first half of 2011, the Group's net cash inflow from financing activities amounted to RMB105.2 million, while the net cash outflow amounted to RMB506.0 million in the corresponding period of the previous year, primarily attributable to the Group's repayments of a substantial amount of short-term borrowings during the corresponding period of the previous year.

### **Borrowings and debts**

The Group's long-term borrowings are mainly applied to capital expansion projects. In general, the Group arranges long-term borrowings according to capital expenditure plans and on the whole, there are no seasonal borrowings. Short-term debts are used to replenish the Group's working capital requirements during the normal course of production operation.

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During the first half of 2011, the Group's total borrowings increased by RMB32.1 million to RMB4,602.5 million as compared to the beginning of the Reporting Period. Of such amount, short-term debts increased by RMB32.1 million while long-term borrowings remained unchanged.

### **Risks associated with exchange rate fluctuation**

Since the Group purchases its major raw materials, particularly crude oil, from overseas sources and also exports a portion of the Group's petrochemical products directly as well, exchange rate changes will indirectly affect the prices of the Group's raw materials and petrochemical products. This may, in turn, have a discernible impact on the Group's profitability. In addition, a change in the relevant exchange rates will affect the level of the Group's financial expenses since the majority of the Group's debts are denominated in foreign currencies. Accordingly, the Group's profitability will be affected as well. As at 30 June 2011, the Group's loans denominated in US dollars amounted to RMB4,249.6 million.

### **Capital expenditure**

In the first half of 2011, the Group fully commenced the construction of the Phase 6 Project, with the refinery revamping and expansion project as the key project, according to the development strategy of giving due consideration to both cost-leadership and differentiation, attaching equal importance to scale and refinement, laying particular emphasis on being cost and scale effective at upstream and being highly value-added and highly refined at downstream. Under the refinery revamping and expansion project, the construction of the new 3,900,000 tons/year residual oil hydrogenation plant, the new 3,500,000 tons/year catalytic cracking plant and the carbon fiber project with a capacity of 1,500 tons/year has already commenced; the preliminary work for other projects such as the ethanalamine project with a capacity of 50,000 tons/year and the EVA (ethylene-vinyl acetate copolymer) project with a capacity of 100,000 tons/year proceeded actively as planned. Meanwhile, other key technological renovation projects of the Group, such as the optimisation of energy saving and consumption reduction of No. 2 PTA plant, renovation on energy conservation and consumption reduction of No. 2 and No. 3 aromatics complexes, No. 4 main transformer of the 220 KV petrochemical substation and the capacity expansion on No. 6 main transformer of the No. 1 thermal power station, were also being carried out in an orderly manner.

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In the first half of 2011, the Group's capital expenditure amounted to RMB731.6 million, mainly invested in the refinery revamping and expansion project, the carbon fiber project and the upgrade project for optimisation of energy saving and consumption reduction at No. 2 PTA Plant. In the second half of 2011, the Group will continue to actively push forward the above construction projects and other projects regarding technological renovation, safety and environmental protection, energy conservation and consumption reduction. The Group plans to fund the capital expenditure with cash from operations and banking facilities.

### **Liability-to-asset ratio**

As at 30 June 2011, the Group's liability-to-asset ratio was 42.59% (31 December 2010: 37.45%). The ratio is calculated using this formula: total liabilities/ total assets.

### **Employees**

As at 30 June 2011, the Group's on-record employees totaled 15,959. Staff salaries for the six-month period ended 30 June 2011 amounted to RMB1,080.8 million.

### **Income tax**

Since the official implementation of the Enterprise Income Tax Law of the People's Republic of China on 1 January 2008, the enterprise income tax rate has been uniformly adjusted to 25%. Accordingly, the Group's income tax rate is 25% for 2011.

### **Disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ( Hong Kong Listing Rules )**

Save as disclosed herein, pursuant to paragraph 46 in Appendix 16 to the Hong Kong Listing Rules, the Company confirmed that there have been no material changes in the existing information of the Company relating to the matters as set out in paragraph 46(3) in Appendix 16 and the relevant information disclosed in the Company's 2010 annual report.

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### **Market outlook and work plans for the second half of 2011**

In the second half of 2011, there were complexities and numerous uncertainties and instabilities during the process of recovery of the world economy due to various unfavorable factors such as a continuation slackening economic growth in developed economies, mounting global inflationary pressures the degrading of sovereign credit rating of US and the possibility of having further deterioration and spread of the sovereign debt crisis in Europe. China's economy will continue to maintain steady and relatively fast development. Although the fundamentals of the development look sound, the problem of unbalanced and uncoordinated development will be more acute, and there are a number of factors that restrict growth in internal and external demand such as rising general commodity price level, an unplanned mode of economic growth, and a prominent problem regarding inconsistency between supply and demand of production factors such as energy and resources. Although the economic operation of the domestic petrochemical industry will maintain a stable and sound trend in general, the pace of growth of the industry is likely to gradually slow down due to pressures from all fronts, such as further tightening of the policy environment, further strengthening of environmental protection restrictions on energy resources, an acute imbalance in structural surplus of production capacity, rising operating costs of the industry, further short-term and local volatility of market prices of products, and more demanding tasks on energy conservation and emissions reduction.

Due to increasing uncertainties over the recovery of the world economy and increasing risks of having a declining economy, international crude oil prices are likely to lose the momentum for a substantial rise but to fluctuate at relatively high price levels. This is due to the impact of a number of factors such as slackened economic growth, weakened demand for petroleum, relatively stable geopolitics, a deterioration of debt crisis in Europe and the US, excessive liquidity, anticipated inflation, and rising market sentiment favoring risk aversion. Although the Chinese government is taking proactive measures to explore and improve the pricing mechanism for refined oil products, the possibility is not ruled out that the Chinese government may still exercise controls over the prices of domestic refined oil products if international crude oil prices reach a higher level.

To sum up, the Group expects that the cost pressure upon enterprises will increase and market competition will further intensify in the second half as the prices of energy and resources will stay high, and therefore the Group cannot take an optimistic view towards its production and operation. In the second half of 2011, the Group will continue to proceed with various tasks in a proactive, diligent, pragmatic and effective manner according to the tasks and objectives set out at the beginning of 2011:

1. Attach great importance to HSE (health, safety and environment) to ensure the Group maintains safe and stable operation.



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2. Continue to focus on the safe, steady, long-term, full-capacity and optimised operation of plants, and strive to increase the total physical production volume of products.
3. Further optimise production and operation and strive to improve profitability.
4. Push forward in full scale the construction of the Phase 6 Project, and constantly enhance the development potential of the Group.
5. Further improve the managerial system and mechanism and push forward sophisticated management on an ongoing basis.
6. Continue to strengthen cultivation of corporate culture and proactively maintain a harmonious and stable corporate atmosphere.

## 5.2 Principal operations by segment or product (prepared under CAS)

Unit: RMB 000

| By segment or by product           | Operating income | Operating costs | Gross profit margin<br>(%) | Increase/<br>decrease of<br>operating income<br>compared to<br>the<br>corresponding<br>period of the<br>previous year | Increase/<br>decrease<br>of<br>operating<br>costs<br>compared to<br>the<br>corresponding<br>period<br>of the<br>previous<br>year | Increase/decrease<br>of gross profit<br>margin compared<br>to the<br>corresponding<br>period of the<br>previous year<br>(percentage<br>points) |
|------------------------------------|------------------|-----------------|----------------------------|---|--|--|
|                                    |                  |                 |                            | (%)   | (%)  | (%)  |
| Synthetic fibres                   | 2,320,085        | 1,795,924       | 22.59                      | 22.66   | 22.21  | 0.28   |
| Resins and plastics                | 8,597,308        | 7,971,507       | 7.28                       | 13.16   | 12.22  | 0.78   |
| Intermediate petrochemicals        | 10,317,965       | 8,597,179       | 16.68                      | 30.01   | 17.36  | 8.98   |
| Petroleum products <sup>Note</sup> | 21,806,087       | 18,294,492      | 16.10                      | 44.01   | 58.89  | -7.86  |
| Trading of petrochemical products  | 5,989,376        | 5,944,881       | 0.74                       | 87.12   | 93.87  | -3.46  |
| Others                             | 494,171          | 403,121         | 18.42                      | 29.02   | 17.49  | 8.01   |
| Including: connected transactions  | 27,631,155       | 23,873,340      | 13.60                      | 46.14   | 47.61  | -0.86  |

