Contents

中國石化上海石油化工股份有限公司
SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED

Important Message

The Board of Directors (the “Board”) and 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 this report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this report.

Directors Lei Dianwu and Xiang Hanyin were absent from the 4th Meeting of the Sixth Session of the Board due to business engagement. Mr. Lei Dianwu and Mr. Xiang Hanyin had appointed and authorized Mr. Rong Guangdao, Chairman, as their irrevocable voting proxies. The Board considered and approved the 2008 Interim Report.

The interim financial statements of the Company for the six-month period were unaudited.

The Company did not have any application of funds by major shareholder.

Mr. Rong Guangdao, Chairman and President of the Company, Mr. Han Zhihao, Director and Chief Financial Officer overseeing the accounting operations and Mr. Zhou Meiyun, Finance Manager (Accounting Chief) hereby warrant the truthfulness and completeness of the financial report contained in this report.

Report of the Directors

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 statements 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 statements prepared in accordance with IFRS.

Business review and discussion on the operating results

In the first half of 2008, a marked slowdown in the global economy was witnessed due to the escalating turbulence in the global financial markets caused by the subprime lending crisis in the United States, as well as mounting pressure on inflation around the world exerted by spiralling international oil prices and soaring grain prices. The PRC economy has surmounted the threats posed by successive natural disasters and developed along the direction as planned by the macro-economic control measures. It enjoyed a stable and fast growth in general, with GDP reaching 10.4%. The domestic petrochemical industry continued to grow. Under the combined impact of continuously rising prices in energy and raw materials, soaring costs and strengthened macro-economic control measures, the excessive growth in production was curbed and a balance between demand and supply was basically observed. Prices of a majority of products rose within a limited range. All domestic oil refining businesses posted losses and the petrochemical industry saw an obvious decline in profitability.

In the first half of 2008, the Group was confronted with the international oil prices soaring to high levels and repeatedly hitting record highs, as well as a continuous price rise in production materials. It was faced with a situation where refined oil products prices and crude oil prices were seriously inverted as a result of the government's stringent control over the prices of refined oil products and where market competition was ever-intensifying. In light of such grim situation, the Group fully implemented the overall cost leadership strategy and endeavored to build up a harmonious organization as its main course of action. The Group further improved its production operation, adjusted the assets and product mix, enhanced internal management and strove for cost and expense reductions. In the first half, the Group maintained stable operations and production, without encountering any major incidents in production, safety or environmental protection. The performance of major technical and economic indictors were satisfactory with total production output reaching 5.0687 million tons, up 15.43 % year-on-year. The output-to-sales ratio and the receivable recovery ratio remained at satisfactory levels whereas operating results posted a substantial decrease over the same period last year. For the six-month period ended 30 June 2008, the Group's turnover was RMB32,867.1 million, up RMB6,046.9 million or 22.55% year-on-year. Profit before taxation of RMB-433.8 million was realized, representing a decrease of RMB2,902.9 million over the same period last year. Meanwhile, profit after taxation and minority interests amounted to RMB-358.1 million, representing a decrease of RMB 2,143.7 million over the same period last year.

In the first half of 2008, the Group processed 5.0665 million tons of crude oil, an increase of 553.8 thousand tons or 12.27% year-on-year. Of the total processed amount, imported oil and offshore oil amounted to 4.8933 million tons and 173.2 thousand tons respectively. The output of gasoline and diesel amounted to 417.3 thousand tons and 1.8897 million tons respectively, up 43.50% and 38.93% year-on-year. Production of jet fuel was 336.9 thousand tons, down 4.15% year-on-year. The output of ethylene and propylene amounted to 480.9 thousand tons and 265.0 thousand tons respectively, representing respective increases of 0.92% and 6.85% year-on-year. On the other hand, the output of synthetic resins and plastics amounted to 536.1 thousand tons, down 3.99% year-on-year. The output of synthetic fibre monomers amounted to 487.9 thousand tons, up 13.28% year-on-year, while synthetic fibre polymers amounted to 304.6 thousand tons, up 0.73% over the same period last year. However, the output of synthetic fibres dropped 9.00% to 147.7 thousand tons. The Group's output-to-sales ratio and receivable recovery ratio in the first half of the year were 99.03% and 98.47% respectively.

The following table sets forth the Group's sales volumes and net sales, net of sales taxes and surcharges, for the reporting period:

	For the six-month period ended 30 June					
	2008			2007		
Self-produced products	**Sales Volume ('000 tons)**	**Net Sales (in RMB Millions)**	**% of Total**	Sales volume ('000 tons)	Net Sales (in RMB Millions)	% of Total
Synthetic Fibres	**153.4**	**2,108.6**	**6.53**	157.8	2,296.4	8.68
Resins and Plastics	**775.0**	**8,533.9**	**26.43**	802.4	8,088.4	30.56
Intermediate Petrochemicals	**710.8**	**6,038.3**	**18.70**	593.1	4,184.5	15.80
Petroleum Products	**3,138.4**	**14,074.8**	**43.58**	2,547.3	9,782.5	36.96
Others	**-**	**1,538.8**	**4.76**	-	2,116.4	8.00
Total	**4,777.6**	**32,294.4**	**100.00**	4,100.6	26,468.2	100.00

In the first half of 2008, the Group realized net sales of RMB32,294.4 million, up 22.01% over the same period last year, among which net sales derived from petroleum products, intermediate petrochemicals and resins and plastics increased by 43.88%, 44.30% and 5.51% year-on-year respectively, while net sales of synthetic fibres reported an 8.18% dip year-on-year. The increases were mainly due to continued increases in the prices of energy and raw materials and the increased product prices and sales volume of petroleum products, intermediate petrochemicals and resins and plastics, while the decrease in net sales of synthetic fibres was attributable to a drop in sales volume and prices. Compared to the first half of 2007, the average prices (excluding tax) of the Group's petroleum products, intermediate petrochemicals and resins and plastics increased by 16.67%, 20.40% and 9.23% respectively, whereas the average price (excluding tax) of synthetic fibres slid 5.50% during the reporting period. However, when compared to the second half year of 2007, the average prices (excluding tax) of the first three products out of the above four products increased 12.56%, 4.68% and 5.56% respectively, while the average price of synthetic fibres fell 6.53%.

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

During the first six months of 2008, the Group's cost of sales increased by 40.16% year-on-year to RMB34,218.3 million, accounting for 105.96% of the net sales.

Crude oil is the Group's major raw material. Affected by various factors such as continued growth in global demand, limited capabilities to increase output by major oil producing countries, geo-political factors, the depreciation of the US dollar and trading activities of speculative funds, prices of international crude oil have been hovering around the high level of US$100/barrel since the end of February and were up to US$140/barrel. During the first half of the year, the average price of Brent crude oil was approximately US$111/barrel, rising approximately 73% from the average price of US$64/barrel year-on-year. This resulted in a year-on-year rise of RMB1,521.13/ton to RMB5,068.88/ton for our weighted average cost of crude oil in the first half of 2008, representing a 42.88% increase. With the average prices of crude oil having soared, the Group's total cost of crude oil processed during the reporting period shot up 60.50% year-on-year to RMB25,681.50 million. The crude oil costs accounted for 75.05% of the Group's cost of sales in the first half of the year.

Expenses for other ancillary materials amounted to RMB5,641.4 million in the first half of 2008, up 9.32% as compared to the same period last year, mainly due to increases in both the prices of raw materials and the volume of intermediate petrochemicals purchased to meet production needs. Depreciation and maintenance costs of the Group during the reporting period amounted to RMB833.7 million and RMB385.0 million respectively, both of which increased slightly from a year ago. Energy and power costs increased by RMB377.4 million to RMB919.3 million, as a result of year-on-year increases to various degrees in both purchase volumes and purchase prices of coal for power generation and external electricity. The Group made a provision for the decline in value of inventories of RMB71.9 million during the reporting period.

The Group's selling and administrative expenses in the first half of 2008 amounted to RMB270.4 million, up 11.23% from RMB243.1 million recorded last year. The increase was caused by the rise in sales and transportation expenses as a result of the increase in sales volume during the reporting period.

The Group's other operating expenses in the reporting period dropped RMB47.1 million year-on-year to RMB68.4 million, mainly as a result of a decrease in employee reduction expenses during the reporting period.

Net financing costs of the Group in the first half of 2008 increased by 56.53% on a year-on-year basis to RMB139.0 million, mainly due to the 31.86% increase in the Group's short-term loans over the same period last year and the increase in the lending interest rates.

The Group's profit after taxation and minority interests decreased from RMB1,785.6 million in the first half of 2007 to RMB-358.1 million in the first half of 2008, representing a drop of RMB2,143.7 million.

During the first half of 2008, the Group recognized grant income of RMB1,627.7 million (among the grant income, RMB1,619.9 million was financial grant income) and such subsidy was not received in the same period of last year. These grants were mainly for compensation of losses incurred due to the distortion of the correlation of domestic refined oil product prices and crude oil prices, and the measures taken by the Group to stabilize the supply in the PRC petroleum product market during the period. There are no unfilled conditions and other contingencies attached to the receipts of these grants. There is no assurance that the Group will continue to receive such grant in the future.

Liquidity and capital resources

The Group's net cash used in operating activities amounted to RMB1,056.2 million for the first half of 2008, as compared with a net cash inflow of RMB1,243.4 million of the corresponding period last year. The Group's gross profit was RMB-296.2 million during the first half of 2008 and was RMB2,055.1 million during the first half of 2007, it led to a decrease of operating cash inflow of RMB2,351.3 million.

During the first half of 2008, net cash generated from investing activities amounted to RMB120.0 million, a decrease of net cash inflow of RMB23.0 million year-on-year. The main reason was: (1) a decrease in cash generated from investing activities of RMB281.3 million due to a decrease of proceeds from sale of available-for-sale financial assets during the first half of 2008, and (2) a decrease in cash used in investing activities of RMB257.0 million due to a year-on-year decrease in the Group's capital expenditures during the period.

During the first half of 2008, net cash generated from financing activities of the Group amounted to RMB802.8 million, an increase of net cash inflow of RMB2,281.4 million year-on-year, since the Group's borrowings increased for working capital purpose during the first half of 2008.

Borrowings and debts

The Group's long-term borrowings are mainly applied to its capital expansion projects. In general, the Group arranges long-term borrowings according to its capital expenditure plans, and in overall terms there are no seasonal borrowings. Short-term debts are used to meet the Group's needs for working capital during the normal course of production operation. The Group's borrowings as at the end of the first half of 2008 amounted to RMB5,742.4 million, up RMB1,011.2 million as compared with the beginning of the period. Among the borrowings, short-term debts increased by RMB1,230.6 million while long-term borrowings decreased by RMB219.4 million respectively.

As at 30 June 2008, guarantees provided by the Group to the Company's joint ventures and associates in favor of various banks, together with the contingent liabilities to be undertaken on the guarantees provided by the joint ventures to various third parties, amounted to RMB30.7 million.

Risks associated with exchange rate fluctuation

Since the Group purchases its major raw materials, particularly crude oil, from overseas sources and 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, as discussed above, a change in the relevant exchange rates will affect the level of the Group's financial expenses since a part of the Group's debts are denominated in foreign currencies. Accordingly, the Group's profitability will be affected as well.

Capital Expenditure

In the first half of 2008, the construction of the Group's structural adjustment projects continued to move forward. The 600,000-ton/year PX aromatics complex and the 150,000-ton/year C5 separation plant, adding flue gas desulphurization facilities to No.3 and No.4 furnaces of coal-fired power plants, the flare-gas recovery expansion project and the 220,000-volt transformer station alteration project were proceeding as scheduled.

In the first half of the year, the Group's capital expenditure amounted to RMB416.0 million, mainly comprising capital injections into the 600,000-ton/year aromatics complex and the 150,000-ton/year C5 separation plant as well as other technological renovation projects. In the second half of the year, the Group will continue to proactively push forward the above construction projects and other projects including technological renovation, safety and environmental protection, energy conservation and consumption reduction. The Group plans to fund the capital expenditure from operating cash and banking facilities.

Liability-to-asset ratio

As at 30 June 2008, the Group's liability-to-asset ratio was 36.86%, compared to 29.82% as at 31 December 2007. The ratio is calculated using this formula: total liabilities/ total assets.

Employees

As at 30 June 2008, the Group's employees totalled at 18,418. The staff costs for the period ended 30 June 2008 totalled at RMB673.1 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%. The Group's income tax rate was adjusted from 33% last year to 25% correspondingly.

Disclosure required by the Listing Rules

Save as disclosed herein, pursuant to paragraph 40 in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "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 32 in Appendix 16 and the information disclosed in the Company's 2007 annual report.

Market outlook and work plans for the second half of the year

In the second half of 2008, uncertainties and instabilities will still exist in the global economy and present developing and developed countries with huge challenges. The PRC economy will not be immune from the daunting challenges in light of numerous factors such as skyrocketing global energy and grain prices and successive natural disasters such as snowstorms, earthquakes and floods. On the domestic oil and petrochemical industries front, particularly the petrochemical sector, given energy and raw materials prices continuing to rise and production costs surging substantially while being unable to transfer the increases to the downstream sectors, the growth of demand will continue to tamper off with escalating market competition and shrinking profitability of companies. As the industry's economic efficiency will further be impaired, certain enterprises may record losses.

With respect to the Group, the average costs of crude oil processed by the Group may continue to climb in the second half of the year. Since the significant loss in the Company's oil refining operations arising from the inversion between refined oil product prices and crude oil prices in the country may not be completely reversed, and whether the State's financial subsidy policies to ensure the supply of refined oil products will change or continue still remains to be seen, the Group cannot be optimistic about the production and operation environment. In light of the above conditions, in the second half of 2008, the Group will continue to follow the work objectives and targets established at the beginning of the year, proceeding with the following tasks in a solid and effective manner:

1. Continuing to strengthen management work to ensure smooth, stable and high-quality production operations.

2. Implementing the overall cost leadership strategy thoroughly amid the challenges posed by high oil prices.

3. Seeking satisfactory and rapid completion of projects through dedicated efforts on corporate development tasks.

4. Emphasizing coordination and organization and steadily pushing ahead reforms on the Company's internal systems and mechanisms.

5. Strengthening team building among staff based on the People-First Principle.

6. Continuing the active cultivation of a corporate culture that emphasizes fairness, justice, teamwork and harmony.

2. Analysis of the Company's principal operations and performance

(1) Principal operations by segment or by product (prepared under China Accounting Standards for Business Enterprises)

By segment or by product	Operating income (RMB'000)	Operating cost (RMB'000)	Gross profit margin (%)	Increase/ decrease of operating income compared to the corresponding period last year (%)	Increase/ decrease of operating cost compared to the corresponding period last year (%)	Increase/ decrease of gross profit margin compared to the corresponding period last year (%)
Synthetic fibres	2,114,272	2,323,306	-9.89	-8.26	9.97	Decrease 18.22 percentage points
Resins and plastics	8,558,916	8,311,658	2.89	5.43	17.64	Decrease 10.07 percentage points
Intermediate petrochemicals	6,058,541	5,034,445	16.90	44.15	54.41	Decrease 5.52 percentage points
Petroleum products	14,590,287	16,220,609	-11.17	44.89	75.22	Decrease 19.24 percentage points
Others	1,585,745	1,414,376	10.81	-27.54	-28.66	Increase 1.41 percentage points
Including: connected transactions	15,319,559	16,650,188	-8.69	46.70	80.44	Decrease 20.33 percentage points

Pricing principles of connected transactions	The directors of the Company (including independent non-executive directors) are of the view that the connected transactions were entered into on normal commercial terms or on terms no less favorable than those offered to or by any 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 purchases by the Company from China Petroleum & Chemical Corporation ("Sinopec Corp.") and its associates of crude oil related materials and the sales of petroleum products by the Company to them were conducted in accordance with the State's relevant policy and applicable State tariffs or State guidance prices. As long as the State does not revoke its control over purchases of crude oil, sales of petroleum products and pricing thereof, such connected transactions will continue to happen. The Company sold petrochemical products to Sinopec Corp. and its associates, and Sinopec Corp. and its associates act as agents for the sale of petrochemicals in order to reduce the Company's inventories, to expand its trading, distribution and sales networks and to improve the Company's bargaining power with its customers. The Company accepts construction and installation, insurance agency and financial services from China Petrochemical Corporation ("Sinopec") and its associates in order to secure steady and reliable services at reasonable prices.

