

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 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

	Secretary to the Board	Representative
Name	Zhang Jingming	Tang Weizhong
Correspondence Address	48 Jinyi Road, Jinshan District, Shanghai, the People's Republic of China (the PRC)	Suite B, 28 / F, Huamin Empire Plaza, 728 West Yan'an Road, Shanghai, PRC Postal Code: 200050
Telephone	Postal Code: 200540 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 of the Reporting Period	As at the end of the previous year	Increase/decrease at the end of the Reporting Period as compared to the end of the previous year (%)
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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	The Reporting Period (January to June)	Corresponding period of the previous year	Increase/decrease during the Reporting Period as compared to the corresponding period of the previous year (%)
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 1.779 percentage 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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Name of shareholders	Number of circulating shares held	Type of shares
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) 3,055,000(S) 30,222,238(P)	2.21(L) 0.04(S) 0.42(P)	6.83(L) 0.13(S) 1.30(P)	Beneficial owner; Investment managers; 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 Volume ('000 tons)	Net Sales (RMB Million)	% of Total	Sales Volume ('000 tons)	Net Sales (RMB Million)	% of 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
Total	5,728.2	46,345.1	100.00	4,914.9	33,678.2	100.00

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 (%)	Increase/ decrease of operating income compared to the corresponding period of the previous year	Increase/ decrease of operating costs compared to the corresponding period of the previous year	Increase/decrease of gross profit margin compared to the corresponding period of the previous year (percentage 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 ^{Note}	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 Contents5.3 **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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Item	As at 30 June 2011	As at 31 December 2010	Increase / (decrease) amount	Change (%)	Reason for change
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

Project	Total project investment RMB million	Project progress as at 30 June 2011
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 ^{Note 1}
Sinopec and other related parties	Controlling company of the controlling shareholder and other related parties	1,780	10,271 ^{Note 2}	(17,378)	11,147
Total		(6,006)	10,676	390,731	435,455

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.

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Balance Sheets (Unaudited)**

	The Group		The Company	
	At 30 June 2011 RMB 000	At 31 December 2010 RMB 000	At 30 June 2011 RMB 000	At 31 December 2010 RMB 000
Current assets				
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
Total current assets	13,522,035	8,531,841	12,360,378	7,626,428
Non-current assets				
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
Total non-current assets	19,421,225	20,626,263	19,773,987	20,959,509
Total assets	32,943,260	29,158,104	32,134,365	28,585,937

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	The Group		The Company	
	At 30 June 2011 RMB 000	At 31 December 2010 RMB 000	At 30 June 2011 RMB 000	At 31 December 2010 RMB 000
Current liabilities				
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
Total current liabilities	13,656,270	10,573,225	13,381,489	10,271,340
Non-current liabilities				
Long-term loans	175,000	175,000	175,000	220,000
Other non-current liabilities	253,296	236,986	253,296	236,986
Total non-current liabilities	428,296	411,986	428,296	456,986
Total liabilities	14,084,566	10,985,211	13,809,785	10,728,326
Shareholders equity				
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		