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|   |  |
|---|--|
| Pricing principles of connected transactions                          | The Directors of the Company (including the Independent Non-executive Directors) are of the view that the above- mentioned connected transactions were conducted on normal commercial terms or on terms which were no less favourable than those offered to or by any independent third party, and were conducted in the ordinary course of business. This was confirmed by the Independent Non-executive Directors of the Company.  |
| Description of the necessity and continuity of connected transactions | The Company purchases crude oil and related materials from China Petroleum & Chemical Corporation (the Sinopec Corp. ) and its associates in accordance with the State s regulatory system regarding crude oil operation. The Company uses the crude oil storage tanks and pipeline transportation facilities of Sinopec Corp. and its associates to ensure stable and secured supply of crude oil for the Company, thereby reducing storage and transportation costs of crude oil. The Company sells petroleum products to Sinopec Corp. and its associates in accordance with the State s relevant policies, and given the widespread sales networks and a fairly high market share possessed by Sinopec Corp. and its associates. The Company sold petrochemicals to Sinopec Corp. and its associates, and Sinopec Corp. and its associates acted as agents for the sale of petrochemicals, in order to reduce the Company s inventories, to expand its trading, distribution and sales networks, to improve the Company s bargaining power with its customers and to eliminate the competition between the Company and subsidiaries under Sinopec Corp. The Company obtained construction installation and engineering design services, petrochemical industry insurance services and financial services from China Petrochemical Corporation ( Sinopec ) and its associates in order to secure steady, timely and reliable services at reasonable prices. |

For relevant details, please refer to the announcement regarding the continuing connected transactions dated 11 November 2010 and the circular regarding the continuing connected transactions dated 26 November 2010 published on the websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

This includes an amount of RMB26,294.057 million for the connected transactions in respect of the sale of products or the provision of services to the controlling shareholder and its subsidiaries and jointly controlled entities by the listed company during the Reporting Period.

Note: The gross profit margin is calculated according to the price of petroleum products which includes consumption tax. The gross profit margin of petroleum products after deducting consumption tax amounts to 3.20%.

**Table of Contents**5.3 **Principal operations by geographical location (prepared under CAS)**

| Geographical location    | Operating income | Unit: RMB 000   |
|--------------------------|------------------|---|
|                          |                  | Increase/decrease of operating income compared to the corresponding period of the previous year (%) |
| Eastern China            | 46,230,809       | 39.60   |
| Other regions in the PRC | 3,114,575        | 11.92   |
| Exports                  | 179,608          | -28.42  |

5.4 **Description of substantial changes in the Company's major financial data during the Reporting Period as compared to the previous year (prepared under the CAS)**

(Details of reporting items with changes of 30% or more and occupying 5% or more of the Group's total assets at the reporting date or 10% or more of the profit before income tax for the Reporting Period, together with reasons for the changes)

| Item                              | For the six-month period ended 30 June |            | Increase/ (decrease) amount | Change (%) | Reason for change   |
|-----------------------------------|--|------------|-----------------------------|------------|---|
|                                   | 2011                                   | 2010       |                             |            |   |
|                                   | Unit: RMB 000                          |            |                             |            |   |
| Operating income                  | 49,524,992                             | 36,151,430 | 13,373,562                  | 36.99      | Both sales volume and unit price increased during the Reporting Period.   |
| Operating costs                   | 43,007,104                             | 30,821,820 | 12,185,284                  | 39.53      | Unit cost of crude oil increased as a result of the increase in international crude oil prices during the Reporting Period. The volume of crude oil processed also increased during the Reporting Period. |
| Selling and distribution expenses | 335,445                                | 255,584    | 79,861                      | 31.25      | Selling expenses increased as a result of the increase in sales volume.   |

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| <b>Item</b>      | <b>As at 30<br/>June 2011</b> | <b>As at 31<br/>December<br/>2010</b> | <b>Increase /<br/>(decrease)<br/>amount</b> | <b>Change<br/>(%)</b> | <b>Reason for change</b>  |
|------------------|-------------------------------|---------------------------------------|---|-----------------------|---|
| Inventories      | 8,984,946                     | 5,352,301                             | 3,632,645                                   | 67.87                 | The purchase of crude oil at the end of the Reporting Period increased, and the price of raw materials increased significantly during the Reporting Period. |
| Short-term loans | 4,327,516                     | 3,295,438                             | 1,032,078                                   | 31.32                 | The Company borrowed short-term loans to replenish the working capital during the Reporting Period.   |
| Accounts payable | 5,966,685                     | 3,322,811                             | 2,643,874                                   | 79.57                 | The payables for purchase of crude oil increased at the end of the Reporting Period.  |

**5.5 Projects from non-raised capital**

| <b>Project</b>  | <b>Total project<br/>investment<br/>RMB million</b> | <b>Project progress<br/>as at 30 June 2011</b> |
|---|---|--|
| The Refinery Upgrade Project  | 6,627.7   | Under construction                             |
| The Carbon Fiber Project with a Capacity of 1,500 tons/year   | 847.8   | Under construction                             |
| Upgrade Project for Optimization of Energy Saving and Consumption Reduction for No. 2 Oxidation Device System | 185.6   | Under construction                             |

**Table of Contents****6 MAJOR EVENTS****6.1 Non-operating connected creditor s rights and liabilities**

| Connected party                   | Connected relationship   | RMB 000                             |                          |  |                           |
|-----------------------------------|--|-------------------------------------|--------------------------|--|---------------------------|
|                                   |  | Funds provided to connected parties |                          | Funds provided by connected parties to the Group |                           |
|                                   |  | Net transaction                     | Balance                  | Net transaction                                  | Balance                   |
| Sinopec Corp.                     | Controlling shareholder  | (7,786)                             | 405                      | 408,109  | 424,308 <sup>Note 1</sup> |
| Sinopec and other related parties | Controlling company of the controlling shareholder and other related parties | 1,780                               | 10,271 <sup>Note 2</sup> | (17,378)   | 11,147                    |
| <b>Total</b>                      |  | <b>(6,006)</b>                      | <b>10,676</b>            | <b>390,731</b>                                   | <b>435,455</b>            |

Note 1: The balance of the funds at the end of the Reporting Period provided by connected parties to the Group included the balance of dividends payable amounting to RMB 400,000,000 due to Sinopec Corp.

Note 2: The balance of the funds provided by the Group to its connected parties at the end of the Reporting Period mainly included unsettled receivables arising from rendering of services to the Group s associates and jointly controlled entities.

**6.2 Audit Committee**

On 25 August 2011, the Audit Committee of the seventh session of the Board held its first meeting, primarily to review the interim financial report of the Group for the Reporting Period.

**6.3 Purchase, Sale and Redemption of the Company s Securities**

During the Reporting Period, the Group has not purchased, sold or redeemed any of the Company s securities (for the definition of security , please refer to paragraph 1 of Appendix 16 to the Hong Kong Listing Rules).

**6.4 Compliance with Code on Corporate Governance Practices**

The Company has complied with all the principles and code provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 to Hong Kong Listing Rules during the Reporting Period.

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**6.5 Implementation of Model Code**

The Directors of the Company confirm that the Company has adopted the Model Code. After making specific enquiries with all the Directors and Supervisors of the Company, the Company is not aware of any information that would reasonably indicate that the Directors and Supervisors of the Company were not in compliance with the requirements of the Model Code for securities transactions during the Reporting Period.

**Table of Contents****7 INTERIM FINANCIAL REPORT****7.1 Interim financial statements prepared under China Accounting Standards for Business Enterprises (Unaudited)  
Balance Sheets (Unaudited)**

|                                 | The Group                        |                                      | The Company                      |                                      |
|---------------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
|                                 | At 30<br>June<br>2011<br>RMB 000 | At 31<br>December<br>2010<br>RMB 000 | At 30<br>June<br>2011<br>RMB 000 | At 31<br>December<br>2010<br>RMB 000 |
| <b>Current assets</b>           |                                  |                                      |                                  |                                      |
| Cash at bank and on hand        | 337,006                          | 100,110                              | 270,802                          | 89,224                               |
| Bills receivable                | 2,213,515                        | 2,043,493                            | 1,965,196                        | 1,887,416                            |
| Accounts receivable             | 941,888                          | 751,935                              | 659,376                          | 347,327                              |
| Prepayments                     | 202,610                          | 146,865                              | 200,305                          | 147,004                              |
| Dividends receivable            |                                  | 5,042                                |                                  | 5,042                                |
| Other receivables               | 58,072                           | 58,185                               | 23,535                           | 18,650                               |
| Inventories                     | 8,984,946                        | 5,352,301                            | 8,518,979                        | 5,110,036                            |
| Other current assets            | 783,998                          | 73,910                               | 722,185                          | 21,729                               |
| <b>Total current assets</b>     | <b>13,522,035</b>                | <b>8,531,841</b>                     | <b>12,360,378</b>                | <b>7,626,428</b>                     |
| <b>Non-current assets</b>       |                                  |                                      |                                  |                                      |
| Long-term receivables           |                                  | 30,000                               |                                  |                                      |
| Long-term equity investments    | 3,182,705                        | 3,526,290                            | 4,214,794                        | 4,578,274                            |
| Investment property             | 459,180                          | 465,805                              | 517,098                          | 524,560                              |
| Fixed assets                    | 13,027,839                       | 13,802,184                           | 12,427,462                       | 13,176,847                           |
| Construction in progress        | 1,619,856                        | 1,192,225                            | 1,585,961                        | 1,176,229                            |
| Intangible assets               | 528,398                          | 537,599                              | 425,902                          | 432,418                              |
| Long-term deferred expenses     | 202,832                          | 261,706                              | 202,584                          | 260,956                              |
| Deferred tax assets             | 400,415                          | 810,454                              | 400,186                          | 810,225                              |
| <b>Total non-current assets</b> | <b>19,421,225</b>                | <b>20,626,263</b>                    | <b>19,773,987</b>                | <b>20,959,509</b>                    |
| <b>Total assets</b>             | <b>32,943,260</b>                | <b>29,158,104</b>                    | <b>32,134,365</b>                | <b>28,585,937</b>                    |