(2) Analysis of geographical segments for principal operations (prepared under China Accounting Standards for Business Enterprises)

Geographical location	Operating income (RMB'000)	Increase/decrease of operating income compared to the corresponding period of the previous year (%)
Eastern China	30,260,008	22.80
Other regions in the PRC	2,532,887	17.50
Exports	114,886	33.60

(3) Operating performance of companies in which the Company has investment interests (prepared under China Accounting Standards for Business Enterprises)
(Applicable to the situation that investment income account for more than 10% of net profit)

Name of the company	Scope of business	Net profit (RMB'000)	Investment income contributed by the invested company (RMB'000)	Percentage to the net profit of the listed company attributable to equity shareholders of the Company (%)
Shanghai Secco Petrochemical Company Limited	Manufacturing and distribution of chemical products	542,232	108,446	Loss, not applicable

(4) Reasons for substantial changes in the profitability (gross profit margin) of the principal operations as compared to the corresponding period of the previous year (prepared under China Accounting Standards for Business Enterprises)

In the first half of 2008, gross profit margin of the Group's principal operations was -1.43%, representing a decrease of 13.18 percentage points year-on-year. This was mainly attributable to international crude oil prices soaring to high levels and repeatedly hitting record highs, as well as a continuous price rise in production material; and refined oil products prices and crude oil prices were seriously inverted as a result of the State's stringent control over the prices of refined oil products. Gross profit margin of other products saw a decline due to limited price surge amid the State's strengthened macro-economic control measures and intensed market competition.

(5) Problems and difficulties the Group facing in its operations

In the first half of 2008, international oil prices hovered at high levels and maintained at a high level of above US$ 120 per barrel since May. Refined oil products prices were still subject to the State's macro-economic control policies and were significantly inverted with crude oil prices. It was far beyond the Group's ability to withstand such a high cost, thus resulting in a substantial policy-related loss to the Group's oil refining operations. In the first half, the State implemented certain financial support measures to safeguard the market supply of refined oil products, by means of giving appropriate subsidies through Sinopec Corp. to its refinery operations within the system, and the Group obtained a financial grant income of RMB1,619.9 million. On 20 June, the State Development and Reform Commission raised the domestic refined oil products prices but such effort was not sufficient enough to completely offset the loss suffered by the Group arising from the inversion between domestic refined oil product prices and the crude oil prices. In the second half of the year, due to the fact that whether subsidy measures will change or continue because of the latest price adjustment still remain to be seen, there exists a great uncertainty for the Group's total profit for 2008. The loss-making situation occurred in the first half of the year may continue for the year, and may become more serious since the already purchased high price crude oil in May and June yet has to be processed.

3. Investments by the Company

1. Use of Proceeds

   During the reporting period, the Company did not conduct any fund raising activity or use any proceeds raised in the previous periods.

2. Non-Fund Raising Projects

Project	Total project investment RMB million	Project progress as at 30 June 2008
600,000-ton/year PX aromatics complex	3,013.2	Under construction
150,000-ton/year C5 separation plant	292.1	Under construction

4. The Board's plan to amend the business plan for the second half of the year

The Board of the Company did not have any plan to amend the business plan for the second half of the year.

5. Warning on and description of any possibility of the accumulated net profit forecast for the period from the beginning of the year to the end of the next reporting period turning into a loss or any material change in relation to such forecast as compared to the same period last year and the reasons thereof.

In the first half of 2008, the crude oil costs of the Company surged substantially as international oil prices soared continuously to high levels, reaching a historic high in July. Refined oil products prices and crude oil prices were seriously inverted as a result of the government's stringent control over the domestic prices of refined oil products, leading to a severe loss in the Company's oil refining operation. On the other hand, in line with the recent rapid dip in the international oil prices, downstream petrochemicals prices witnessed a decline, and the Company has yet to gradually dispose of the expensive crude oil in transit and in stock. Besides, whether the government will continue the policy of giving reasonable subsidies to the processing of imported crude oil in the second half is still uncertain. Thus, it is expected the Group will suffer a bigger loss in its overall results for the nine-month period ended 30 September 2008 (adjusted net profit attributable to equity shareholders of the Group for the nine-month period ended 30 September 2007 prepared under China Accounting Standards for Business Enterprises amounted to RMB1,664,225,000).

Change in Share Capital and information on Shareholders

1. Change in Share Capital

There was no change to the Company's total number of shares or share structure during the reporting period.

2. Shareholding of shareholders

(i) Number of shareholders and their shareholdings — Unit: Share

Total number of shareholders as at the end of the reporting period — 171,866

Shareholdings of the top ten shareholders

Name of shareholders	Type of shareholders	Percentage of total shareholding (%)	Number of shares held at end of the period	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 Shareholder	55.56	4,000,000,000	-	Non-circulating	4,000,000,000	Nil
HKSCC (Nominees) Ltd.	Foreign Shareholder	32.03	2,305,802,101	2,104,000	Circulating	-	Unknown
China Minsheng Banking Corp., Ltd. - Orient Jing Xuan Hun He Xing Kai Fang Shi Securities Investment Fund	Others	1.04	74,781,220	16,148,751	Circulating	-	Unknown
Shanghai Kangli Gong Mao Company	Others	0.23	16,730,000	-	Non-circulating	16,730,000	Unknown
Zhejiang Province Economic Construction and Investment Company	Others	0.17	12,000,000	-	Non-circulating	12,000,000	Unknown
Agricultural Bank of China - Zhongyou Core Growth Equity Securities Investment Fund	Others	0.08	6,116,696	Unknown	Circulating	-	Unknown
Bank of China-Harvest Shanghai and Shenzhen 300 Index Securities Investment Fund	Others	0.08	6,040,176	752,571	Circulating	-	Unknown
Shanghai Textile Development Company	Others	0.08	5,650,000	-	Non-circulating	5,650,000	Unknown
Shanghai Xiangshun Shiye Company Limited	Others	0.08	5,500,000	-	Non-circulating	5,500,000	Unknown
International Finance - Standard Chartered - CITIGROUP GLOBAL MARKETS LIMITED	Others	0.06	4,248,135	Unknown	Circulating	-	Unknown

Shareholdings of the top ten holders of circulating shares

Name of shareholders	Number of shares in circulation held	Type of shares
HKSCC (Nominees) Ltd.	2,305,802,101	Overseas listed foreign shares
China Minsheng Banking Corp., Ltd. - Orient Jing Xuan Hun He Xing Kai Fang Shi Securities Investment Fund	74,781,220	RMB-denominated ordinary shares
Agricultural Bank of China - Zhongyou Core Growth Equity Securities Investment Fund	6,116,696	RMB-denominated ordinary shares
Bank of China-Harvest Shanghai and Shenzhen 300 Index Securities Investment Fund	6,040,176	RMB-denominated ordinary shares
International Finance - Standard Chartered - CITIGROUP GLOBAL MARKETS LIMITED	4,248,135	RMB-denominated ordinary shares
Agricultural Bank of China - Zhongyou Core Prime Equity Securities Investment Fund	3,445,520	RMB-denominated ordinary shares
China Construction Bank - Bosera Yufu Securities Investment Fund	3,394,080	RMB-denominated ordinary shares
Shanghai Junfa Trading Company Limited	2,350,000	RMB-denominated ordinary shares
Bank of China - ICBCCS Core Value Equity Fund	2,242,947	RMB-denominated ordinary shares
Guotai Junan - CCB -The Hong Kong and Shanghai Banking Corporation Limited	2,005,147	RMB-denominated ordinary shares

Description of any connected relationship or connected parties relationships among the above shareholders	Of the above-mentioned shareholders, Sinopec Corp., the State-owned shareholder, does not have any connected relationship with the other shareholders, and is not a concert party of the other shareholders under the "Administrative Measures on Acquisition of Listed Companies". Of the above-mentioned shareholders, HKSCC (Nominees) Limited is a nominee shareholder. Apart from the above, the Company is not aware whether there are other connected relationships amongst the other shareholders, and whether they are concert parties under the "Administrative Measures on Acquisition of Listed Companies".

(ii) Change in Controlling Shareholder and Actual Controller of the Company

There was no change to the controlling shareholder and the actual controller of the Company during the reporting period.

(iii) Interest and Short Positions of Substantial Shareholders and Other Persons in Shares of the Company and Underlying Shares

As at 30 June 2008, the interests and short positions of the Company's substantial shareholders and other persons 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") (i.e. 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 but excluding the directors, supervisors and senior management of the Company) in the shares and underlying shares of the equity derivatives 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:

(a) 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 share	Capacity
China Petroleum & Chemical Corporation	4,000,000,000 promoter legal person shares (L)	55.56	-	Beneficial owner
UBS AG	178,091,550(L) 6,315,071(S)	2.47(L) 0.09(S)	7.64(L) 0.27(S)	Beneficial owner; investment managers; others (Lending pool)
Citigroup Inc.	178,077,175(L) 6,377,744(S) 114,345,155(P)	2.47(L) 0.09(S) 1.59(P)	7.64(L) 0.27(S) 4.91(P)	Beneficial owner; investment managers; others (Lending pool)
Government of Singapore Investment Corporation Pte. Ltd.	137,443,700(L)	1.91(L)	5.90(L)	Beneficial owner; investment managers; others (Lending pool)

(L): Long position (S): Short position (P): Lending pool

Save as disclosed above, no short positions of substantial shareholders or other persons who are required to disclose their interests pursuant to Part XV of the SFO in the shares or underlying shares of equity derivatives of the Company were recorded in the register required to be kept under Section 336 of the SFO.

(b) Short positions in the shares and the underlying shares of the Company

As at 30 June 2008, no short positions of substantial shareholders or other persons who are required to disclose their interests pursuant to Part XV of the SFO in the shares or underlying shares of equity derivatives of the Company were recorded in the register required to be kept under Section 336 of the SFO.

Directors, Supervisors and Senior Management

1. Change in shareholdings of directors, supervisors and senior management

During the reporting period, there were no changes to the numbers of shares of the Company held by the directors, supervisors and senior management of the Company. The actual numbers 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:

Unit: share

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
Rong Guangdao	Chairman and President	3,600	3,600	No change
Du Chongjun	Vice Chairman and Vice President	1,000	1,000	No change
Han Zhihao	Director and Chief Financial Officer	Nil	Nil	No change
Li Honggen	Director and Vice President	Nil	Nil	No change
Shi Wei	Director and Vice President	Nil	Nil	No change
Dai Jinbao	Director	Nil	Nil	No change
Lei Dianwu	External Director	Nil	Nil	No change
Xiang Hanyin	External Director	Nil	Nil	No change
Chen Xinyuan	Independent Director	Nil	Nil	No change
Sun Chiping	Independent Director	Nil	Nil	No change
Jiang Zhiquan	Independent Director	Nil	Nil	No change
Zhou Yunnong	Independent Director	Nil	Nil	No change
Gao Jinping	Chairman of Supervisory Committee	Nil	Nil	No change
Zhang Chenghua	Supervisor	Nil	Nil	No change
Wang Yanjun	Supervisor	Nil	Nil	No change
Zhai Yalin	External Supervisor	Nil	Nil	No change
Wu Xiaoqi	External Supervisor	Nil	Nil	No change
Liu Xiangdong	Independent Supervisor	Nil	Nil	No change
Yin Yongli	Independent Supervisor	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 Counsellor	Nil	Nil	No change

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

Interests and short positions of directors and supervisors in shares, underlying shares and debentures of the Company

Save as disclosed above, as at 30 June 2008, none of the directors or supervisors 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 of Part XV of the SFO) as recorded in the register which is required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

As at 30 June 2008, 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.

2. Appointment or dismissal of the Company's directors, supervisors and senior management

The sixth session of the Board and the sixth session of the Supervisory Committee were elected at the annual general meeting of the Company on 12 June 2008. The sixth session of the Board comprises Rong Guangdao, Du Chongjun, Han Zhihao, Li Honggen, Shi Wei, Dai Jinbao, Lei Dianwu, Xiang Hanyin, Chen Xinyuan, Sun Chiping, Jiang Zhiquan and Zhou Yunnong. Among the members of the Board, Chen Xinyuan, Sun Chiping, Jiang Zhiquan and Zhou Yunnong are independent directors. The sixth session of the Supervisory Committee comprises Gao Jinping, Zhang Chenghua, Wang Yanjun, Zhai Yalin, Wu Xiaoqi, Liu Xiangdong and Yin Yongli. Among the members of the Supervisory Committee, Gao Jinping, Zhang Chenghua and Wang Yanjun are supervisors representing the staff and were elected at the staff representative meeting of the Company; Zhai Yalin and Wu Xiaoqi are external supervisors, while Liu Xiangdong and Yin Yongli are independent supervisors. Lu Xiangyang and Geng Limin, external supervisors of the fifth session of the Supervisory Committee, retired by rotation.

The first meeting of the sixth session of the Board was held on 12 June 2008. At the meeting, Rong Guangdao was elected as Chairman and Du Chongjun was elected as Vice Chairman. Rong Guangdao, Du Chongjun, Han Zhihao, Li Honggen, Shi We and Dai Jinbao were elected as Executive Directors. The Board appointed Chairman Rong Guangdao as President; Du Chongjun, Li Honggen, Shi Wei, Zhang Jianping and Tang Chengjian as Vice Presidents; Han Zhihao as Chief Financial Officer; and Zhang Jingming as Secretary to the Board.

The first meeting of the sixth session of the Supervisory Committee was held on 12 June 2008 and Gao Jinping was elected as Chairman of the Supervisory Committee.

Audit Committee

On 26 August 2008, the Audit Committee of the sixth session of the Board held the first meeting, primarily to review the Group's interim financial report for the period.

Purchase, Sale or Redemption of the Company's Securities

During the reporting period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

Compliance with Code of Corporate Governance Practices

The Group has complied with all the principles and provisions set out in the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision A.2.1:	The roles of chairman and chief executive officer should be separate; responsibilities of chairman and chief executive officer should be clearly established and set out in writing.
Deviation:	Mr. Rong Guangdao is both the chairman and president of the Company.
Reason:	Mr. Rong Guangdao has many years of experience in the management of large-scale petrochemical production enterprise and management. Mr. Rong is the most suitable candidate to serve in the positions of chairman and president of the Company. For the time being, the Company is unable to identify another suitable person who possesses abilities and talent better than or equivalent to Mr. Rong to serve in either of the positions. The same deviation was also reported in the Company's Corporate Governance Report contained in the annual report for 2007.