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|   | The Group                        |                                      | The Company                      |                                      |
|---|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
|   | At 30<br>June<br>2011<br>RMB 000 | At 31<br>December<br>2010<br>RMB 000 | At 30<br>June<br>2011<br>RMB 000 | At 31<br>December<br>2010<br>RMB 000 |
| <b>Current liabilities</b>                                      |                                  |                                      |                                  |                                      |
| Short-term loans  | 4,327,516                        | 3,295,438                            | 4,289,616                        | 3,116,438                            |
| Bills payable   | 38,946                           | 41,034                               | 38,946                           | 41,034                               |
| Accounts payable  | 5,966,685                        | 3,322,811                            | 5,348,763                        | 2,888,621                            |
| Advances from customers   | 513,391                          | 809,908                              | 462,462                          | 741,364                              |
| Employee benefits payable                                       | 144,503                          | 8,920                                | 139,766                          | 5,060                                |
| Taxes payable   | 953,561                          | 1,042,054                            | 946,210                          | 1,013,520                            |
| Interest payable  | 7,647                            | 24,553                               | 7,590                            | 24,553                               |
| Dividends payable   | 734,401                          | 15,490                               | 720,000                          | 15,490                               |
| Other payables  | 869,620                          | 834,780                              | 1,283,136                        | 1,325,260                            |
| Short-term debentures payable                                   |                                  | 1,000,000                            |                                  | 1,000,000                            |
| Non-current liabilities due within one year                     | 100,000                          | 178,237                              | 145,000                          | 100,000                              |
| <b>Total current liabilities</b>                                | <b>13,656,270</b>                | <b>10,573,225</b>                    | <b>13,381,489</b>                | <b>10,271,340</b>                    |
| <b>Non-current liabilities</b>                                  |                                  |                                      |                                  |                                      |
| Long-term loans   | 175,000                          | 175,000                              | 175,000                          | 220,000                              |
| Other non-current liabilities                                   | 253,296                          | 236,986                              | 253,296                          | 236,986                              |
| <b>Total non-current liabilities</b>                            | <b>428,296</b>                   | <b>411,986</b>                       | <b>428,296</b>                   | <b>456,986</b>                       |
| <b>Total liabilities</b>  | <b>14,084,566</b>                | <b>10,985,211</b>                    | <b>13,809,785</b>                | <b>10,728,326</b>                    |
| <b>Shareholders equity</b>                                      |                                  |                                      |                                  |                                      |
| Share capital   | 7,200,000                        | 7,200,000                            | 7,200,000                        | 7,200,000                            |
| Capital reserve   | 2,914,763                        | 2,914,763                            | 2,914,763                        | 2,914,763                            |
| Specific reserve  | 84,806                           | 46,748                               | 75,638                           | 43,380                               |
| Surplus reserve   | 5,081,314                        | 5,081,314                            | 5,081,314                        | 5,081,314                            |
| Retained earnings   | 3,331,748                        | 2,670,215                            | 3,052,865                        | 2,618,154                            |
| Total equity attributable to equity shareholders of the Company | 18,612,631                       | 17,913,040                           | 18,324,580                       | 17,857,611                           |
| Minority interests  | 246,063                          | 259,853                              |                                  |                                      |
| <b>Total equity</b>   | <b>18,858,694</b>                | <b>18,172,893</b>                    | <b>18,324,580</b>                | <b>17,857,611</b>                    |
| <b>Total liabilities and shareholders equity</b>                | <b>32,943,260</b>                | <b>29,158,104</b>                    | <b>32,134,365</b>                | <b>28,585,937</b>                    |



**Table of Contents****Income statements (Unaudited)**

|  | Six-month period ended 30 June |                 |                 |                 |
|--|--------------------------------|-----------------|-----------------|-----------------|
|  | The Group                      |                 | The Company     |                 |
|  | 2011<br>RMB 000                | 2010<br>RMB 000 | 2011<br>RMB 000 | 2010<br>RMB 000 |
| <b>Operating income</b>  | 49,524,992                     | 36,151,430      | 42,110,743      | 31,915,310      |
| Less: Operating costs  | 43,007,104                     | 30,821,820      | 35,691,900      | 26,674,152      |
| Business taxes and surcharges  | 3,155,653                      | 2,450,087       | 3,151,643       | 2,449,119       |
| Selling and distribution expenses  | 335,445                        | 255,584         | 292,515         | 217,327         |
| General and administrative expenses  | 1,243,528                      | 958,094         | 1,178,477       | 893,393         |
| Financial (income)/expenses  | (14,132)                       | 116,712         | (4,537)         | 106,785         |
| Impairment losses  | 156,581                        | 47,354          | 379,563         | 73,266          |
| Add: Investment income<br>(Including: Income from investment in associates and jointly controlled enterprises) | 177,564                        | 385,848         | 156,696         | 385,028         |
|  | 177,564                        | 385,633         | 148,616         | 377,407         |
| <b>Operating profit</b>  | 1,818,377                      | 1,887,627       | 1,577,878       | 1,886,296       |
| Add: Non-operating income  | 8,663                          | 13,358          | 8,088           | 12,944          |
| Less: Non-operating expenses<br>(Including: Losses from disposal of non-current assets)                        | 21,235                         | 18,459          | 21,216          | 15,792          |
|  | 9,133                          | 4,678           | 9,125           | 3,650           |
| <b>Profit before income tax</b>  | 1,805,805                      | 1,882,526       | 1,564,750       | 1,883,448       |
| Less: Income tax expenses  | 417,894                        | 388,954         | 410,039         | 383,790         |
| <b>Net profit for the period</b>   | 1,387,911                      | 1,493,572       | 1,154,711       | 1,499,658       |
| <b>Attributable to:</b>  |                                |                 |                 |                 |
| Equity shareholders of the Company   | 1,381,533                      | 1,493,930       |                 |                 |
| Minority shareholders  | 6,378                          | (358)           |                 |                 |
| <b>Earnings per share:</b>   |                                |                 |                 |                 |
| Basic  | RMB0.192                       | RMB0.207        |                 |                 |
| Diluted  | RMB0.192                       | RMB0.207        |                 |                 |
| <b>Other comprehensive income</b>  |                                |                 |                 |                 |
| <b>Total comprehensive income</b>  | 1,387,911                      | 1,493,572       | 1,154,711       | 1,499,658       |
| <b>Attributable to:</b>  |                                |                 |                 |                 |
| Equity shareholders of the Company   | 1,381,533                      | 1,493,930       |                 |                 |
| Minority shareholders  | 6,378                          | (358)           |                 |                 |

**Table of Contents****Cash flow statements (Unaudited)**

|  | Six-month period ended 30 June |                     |                     |                     |
|--|--------------------------------|---------------------|---------------------|---------------------|
|  | The Group                      |                     | The Company         |                     |
|  | 2011                           | 2010                | 2011                | 2010                |
|  | RMB 000                        | RMB 000             | RMB 000             | RMB 000             |
| <b>Cash flows from operating activities:</b>               |                                |                     |                     |                     |
| Cash received from sale of goods and rendering of services | 57,417,667                     | 41,993,214          | 48,570,448          | 36,846,570          |
| Refund of taxes  | 43,578                         |                     |                     |                     |
| Cash received relating to other operating activities       | 23,038                         | 62,710              | 22,463              | 64,881              |
| <b>Sub-total of cash inflows</b>                           | <b>57,484,283</b>              | <b>42,055,924</b>   | <b>48,592,911</b>   | <b>36,911,451</b>   |
| Cash paid for goods and services                           | (50,313,527)                   | (36,529,514)        | (41,759,114)        | (31,481,854)        |
| Cash paid to and for employees                             | (945,237)                      | (868,974)           | (876,807)           | (806,019)           |
| Cash paid for all types of taxes                           | (4,835,934)                    | (4,042,318)         | (4,767,677)         | (3,963,519)         |
| Cash paid relating to other operating activities           | (273,661)                      | (248,383)           | (252,462)           | (219,272)           |
| <b>Sub-total of cash outflows</b>                          | <b>(56,368,359)</b>            | <b>(41,689,189)</b> | <b>(47,656,060)</b> | <b>(36,470,664)</b> |
| <b>Net cash inflow from operating activities</b>           | <b>1,115,924</b>               | <b>366,735</b>      | <b>936,851</b>      | <b>440,787</b>      |
| <b>Cash flows from investing activities:</b>               |                                |                     |                     |                     |
| Cash received from disposal of investments                 | 26,000                         | 770,000             |                     | 700,000             |
| Cash received from investment income                       | 526,191                        | 63,079              | 525,218             | 61,505              |
| Net cash received from disposal of fixed assets            | 2,826                          | 979                 | 2,779               | 914                 |
| Cash received relating to other investing activities       | 42,874                         | 17,266              | 37,757              | 12,870              |
| <b>Sub-total of cash inflows</b>                           | <b>597,891</b>                 | <b>851,324</b>      | <b>565,754</b>      | <b>775,289</b>      |

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|   | Six-month period ended 30 June |                     |                     |                     |
|---|--------------------------------|---------------------|---------------------|---------------------|
|   | The Group                      |                     | The Company         |                     |
|   | 2011                           | 2010                | 2011                | 2010                |
|   | RMB 000                        | RMB 000             | RMB 000             | RMB 000             |
| Cash paid for acquisition of fixed assets                                   | (731,550)                      | (278,946)           | (713,932)           | (282,935)           |
| Cash paid for acquisition of investments                                    | (700,000)                      |                     | (700,000)           |                     |
| <b>Sub-total of cash outflows</b>   | <b>(1,431,550)</b>             | <b>(278,946)</b>    | <b>(1,413,932)</b>  | <b>(282,935)</b>    |
| <b>Net cash (outflow)/inflow from investing activities</b>                  | <b>(833,659)</b>               | <b>572,378</b>      | <b>(848,178)</b>    | <b>492,354</b>      |
| <b>Cash flows from financing activities:</b>                                |                                |                     |                     |                     |
| Cash received from issuance of corporate bonds                              |                                | 1,000,000           |                     | 1,000,000           |
| Cash received from borrowings   | 18,477,796                     | 22,642,235          | 18,429,596          | 22,580,835          |
| <b>Sub-total of cash inflows</b>  | <b>18,477,796</b>              | <b>23,642,235</b>   | <b>18,429,596</b>   | <b>23,580,835</b>   |
| Cash repayments of corporate bonds  | (1,000,000)                    | (1,000,000)         | (1,000,000)         | (1,000,000)         |
| Cash repayments of borrowings   | (17,351,351)                   | (23,138,235)        | (17,179,272)        | (23,202,420)        |
| Cash paid for dividends, profits distribution and interest                  | (171,614)                      | (169,000)           | (157,243)           | (148,060)           |
| <b>Sub-total of cash outflows</b>   | <b>(18,522,965)</b>            | <b>(24,307,235)</b> | <b>(18,336,515)</b> | <b>(24,350,480)</b> |
| <b>Net cash (outflow)/inflow from financing activities</b>                  | <b>(45,169)</b>                | <b>(665,000)</b>    | <b>93,081</b>       | <b>(769,645)</b>    |
| <b>Effect of foreign exchange rate changes on cash and cash equivalents</b> | <b>(200)</b>                   | <b>(182)</b>        | <b>(176)</b>        | <b>(153)</b>        |
| <b>Net increase in cash and cash equivalents</b>                            | <b>236,896</b>                 | <b>273,931</b>      | <b>181,578</b>      | <b>163,343</b>      |
| Add: cash and cash equivalents at the beginning of the period               | 100,110                        | 125,917             | 89,224              | 101,076             |
| <b>Cash and cash equivalents at the end of the period</b>                   | <b>337,006</b>                 | <b>399,848</b>      | <b>270,802</b>      | <b>264,419</b>      |

**Table of Contents****Consolidated Statements of Changes in Shareholders' Equity (Unaudited)**

(Expressed in thousands of renminbi yuan)

|   | Six month period ended 30 June                     |                 |                  |                 |                   |                    |  |               |                 |                  |                 |                   |                    |
|---|--|-----------------|------------------|-----------------|-------------------|--------------------|--|---------------|-----------------|------------------|-----------------|-------------------|--------------------|
|   | 2011   |                 |                  |                 |                   |                    | 2010   |               |                 |                  |                 |                   |                    |
|   | Attributable to equity shareholders of the Company |                 |                  |                 |                   |                    | Attributable to equity shareholders of the Company |               |                 |                  |                 |                   |                    |
|   | Share capital                                      | Capital reserve | Specific reserve | Surplus reserve | Retained earnings | Minority interests | Total  | Share capital | Capital reserve | Specific reserve | Surplus reserve | Retained earnings | Minority interests |
| Balance at 1 January                      | 7,200,000  | 2,914,763       | 46,748           | 5,081,314       | 2,670,215         | 259,853            | 18,172,893   | 7,200,000     | 2,882,278       |                  | 4,801,766       | 462,029           | 294,285            |
| Changes in equity for the period          |  |                 |                  |                 | 1,381,533         | 6,378              | 1,387,911  |               |                 |                  |                 | 1,493,930         | (358)              |
| Net profit for the period                 |  |                 |                  |                 | 1,381,533         | 6,378              | 1,387,911  |               |                 |                  |                 | 1,493,930         | (358)              |
| Other comprehensive income for the period |  |                 |                  |                 | (720,000)         | (20,168)           | (740,168)  |               |                 |                  |                 | (216,000)         | (58,345)           |
| Balance at 30 June                        | 7,200,000  | 2,914,763       | 56,800           | 5,081,314       | 3,331,748         | 246,063            | 18,858,694   | 7,200,000     | 2,882,278       | 5,473            | 4,801,766       | 1,739,959         | 235,582            |
|   |  |                 | (18,742)         |                 |                   |                    | (18,742)   |               |                 |                  |                 |                   |                    |

**Statements of Changes in Shareholders' Equity (Unaudited)**

(Expressed in thousands of renminbi yuan)

|   | Six-month period ended 30 June |                  |                 |                 |                   |            |               |                  |                 |                 |                   |            |
|---|--------------------------------|------------------|-----------------|-----------------|-------------------|------------|---------------|------------------|-----------------|-----------------|-------------------|------------|
|   | 2011                           |                  |                 |                 |                   |            | 2010          |                  |                 |                 |                   |            |
|   | Share capital                  | Specific reserve | Capital reserve | Surplus reserve | Retained earnings | Total      | Share capital | Specific reserve | Capital reserve | Surplus reserve | Retained earnings | Total      |
| Balance at 1 January                      | 7,200,000                      | 2,914,763        | 43,380          | 5,081,314       | 2,618,154         | 17,857,611 | 7,200,000     | 2,882,278        |                 | 4,801,766       | 318,224           | 15,202,268 |
| Changes in equity for the period          |                                |                  |                 |                 |                   |            |               |                  |                 |                 |                   |            |
| Net profit for the period                 |                                |                  |                 |                 | 1,154,711         | 1,154,711  |               |                  |                 |                 | 1,499,658         | 1,499,658  |
| Other comprehensive income for the period |                                |                  |                 |                 |                   |            |               |                  |                 |                 |                   |            |
| Sub-total of 1&2                          |                                |                  |                 |                 | 1,154,711         | 1,154,711  |               |                  |                 |                 | 1,499,658         | 1,499,658  |
| Appropriation of profits                  |                                |                  |                 |                 |                   |            |               |                  |                 |                 |                   |            |
| Distribution to shareholders              |                                |                  |                 |                 | (720,000)         | (720,000)  |               |                  |                 |                 | (216,000)         | (216,000)  |
| Specific reserve                          |                                |                  |                 |                 |                   |            |               |                  |                 |                 |                   |            |

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|                    |           |           |          |           |           |            |           |           |       |           |           |            |
|--------------------|-----------|-----------|----------|-----------|-----------|------------|-----------|-----------|-------|-----------|-----------|------------|
| Accrued            |           |           | 51,000   |           |           | 51,000     |           | 5,473     |       |           | 5,473     |            |
| Utilised           |           |           | (18,742) |           |           | (18,742)   |           |           |       |           |           |            |
| Balance at 30 June | 7,200,000 | 2,914,763 | 75,638   | 5,081,314 | 3,052,865 | 18,324,580 | 7,200,000 | 2,882,278 | 5,473 | 4,801,766 | 1,601,882 | 16,491,399 |