The Model Code

The directors of the Company confirm that the Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. After making specific enquiries with 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 during the reporting period.

Major Events

(1) Current status of corporate governance in the Company

The Company has strictly complied with the regulatory documents such as the Company Law, Securities Law and Corporate Governance Principles for Listed Companies and Guidelines for Establishing the Independent Directors System for Listed Companies issued by the China Securities Regulatory Commission ("CSRC"), as well as the relevant requirements of the Shanghai Stock Exchange, the Stock Exchange of Hong Kong Limited and the New York Stock Exchange to put forward the advancement of the Company's system and management, to improve the corporate governance structure, and to strengthen the establishment of the Company's system in order to enhance the overall image of the Company.

The Company approved the amendment to the articles of association of the Company at the 2007 annual general meeting.

(2) Implementation of the profit appropriation plan during the reporting period

The profit appropriation plan for 2007 was considered and approved at the Company's 2007 annual general meeting. A dividend of RMB0.90 (tax inclusive) per 10 shares was distributed to shareholders, based on the total share capital of 7,200,000,000 shares as at the end of 2007. The relevant announcement was published in the Shanghai Securities News and China Securities Journal on 13 June 2008. On 17 June 2008, the Company published the profit appropriation plan for it's A shares. In respect of the distribution of A-share dividends, the registered date for entitlements was 20 June 2008 and ex-dividend date was 23 June 2008. The dividend payment date for its public shares, i.e. H shares and A shares, was 2 July 2008. Such profit appropriation plan has been implemented as scheduled.

(3) Material Litigation or Arbitration

The Company was not involved in any material litigation or arbitration during the reporting period.

(4) Transfer of assets

The Company was not involved in any acquisition or disposal of assets or merger by absorption during the reporting period.

(5) Major connected transactions

1. Connected transactions in relations to routine operations

During the reporting period, pursuant to the Mutual Product Supply and Sales Services Framework Agreement entered into with Sinopec Corp., the Company purchased raw materials from, and sold petroleum products and petrochemicals as well as leasing properties to Sinopec Corp. and its associates. Sinopec Corp. and its associates provided agency sales services for petrochemical products. Pursuant to the Comprehensive Services Framework Agreement entered into with Sinopec., the Company accepted the construction and installation, project design, petrochemical industry insurance agency and financial services provided by Sinopec and its associates. The relevant connected transactions were conducted in accordance with the terms of the Mutual Product Supply and Sales Services Framework Agreement and the Comprehensive Services Framework Agreement. The transaction amounts of the relevant connected transactions did not exceed the caps in relation to the continuing connected transactions approved at the 2007 extraordinary general meeting.

The purchases by the Company of crude oil and related materials from, and sales of petroleum products by the Company to, Sinopec Corp. and its associates were conducted in accordance with the State's relevant policies and applicable State tariffs or State guidance prices. As long as the State does not lift its control over purchases of crude oil, sales of petroleum products and pricing thereof, such connected transactions will continue to happen. 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 and to improve the Company's bargaining power with its customers. The Company leased part of the properties to Sinopec Corp. and its associates after taking into account of the solid financial background and reputation of Sinopec Corp. and its associates. The Company accepted construction and installation, project design, petrochemical industry insurance agency and financial services from Sinopec and its associates in order to secure steady and reliable services at reasonable prices.

The prices of the continuing connected transactions conducted by the Company with Sinopec, Sinopec Corp. and their associates were determined, upon negotiations between both parties, on the basis of (1) State tariffs; or (2) State guidance prices; or (3) market prices. Such connected transactions were entered into in line with the Company's production and operation needs. Accordingly, the aforesaid connected transactions did not have a significant adverse impact on the Company's independence.

The following table was prepared under China Accounting Standards for Business Enterprises

Type of transactions	Related parties	Transaction Amounts RMB'000	Percentage of total amounts of the same type of transaction (%)
Income from sale of products and services	Sinopec Huadong Sales Company	12,315,941	37.43
	Other related parties	3,003,618	9.13
Purchases	Sinopec Transport and Storage Company	15,891,401	50.39
	China International United Petroleum & Chemicals Co., Ltd.	4,462,762	14.15
	Other related parties	3,031,338	9.61
Construction and installation fees	Sinopec and its subsidiaries	16,773	34.29

Including: During the reporting period, the connected transactions involving the sale of products or provision of services by the listed company to the controlling shareholder and its subsidiaries amounted to RMB15,319.6 million.

2. Non-operating connected creditor's rights and liabilities

		Funds provided to connected parties		Funds provided by connected parties to the listed company	
Connected party	Connected relationship	Net transaction RMB'000	Balance RMB'000	Net transaction RMB'000	Balance RMB'000
Sinopec Corp.	Controlling shareholder	-	-	521	521
Sinopec and its subsidiaries	Actual controller and other subsidiaries	(44,395)	266	(51,667)	15,024
Total		(44,395)	266	(51,146)	15,545

During the reporting period, the listed company had provided RMB Nil of funds to the controlling shareholder and its subsidiaries and the balance of funds provided by the listed company to the controlling shareholder and its subsidiaries amounted to RMB Nil.

(6) Trust

The Company did not enter into any trust arrangements during the reporting period.

(7) Sub-contracting

The Company did not enter into any sub-contracting arrangements during the reporting period.

(8) Leasing

The Company did not enter into any leasing arrangements during the reporting period.

(9) Guarantees

External guarantees provided by the Company (excluding guarantees provided for its controlling subsidiaries)

Guaranteed entities	Date (Agreement signing date)	Guarantee amount (RMB'000)	Type of guarantee	Guarantee period	Guarantee expired	Guarantee for a connected party
Shanghai Jinpu Plastics Packaging Material Company Limited	20 July 2007	14,500	Joint guarantee	20 July 2007 - 20 July 2008	No	Yes
Others	21 December 2004	16,247	Joint guarantee	21 December 2004 - 21 December 2009	No	Yes

Total amount of guarantees provided during the reporting period	-
Total balance of guarantees as at the end of the reporting period	30,747
Guarantees provided by the Company to its controlling subsidiaries	
Total amount of guarantees provided for the controlling subsidiaries by the Company during the reporting period	(120,000)
Total balance of guarantees provided for the controlling subsidiaries as at the end of the reporting period	425,000
Total amount of guarantees provided by the Company (including guarantees provided for the controlling subsidiaries)	
Total guarantee amount	455,747
Total guarantee amount as a percentage of net asset value (under China Accounting Standards for Business Enterprises (2006)) of the Group)	2.30%
of which:	
Amounts of guarantee provided for shareholders, the actual controller or the other connected parties	-
Amount of debt guarantee directly or indirectly provided for the companies with liabilities to assets ratio of over 70% directly or indirectly	438,250
Amount of guarantee with a total amount of which is over 50% of the net assets	-
Total guarantee amount of the above three items	438,250

(10) Trust financial management

The Company did not enter into any arrangement on trust financial management during the reporting period.

(11) Performance of undertakings

1. During or until the reporting period, there was no issue relating to the undertakings by the Company or shareholders with shareholdings of 5% or more.

2. Report on the status of the share reform

   In October 2006, Sinopec Corp., the Company's controlling shareholder, initiated a share segregation reform ("Share Reform") of the Company. The Share Reform of the Company was not completed because the Share Reform proposal had not been approved at the relevant shareholders' meeting for the holders of A shares. In order to complete the Share Reform as soon as practical, the Company has been actively liaising with Sinopec Corp., the controlling shareholder, and holders of circulating A shares at large. Sinopec Corp. also initiated the second Share Reform program of the Company in December 2007. However, investors had high expectations toward the consideration of the Share Reform, and Sinopec Corp. had high expectations toward the Company's restructuring. Such conflict was compounded by the factor that the Company's share price, driven by the market trend, plummeted from a high level due to the fact that share reforms for the A-share market were basically completed. As a result, the Share Reform was eventually not approved at the relevant shareholders' meeting for holders of A shares.

   Due to the relatively significant difference towards the understanding on the amount of consideration for the Share Reform between holders of non-circulating shares and holders of circulating A shares and the need of a general consensus between both parties for the completion of the Share Reform, the Company will continue to exchange views and communicate with holders of non-circulating shares and holders of circulating A shares.

(12) Appointment and dismissal of accounting firm

During the reporting period, the Company did not appoint new accounting firms. The Company currently appoints KPMG Huazhen as the Company's domestic auditors. The Company currently appoints KPMG as the Company's international auditors who issued the interim review report prepared under IFRS for the Company.

(13) Disciplinary actions upon the Company and its directors, supervisors, senior management, shareholders and actual controller

During the reporting period, the Company and its directors, supervisors, senior management, shareholders and actual controller had not been investigated, subject to administrative sanction or publicly criticized by the China Securities Regulatory Commission or publicly reprimanded by the stock exchanges.

(14) Other major events and factors, and analysis of solutions

1. Investments in securities

No.	Stock code	Abbreviation	Number of shares held as at the end of the period (shares)	Initial investment amount RMB'000	Book value as at the end of the reporting period RMB'000	Book value at the beginning of the period RMB'000	Account category
1	600837	HTSEC	9,904,098	11,164	203,953	223,354	Available-for-sale financial assets
2	600000	SPDB	2,340,000	1,318	51,480	211,200	Available-for-sale financial assets
3	600527	JNGX	2,983,527	898	14,858	44,239	Available-for-sale financial assets
Total			-	13,380	270,291	478,793	

(15) Disclosure of Information

Item	Publication	Publishing Date	Websites and hyperlinks
First Notification Announcement on the Shareholders' Meeting of the Holders of A Shares Relating to the Share Reform	"Shanghai Securities News" and "China Securities Journal"	2 January 2008	On the Shanghai Stock Exchange website www.sse.com.cn, accessible by entering the Company's code (600688) in the section headed "Listed Companies Information Search", website of The Stock Exchange of Hong Kong Limited, the website of the Company (www.spc.com.cn) under the section headed "Investor Relations"
Second Notification Announcement on the Shareholders' Meeting of the Holders of A Shares Relating to the Share Reform/ Announcement on the Approval by the State-owned Assets Supervision and Administration Commission of the State Council on the Share Reform Proposal	"Shanghai Securities News" and "China Securities Journal"	10 January 2008	Same as above
Announcement on the Voting Results at the Shareholders' Meeting of the Holders of A Shares Relating to the Share Reform	"Shanghai Securities News" and "China Securities Journal"	16 January 2008	Same as above
Risk Alert Announcement in respect of Abnormal Share Price Fluctuation of A Shares	"Shanghai Securities News" and "China Securities Journal"	22 January 2008	Same as above
Announcement on Estimated Increase in Results for 2007	"Shanghai Securities News" and "China Securities Journal"	31 January 2008	Same as above
Risk Notification Announcement in respect of the Company's Share Reform Progress	"Shanghai Securities News" and "China Securities Journal"	18 February 2008 17 March 2008	Same as above
Announcement in respect of Abnormal Share Price Fluctuation of A Shares; Announcement on Receipt of a One-off Compensation	"Shanghai Securities News" and "China Securities Journal"	20 March 2008	Same as above
Risk Alert Announcement in respect of Abnormal Share Price Fluctuation of A Shares	"Shanghai Securities News" and "China Securities Journal"	1 April 2008 7 April 2008	Same as above

(15) Disclosure of Information *(continued)*

Item	Publication	Publishing Date	Websites and hyperlinks
Announcement on Resolutions Passed at the 27th Meeting of the Fifth Session of the Board of Directors; Announcement on Resolutions Passed at the 14th Meeting of the Fifth Session of the Supervisory Committee; Announcement on Expected Loss for the First Quarterly Results of 2008	"Shanghai Securities News" and "China Securities Journal"	8 April 2008	Same as above
Risk Notification Announcement in respect of the Company's Share Reform Progress	"Shanghai Securities News" and "China Securities Journal"	14 April 2008	Same as above
Risk Alert Announcement in respect of Abnormal Share Price Fluctuation of A Shares	"Shanghai Securities News" and "China Securities Journal"	22 April 2008	Same as above
Announcement on Resolutions Passed at the 28th Meeting of the Fifth Session of the Board of Directors; Notice of 2007 Annual General Meeting	"Shanghai Securities News" and "China Securities Journal"	28 April 2008	Same as above
Risk Notification Announcement in respect of the Company's Share Reform Progress	"Shanghai Securities News" and "China Securities Journal"	12 May 2008 10 June 2008	Same as above
Announcement on Resolutions Passed at the 2007 Annual General Meeting; Announcement on Resolutions Passed at the First Meeting of the Sixth Session of the Board of Directors; Announcement on Resolutions Passed at the First Meeting of the Sixth Session of the Supervisory Committee	"Shanghai Securities News" and "China Securities Journal"	13 June 2008	Same as above
Announcement on Distribution of Cash Dividend for A Shares for 2007	"Shanghai Securities News" and "China Securities Journal"	17 June 2008	Same as above
Risk Alert Announcement in respect of Abnormal Share Price Fluctuation of A Shares	"Shanghai Securities News" and "China Securities Journal"	18 June 2008	Same as above

Documents for Inspection

1 The Company's documents available for inspection comprise the following:

i. 2008 interim report signed by the Chairman;

ii. Financial statements signed and sealed by the legal representative, chief financial officer and head of the accounting department of the Company;

iii. Original copies of all documents and announcements of the Company which were disclosed in the newspapers designated by the China Securities Regulatory Commission during the reporting period; and

iv. The Company's Articles of Association.

2. The Company has kept all the above documents in the Company's Secretariat Department the address of which is as following:

No.48 Jinyi Road, Jinshan District, Shanghai, PRC

Postal code: 200540

3. All information required in paragraph 46 of Appendix 16 of the Listing Rules will be disclosed on the websites of Hong Kong Exchanges and clearing Limited and of the Company.

Financial Highlights

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

1. Major Accounting Data and Financial Indicators

	As at the end of this reporting period	As at the end of the previous year	Increase/decrease at the end of this reporting period as compared to the end of the previous year(%)
Total assets (RMB'000)	**31,535,422**	30,494,334	3.41
Shareholders' equity (excluding minority interests)(RMB'000)	**19,823,791**	20,999,444	-5.60
Net asset value per share attributable to equity shareholders of the Company (RMB)	**2.753**	2.917	-5.62

	For the six-month period ended 30 June 2008 (reporting period)	Corresponding period of the previous year		Increase/decrease during this reporting period as compared to the corresponding period of the previous year(%)
		(After adjustment)[Note]	(Before adjustment)[Note]	
Operating (loss)/profit (RMB'000)	**(2,065,089)**	2,494,833	2,493,081	-182.77
(Loss)/profit before taxation (RMB'000)	**(448,939)**	2,453,995	2,452,243	-118.29
Net (loss)/profit attributable to equity shareholders of the Company (RMB'000)	**(372,772)**	1,758,290	1,751,897	-121.20
Net (loss)/profit attributable to equity shareholders of the Company excluding non-recurring items (RMB'000)	**(1,655,889)**	1,551,321	1,510,975	-206.74
Basic (loss)/earnings per share (RMB)	**(0.052)**	0.244	0.243	-121.31
Basic (loss)/earnings per share excluding non-recurring items (RMB)	**(0.230)**	0.215	0.210	-206.98
Diluted (loss)/earnings per share (RMB)	**(0.052)**	0.244	0.243	-121.31
Fully diluted return on net assets (%)	**(1.880)**	8.329	8.285	10.209 percentage points decrease
Net cash flow from operating activities (RMB'000)	**(808,818)**	1,335,255	1,335,255	-160.57
Net cash flow per share from operating activities (RMB)	**(0.112)**	0.185	0.185	-160.54

Note: After the publication of 2007 interim report by the Group, further interpretations on China Accounting Standards for Business Enterprises (2006) were issued. The Group reviewed the consolidated income statement for the six-month period ended 30 June 2007 in accordance with these interpretations during the preparation of the 2008 interim reports. As a result, the comparative figures of the corresponding period of the previous year have been restated accordingly.

2. Non-recurring items and amounts

Non-recurring items	Amount (RMB'000)
Gain from disposal of non-current assets	135,527
Subsidy income	1,627,727
Employee reduction expenses	(35,631)
Net expense of non-operating income/(expenses) other than those mentioned above	(16,754)
Less: Tax effect of the above items	(427,717)
Total	1,283,152
Include: Non-recurring items attributable to equity shareholders of the Company	1,283,117
Non-recurring items attributable to minority shareholders	35

3. Differences between financial statements prepared under China Accounting Standards for Business Enterprises and IFRS

	Net (loss)/profit attributable to equity shareholders of the Company		Total equity attributable to equity shareholders of the Company (excluding minority interests)	
Items	This Period RMB'000	Last Period RMB'000	At the beginning of the period RMB'000	At the end of the period RMB'000
Under China Accounting Standards for Business Enterprises	(372,772)	1,758,290	20,999,444	19,823,791
Under IFRS	(358,080)	1,785,569	20,648,038	19,487,077

For details, please refer to section C of this interim report.

4. Supplementary information to the financial statements prepared under the China Accounting Standards for Business Enterprises

Return on net assets and earnings per share prepared in compliance with the "Regulations on the preparation of information disclosures by companies publicly issuing securities, No. 9" issued by the China Securities Regulatory Commission:

Loss for the reporting period	Return on net assets(%)		Loss per share(RMB)	
	Fully diluted	Weighted average	Basic loss per share	Diluted loss per share
Net loss attributable to equity shareholders of the Company	(1.880)	(1.826)	(0.052)	(0.052)
Net loss attributable to equity shareholders of the Company excluding non-recurring items	(8.353)	(8.112)	(0.230)	(0.230)

Review report to the board of directors of
Sinopec Shanghai Petrochemical Company Limited
For the six-month period ended 30 June 2008

Introduction

We have reviewed the interim financial report set out on pages 31 to 51, which comprises the consolidated balance sheet of Sinopec Shanghai Petrochemical Company Limited as of 30 June 2008 and the related consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 August 2008

A. Interim Financial Report prepared under International Accounting Standard 34 “Interim Financial Reporting” *(see note 1)*

Consolidated Income Statement for the six-month period ended 30 June 2008 *(unaudited)*

	Note	Six-month period ended 30 June 2008 RMB’000	2007 RMB’000
Turnover	2	**32,867,105**	26,820,241
Sales taxes and surcharges		**(572,750)**	(352,076)
Net sales		**32,294,355**	26,468,165
Other income	2	**1,627,727**	-
Cost of sales		**(34,218,330)**	(24,413,090)
Gross (loss) / profit		**(296,248)**	2,055,075
Selling and administrative expenses		**(270,356)**	(243,101)
Other operating income		**56,363**	63,414
Other operating expenses			
Employee reduction expenses		**(35,631)**	(50,733)
Others		**(32,777)**	(64,805)
Total other operating expenses		**(68,408)**	(115,538)
(Loss) / profit from operations		**(578,649)**	1,759,850
Financial income		**97,314**	36,766
Financial expenses		**(236,348)**	(125,523)
Net financing costs		**(139,034)**	(88,757)
Investment income		**131,772**	413,119
Share of profits of associates and jointly controlled entities		**152,101**	384,912
(Loss) / profit before taxation	2,3	**(433,810)**	2,469,124
Taxation	4	**102,120**	(653,094)
(Loss) / profit after taxation		**(331,690)**	1,816,030
Attributable to:			
Equity shareholders of the Company		**(358,080)**	1,785,569
Minority interests		**26,390**	30,461
(Loss) / profit after taxation		**(331,690)**	1,816,030
Basic (loss) / earnings per share	5	**(RMB 0.050)**	RMB 0.248

The notes on pages 36 to 51 form part of this unaudited interim financial report.

Consolidated Balance Sheet as at 30 June 2008 *(unaudited)*

	Note	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Non-current assets			
Property, plant and equipment	7	**14,240,780**	14,977,237
Investment property	8	**506,073**	512,793
Construction in progress		**1,158,037**	962,313
Interest in associates and jointly controlled entities		**2,690,387**	3,068,135
Other investments		**510,302**	714,427
Lease prepayments and other assets		**615,926**	649,337
Goodwill		**22,415**	22,415
Deferred tax assets		**212,994**	9,629
Total non-current assets		**19,956,914**	20,916,286
Current assets			
Inventories		**7,479,426**	5,197,849
Trade debtors	9	**241,568**	212,257
Bills receivable	9	**933,976**	1,757,131
Deposits, other debtors and prepayments		**555,471**	262,918
Amounts due from related parties	9	**1,356,774**	515,222
Income tax recoverable		**-**	98,222
Cash and cash equivalents		**758,941**	893,165
Total current assets		**11,326,156**	8,936,764
Current liabilities			
Loans and borrowings	10	**5,322,549**	4,091,969
Trade creditors	11	**2,198,130**	1,504,454
Bills payable	11	**178,141**	300,575
Other creditors		**1,477,655**	1,442,284
Amounts due to related parties	11	**1,911,970**	904,870
Income tax payable		**22,003**	17,580
Total current liabilities		**11,110,448**	8,261,732
Net current assets		**215,708**	675,032
Total assets less current liabilities		**20,172,622**	21,591,318
Non-current liabilities			
Loans and borrowings	10	**419,860**	639,289
Total non-current liabilities		**419,860**	639,289
Net assets		**19,752,762**	20,952,029
Shareholders' equity			
Share capital	12	**7,200,000**	7,200,000
Reserves	12	**12,287,077**	13,448,038
Total equity attributable to equity shareholders of the Company		**19,487,077**	20,648,038
Minority interests		**265,685**	303,991
Total equity		**19,752,762**	20,952,029

Approved and authorised for issue by the Board of Directors on 27 August 2008.

Rong Guangdao
Chairman and President

Han Zhihao
Director and Chief Financial Officer

The notes on pages 36 to 51 form part of this unaudited interim financial report.

Consolidated Statement of Changes in Shareholders' Equity for the six-month period ended 30 June 2008 *(unaudited)*

	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total equity attributable to equity shareholders of the Company RMB'000	Minority interests RMB'000	Total RMB'000
As at 1 January 2007		7,200,000	2,420,841	4,488,232	4,867,270	18,976,343	336,013	19,312,356
Unrealised gain for changes in fair value of available-for-sale securities, net of deferred tax		-	-	546,594	-	546,594	-	546,594
Transfer to profit or loss on disposal of available-for-sale securities, net of deferred tax		-	-	(276,790)	-	(276,790)	-	(276,790)
Total income and expense recognised directly in equity		-	-	269,804	-	269,804	-	269,804
Profit attributable to shareholders		-	-	-	1,785,569	1,785,569	30,461	1,816,030
Total recognised income and expense		-	-	269,804	1,785,569	2,055,373	30,461	2,085,834
Adjustment to statutory surplus reserve	12(a)	-	-	11,786	(11,786)	-	-	-
Dividends approved in respect of previous year	6	-	-	-	(288,000)	(288,000)	-	(288,000)
Dividends paid to minority shareholders		-	-	-	-	-	(5,686)	(5,686)
As at 30 June 2007		7,200,000	2,420,841	4,769,822	6,353,053	20,743,716	360,788	21,104,504

The notes on pages 36 to 51 form part of this unaudited interim financial report.

Consolidated Statement of Changes in Shareholders' Equity for the six-month period ended 30 June 2008 *(unaudited)*

	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total equity attributable to equity shareholders of the Company RMB'000	Minority interests RMB'000	Total RMB'000
As at 1 January 2008		7,200,000	2,420,841	4,969,548	6,057,649	20,648,038	303,991	20,952,029
Unrealised loss for changes in fair value of available-for-sale securities, net of deferred tax		-	-	(56,052)	-	(56,052)	-	(56,052)
Transfer to profit or loss on disposal of available-for-sale securities, net of deferred tax		-	-	(98,829)	-	(98,829)	-	(98,829)
Total income and expense recognised directly in equity		-	-	(154,881)	-	(154,881)	-	(154,881)
(Loss) / profit attributable to shareholders		-	-	-	(358,080)	(358,080)	26,390	(331,690)
Total recognised income and expense		-	-	(154,881)	(358,080)	(512,961)	26,390	(486,571)
Dividends approved in respect of previous year	6	-	-	-	(648,000)	(648,000)	-	(648,000)
Dividends paid to minority shareholders		-	-	-	-	-	(64,696)	(64,696)
As at 30 June 2008		7,200,000	2,420,841	4,814,667	5,051,569	19,487,077	265,685	19,752,762

The notes on pages 36 to 51 form part of this unaudited interim financial report.

Condensed Consolidated Cash Flow Statement for the six-month period ended 30 June 2008

(unaudited)

	Six-month period ended 30 June	
	2008	2007
	RMB'000	RMB'000
Net cash (used in) / generated from operating activities	**(1,056,163)**	1,243,445
Net cash generated from investing activities	**119,966**	142,962
Net cash generated from / (used in) financing activities	**802,802**	(1,478,550)
Net decrease in cash and cash equivalents	**(133,395)**	(92,143)
Cash and cash equivalents at the beginning of the period	**893,165**	894,650
Effect of exchange rate fluctuations on cash held	**(829)**	(1,008)
Cash and cash equivalents at the end of the period	**758,941**	801,499

The notes on pages 36 to 51 form part of this unaudited interim financial report.

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 a highly 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. KPMG's independent review report to the Board of Directors is included on page 30.

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

The preparation of interim financial report in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The financial information relating to the financial year ended 31 December 2007 included in the interim financial report do 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 2007 are available from the Company's registered office. The Company's independent auditors have expressed an unqualified opinion on those financial statements in their audit report dated 7 April 2008.

The accounting policies have been consistently applied by the Group and are consistent with those adopted in the 2007 annual financial statements. The 2007 annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. IFRS includes International Accounting Standards ("IAS") and related interpretations.

2. Segment reporting

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

	Six-month period ended 30 June	
	2008	2007
Turnover and other income	**RMB'000**	RMB'000
Manufactured products		
Synthetic fibres		
-External sales	**2,114,272**	2,304,678
-Intersegment sales	**42**	46
Total	**2,114,314**	2,304,724
Resins and plastics		
-External sales	**8,558,916**	8,117,734
-Intersegment sales	**50,534**	35,115
Total	**8,609,450**	8,152,849
Intermediate petrochemicals		
-External sales (note a)	**6,058,541**	4,202,885
-Intersegment sales	**11,257,562**	8,440,840
Total	**17,316,103**	12,643,725
Petroleum products		
-External sales (note a)	**14,590,287**	10,069,800
-Intersegment sales	**1,171,981**	782,449
-Other income (note b)	**1,627,727**	-
Total	**17,389,995**	10,852,249
All others		
-External sales	**1,545,089**	2,125,144
-Intersegment sales	**1,131,348**	1,535,505
Total	**2,676,437**	3,660,649
Elimination of intersegment sales	**(13,611,467)**	(10,793,955)
Turnover and other income	**34,494,832**	26,820,241

2. **Segment reporting** *(continued)*

(Loss) / profit before taxation	Six-month period ended 30 June 2008 RMB'000	2007 RMB'000
(Loss) / profit from operations		
Synthetic fibres	**(24,280)**	103,440
Resins and plastics	**12,471**	576,169
Intermediate petrochemicals	**56,341**	520,432
Petroleum products	**(626,476)**	477,217
All others	**3,295**	82,592
Consolidated (loss) / profit from operations	**(578,649)**	1,759,850
Net financing costs	**(139,034)**	(88,757)
Investment income	**131,772**	413,119
Share of profits of associates and jointly controlled entities	**152,101**	384,912
(Loss) / profit before taxation	**(433,810)**	2,469,124

Note (a): External sales include sales to Sinopec Corp group companies as follows:

	Six-month period ended 30 June 2008 RMB'000	2007 RMB'000
Sales to Sinopec Corp group companies		
Intermediate petrochemicals	**1,670,193**	1,195,851
Petroleum products	**12,611,224**	8,360,613
Total	**14,281,417**	9,556,464

Note (b): During the period ended 30 June 2008, the Group recognised grant income of RMB 1,627,727,000 (period ended 30 June 2007: RMB Nil). These grants were mainly for compensation of losses incurred due to the distortion of the correlation of domestic refined petroleum product prices and the crude oil prices, and the measures taken by the Group to stabilise the supply in the PRC refined petroleum product market during the period. There are no unfilled conditions and other contingencies attached to the receipts of these grants. There is no assurance that the Group will continue to receive such grants in the future.

3. (Loss) / profit before taxation

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

	Six-month period ended 30 June	
	2008	2007
	RMB'000	RMB'000
Interest on bank loans and advances	**246,394**	160,830
Less: Amount capitalised as construction in progress	**(10,046)**	(35,307)
Interest expense, net	**236,348**	125,523
Cost of inventories sold	**34,218,330**	24,413,090
Depreciation	**825,263**	817,110
Write down of inventories	**71,930**	-
Amortisation of lease prepayment and other assets	**8,428**	8,372
Net profit on sale of available-for-sale securities	**(131,772)**	(413,119)
Net (gain) / loss on disposal of property, plant and equipment	**(5,177)**	12,806

4. Taxation

Taxation in the consolidated income statement represents:

	Six-month period ended 30 June	
	2008	2007
	RMB'000	RMB'000
Provision for PRC income tax for the period	**49,617**	676,220
Deferred taxation	**(151,737)**	(23,126)
	(102,120)	653,094

The charge for PRC income tax is calculated at the rate of 25% (2007: 33%) 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.

5. **Basic (loss)/earnings per share**

The calculation of basic (loss) / earnings per share is based on the loss attributable to shareholders of the Company for the period of RMB 358,080,000 (period ended 30 June 2007: a profit of RMB 1,785,569,000) and 7,200,000,000 (six-month period ended 30 June 2007: 7,200,000,000) shares in issue during the period.

The amount of diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence for both periods.

6. **Dividends**

	Six-month period ended 30 June	
	2008	2007
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the period, of RMB 0.09 per share (2007: RMB 0.04 per share)	**648,000**	288,000

Pursuant to a resolution passed at the Annual General Meeting held on 12 June 2008, a final dividend of RMB 648,000,000 (2007: RMB 288,000,000) was declared and approved for the year ended 31 December 2007. The Directors do not recommend the payment of an interim dividend for the period (2007: RMB Nil).