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**Table of Contents****7.2 Interim financial report prepared under International Financial Reporting Standards (Unaudited)**

This interim financial report for the six-month period ended 30 June 2011 is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

**Consolidated Income Statement**

**For the six-month period ended 30 June 2011(unaudited)**

**(Expressed in Renminbi)**

|                                     | <i>Note</i> | <b>Six-month period<br/>ended 30 June</b> |  |
|-------------------------------------|-------------|---|--|
|                                     |             | <b>2011<br/>RMB 000</b>                   | <b>2010<br/>RMB 000<br/>(Restated)</b> |
| <b>Turnover</b>                     | 3           | 49,500,789                                | 36,128,309                             |
| <b>Sales taxes and surcharges</b>   |             | (3,155,653)                               | (2,450,087)                            |
| <b>Net sales</b>                    |             | 46,345,136                                | 33,678,222                             |
| <b>Cost of sales</b>                |             | (44,348,719)                              | (31,817,534)                           |
| <b>Gross profit</b>                 |             | 1,996,417                                 | 1,860,688                              |
| Selling and administrative expenses |             | (335,445)                                 | (255,584)                              |
| Other operating income              |             | 27,866                                    | 31,479                                 |
| Other operating expenses            |             | (27,478)                                  | (14,813)                               |
| <b>Profit from operations</b>       |             | 1,661,360                                 | 1,621,770                              |
| Financial income                    |             | 131,303                                   | 29,607                                 |
| Financial expenses                  |             | (117,171)                                 | (146,319)                              |
| <b>Net financing income/(costs)</b> | 4           | 14,132                                    | (116,712)                              |
| Investment income                   |             |   | 215                                    |

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|   | <i>Note</i> | Six-month period<br>ended 30 June |                               |
|---|-------------|-----------------------------------|-------------------------------|
|   |             | 2011<br>RMB 000                   | 2010<br>RMB 000<br>(Restated) |
| Share of profit of associates and jointly controlled entities |             | 182,564                           | 390,633                       |
| <b>Profit before taxation</b>                                 | 3, 4        | 1,858,056                         | 1,895,906                     |
| <b>Income tax</b>   | 5           | (425,959)                         | (388,954)                     |
| <b>Profit for the period</b>                                  |             | 1,432,097                         | 1,506,952                     |
| <b>Attributable to:</b>                                       |             |                                   |                               |
| Equity shareholders of the Company                            |             | 1,425,719                         | 1,513,739                     |
| Non-controlling interests                                     |             | 6,378                             | (6,787)                       |
| <b>Profit for the period</b>                                  |             | 1,432,097                         | 1,506,952                     |
| <b>Earnings per share</b>                                     |             |                                   |                               |
| Basic   | 6           | RMB 0.198                         | RMB 0.210                     |
| Diluted   |             | RMB 0.198                         | RMB 0.210                     |

**Table of Contents****Consolidated Statement of Comprehensive Income**

For the six-month period ended 30 June 2011 (unaudited)

(Expressed in Renminbi)

|  | <i>Note</i> | Six-month period<br>ended 30 June |                               |
|--|-------------|-----------------------------------|-------------------------------|
|  |             | 2011<br>RMB 000                   | 2010<br>RMB 000<br>(Restated) |
| <b>Profit for the period</b>                     |             | 1,432,097                         | 1,506,952                     |
| <b>Other comprehensive income for the period</b> |             |                                   |                               |
| <b>Total comprehensive income for the period</b> |             | 1,432,097                         | 1,506,952                     |
| <b>Attributable to:</b>                          |             |                                   |                               |
| Equity shareholders of the Company               |             | 1,425,719                         | 1,513,739                     |
| Non-controlling interests                        |             | 6,378                             | (6,787)                       |
| <b>Total comprehensive income for the period</b> |             | 1,432,097                         | 1,506,952                     |



**Table of Contents****Consolidated Balance Sheet**

As at 30 June 2011 (unaudited)

(Expressed in Renminbi)

|  | <i>Note</i> | At<br>30 June<br>2011<br>RMB 000 | At<br>31 December<br>2010<br>RMB 000<br>(Restated) |
|--|-------------|----------------------------------|--|
| <b>Non-current assets</b>                                    |             |                                  |  |
| Property, plant and equipment                                |             | 12,855,294                       | 13,570,559   |
| Investment property  |             | 459,180                          | 465,805  |
| Construction in progress                                     |             | 1,545,560                        | 1,139,239  |
| Interest in associates and jointly controlled entities       |             | 2,977,705                        | 3,316,290  |
| Lease prepayments and other assets                           |             | 731,230                          | 874,192  |
| Deferred tax assets  |             | 381,505                          | 799,609  |
| <b>Total non-current assets</b>                              |             | <b>18,950,474</b>                | <b>20,165,694</b>                                  |
| <b>Current assets</b>  |             |                                  |  |
| Inventories  |             | 8,984,946                        | 5,352,301  |
| Other investments  |             | 700,000                          |  |
| Trade debtors  | 8           | 155,479                          | 74,193   |
| Bills receivable   | 8           | 2,106,341                        | 1,993,273  |
| Other debtors and prepayments                                |             | 288,399                          | 235,730  |
| Amounts due from related parties                             | 8           | 949,864                          | 776,234  |
| Cash and cash equivalents                                    |             | 337,006                          | 100,110  |
| <b>Total current assets</b>                                  |             | <b>13,522,035</b>                | <b>8,531,841</b>                                   |
| <b>Current liabilities</b>                                   |             |                                  |  |
| Loans and borrowings   | 9           | 4,427,516                        | 4,395,438  |
| Trade creditors  | 10          | 1,798,600                        | 2,376,452  |
| Bills payable  | 10          | 33,346                           | 41,034   |
| Other creditors  |             | 2,669,932                        | 1,943,327  |
| Amounts due to related parties                               | 10          | 4,722,531                        | 1,800,991  |
| Income tax payable   |             | 4,345                            | 15,983   |
| <b>Total current liabilities</b>                             |             | <b>13,656,270</b>                | <b>10,573,225</b>                                  |
| <b>Net current liabilities</b>                               |             | <b>(134,235)</b>                 | <b>(2,041,384)</b>                                 |
| <b>Total assets less current liabilities carried forward</b> |             | <b>18,816,239</b>                | <b>18,124,310</b>                                  |

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|  | <i>Note</i> | At<br>30 June<br>2011<br>RMB 000 | At<br>31 December<br>2010<br>RMB 000<br>(Restated) |
|--|-------------|----------------------------------|--|
| <b>Total assets less current liabilities brought forward</b>           |             | 18,816,239                       | 18,124,310   |
| <b>Non-current liabilities</b>   |             |                                  |  |
| Loans and borrowings   | 9           | 175,000                          | 175,000  |
| <b>Total non-current liabilities</b>                                   |             | 175,000                          | 175,000  |
| <b>Net assets</b>  |             | 18,641,239                       | 17,949,310   |
| <b>Shareholders equity</b>   |             |                                  |  |
| Share capital  |             | 7,200,000                        | 7,200,000  |
| Reserves   |             | 11,195,176                       | 10,489,457   |
| <b>Total equity attributable to equity shareholders of the Company</b> |             | 18,395,176                       | 17,689,457   |
| <b>Non-controlling interests</b>                                       |             | 246,063                          | 259,853  |
| <b>Total equity</b>  |             | 18,641,239                       | 17,949,310   |

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### **Notes to the unaudited interim financial report**

#### **1 Principal activities and basis of preparation**

Sinopec Shanghai Petrochemical Company Limited ( the Company ) and its subsidiaries (collectively the Group ) is an integrated entity which processes crude oil into synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products. The Company is a subsidiary of China Petroleum & Chemical Corporation ( Sinopec Corp ).

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ( IAS ) 34 Interim Financial Reporting issued by the International Accounting Standards Board ( IASB ).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements. Accounting policy changes that are expected to be reflected in the 2011 annual financial statements are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2011.

#### **2 Changes in accounting policies**

The IASB has issued a number of amendments to International Financial Reporting Standards ( IFRSs ) and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group s financial statements:

IAS 24 (revised 2009), *Related party disclosures*

*Improvements to IFRS (2010)*

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IAS 24 (revised 2009), *Related party disclosures*, simplifies the definition of related party and removes inconsistencies, which emphasises a symmetrical view of related party transactions. The revised standard also provides limited relief from disclosure of information by government-related entities in respect of transactions with the government to which the Group is related, or transactions with other entities related to the same government. The amendments to IAS 24 have had no material impact on the Group's interim financial report.