7. Property, plant and equipment

	30 June 2008 RMB'000	31 December 2007 RMB'000
Cost or valuation:		
At 1 January	**35,234,625**	32,163,530
Additions	**514**	172,778
Transferred from construction in progress	**88,686**	3,533,277
Disposals	**(28,638)**	(634,960)
At 30 June / 31 December	**35,295,187**	35,234,625
Accumulated depreciation and impairment losses:		
At 1 January	**20,257,388**	18,803,668
Charge for the period/year	**818,543**	1,687,435
Impairment loss	**-**	200,295
Written back on disposals	**(21,524)**	(434,010)
At 30 June / 31 December	**21,054,407**	20,257,388
Net book value:		
Balance at 30 June / 31 December	**14,240,780**	14,977,237

8. Investment Property

	30 June 2008 RMB'000	31 December 2007 RMB'000
Cost:		
At 1 January	**554,233**	528,465
Additions	**-**	25,768
At 30 June / 31 December	**554,233**	554,233
Accumulated depreciation:		
At 1 January	**41,440**	26,561
Charge for the period / year	**6,720**	14,879
At 30 June / 31 December	**48,160**	41,440
Net book value:		
At 30 June / 31 December	**506,073**	512,793

8. Investment Property *(continued)*

Investment property represents certain floors of an office building rented out under the terms of operating leases.

The fair value of the investment property of the Group as at 30 June 2008 is estimated by the directors to be approximately RMB 764,026,000, by reference to market values of like properties in the relevant regions (31 December 2007: RMB 715,779,000). The investment property has not been valued by an external independent valuer.

Rental income of RMB 21,746,000 was received during the period ended 30 June 2008 (period ended 30 June 2007: RMB 21,005,000).

9. Trade accounts receivable

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Trade debtors	**266,159**	236,848
Less: Impairment losses for bad and doubtful debts	**(24,591)**	(24,591)
	241,568	212,257
Bills receivable	**933,976**	1,757,131
Amounts due from related parties	**1,356,774**	515,222
	2,532,318	2,484,610

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

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Invoice date:		
Within one year	**2,531,688**	2,483,551
Between one and two years	**630**	1,059
	2,532,318	2,484,610

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

10. Loans and borrowings

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Short-term loans	**4,703,190**	3,672,942
Current portion of long-term bank loans	**619,359**	419,027
Loans and borrowings - current	**5,322,549**	4,091,969
Loans and borrowings - non-current	**419,860**	639,289
	5,742,409	4,731,258

11. Trade accounts payable

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Trade creditors	**2,198,130**	1,504,454
Bills payable	**178,141**	300,575
Amounts due to related parties	**1,911,970**	904,870
	4,288,241	2,709,899

The maturity analysis of trade accounts payable is as follows:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Due within 1 month or on demand	**3,969,197**	2,439,156
Due after 1 month and within 3 months	**312,044**	270,743
Due after 3 months and within 6 months	**7,000**	-
	4,288,241	2,709,899

12. Capital and reserves

		Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Capital reserve RMB'000	Discretionary surplus reserve RMB'000	Excess over share capital RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007:		7,200,000	2,420,841	3,330,193	4,180	1,280,514	(148,604)	21,949	4,867,270	18,976,343	336,013	19,312,356
Unrealised gain for changes in fair value of available-for-sale securities, net of deferred tax		-	-	-	-	-	-	546,594	-	546,594	-	546,594
Transfer to profit or loss on disposal of available-for-sale securities, net of deferred tax		-	-	-	-	-	-	(276,790)	-	(276,790)	-	(276,790)
Profit attributable to shareholders		-	-	-	-	-	-	-	1,785,569	1,785,569	30,461	1,816,030
Adjustment to statutory surplus reserve	(a)	-	-	11,786	-	-	-	-	(11,786)	-	-	-
Dividends approved in respect of previous year	6	-	-	-	-	-	-	-	(288,000)	(288,000)	-	(288,000)
Dividends paid to minority shareholders		-	-	-	-	-	-	-	-	-	(5,686)	(5,686)
At 30 June 2007		7,200,000	2,420,841	3,341,979	4,180	1,280,514	(148,604)	291,753	6,353,053	20,743,716	360,788	21,104,504

12. Capital and reserves *(continued)*

	Note	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Capital reserve RMB'000	Discretionary surplus reserve RMB'000	Excess over share capital RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company										
At 1 July 2007		7,200,000	2,420,841	3,341,979	4,180	1,280,514	(148,604)	291,753	6,353,053	20,743,716	360,788	21,104,504
Unrealised gain for changes in fair value of available-for-sale securities, net of deferred tax		-	-	-	-	-	-	295,408	-	295,408	-	295,408
Transfer to profit or loss on disposal of available-for-sale securities, net of deferred tax		-	-	-	-	-	-	(239,597)	-	(239,597)	-	(239,597)
(Loss) / profit attributable to shareholders		-	-	-	-	-	-	-	(151,489)	(151,489)	18,595	(132,894)
Adjustment to statutory surplus reserve	(a)	-	-	(48,519)	-	-	-	-	48,519	-	-	-
Appropriation	(b)	-	-	192,434	-	-	-	-	(192,434)	-	-	-
Dividends paid to minority shareholders		-	-	-	-	-	-	-	-	-	(75,392)	(75,392)
At 31 December 2007		7,200,000	2,420,841	3,485,894	4,180	1,280,514	(148,604)	347,564	6,057,649	20,648,038	303,991	20,952,029

12. Capital and reserves *(continued)*

	Note	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Capital reserve RMB'000	Discretionary surplus reserve RMB'000	Excess over share capital RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company										
At 1 January 2008:		7,200,000	2,420,841	3,485,894	4,180	1,280,514	(148,604)	347,564	6,057,649	20,648,038	303,991	20,952,029
Unrealised gain for changes in fair value of available-for-sale securities, net of deferred tax		-	-	-	-	-	-	(56,052)	-	(56,052)	-	(56,052)
Transfer to profit or loss on disposal of available-for-sale securities, net of deferred tax		-	-	-	-	-	-	(98,829)	-	(98,829)	-	(98,829)
(Loss) / profit attributable to shareholders		-	-	-	-	-	-	-	(358,080)	(358,080)	26,390	(331,690)
Dividends approved in respect of previous year	6	-	-	-	-	-	-	-	(648,000)	(648,000)	-	(648,000)
Dividends paid to minority shareholders		-	-	-	-	-	-	-	-	-	(64,696)	(64,696)
At 30 June 2008		7,200,000	2,420,841	3,485,894	4,180	1,280,514	(148,604)	192,683	5,051,569	19,487,077	265,685	19,752,762

Notes:

(a) Commencing from 1 January 2007, the Group has adopted the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (the "MOF") on 15 February 2006, certain PRC accounting policies have been changed and applied retrospectively. The net profits as determined in accordance with the China Accounting Standards for Business Enterprises for prior periods have been restated and the statutory surplus reserve has been adjusted based on 10% of the restated net profits. The adjustment to the statutory surplus reserve was reflected as a movement in 2007.

(b) According to the Company's Articles of Association, the Company is required to transfer 10% of the Company's profit after taxation, as determined under China Accounting Standards for Business Enterprises, to a statutory surplus reserve until the reserve balance reaches 50% of the registered capital.

13. Related party transactions

(a) Most of the transactions undertaken by the Group during the six-month period ended 30 June 2008 have been affected with such counterparties and on such terms as have been determined by China Petroleum & Chemical Corporation ("Sinopec Corp"), the immediate parent company, and other relevant PRC authorities.

Sinopec Corp negotiates and agrees the terms of crude oil supply with suppliers on a group basis, which is then allocated among its subsidiaries, including the Group, on a discretionary basis. During the six-month period ended 30 June 2008, the value of crude oil purchased in accordance with Sinopec Corp's allocation was as follows:

	Six-month period ended 30 June	
	2008	2007
	RMB'000	RMB'000
Purchases of crude oil	**20,354,163**	15,182,743

(b) Other transactions between the Group and other related parties during the six-month period ended 30 June 2008 were as follows:

	Six-month period ended 30 June	
	2008	2007
	RMB'000	RMB'000
Sales of goods and service fee income	**15,319,559**	10,442,978
Purchases other than crude oil	**3,031,338**	1,923,125
Insurance premiums paid	**57,721**	49,833
Net addition / (withdrawal) from deposits in a related party	**2,977**	(53,696)
Interest received and receivable	**315**	273
Loans borrowed	**213,000**	180,000
Loans repayment	**1,328,300**	-
Interest paid and payable	**13,940**	903
Construction and installation fees	**16,773**	64,737
Gains from disposal of investments	**-**	14,585
Sales commissions	**111,242**	93,891
Net decrease of guarantees	**-**	(28,750)
Rental income from related parties	**9,150**	6,915

13. Related party transactions *(continued)*

(c) Deposits with related parties

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Deposits, with maturity within 3 months	**32,713**	29,736

(d) Loans with related parties

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Short-term loans	**240,000**	1,355,300
Long-term loans	**120,000**	120,000
	360,000	1,475,300

(e) Key management personnel compensation and post-employment benefit plans

	Six-month period ended 30 June	
	2008 RMB'000	2007 RMB'000
Short-term employee benefits	**4,118**	2,638
Post-employment benefits	**19**	16
	4,137	2,654

Post-employment benefits are included in "contributions to defined contribution retirement plans" as disclosed in Note 13(f).

(f) Contributions to defined contribution retirement plans

The Group participates in defined contribution retirement plans organised by municipal governments for its staff. The contributions to defined contribution retirement plans are as follows:

	Six-month period ended 30 June	
	2008 RMB'000	2007 RMB'000
Municipal retirement scheme costs	**96,491**	96,181
Supplementary retirement scheme costs	**24,720**	22,242

At 30 June 2008 and 31 December 2007, there was no material outstanding contribution to post-employment benefit plans.

13. Related party transactions *(continued)*

(g) Transactions with other state-owned entities in the PRC

The Group is a state-controlled enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government (collectively referred as "state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Apart from transactions with related parties, the Group has transactions with other state-controlled entities include but are not limited to the following:

- sales and purchase of goods and ancillary materials;
- rendering and receiving services;
- lease of assets, purchase of property, plant and equipment;
- placing deposits and obtaining finance; and
- use of public utilities.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state controlled. The Group has established its procurement policies, pricing strategy and approval process for purchases and sales of products and services which do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the entity's pricing strategy, procurement policies and approval processes, and the information that would be necessary for an understanding of the potential effect of the related party relationship on the financial statements, the directors are of the opinion that the following transactions require disclosure of numeric details.

(i) Transactions with other state-controlled energy and chemical companies

The Group's major domestic suppliers of crude oil are China National Offshore Oil Corporation and its subsidiaries and Sinochem International Corporation and its subsidiaries, which are state-controlled entities.

During the six-month period ended 30 June 2008, the aggregate amount of crude oil purchased by the Group from the above state-controlled energy and chemical companies are listed as follows:

	Six-month period ended 30 June	
	2008	2007
	RMB'000	RMB'000
Purchases of crude oil	**6,324,967**	1,336,182

13. Related party transactions *(continued)*

(g) Transactions with other state-owned entities in the PRC *(continued)*

(i) Transactions with other state-controlled energy and chemical companies *(continued)*

The amounts due to the above state-controlled energy and chemical companies are listed as follows:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Trade creditors and bills payable	**347,930**	-

(ii) Transactions with state-controlled banks

The Group deposits its cash with several state-controlled banks in the PRC. The Group also obtains short-term and long-term loans from these banks in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People's Bank of China. The Group's interest income from and interest expenses to these state-controlled banks in the PRC are as follows:

	Six-month period ended 30 June	
	2008 RMB'000	2007 RMB'000
Interest income	**33,934**	21,371
Interest expenses	**222,261**	113,232

The amounts of cash deposited at and loans from state-controlled banks in the PRC are summarised as follows:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Cash and cash equivalents at state-controlled banks in the PRC	**675,067**	745,401
Short-term loans and current portion of long-term loans	**5,053,190**	2,711,739
Long-term loans excluding current portion of long-term loans	**250,000**	465,000
Total loans from state-controlled banks in the PRC	**5,303,190**	3,176,739

14. Capital commitments

The Group had capital commitments outstanding as at 30 June 2008 and 31 December 2007 not provided for in the financial statements as follows:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Property, plant and equipment		
Contracted but not provided for	**280,358**	311,991
Authorised by the Board but not contracted for	**3,364,980**	3,546,960
	3,645,338	3,858,951

15. Contingent liabilities

(a) Financial guarantees issued

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Guarantees issued to banks in favour of:		
- associates	**14,500**	14,500
- joint ventures	**16,247**	16,247
	30,747	30,747

Guarantees issued to banks in favour of associates and joint ventures are given to the extent of the Company's respective interest in these entities. The Group monitors the conditions that are subject to the guarantees to identify whether it is probable that a loss has occurred, and recognise any such losses under guarantees when those losses are estimable. At 30 June 2008, it is not probable that the Group will be required to make payments under the guarantees. Thus no liability has been accrued for a loss related to the Group's obligation under the guarantees arrangement.

(b) Income tax differences

Regarding the issue on the enterprise income tax differences arising from prior years as disclosed in Note 11 (a) and 32 (b) in the Company's 2007 annual financial statements, the Company has been informed by the relevant tax authority to settle the enterprise income tax ("EIT") for 2007 at a rate of 33 percent. Up till now, the Company has not been requested to pay additional EIT in respect of any years prior to 2007. Except for the above, there is no further development of this matter during the six-month period ended 30 June 2008.

B. Interim Financial Statements prepared under China Accounting Standards for Business Enterprises (CAS (2006))

Balance Sheet *(Unaudited)*

		The Group		The Company	
	Note	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000
Assets					
Current assets					
Cash at bank and on hand	6	**758,941**	893,165	**398,133**	634,533
Bills receivable	7	**956,476**	1,800,856	**803,979**	1,669,202
Trade debtors	8	**1,042,672**	563,093	**854,153**	420,734
Advance payments	9	**57,301**	123,939	**45,671**	105,211
Dividends receivable	10	**200,758**	-	**200,000**	-
Other receivables	11	**410,965**	254,420	**422,264**	213,481
Inventories	12	**7,479,426**	5,197,849	**6,920,699**	4,780,473
Total current assets		**10,906,539**	8,833,322	**9,644,899**	7,823,634
Non-current assets					
Available-for-sale financial assets	13	**270,291**	478,793	**255,433**	434,554
Long-term equity investments	14	**3,165,398**	3,543,769	**4,470,241**	5,081,193
Investment property	15	**506,073**	512,793	**561,866**	569,326
Fixed assets	16	**14,509,446**	15,259,283	**13,195,613**	13,753,579
Construction in progress	17	**1,161,187**	965,463	**1,134,481**	940,491
Intangible assets	18	**587,574**	597,897	**465,722**	460,638
Long-term deferred expenses		**148,970**	173,807	**143,756**	167,582
Deferred tax assets	19	**279,944**	129,207	**279,703**	126,519
Total non-current assets		**20,628,883**	21,661,012	**20,506,815**	21,533,882
Total assets		**31,535,422**	30,494,334	**30,151,714**	29,357,516

The notes on pages 59 to 140 form part of these unaudited financial statements.

Balance Sheet *(Unaudited) (continued)*

	Note	The Group At 30 June 2008 RMB'000	The Group At 31 December 2007 RMB'000	The Company At 30 June 2008 RMB'000	The Company At 31 December 2007 RMB'000
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans	21	**4,703,190**	3,672,942	**4,458,190**	3,289,642
Bills payable	22	**892,641**	300,575	**877,430**	285,594
Trade creditors	22	**2,640,328**	1,913,118	**2,114,492**	1,797,640
Receipts in advance	22	**360,144**	429,516	**320,528**	397,112
Employee benefits payable	23	**27,222**	85,651	**21,121**	68,212
Taxes payable	4(3)	**(311,367)**	70,533	**(336,512)**	46,333
Interest payable		**10,845**	11,796	**10,845**	11,796
Dividends payable	24	**446,199**	-	**385,143**	-
Other payables	22	**1,273,171**	1,236,529	**1,706,016**	1,585,040
Current portion of non-current liabilities	25	**619,359**	419,027	**450,000**	259,097
Total current liabilities		**10,661,732**	8,139,687	**10,007,253**	7,740,466
Non-current liabilities					
Long-term loans	25	**419,860**	639,289	**250,000**	450,000
Deferred tax liabilities	19	**97,105**	150,170	**91,371**	137,186
Other non-current liabilities		**267,249**	261,753	**267,249**	261,753
Total non-current liabilities		**784,214**	1,051,212	**608,620**	848,939
Total liabilities		**11,445,946**	9,190,899	**10,615,873**	8,589,405
Shareholders' equity					
Share capital	26	**7,200,000**	7,200,000	**7,200,000**	7,200,000
Capital reserve	27	**3,048,961**	3,203,842	**3,038,492**	3,171,623
Surplus reserve	28	**4,766,408**	4,766,408	**4,766,408**	4,766,408
Retained earnings		**4,808,422**	5,829,194	**4,530,941**	5,630,080
Total equity attributable to equity shareholders of the Company		**19,823,791**	20,999,444	**19,535,841**	20,768,111
Minority interests	5	**265,685**	303,991	**-**	-
Total equity		**20,089,476**	21,303,435	**19,535,841**	20,768,111
Total liabilities and shareholders' equity		**31,535,422**	30,494,334	**30,151,714**	29,357,516

The notes on pages 59 to 140 form part of these unaudited financial statements.

Income Statement *(Unaudited)*

	Note	Six-month period ended 30 June			
		The Group		The Company	
		2008	2007	**2008**	2007
		RMB'000	RMB'000	**RMB'000**	RMB'000
Operating income	29	**32,907,761**	26,883,431	**30,432,883**	23,917,553
Less: Operating costs	30	**33,304,394**	23,678,698	**31,021,843**	20,974,168
Business taxes and surcharges	31	**572,750**	352,076	**567,321**	345,312
Selling and distribution expenses		**270,356**	243,101	**227,827**	197,250
General and administrative expenses		**899,460**	813,358	**785,416**	694,282
Financial expenses	32	**139,034**	88,757	**112,507**	70,934
Impairment loss	33	**71,956**	(106)	**182,227**	143
Add: Investment income	34	**285,100**	787,286	**257,679**	983,780
Including: income from investment in associates and jointly controlled entities		**147,101**	384,912	**133,500**	372,876
Operating (loss)/profit		**(2,065,089)**	2,494,833	**(2,206,579)**	2,619,244
Add: Non-operating income	35	**1,642,207**	10,969	**1,640,775**	8,819
Less: Non-operating expenses	36	**26,057**	51,807	**25,651**	39,849
Including: loss from disposal of non-current assets		**2,024**	16,140	**2,023**	5,859
(Loss)/profit before income tax		**(448,939)**	2,453,995	**(591,455)**	2,588,214
Less: Income tax	37	**(102,557)**	665,244	**(140,316)**	641,077
Net (loss)/profit		**(346,382)**	1,788,751	**(451,139)**	1,947,137
Attributable to:					
Equity shareholders of the Company		**(372,772)**	1,758,290		
Minority shareholders		**26,390**	30,461		
Basic and diluted (loss)/earnings per share	47	**(0.052)**	0.244		

The notes on pages 59 to 140 form part of these unaudited financial statements.

Cash flow statement *(Unaudited)*

		Six-month period ended 30 June			
		The Group		The Company	
	Note	**2008**	2007	**2008**	2007
		RMB'000	RMB'000	**RMB'000**	RMB'000
Cash flows from operating activities:					
Cash received from sale of goods and rendering of services		**39,222,587**	31,315,528	**35,933,384**	27,534,488
Refund of taxes		**83,917**	9,679	**83,917**	-
Other cash received relating to operating activities		**1,419,246**	2,635	**1,417,933**	545
Sub-total of cash inflows		**40,725,750**	31,327,842	**37,435,234**	27,535,033
Cash paid for goods and services		**(39,938,084)**	(28,213,551)	**(37,126,600)**	(24,828,352)
Cash paid to and for employees		**(920,685)**	(889,202)	**(735,542)**	(629,052)
Cash paid for all types of taxes		**(473,148)**	(725,437)	**(431,337)**	(693,424)
Other cash paid relating to operating activities		**(202,651)**	(164,397)	**(185,884)**	(167,276)
Sub-total of cash outflows		**(41,534,568)**	(29,992,587)	**(38,479,363)**	(26,318,104)
Net cash (outflow)/ inflow from operating activities	38(1)	**(808,818)**	1,335,255	**(1,044,129)**	1,216,929
Cash flows from investing activities:					
Cash received from disposal of investments		**153,997**	477,873	**120,001**	392,781
Cash received from investment income		**335,318**	269,351	**327,239**	549,575
Net cash received from disposal of fixed assets and intangible assets		**12,437**	47,133	**6,834**	31,702
Other cash received relating to investing activities		**34,249**	21,644	**29,367**	18,068
Sub-total of cash inflows		**536,001**	816,001	**483,441**	992,126
Cash paid for acquisition of fixed assets and intangible assets		**(416,035)**	(673,039)	**(411,920)**	(656,148)
Sub-total of cash outflows		**(416,035)**	(673,039)	**(411,920)**	(656,148)
Net cash inflow from investing activities		**119,966**	142,962	**71,521**	335,978

The notes on pages 59 to 140 form part of these unaudited financial statements.

Cash flow statement *(Unaudited) (continued)*

		Six-month period ended 30 June			
		The Group		The Company	
	Note	**2008**	2007	**2008**	2007
		RMB'000	RMB'000	**RMB'000**	RMB'000
Cash flows from financing activities:					
Proceeds from borrowings		**13,993,717**	7,315,948	**13,860,717**	6,960,948
Sub-total of cash inflows		**13,993,717**	7,315,948	**13,860,717**	6,960,948
Repayment of borrowings		**(12,912,189)**	(8,773,440)	**(12,633,166)**	(8,586,613)
Cash paid for dividends, profits distribution and interest		**(526,071)**	(112,868)	**(491,337)**	(72,877)
Sub-total of cash outflows		**(13,438,260)**	(8,886,308)	**(13,124,503)**	(8,659,490)
Net cash inflow/(outflow) from financing activities		**555,457**	(1,570,360)	**736,214**	(1,698,542)
Effect of foreign exchange rate changes on cash and cash equivalents	38(2)	**(829)**	(1,008)	**(6)**	(36)
Net decrease in cash and cash equivalents		**(134,224)**	(93,151)	**(236,400)**	(145,671)
Add: cash and cash equivalents at the beginning of the period		**893,165**	894,650	**634,533**	551,693
Cash and cash equivalents at the end of the period		**758,941**	801,499	**398,133**	406,022

The notes on pages 59 to 140 form part of these unaudited financial statements.

Consolidated Statement of Changes in Shareholders' Equity *(Unaudited)*

Six-month period ended 30 June

2008

	Attributable to equity shareholders of the Company						
	Share Capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 31 December	7,200,000	3,203,842	4,766,408	5,829,194	20,999,444	303,991	21,303,435
Changes in accounting policies	-	-	-	-	-	-	-
Balance at 1 January	7,200,000	3,203,842	4,766,408	5,829,194	20,999,444	303,991	21,303,435
Changes in equity for the period							
1. Net (loss)/profit for the period	-	-	-	(372,772)	(372,772)	26,390	(346,382)
2. Gain and loss recognised directly in equity							
- Net changes in fair value of available-for-sale financial assets	-	(154,881)	-	-	(154,881)	-	(154,881)
Sub-total of 1&2	-	(154,881)	-	(372,772)	(527,653)	26,390	(501,263)
3. Appropriation of profits							
- Distribution to shareholders	-	-	-	(648,000)	(648,000)	(64,696)	(712,696)
Balance at 30 June	7,200,000	3,048,961	4,766,408	4,808,422	19,823,791	265,685	20,089,476

2007

	Attributable to equity shareholders of the Company						
	Share Capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 31 December	7,200,000	2,945,607	4,610,707	4,516,774	19,273,088	336,013	19,609,101
Changes in accounting policies	-	(67,380)	(36,733)	200,744	96,631	-	96,631
Balance at 1 January	7,200,000	2,878,227	4,573,974	4,717,518	19,369,719	336,013	19,705,732
Changes in equity for the period							
1. Net (loss)/profit for the period	-	-	-	1,758,290	1,758,290	30,461	1,788,751
2. Gain and loss recognised directly in equity							
- Net changes in fair value of available-for-sale financial assets	-	269,804	-	-	269,804	-	269,804
Sub-total of 1&2	-	269,804	-	1,758,290	2,028,094	30,461	2,058,555
3. Appropriation of profits							
- Distribution to shareholders	-	-	-	(288,000)	(288,000)	(5,686)	(293,686)
Balance at 30 June	7,200,000	3,148,031	4,573,974	6,187,808	21,109,813	360,788	21,470,601

The notes on pages 59 to 140 form part of these unaudited financial statements.

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

	Six-month period ended 30 June									
	2008					2007				
	Share Capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000	Share Capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 31 December	7,200,000	3,171,623	4,766,408	5,630,080	20,768,111	7,200,000	2,945,607	4,610,707	4,516,774	19,273,088
Changes in accounting policies	-	-	-	-	-	-	(76,932)	(36,733)	(330,594)	(444,259)
Balance at 1 January	7,200,000	3,171,623	4,766,408	5,630,080	20,768,111	7,200,000	2,868,675	4,573,974	4,186,180	18,828,829
Changes in equity for the period										
1. Net (loss)/profit for the period	-	-	-	(451,139)	(451,139)	-	-	-	1,947,137	1,947,137
2. Gain and loss recognised directly in equity										
- Net changes in fair value of available-for-sale financial assets	-	(133,131)	-	-	(133,131)	-	255,121	-	-	255,121
Sub-total of 1&2	-	(133,131)	-	(451,139)	(584,270)	-	255,121	-	1,947,137	2,202,258
3. Appropriation of profits										
- Distribution to shareholders	-	-	-	(648,000)	(648,000)	-	-	-	(288,000)	(288,000)
Balance at 30 June	7,200,000	3,038,492	4,766,408	4,530,941	19,535,841	7,200,000	3,123,796	4,573,974	5,845,317	20,743,087

The notes on pages 59 to 140 form part of these unaudited financial statements.

Notes to the Unaudited Interim Financial Statements

(Prepared under China Accounting Standards for Business Enterprises (CAS(2006))

1. Company status

Sinopec Shanghai Petrochemical Company Limited ("the Company"), formerly Shanghai Petrochemical Company Limited, was established in the People's Republic of China ("the PRC") on 29 June 1993 as a joint stock limited company to hold the assets and liabilities of the production divisions and certain other units of the Shanghai Petrochemical Complex ("SPC"), a State-owned enterprise. Shanghai Petrochemical Complex was under the direct supervision of China Petrochemical Corporation ("Sinopec").

China Petrochemical Corporation finished its reorganisation on 25 February 2000. After the reorganisation, China Petroleum & Chemical Corporation ("Sinopec Corp") was established. As a part of the reorganisation, China Petrochemical Corporation transferred its 4,000,000,000 of the Company's state-owned legal shares, which represented 55.56 percent of the issued share capital of the Company, to Sinopec Corp. Sinopec Corp became the largest shareholder of the Company.

The Company changed its name to Sinopec Shanghai Petrochemical Company Limited on 12 October 2000.

The Company and its subsidiaries ("the Group") is a highly integrated entity which processes crude oil into synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products.

Details of the Company's principal subsidiaries are set out in Note 5 "Business combination and consolidated financial statements".

2. Basis of preparation

(1) Statement of compliance

The financial statements have been prepared in accordance with the requirements of the China Accounting Standards for Business Enterprises (CAS (2006)) issued by the Ministry of Finance (MOF). These financial statements present truly and completely the consolidated financial position and financial position, the consolidated results of operations and results of operations and the consolidated cash flows and cash flows of the Group.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" revised by the China Securities Regulatory Commission (CSRC) in 2007.

2. Basis of preparation *(continued)*

(2) Accounting year

The accounting year of the Group is from 1 January to 31 December.

(3) Measurement basis

The measurement basis used in the preparation of the financial statements is historical cost basis except that the assets and liabilities set out below:

- Available-for-sale financial assets (See Notes 3(11))

(4) Functional currency and presentation currency

The Group's functional currency is renminbi. These financial statements are presented in renminbi.

3. Significant accounting policies

(1) Business combination and consolidated financial statements

(a) Business combination involving entities under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being absorbed at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings. The combination date is the date on which the Company effectively obtains control of the enterprise being absorbed.

(b) Business combination involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The cost of a business combination paid by the Group is the aggregate of the fair value at the acquisition date of assets given, liabilities incurred or assumed, and equity securities issued by the Group, in exchange for control of the acquiree plus any cost directly attributable to the business combination. The difference between the fair value and the carrying amount of the assets given is recognised in profit or loss. The acquisition date is the date on which the Group effectively obtains control of the acquiree.

3. Significant accounting policies *(continued)*

(1) Business combination and consolidated financial statements *(continued)*

(b) Business combination involving entities not under common control *(continued)*

The Group, at the acquisition date, allocates the cost of the business combination by recognising the acquiree's identifiable asset, liabilities and contingent liabilities at their fair value at that date.

Any excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets is recognised as goodwill.

Any excess of the Group's interest in the fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised in profit or loss.

(c) Consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where the Company combines a subsidiary during the reporting period through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts in the subsidiary's financial statements, from the date that common control was established.

Where the Company acquires a subsidiary during the reporting period through a business combination involving entities not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into consolidated financial statements from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

Minority interest is presented separately in the consolidated balance sheet within equity. Net profit or loss attributable to minority shareholders is presented separately in the consolidated income statement below the net profit line item.

3. Significant accounting policies *(continued)*

(1) Business combination and consolidated financial statements *(continued)*

(c) Consolidated financial statements *(continued)*

Where the amount of losses attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the equity of the subsidiary, the excess, and any further losses attributable to the minority shareholders, are allocated against the equity attributable to the Company except to the extent that the minority shareholders have a binding obligation under the articles of association or an agreement and are able to make additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the equity attributable to the Company until the minority shareholders' share of losses previously absorbed by the Company has been recovered.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(2) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to renminbi at the spot exchange rate on the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to renminbi at the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the People's Bank of China.

Monetary items denominated in foreign currencies are translated to renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are recognised in profit or loss, except those arising from the principals and interests on foreign currency borrowings specifically for the purpose of acquisition, construction of qualifying assets (see Note 3(17)). Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to renminbi using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at available-for-sale financial assets, the exchange differences are recognised in capital reserve.