In the Improvements to IFRSs (2010) omnibus standard, the IASB extended the scope of paragraph D8 of IFRS 1, *First time adoption of IFRSs*, for the use of the deemed cost exemption for an event-driven fair value. Under the amended standard, an entity is permitted to take as deemed cost the fair value of some or all of its assets and liabilities, when these fair values were determined under previous GAAP at one particular date because of a specific event which occurred during the period covered by its first financial statements prepared under IFRSs. Previously, IFRS 1 only permitted such valuations to be used as deemed cost if the event occurred before the date of the entity's transition to IFRSs (being the start of the earliest comparative period included in the first set of IFRS financial statements).

The Group's first financial statements prepared under IFRSs were for the year ended 31 December 1992, with the start of the earliest comparative period being 1 January 1990. During that period and pursuant to applicable laws and regulations of the PRC, the Group's financial statements prepared under Accounting Standards for Business Enterprises and other relevant rules and regulations (collectively PRC GAAP) included leasehold land use rights at deemed cost based on the valuation performed by an independent valuer as of 1 January 1993. As this valuation was performed as of a date later than the date of transition to IFRSs, the Group was not permitted to adopt these valuations as deemed cost for the purposes of its IFRS financial statements and instead adopted the IFRS policy that leasehold land use rights were measured at historical cost and therefore, the related revaluation gains arising from the revaluation in 1993 as mentioned above were not recognised. The Group has chosen to adopt the amendments to IFRS 1 by making retrospective adjustments in order to eliminate the aforementioned differences between the Group's financial statements under IFRSs and those under PRC GAAP. Specifically, the Group has retrospectively adjusted the amounts reported for previous periods in its IFRS financial statements to reflect the recognition of the leasehold land use rights at their deemed cost based on the valuation performed by the independent valuer as of 1 January 1993, with consequential adjustments for amortisation charged in subsequent periods.

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The major adjustments made to the amounts reported for previous periods and the effect of the changes on the current period, as reported in this interim financial report, are set out below:

**Consolidated balance sheet items**

|   | <b>1 January 2011</b><br><b>Increase/(decrease)</b><br><b>RMB 000</b> | <b>1 January 2010</b><br><b>Increase/(decrease)</b><br><b>RMB 000</b> |
|---|---|---|
| Lease prepayments and other assets                              | 156,760   | 160,258   |
| Deferred tax assets   | (27,967)  | (28,842)  |
| Total equity attributable to equity shareholders of the Company | 128,793   | 131,416   |

**Consolidated income statement items**

|   | <b>Six month period ended 30 June</b><br><b>2011</b><br><b>Increase/(decrease)</b><br><b>RMB 000</b> | <b>2010</b><br><b>Increase/(decrease)</b><br><b>RMB 000</b> |
|---|--|---|
| Cost of sales   | 1,749  | 1,749   |
| Income tax  | (437)  | (437)   |
| Profit for the period                                     | (1,312)  | (1,312)   |
| Profit attributable to equity shareholders of the Company | (1,312)  | (1,312)   |
| Basic and diluted earnings per share (RMB)                |  |   |

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

**Table of Contents****3 Segment reporting**

(a) Reportable information on the Group's operating segments is as follows:

|                                   | Six-month period<br>ended 30 June |                                |
|-----------------------------------|-----------------------------------|--------------------------------|
|                                   | 2011<br>RMB '000                  | 2010<br>RMB '000<br>(Restated) |
| <b>Turnover</b>                   |                                   |                                |
| <b>Manufactured Products</b>      |                                   |                                |
| Synthetic fibres                  |                                   |                                |
| - External sales                  | 2,320,085                         | 1,891,401                      |
| - Intersegment sales              | 81                                | 56                             |
| Total                             | 2,320,166                         | 1,891,457                      |
| Resins and plastics               |                                   |                                |
| - External sales                  | 8,597,308                         | 7,597,388                      |
| - Intersegment sales              | 57,158                            | 44,053                         |
| Total                             | 8,654,466                         | 7,641,441                      |
| Intermediate petrochemicals       |                                   |                                |
| - External sales (Note a)         | 10,317,965                        | 7,936,403                      |
| - Intersegment sales              | 10,588,623                        | 9,728,886                      |
| Total                             | 20,906,588                        | 17,665,289                     |
| Petroleum products                |                                   |                                |
| - External sales (Note a)         | 21,806,087                        | 15,142,333                     |
| - Intersegment sales              | 3,409,625                         | 1,347,563                      |
| Total                             | 25,215,712                        | 16,489,896                     |
| Trading of petrochemical products |                                   |                                |
| - External sales (Note a)         | 5,989,376                         | 3,200,879                      |
| - Intersegment sales              | 1,735,103                         | 791,147                        |
| Total                             | 7,724,479                         | 3,992,026                      |
| All others                        |                                   |                                |
| - External sales (Note a)         | 469,968                           | 359,905                        |
| - Intersegment sales              | 512,269                           | 334,308                        |

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|  |                     |                     |
|--|---------------------|---------------------|
| Total                                    | 982,237             | 694,213             |
| <b>Elimination of intersegment sales</b> | <b>(16,302,859)</b> | <b>(12,246,013)</b> |
| <b>Turnover</b>                          | <b>49,500,789</b>   | <b>36,128,309</b>   |

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|  | Six-month period<br>ended 30 June |                               |
|--|-----------------------------------|-------------------------------|
|  | 2011<br>RMB 000                   | 2010<br>RMB 000<br>(Restated) |
| <b>Profit before taxation</b>  |                                   |                               |
| <b>Profit from operation</b>   |                                   |                               |
| Synthetic fibres   | 364,407                           | 314,507                       |
| Resins and plastics  | 43,349                            | 81,972                        |
| Intermediate petrochemicals  | 1,044,617                         | 261,370                       |
| Petroleum products   | 144,960                           | 930,489                       |
| Trading of petrochemical products                                    | 7,968                             | 6,553                         |
| All others   | 56,059                            | 26,879                        |
| <b>Consolidated profit from operations</b>                           | 1,661,360                         | 1,621,770                     |
| <b>Net financing income/ (costs)</b>                                 | 14,132                            | (116,712)                     |
| <b>Investment income</b>   |                                   | 215                           |
| <b>Share of profit of associates and jointly controlled entities</b> | 182,564                           | 390,633                       |
| <b>Profit before taxation</b>  | 1,858,056                         | 1,895,906                     |

Note (a): External sales include sales to Sinopec Corp, its subsidiaries and jointly controlled entities as follows:

|                                   | Six-month period<br>ended 30 June |                               |
|-----------------------------------|-----------------------------------|-------------------------------|
|                                   | 2011<br>RMB 000                   | 2010<br>RMB 000<br>(Restated) |
| Intermediate petrochemicals       | 3,201,242                         | 3,310,910                     |
| Petroleum products                | 18,867,720                        | 13,027,296                    |
| Trading of petrochemical products | 4,016,116                         | 1,561,762                     |
| All others                        | 208,979                           | 143,405                       |
| <b>Total</b>                      | 26,294,057                        | 18,043,373                    |



**Table of Contents****Segment assets**

The major changes in segment assets during the period relate to additions of construction in progress in petroleum products segment.

The total segment assets of the petroleum products segment at 30 June 2011 is RMB 15,038,115,000 (31 December 2010: RMB 11,749,387,000).

**4 Profit before taxation**

Profit before taxation is arrived at after charging/ (crediting):

|  | Six-month period<br>ended 30 June |                               |
|--|-----------------------------------|-------------------------------|
|  | 2011<br>RMB 000                   | 2010<br>RMB 000<br>(Restated) |
| (a) Net finance (income) / costs                       |                                   |                               |
| Interest on bank loans and advances                    | 133,451                           | 147,130                       |
| Less: Amount capitalised into construction in progress | (16,280)                          | (811)                         |
| Total financial expenses                               | 117,171                           | 146,319                       |
| Net foreign exchange gain                              | (88,429)                          | (12,341)                      |
| Interest income  | (42,874)                          | (17,266)                      |
| Total financial income                                 | (131,303)                         | (29,607)                      |
| (b) Other items  |                                   |                               |
| Amortisation of lease prepayments                      | 9,201                             | 9,786                         |
| Depreciation   | 821,511                           | 840,056                       |
| Research and development costs                         | 25,138                            | 7,014                         |
| Write-down of inventories (Note a)                     | 128,602                           | 48,499                        |
| Impairment loss on property, plant and equipment       | 10,552                            |                               |
| Net loss on disposal of property, plant and equipment  | 7,198                             | 3,893                         |
| Gain on sale of available-for-sale financial assets    |                                   | (215)                         |

Note a: The write-down of inventories mainly represents the write-down of long aged spare parts amounting to RMB 128,602,000 for the six-month period ended 30 June 2011 (six-month period ended 30 June 2010: RMB 48,499,000).