3. Significant accounting policies *(continued)*

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(4) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost of inventories comprises all costs of purchase, costs of conversion and other costs. Inventories are initially measured at their actual cost. Cost of inventories is calculated using the weighted average method. In addition to the purchasing cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories. Net realisable value is the estimated selling price in the normal course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale.

Consumables, packaging and other ancillary materials are expensed or recognised as the costs of related assets when being consumed.

The Group maintains a perpetual inventory system.

(5) Long-term equity investments

(a) Investments in subsidiaries

In the Group's consolidated financial statements, investment in subsidiaries are accounted for in accordance with the principles described in Note 3(1)(c).

In the Company's financial statements, investments in subsidiaries are accounted for using the cost method. The investments are stated at cost less impairment losses (see Note 3(10)) in the balance sheet. At initial recognition, such investments are measured as follows:

3. Significant accounting policies *(continued)*

(5) Long-term equity investments *(continued)*

(a) Investments in subsidiaries *(continued)*

- The initial investment cost of a long-term equity investment obtained through a business combination involving entities under common control is the absorbing enterprise's share of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amounts of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained earnings.

- The initial investment cost of a long-term equity investment obtained through a business combination involving entities not under common control is the cost of acquisition determined at the acquisition date.

- An investment in a subsidiary acquired otherwise than through a business combination is initially recognised at actual payment cost if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities, or at the value stipulated in the investment contract or agreement if an investment is contributed by investors.

(b) Investment in jointly controlled entities and associates

A jointly controlled entity is an enterprise which operates under joint control in accordance with a contractual agreement between the Group and other parties. Joint control is the contractual agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control.

An associate is an enterprise over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not control or joint control over those policies.

An investment in a jointly controlled entity or an associate is accounted for using the equity method, unless the investment is classified as held for sale. The investment is classified as held for sale when the Group has made a decision and signed a non-cancellable agreement on the transfer of the investment with the transferee, and the transfer is expected to be completed within one year. The investment held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Any excess of its carrying amount over fair value less costs to sell is recognised as a provision for impairment loss of the investment.

3. Significant accounting policies *(continued)*

(5) Long-term equity investments *(continued)*

(b) Investment in jointly controlled entities and associates *(continued)*

At period-end, the Group makes provision for impairment loss of investments in jointly controlled entities and associates (see Note 3(10)).

An investment in a jointly controlled entity or an associate is initially recognised at actual payment cost if the Group acquires the investment by cash, at the fair value of the equity securities issued if an investment is acquired by issuing equity securities, or at the value stipulated in the investment contract or agreement if an investment is contributed by an investor.

The Group makes the following accounting treatments when using the equity method:

- Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

- After the acquisition of the investment, the Group recognises its share of the investee's net profits or losses as investment income or losses, and adjusts the carrying amount of the investment accordingly. The carrying amount of investment is reduced by that attributable to the Group once the investee declares any cash dividends or profits distributions.

  The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair values of the investee's individual separately identifiable assets at the time of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated for the part attributable to the Group calculated based on its share of the associates or jointly controlled entities. Unrealised losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

3. Significant accounting policies *(continued)*

(5) Long-term equity investments *(continued)*

(b) Investment in jointly controlled entities and associates *(continued)*

- The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associates or the jointly controlled entities is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Where net profits are subsequently made by the associates or jointly controlled entities, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses not recognised.

(c) Other long-term equity investments

Other long-term equity investments refer to investments for which the Group does not have the right to control, have joint control or exercise significant influence over the investees, and for which the investments are not quoted in an active market and their fair value cannot be reliably measured.

Such investments are initially recognised at the cost determined in accordance with the same principles as those for jointly controlled entities and associates, and then accounted for using the cost method. At period-end the Group makes provision for impairment losses on such investments (see Note 3(11)).

(6) Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both.

Investment property is accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation and impairment loss (see Note 3(10)). Investment property is depreciated using the straight-line method over its estimated useful life.

	Estimated useful life	Estimated residual value	Depreciation rate
Property	40 years	3%	2.43%

3. Significant accounting policies *(continued)*

(7) Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Group for use in the production of goods or supply of services or for operation and administrative purposes with useful lives over one year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(10)). Construction in progress is stated in the balance sheet at cost less impairment losses (see Note 3(10)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note 3(17)), and any other costs directly attributable to bringing the asset to working condition for its intended use.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as a separate fixed asset.

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Fixed assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives, residual values and depreciation rates of each class of fixed assets are as follows:

	Estimated useful life	Estimated residual value	Depreciation rate
Buildings	15 - 40 years	3%-5%	2.4%-6.5%
Plants, machinery and other equipment	5 - 26 years	3%-5%	3.7%-19.4%

Useful lives, residual values and depreciation methods are reviewed at at least each year-end.

3. Significant accounting policies *(continued)*

(8) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and provision for impairment losses (see Note 3(10)). For an intangible asset with finite useful life, its cost less residual value and impairment loss is amortised on a straight-line basis over the period of expected useful lives. The respective amortisation periods for such intangible assets are as follows:

Land use rights	50 years
Other intangible assets	2-27.75 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group doesn't have any intangible assets with indefinite useful lives.

Expenditures on an internal research and development project are classified into expenditures on the research phase and expenditures on the development phase. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products or processes before the start of commercial production or use.

Expenditures on research phase are recognised in profit or loss when incurred. Expenditures on development phase are capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete development. Capitalised development costs are stated at cost less impairment losses (see Note 3(10)). Other development expenditures are recognised as expenses in the period in which they are incurred.

(9) Goodwill

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control.

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net asset acquired at the date of exchange.

Goodwill is not amortised and is stated at cost less accumulated impairment losses (see Note 3(10)). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

3. Significant accounting policies *(continued)*

(10) Impairment of non-financial long-term assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- intangible assets
- investment property measured using a cost model
- investments in subsidiaries, associates and jointly controlled entities.

If any indication exists that an asset may be impaired, recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amount of goodwill at at least each year-end, irrespective of whether there is any indication of impairment or not. Goodwill is tested for impairment together with its related asset groups or sets of asset groups.

An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An asset group is composed of assets directly relating to cash-generation. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The recoverable amount of an asset, asset group or set of asset groups is the higher of its fair value less costs to sell and its present value of expected future cash flows.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. A provision for impairment loss of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, that the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

An impairment loss is not reversed in subsequent periods.

3. Significant accounting policies *(continued)*

(11) Financial instruments

Financial instruments of the Group comprise cash at bank and on hand, receivables, payables, available-for-sale financial assets, loans and borrowings, short-term debentures payable and share capital, etc.

(a) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to contractual provisions of a financial instruments.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs. Subsequent to initial recognition financial assets and liabilities are measured as follows:

- Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

  A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is a derivative. Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

- Receivables

  Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, receivables are subsequently stated at amortised cost using the effective interest method.

3. Significant accounting policies *(continued)*

(11) Financial instruments *(continued)*

(a) Recognition and measurement of financial assets and financial liabilities *(continued)*

- Available-for-sale financial assets

  Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available for sales and other financial assets which do not fall into any of the above categories. An investment in equity instrument which does not have a quoted market price in an active market and whose fair value cannot be reliably measured is measured at cost subsequent to initial recognition.

  Besides investments in equity instruments whose fair value cannot be measured reliably as described above, subsequent to initial recognition, other available-for-sale financial assets are measured at fair value and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets, which are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is removed from equity and recognised in profit or loss.

- Other financial liabilities

  Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

  Except for the other financial liabilities described above, subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

(b) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided.

3. Significant accounting policies *(continued)*

(11) Financial instruments *(continued)*

(b) Impairment of financial assets *(continued)*

- Receivables

  Receivables are assessed for impairment both on an individual basis and on a collective group basis.

  Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

  The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observative figures reflecting present economic conditions.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- Available-for-sale financial assets and other long-term equity investments

  Available-for-sale financial assets and other long-term equity investments are assessed for impairment on an individual basis.

  When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

  If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

3. Significant accounting policies *(continued)*

(11) Financial instruments *(continued)*

(b) Impairment of financial assets *(continued)*

- Available-for-sale financial assets and other long-term equity investments *(continued)*

  For other long-term equity investments (see Note 3(5)(c)), the amount of the impairment loss is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(c) Determination of fair values

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price and, for a financial asset to be acquired or a financial liability assumed, it is the current asking price.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include reference to the current fair value of another instrument that is substantially the same. The Group calibrates the valuation technique and tests it for validity periodically.

(d) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirely meets the criteria of the derecognition, the difference between the two amounts below is recognised in profit or loss:

- carrying amount of the financial asset transferred

- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in shareholders' equity

3. Significant accounting policies *(continued)*

(11) Financial instruments *(continued)*

(d) Derecognition of financial assets and financial liabilities *(continued)*

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged.

(e) Equity instrument

An equity instrument is a contract that proves the ownership interest of the assets after deducting all liabilities in the Company.

The consideration received from the issuance of equity instruments net of transaction costs is recognised in share capital and capital reserve.

(12) Employee benefits

Employee benefits are all forms of considerations given and other related expenditures incurred in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in cost of relevant assets or expenses in the current period.

(a) Retirement benefits

Pursuant to the relevant laws and regulations of the PRC, the Group has joined a defined contribution basic retirement scheme for the employees arranged by local Labour and Social Security Bureaus. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local Labour and Social Security Bureaus are responsible for the payment of the basic retirement benefits to the retired employees.

3. Significant accounting policies *(continued)*

(12) Employee benefits *(continued)*

(b) Housing fund and other social insurances

Besides the retirement benefits, pursuant to the relevant laws and regulations of the PRC, the Group has joined defined social security contributions for employees, such as a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes contributions to the housing fund and other social insurances mentioned above at the applicable rate(s) based on the employees' salaries. The contributions are recognised as cost of assets or charged to profit or loss on an accrual basis.

(c) Termination benefits

When the Group terminates the employment relationship with employees before the employment contracts have expired, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided, is recognised in profit or loss when both of the following conditions have been satisfied:

- The Group has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly

- The Group is not allowed to withdraw from termination plan or redundancy offer unilaterally.

(13) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carry forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

3. Significant accounting policies *(continued)*

(13) Income tax *(continued)*

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

(14) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

In terms of a possible obligation resulting from a past transaction or event, whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow can not be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

(15) Revenue recognition

Revenue is the gross inflow of economic benefit in the periods arising in the course of the Group's ordinary activities when the inflows result in increase in shareholder's equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following respective conditions are met:

(a) Sale of goods

Revenue from sale of goods is recognised when all of the general conditions stated above and following conditions are satisfied:

- The significant risks and rewards of ownership of goods have been transferred to the buyer

- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the considerations received or receivable under the sales contract or agreement.

3. Significant accounting policies *(continued)*

(15) Revenue recognition *(continued)*

(b) Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised in the income statement by reference to the stage of completion of the transaction based on the proportion of services performed to date to the total services to be performed.

Where the outcome of rendering of services cannot be estimated reliably, if the costs incurred are expected to be recoverable, revenues are recognised to the extent that the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; if the costs incurred are not expected to be recoverable, the costs incurred are recognised in profit or loss and no service revenue is recognised.

(c) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

(16) Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for the capital contribution from the government as a shareholder of the Group. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of "capital reserve" are dealt with as capital contributions, and not regarded as government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions associated with the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value.

A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in profit or loss in the same periods in which the expenses are recognised. A grant that compensates the Group for expenses incurred is recognised in profit or loss immediately.

3. Significant accounting policies *(continued)*

(17) Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

In the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

- Where funds are borrowed generally and used for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the carrying amount of the borrowings.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction or production that are necessary to prepare the asset for its intended use or sale are in progress, and ceases when the assets become ready for their intended use or sale. Capitalisation of borrowing costs is suspended when the acquisition, construction or production activities are interrupted abnormally and the interruption lasts over three months.

(18) Dividends appropriated to investors

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date, are not recognised as a liability at the balance sheet date but disclosed in the notes separately.

3. Significant accounting policies *(continued)*

(19) Related parties

If the Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control, jointly control, or significant influence from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. The Company's and its subsidiaries' related parties include, but are not limited to:

(a) the Company's parent

(b) the Company's subsidiaries

(c) entities that are controlled by the Company's parent

(d) investors that have joint control over the Group

(e) investors that exercise significant influence over the Group

(f) joint ventures of the Group

(g) associates of the Group

(h) principal individual investors and close family members of such individuals

(i) key management personnel of the Group and close family members of such individuals

(j) key management personnel of the Company's parent

(k) close family members of key management personnel of the Company's parent; and

(l) other entities that are controlled, jointly controlled or significantly influenced by principal individual investors, key management personnel of the Group, and close family members of such individuals.

3. Significant accounting policies *(continued)*

(19) Related parties *(continued)*

Besides the related parties stated above determined in accordance with the requirements of CAS (2006), the following enterprises and individuals are considered as (but not restricted to) related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC:

(m) enterprises that hold 5% or more of the Company's shares or persons that act in concert

(n) individuals who directly or indirectly hold 5% or more of the Company's shares and close family members of such individuals

(o) enterprises that satisfy any of the aforesaid conditions in (a), (c) and (m) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement

(p) individuals who satisfy any of the aforesaid conditions in (i), (j) and (n) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement; and

(q) enterprises, other than the Company and subsidiaries controlled by the Company, which are controlled directly or indirectly by an individual defined in (i), (j), (n) or (p), or in which such individual assumes the position of a director or senior executive.

(20) Segment reporting

Segment information is presented in respect of the Group's business segments. A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other component.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire or construct segment fixed assets and intangible assets.

Unallocated items mainly comprise interest income and expenses, dividend income, investment income or loss arising from long-term equity investment, non-operating income and expenses, and income tax expenses.

4. Taxation

(1) The types of taxes applicable to the Group's sale of goods and rendering of services include business tax, value added tax (VAT) and consumption tax.

i) Business tax rate: 5%

VAT rate: 13%, 17%

ii) Consumption tax

In accordance with relevant PRC tax regulations, the Group's sales of gasoline and diesel oil are taxed at a rate of RMB277.6 per ton and RMB117.6 per ton respectively.

(2) Income tax

The charge for PRC income tax is calculated at the rate of 25% (2007: 33%) 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.