**Table of Contents****5 Income tax**

|   | Six-month period<br>ended 30 June |                               |
|---|-----------------------------------|-------------------------------|
|   | 2011<br>RMB 000                   | 2010<br>RMB 000<br>(Restated) |
| Provision for PRC income tax for the period | 7,855                             | 5,164                         |
| Deferred taxation                           | 418,104                           | 383,790                       |
|   | 425,959                           | 388,954                       |

The provision for PRC income tax is calculated at the rate of 25% (2010: 25%) on the estimated assessable income of the period determined in accordance with relevant income tax rules and regulations. The Company did not carry out business overseas and therefore does not incur overseas income taxes.

**6 Earnings per share**

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six-month period ended 30 June 2011 of RMB 1,425,719,000 (six-month period ended 30 June 2010: RMB 1,513,739,000) and 7,200,000,000 (six-month period ended 30 June 2010: 7,200,000,000) shares in issue during the interim period.

The Group had no dilutive potential ordinary shares in existence during the six-month periods ended 30 June 2011 and 2010.

**7 Dividends**

|  | Six-month period<br>ended 30 June |                 |
|--|-----------------------------------|-----------------|
|  | 2011<br>RMB 000                   | 2010<br>RMB 000 |
| Final dividend in respect of the previous financial year, approved during the period, of RMB 0.10 per share (2010: RMB 0.03 per share) | 720,000                           | 216,000         |

Pursuant to a resolution passed at the Annual General Meeting held on 29 June 2011, a final dividend of RMB 720,000,000 was declared and approved for the year ended 31 December 2010 (2009: RMB 216,000,000).

The Board of Directors did not declare the payment of an interim dividend for the period (2010: RMB nil).

**Table of Contents****8 Trade receivables**

|  | <b>At<br/>30 June<br/>2011<br/>RMB 000</b> | <b>At<br/>31 December<br/>2010<br/>RMB 000</b> |
|--|--|--|
| Trade debtors                                      | 162,958                                    | 82,030   |
| Less: Impairment losses for bad and doubtful debts | (7,479)                                    | (7,837)  |
|  | 155,479                                    | 74,193   |
| Bills receivable                                   | 2,106,341                                  | 1,993,273                                      |
| Amounts due from related parties                   | 949,864                                    | 776,234  |
|  | 3,211,684                                  | 2,843,700                                      |

Amounts due from related parties represent trade-related balances.

The aging analysis of trade debtors, bills receivable and amounts due from related parties (net of impairment losses for bad and doubtful debts) is as follows:

|                           | <b>At<br/>30 June<br/>2011<br/>RMB 000</b> | <b>At<br/>31 December<br/>2010<br/>RMB 000</b> |
|---------------------------|--|--|
| Invoice date:             |  |  |
| Within one year           | 3,210,615                                  | 2,842,788                                      |
| Between one and two years | 1,069                                      | 912  |
|                           | 3,211,684                                  | 2,843,700                                      |

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

**Table of Contents****9 Loans and borrowings**

|                                    | At<br>30 June<br>2011<br>RMB 000 | At<br>31 December<br>2010<br>RMB 000 |
|------------------------------------|----------------------------------|--------------------------------------|
| Short-term loans                   | 4,327,516                        | 3,295,438                            |
| Corporate bonds (Note a)           |                                  | 1,000,000                            |
| Current portion of long-term loans | 100,000                          | 100,000                              |
| Loans and borrowings current       | 4,427,516                        | 4,395,438                            |
| Loans and borrowings non-current   | 175,000                          | 175,000                              |
|                                    | 4,602,516                        | 4,570,438                            |

Note a: In June 2011, the Group repaid the RMB 1 billion 365-day unsecured corporate bonds which were issued to corporate investors in the PRC inter-bank debenture market on 23 June 2010. The bonds were issued at 100% of face value, with an effective yield of 3.27% per annum, and mature on 23 June 2011.

**10 Trade payables**

|                                | At<br>30 June<br>2011<br>RMB 000 | At<br>31 December<br>2010<br>RMB 000 |
|--------------------------------|----------------------------------|--------------------------------------|
| Trade creditors                | 1,798,600                        | 2,376,452                            |
| Bills payable                  | 33,346                           | 41,034                               |
| Amounts due to related parties | 4,722,531                        | 1,800,991                            |
|                                | 6,554,477                        | 4,218,477                            |

The maturity analysis of trade accounts payable is as follows:

|                                       | At<br>30 June<br>2011<br>RMB 000 | At<br>31 December<br>2010<br>RMB 000 |
|---------------------------------------|----------------------------------|--------------------------------------|
| Due within 1 month or on demand       | 6,305,119                        | 4,082,246                            |
| Due after 1 month but within 3 months | 249,358                          | 136,231                              |
|                                       | 6,554,477                        | 4,218,477                            |



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**7.3 DIFFERENCES BETWEEN FINANCIAL REPORT PREPARED UNDER CAS AND IFRS**

The below figures are extracted from the interim financial report prepared in accordance with CAS and IFRS, both of which have not been audited.

Other than the differences in the classification of certain financial statement items and the accounting treatment of the items described below, there are no material differences between the Group's financial report prepared in accordance with CAS and IFRS. The major differences are:

*Notes:*

**(i) Government grants**

Under CAS, government subsidies defined as capital contributions according to the relevant government requirements are not considered a government grant, but instead should be recorded as an increase in capital reserves.

Under IFRS, such grants are offset against the cost of asset to which the grants are related. Upon transfer to property, plant and equipment, the grant is recognised as income over the useful life of the property, plant and equipment by way of a reduced depreciation charge.

**(ii) Safety production costs**

Under CAS, safety production costs should be recognised in profit or loss with a corresponding increase in reserve according to PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related fixed assets are purchased, is reduced by the purchased cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRS, these expenses are recognised in profit or loss when incurred, and property, plant and equipment are depreciated with applicable methods.

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The reconciliation between the net profit attributable to equity shareholders of the Company between CAS and IFRS is as follows:

|  | <i>Note</i> | Six-month period                 |                               |
|--|-------------|----------------------------------|-------------------------------|
|  |             | ended 30 June<br>2011<br>RMB 000 | 2010<br>RMB 000<br>(Restated) |
| Net profit attributable to equity shareholders of the Company under CAS  |             | 1,381,533                        | 1,493,930                     |
| Adjustments:   |             |                                  |                               |
| Government grants  | (i)         | 14,193                           | 13,380                        |
| Safety production costs  | (ii)        | 38,058                           |                               |
| Others   |             |                                  | 6,429                         |
| Effects of the above adjustments on taxation                             |             | (8,065)                          |                               |
| Net profit attributable to equity shareholders of the Company under IFRS |             | 1,425,719                        | 1,513,739                     |

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The reconciliation between the shareholders' equity attributable to the equity shareholders of the Company between CAS and IFRS is as follows:

|  | At            |             |
|--|---------------|-------------|
|  | 30 June       | At          |
|  | 2011          | 31 December |
| <i>Note</i>  | RMB 000       | 2010        |
|  |               | RMB 000     |
|  |               | (Restated)  |
| Total equity attributable to equity shareholders of the Company under CAS  | 18,612,631    | 17,913,040  |
| Adjustments:   |               |             |
| Government grants  | (i) (198,545) | (212,738)   |
| Effects of the above adjustments on taxation                               | (18,910)      | (10,845)    |
| Total equity attributable to equity shareholders of the Company under IFRS | 18,395,176    | 17,689,457  |

By order of the Board  
**Rong Guangdao**  
*Chairman*

Shanghai, the PRC, 26 August 2011

*As at the date of this announcement, the executive directors of the Company are Rong Guangdao, Wang Zhiqing, Wu Haijun, Li Honggen, Shi Wei and Ye Guohua; the non-executive directors of the Company are Lei Dianwu and Xiang Hanyin, and the independent non-executive directors of the Company are Shen Liqiang, Jin Mingda, Wang Yongshou and Cai Tingji.*



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To: Business Editor

[For Immediate Release]

**Shanghai Petrochemical Announces 2011 Interim Results**

*Achieved Rapid Growth in Revenue in First Half,*

*Actively Coping with a Challenging Environment in Second Half.*

Hong Kong, August 26, 2011 Sinopec Shanghai Petrochemical Company Limited ( Shanghai Petrochemical or the Company ) (HKEx: 00338; SSE: 600688; NYSE: SHI) announced today the unaudited operating results of the Company and its subsidiaries (the Group ) prepared under International Financial Reporting Standards ( IFRS ) for the six months ended June 30, 2011 (the Period ).

According to IFRS, turnover of the Group for the Period amounted to RMB49,500.8 million, representing an increase of 37.01% over the previous year. Profit attributable to equity shareholders of the Company amounted to RMB1,425.7 million (2010 interim: RMB1,513.7 million). Basic earnings per share was RMB0.198 (2010 interim: RMB0.210). The board of directors of the Company does not recommend a payment of any interim dividend for 2011 (2010 interim: Nil).

Mr. Rong Guangdao, Chairman of Shanghai Petrochemical, said, In the first half of 2011, the Chinese economy continued to maintain stable and relatively fast growth, while China's petrochemical industry continued to maintain a healthy and steady operation. However, international crude oil prices surged significantly and stayed at high levels, and the profitability of the oil refining industry declined substantially, resulting in a turnaround from profits to losses. Coping with external market changes with a proactive approach, the Company continued to increase total physical production volume of products, and made every effort to push forward various tasks on production, operation, reform and development. During the Period, crude oil processing volume and outputs of gasoline, diesel, jet fuel, synthetic resin & plastics and other products reached record highs once again as compared to previous corresponding periods. The natural gas comprehensive utilization project reaped good economic benefits.

In the first half of 2011, the Group's net sales amounted to RMB46,345.1 million, representing an increase of 37.61% year-on-year, of which net sales derived from petroleum products, intermediate petrochemicals, resins and plastics, synthetic fibres and trading of petrochemical products increased by 46.78%, 29.87%, 13.04%, 22.53% and 87.10% respectively.

The fully completed Phase 5 Project of the Group continued to effectively produce its overall scale effect during the first half of 2011. As a result, total volume of goods produced increased by 14.87% year-on-year. During the Period, the Group processed 5,678,300 tons of crude oil (including 131,400 tons of crude oil processed on a sub-contracting basis), an increase of 12.60% year-on-year. Outputs of gasoline, diesel and jet fuel were 510,300 tons, 2,055,700 tons and 402,500 tons respectively, representing increases of 10.24%, 33.49% and 5.78% year-on-year respectively. Outputs of ethylene and propylene were 492,100 tons and 258,700 tons respectively, representing decreases of 0.36% and 4.30% year-on-year respectively. Output of synthetic resins and plastics (excluding polyester and polyvinyl alcohol) was 570,800 tons, representing an increase of 0.39% year-on-year. Outputs of synthetic fibre monomers, synthetic fibre polymers and synthetic fibres were 499,600 tons, 326,400 tons and 129,100 tons respectively, representing an increase of 0.04%, a decrease of 1.03% and an increase of 4.20% year-on-year respectively. The Group's output-to-sales ratio and receivable recovery ratio for the Period were 99.85% and 99.37% respectively.

In the first half of 2011, international crude oil prices fell after a rise but in general tended to surge significantly and remained at high levels. The Group's average unit cost of crude oil processed was RMB4,937.91/ton in the first half of 2011, representing an increase of 25.57% year-on-year. The Group's total costs of crude oil processed during the Period increased substantially by 42.89% year-on-year to RMB27,390.2 million, accounting for 61.76% of the Group's cost of sales for the Period.

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During the Period, the Group fully commenced the construction of the Phase 6 Project, with the refinery revamping and expansion project as the key project, of which the construction of the new 3,900,000 tons/year residual oil hydrogenation plant, the new 3,500,000 tons/year catalytic cracking plant and the carbon fiber project with a capacity of 1,500 tons/year have already commenced; preliminary works for other projects such as the ethanolamine project with a capacity of 50,000 tons/year and the EVA (ethylene-vinyl acetate copolymer) project with a capacity of 100,000 tons/year proceeded actively as planned. Meanwhile, other key technological renovation projects of the Group such as optimization of energy saving and consumption reduction at No. 2 PTA Plant, the renovation on energy conservation and consumption reduction of No. 2 and No. 3 aromatics complexes, No. 4 main transformer of the 220 KV petrochemical substation and the capacity expansion of No. 6 main transformer of the No. 1 thermal power station, were also being carried out in an orderly manner.

Looking forward, Mr. Rong Guangdao said, In the second half of 2011, there will be numerous uncertainties and instabilities during the process of recovery of the world economy. Amid steady and relatively fast development, China's economy will be faced with the contradictions and problems of unbalanced and uncoordinated development. Although the economic operation of the domestic petrochemical industry will maintain a stable and sound trend in general, the industry also faces pressures from policies, energy resources and environmental protection restrictions. Meanwhile, international crude oil prices are likely to lose the momentum for a substantial rise but to fluctuate at relatively high price levels. The Group expects that the cost pressure upon enterprises will increase and market competition will further intensify in the second half. The Group will continue to focus on the operation of plants, strive to increase the total physical production volume of products, push forward in full scale the construction of the Phase 6 Project, further optimize production and operation, and strive to improve profitability.

Shanghai Petrochemical is one of the largest petrochemical companies in China in terms of sales revenue and was one of the first Chinese companies to complete a global securities offering. Located in the Jinshan District which is at the southwest of Shanghai, it is a highly integrated petrochemical enterprise which processes crude oil into a broad range of products such as synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products.

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This press release contains statements of a forward-looking nature. These statements are made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as will, expects, anticipates, future, intends, plans, believes, estimates and similar statements. The accuracy of these statements may be impacted by a number of business risks and uncertainties that could cause actual results to differ materially from those projected or anticipated, including risks such as: the risk that the PRC economy may not grow at the same rate in future periods as it has in the last several years, or at all, the risk that the PRC government's implementation of macro-economic control measures to curb over-heating of the PRC economy may adversely affect the company; uncertainty as to global economic growth in future periods; the risk that prices of the Company's raw materials, particularly crude oil, will continue to increase; the risk of not being able to raise the prices of the Company's products as is appropriate thus adversely affecting the Company's profitability; the risk that new marketing and sales strategies may not be effective; the risk that fluctuations in demand for the Company's products may cause the Company to either over-invest or under-invest in production capacity in one or more of its four major product categories; the risk that investments in new technologies and development cycles may not produce the benefits anticipated by management; the risk that the trading price of the Company's shares may decrease for a variety of reasons, some of which may be beyond the control of management; competition in the Company's existing and potential markets; and other risks outlined in the Company's filings with the U.S. Securities and Exchange Commission. The Company does not undertake any obligation to update this forward-looking information, except as required under applicable law.

End

Encl: Consolidated Income Statement (Unaudited)

For further information, please contact:

Ms. Leona Zeng / Ms. Christy Lai

Rikes Hill & Knowlton Limited

Tel: (852) 2520 2201 Fax: (852) 2520 2241



**Table of Contents***Shanghai Petrochemical Announces 2011 Interim Results p.3***Sinopec Shanghai Petrochemical Company Limited****2011 Interim Results**

(Prepared under International Financial Reporting Standards)

**Consolidated Income Statement (Unaudited)**

|   | For the six months ended June 30 |                       |
|---|----------------------------------|-----------------------|
|   | 2011                             | 2010                  |
|   | RMB 000                          | RMB 000<br>(Restated) |
| <b>Turnover</b>   | <b>49,500,789</b>                | 36,128,309            |
| <b>Sales taxes and surcharges</b>                             | <b>(3,155,653)</b>               | (2,450,087)           |
| <b>Net sales</b>  | <b>46,345,136</b>                | 33,678,222            |
| <b>Cost of sales</b>  | <b>(44,348,719)</b>              | (31,817,534)          |
| <b>Gross profit</b>   | <b>1,996,417</b>                 | 1,860,688             |
| Selling and administrative expenses                           | (335,445)                        | (255,584)             |
| Other operating income  | 27,866                           | 31,479                |
| Other operating expenses                                      | (27,478)                         | (14,813)              |
| <b>Profit from operations</b>                                 | <b>1,661,360</b>                 | 1,621,770             |
| Financial income  | 131,303                          | 29,607                |
| Financial expenses  | (117,171)                        | (146,319)             |
| <b>Net financing income/(costs)</b>                           | <b>14,132</b>                    | (116,712)             |
| Investment income   |                                  | 215                   |
| Share of profit of associates and jointly controlled entities | 182,564                          | 390,633               |
| <b>Profit before taxation</b>                                 | <b>1,858,056</b>                 | 1,895,906             |
| <b>Income tax</b>   | <b>(425,959)</b>                 | (388,954)             |
| <b>Profit for the Period</b>                                  | <b>1,432,097</b>                 | 1,506,952             |
| <b>Attributable to</b>  |                                  |                       |
| Equity shareholders of the Company                            | 1,425,719                        | 1,513,739             |
| Non-controlling interests                                     | 6,378                            | (6,787)               |

|                              |            |                  |     |           |
|------------------------------|------------|------------------|-----|-----------|
| <b>Profit for the Period</b> |            | <b>1,432,097</b> |     | 1,506,952 |
| <b>Earnings per share</b>    |            |                  |     |           |
| Basic                        | <b>RMB</b> | <b>0.198</b>     | RMB | 0.210     |
| Diluted                      | <b>RMB</b> | <b>0.198</b>     | RMB | 0.210     |

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