(3) Taxes payable

	The Group		The Company	
	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000
Value-added tax (deductible)/payable	**(412,157)**	71,460	**(416,322)**	67,422
Business tax payable	**1,432**	1,552	**481**	1,178
Income tax payable/(recoverable)	**22,003**	(80,643)	**-**	(98,222)
Consumption tax payable	**64,359**	56,036	**64,359**	56,036
Education surcharge payable	**2,076**	3,491	**1,946**	3,704
Others	**10,920**	18,637	**13,024**	16,215
	(311,367)	70,533	**(336,512)**	46,333

5. Business combination and consolidated financial statements

At 30 June 2008, all principal subsidiaries of the Company included in the consolidated financial statements came into existence through establishment, details are as follows:

Name of enterprise	Organisation code	Registered place	Principal activities	Registered capital '000	Investment at 30 June 2008 RMB'000	Interests that in substance form part of the Company's net investment RMB'000	Direct and indirect percentage of equity held	Direct and indirect percentage of voting power
Shanghai Petrochemical Investment Development Company Limited	13470096-9	Shanghai	Investment management	RMB800,000	1,223,879	1,223,879	100%	100%
Shanghai Petrochemical Enterprise Development Company Limited	13228675-X	Shanghai	Investment management	RMB455,000	502,276	502,276	100%	100%
China Jinshan Associated Trading Corporation	13220602-7	Shanghai	Import and export of petrochemical products and equipment	RMB25,000	16,832	16,832	67.33%	67.33%
Shanghai Jinchang Engineering Plastics Company Limited	60725706-4	Shanghai	Production of polypropylene compound products	US$4,750	20,832	20,832	50.38%	50.38%
Shanghai Golden Phillips Petrochemical Company Limited	60734004-4	Shanghai	Production of polypropylene products	US$50,000	249,374	249,374	60%	60%
Zhejiang Jin Yong Acrylic Fibre Company Limited	25603829-9	Ningbo, Zhejiang	Production of acrylic fibre products	RMB250,000	227,500	-	75%	75%
Shanghai Golden Conti Petrochemical Company Limited	60732552-2	Shanghai	Production of petrochemical products	RMB545,776	545,776	545,776	100%	100%

5. Business combination and consolidated financial statements *(continued)*

Minority interests for each significant subsidiary are analysed as follows:

Company	Minority interests at 30 June 2008 RMB'000	Minority interest at 1 January 2008 RMB'000
China Jinshan Associated Trading Corporation	28,932	28,777
Zhejiang Jin Yong Acrylic Fibre Company Limited	-	1,012
Shanghai Golden Phillips Petrochemical Co., Ltd.	192,874	230,052
Shanghai Jinchang Engineering Plastics Co., Ltd.	29,730	28,133
Others	14,149	16,017
Total	265,685	303,991

6. Cash at bank and on hand

The Group's and the Company's cash at bank and on hand are analysed as follows:

		The Group			The Company		
	30 June 2008 Exchange rate	**Original currency '000**	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000	**Original currency '000**	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000
Cash on hand							
Renminbi			**103**	79		**55**	37
Cash at bank							
Renminbi	**1.0000**	710,533	**710,533**	849,780	358,586	**358,586**	591,538
Hong Kong Dollars	**0.8792**	13,410	**11,789**	12,382	13,410	**11,789**	12,382
United States Dollars	**6.8591**	427	**2,929**	347	29	**199**	199
Swiss Franc	**6.7265**	130	**874**	841	130	**874**	841
Cash at bank and on hand			**726,228**	863,429		**371,503**	604,997
Deposits at related party(Note 44)							
Renminbi			**32,713**	29,736		**26,630**	29,536
			758,941	893,165		**398,133**	634,533

Deposits at related party represent bank deposits placed at Sinopec Finance Company Limited. Deposits interest is calculated at market rate.

7. Bills receivable

	The Group		The Company	
	At 30 June 2008	At 31 December 2007	**At 30 June 2008**	At 31 December 2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank bills	**931,432**	1,780,493	**793,979**	1,660,624
Commercial bills	**25,044**	20,363	**10,000**	8,578
Total	**956,476**	1,800,856	**803,979**	1,669,202

All of the above bills held by the Group and the Company are due within six months. At 30 June 2008, the Group's and the Company's outstanding endorsed Bank bills (with recourse) amounted to RMB 56,342,400 and RMB nil (31 December 2007: RMB 192,640,000 and RMB 27,000,000).

Except for the balances disclosed in Note 44, there is no amount due from major shareholders who held 5% or more shareholding included in the balance of bills receivable.

8. Trade debtors

(1) Trade debtors categorised by customers are analysed as follows:

	The Group		The Company	
	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000
Amounts due from subsidiaries	**-**	-	**39,279**	21,065
Amounts due from other related parties	**801,104**	350,836	**726,607**	336,959
Amounts due from others	**266,159**	236,848	**107,434**	81,877
Sub-total	**1,067,263**	587,684	**873,320**	439,901
Less : Allowance for doubtful accounts	**24,591**	24,591	**19,167**	19,167
Total	**1,042,672**	563,093	**854,153**	420,734

At 30 June 2008, the total amount of the trade debtors due from related parties of the Group and the Company is RMB 801,104,000 and RMB 765,886,000 (31 December 2007: RMB 350,836,000 and RMB 358,024,000), represents 75.06% and 87.70% (31 December 2007: 59.70% and 81.39%) of the total trade debtors.

Except for the balances disclosed in Note 44, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of trade debtors.

The aggregate amount and proportion of the five largest trade debtors are shown below:

	The Group		The Company	
	At 30 June 2008	At 31 December 2007	**At 30 June 2008**	At 31 December 2007
Amount (RMB'000)	**823,887**	357,712	**753,018**	355,401
Aging	**Within one year**	Within one year	**Within one year**	Within one year
Percentage of total trade debtors	**77.20%**	60.87%	**86.22%**	80.79%

8. Trade debtors *(continued)*

(2) The aging of trade debtors is analysed as follows:

The Group

	At 30 June 2008				At 31 December 2007			
	Amount RMB'000	**Proportion %**	**Bad debt provision RMB'000**	**Provision proportion %**	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %
Within one year	**1,041,730**	**97.61**	**-**	**0.00**	562,034	95.63	-	0.00
Between one and two years	**1,372**	**0.13**	**430**	**31.34**	1,513	0.26	454	30.01
Between two and three years	**8,396**	**0.79**	**8,396**	**100.00**	9,629	1.64	9,629	100.00
Over three years	**15,765**	**1.47**	**15,765**	**100.00**	14,508	2.47	14,508	100.00
Total	**1,067,263**	**100.00**	**24,591**		587,684	100.00	24,591	
Trade debtors, net	**1,042,672**				563,093			

The Company

	At 30 June 2008				At 31 December 2007			
	Amount RMB'000	**Proportion %**	**Bad debt provision RMB'000**	**Provision proportion %**	Amount RMB'000	Proportion %	Bad debt provision RMB'000	Provision proportion %
Within one year	**853,603**	**97.74**	**-**	**0.00**	420,194	95.52	-	0.00
Between one and two years	**782**	**0.09**	**232**	**29.67**	771	0.18	231	29.96
Between two and three years	**8,317**	**0.95**	**8,317**	**100.00**	9,551	2.17	9,551	100.00
Over three years	**10,618**	**1.22**	**10,618**	**100.00**	9,385	2.13	9,385	100.00
Total	**873,320**	**100.00**	**19,167**		439,901	100.00	19,167	
Trade debtors, net	**854,153**				420,734			

The aging is counted starting from the date trade debtors is recognised.

During the period, the Group and the Company had no individually significant trade debtors been fully or substantially provided allowance for doubtful accounts. During the period, the Group and the Company had no individually significant write off or write back of doubtful debts which had been fully or substantially provided for in prior years. At 30 June 2008, the Group and the Company had no individually significant trade debtors that aged over three years.

9. Advance payments

All advance payments are aged within one year.

At 30 June 2008, the total amount of the advance payments to related parties of the Group and the Company is RMB 22,648,000 and RMB 20,361,000 respectively (31 December 2007: RMB 75,999,000 and RMB 74,373,000), represents 39.52% and 44.58% of the total advance payments respectively (31 December 2007: 61.32% and 70.69% respectively).

Except for the balances disclosed in Note 44, there is no amount from major shareholders who held 5% or more shareholding included in the balance of advance payments.

10. Dividends receivable

At 30 June 2008, the total amount of dividends receivable from related parties of the Group and the Company is RMB 200,758,000 and RMB 200,000,000 (31 December 2007: RMB nil and RMB nil).

Except for the balances disclosed in Note 44, there is no amount due from major shareholders who held 5% or more shareholding included in the balance of dividends receivable.

11.Other receivables

(1) Other receivables categorised by customers are analysed as follows:

	The Group		The Company	
	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000
Amounts due from subsidiaries	**-**	-	**100,371**	100,939
Amounts due from related parties	**309,764**	44,661	**309,764**	4,661
Amounts due from others	**114,821**	223,353	**18,581**	114,333
Sub-total	**424,585**	268,014	**428,716**	219,933
Less: Allowance for doubtful accounts	**13,620**	13,594	**6,452**	6,452
Total	**410,965**	254,420	**422,264**	213,481

At 30 June 2008, total amount of the Group's and the Company's other receivables due from related parties is RMB 309,764,000 and RMB 410,135,000 respectively (31 December 2007: RMB 44,661,000 and RMB 105,600,000 respectively), represents 72.96% and 95.67% (31 December 2007: 16.66% and 48.01% %) of the total other receivables.

11. Other receivables *(continued)*

(2) The aging of other receivables is analysed as follows:

The Group

	At 30 June 2008				At 31 December 2007			
	Amount	Proportion	Bad debt provision	Provision proportion	Amount	Proportion	Bad debt provision	Provision proportion
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Within one year	408,874	96.30	2,700	0.66	255,154	95.20	4,615	1.81
Between one and two years	3,180	0.75	961	30.22	3,222	1.20	1,129	35.04
Between two and three years	7,250	1.71	4,799	66.19	4,517	1.69	2,846	63.01
Over three years	5,281	1.24	5,160	97.71	5,121	1.91	5,004	97.72
Total	424,585	100.00	13,620		268,014	100.00	13,594	
Other receivables, net	410,965				254,420			

The Company

	At 30 June 2008				At 31 December 2007			
	Amount	Proportion	Bad debt provision	Provision proportion	Amount	Proportion	Bad debt provision	Provision proportion
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Within one year	419,220	97.79	-	0.00	210,569	95.74	-	0.00
Between one and two years	3,119	0.73	857	27.48	3,102	1.41	958	30.88
Between two and three years	1,715	0.40	953	55.57	1,665	0.76	903	54.23
Over three years	4,662	1.08	4,642	99.57	4,597	2.09	4,591	99.87
Total	428,716	100.00	6,452		219,933	100.00	6,452	
Other receivables, net	422,264				213,481			

The aging is counted starting from the date of recognition of other receivables.

11. Other receivables *(continued)*

The aggregate amount and proportion of the five largest other receivables are shown below:

	The Group		The Company	
	At 30 June 2008	At 31 December 2007	**At 30 June 2008**	At 31 December 2007
Amount (RMB'000)	**369,256**	177,666	**414,361**	201,615
Aging	**Within one year**	Within one year	**Within one year**	Within one year
Percentage of total other receivables	**86.97%**	66.29%	**96.65%**	91.67%

Except for the balances disclosed in Note 44, there is no amount due from major shareholders who held 5% or more shareholding included in the balance of other receivables.

During the period, the Group and the Company had no individually significant other receivables been fully or substantially provided allowance of doubtful account. During the period, the Group and the Company had no individually significant write off or write back of doubtful debts which had been fully or substantially provided for in prior years. At 30 June 2008, the Group and the Company had no individually significant other receivables that aged over three years.

12. Inventories

	The Group				The Company			
	At 30 June 2008		At 31 December 2007		**At 30 June 2008**		At 31 December 2007	
	Amount RMB'000	**Provision for diminution in value RMB'000**	Amount RMB'000	Provision for diminution in value RMB'000	**Amount RMB'000**	**Provision for diminution in value RMB'000**	Amount RMB'000	Provision for diminution in value RMB'000
Raw materials	**3,039,492**	**-**	1,669,945	-	**2,767,610**	**-**	1,489,544	-
Work in progress	**2,328,137**	**-**	1,871,324	-	**2,287,230**	**-**	1,849,203	-
Finished goods	**1,510,546**	**105,072**	1,019,924	33,142	**1,341,047**	**105,072**	883,056	33,142
Spare parts and consumables	**746,973**	**40,650**	710,448	40,650	**667,472**	**37,588**	629,400	37,588
Total	**7,625,148**	**145,722**	5,271,641	73,792	**7,063,359**	**142,660**	4,851,203	70,730
Inventories, net	**7,479,426**		5,197,849		**6,920,699**		4,780,473	

12. Inventories *(continued)*

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

	The Group				The Company			
	2008		2007		2008		2007	
	Finished goods	Spare parts and consumables	Finished goods	Spare parts and consumables	Finished goods	Spare parts and consumables	Finished goods	Spare parts and consumables
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	33,142	40,650	-	41,355	33,142	37,588	-	40,904
Provision for the period/year	71,930	-	33,142	2,611	71,930	-	33,142	-
Reversal	-	-	-	(3,316)	-	-	-	(3,316)
At 30 June/31 December	105,072	40,650	33,142	40,650	105,072	37,588	33,142	37,588

The inventories above are all purchased or self produced.

13. Available-for-sale financial assets

	The Group		The Company	
	At 30 June 2008	At 31 December 2007	At 30 June 2008	At 31 December 2007
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale securities	270,291	478,793	255,433	434,554

Available-for-sale financial assets mainly represents available-for-sale securities of listed companies held by the Group and the Company. Available-for-sale financial assets are designated at fair value and the change of fair value is recognised through equity. The fair value of available-for-sale financial assets was based on quoted market prices at the balance sheet date.

14. Long-term equity investments

	The Group					
	Interests in associates (Note (a)) RMB'000	Interests in Jointly controlled entities (Note (b)) RMB'000	Other equity investment (Note(c)) RMB'000	Total before provision RMB'000	Provision for impairment losses (Note(d)) RMB'000	Total RMB'000
Balance at 1 January 2008	3,207,945	100,191	272,833	3,580,969	(37,200)	3,543,769
Additions	-	-	4,377	4,377	-	4,377
Share of profits from investments accounted for under the equity method	129,013	18,088	-	147,101	-	147,101
Dividend receivable/received	(511,939)	(17,910)	-	(529,849)	-	(529,849)
Balance at 30 June 2008	2,825,019	100,369	277,210	3,202,598	(37,200)	3,165,398

	The Company					
	Interests in associates (Note (a)) RMB'000	Interests in Jointly controlled entities (Note (b)) RMB'000	Interests in subsidiaries (Note(5)) RMB'000	Total before provision RMB'000	Provision for impairment losses (Note(d)) RMB'000	Total RMB'000
Balance at 1 January 2008	3,015,012	100,191	2,083,193	5,198,396	(117,203)	5,081,193
Additions	-	-	2,374	2,374	-	2,374
Share of profits from investments accounted for under the equity method	115,412	18,088	-	133,500	-	133,500
Dividend receivable/received	(503,539)	(17,910)	-	(521,449)	-	(521,449)
Disposals for the period	-	-	(115,080)	(115,080)	-	(115,080)
Provision made for the period	-	-	-	-	(110,297)	(110,297)
Balance at 30 June 2008	2,626,885	100,369	1,970,487	4,697,741	(227,500)	4,470,241

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

(a) The particulars of the associates, all of which are limited companies established and operating in the PRC which principally affected the results or assets of the Group, at 30 June 2008 are as follows:

Company	Organisation code	Registered place	Principal activities	Registered capital '000	Percentage of equity held by the Group %	Percentage of voting right %	Total assets at 30 June 2008 RMB'000	Total liabilities at 30 June 2008 RMB'000	Operating income for the period RMB'000	Net Profit for the period RMB'000
Shanghai Chemical Industry Park Development Company Limited	13227550-8	Shanghai	Planning development and operation of the Chemical Industry Park in Shanghai, PRC	RMB2,372,439	38.26	38.26	6,942,894	3,840,837	19,570	18,570
Shanghai Secco Petrochemical Company Limited	71093847-4	Shanghai	Manufacturing and distribution of chemical products	US$901,441	20	20	20,099,531	11,645,070	12,563,047	542,232
Shanghai Jinsen Hydrocarbon Resins Company Limited	60739533-6	Shanghai	Production of resins products	US$23,395	40	40	205,727	68,022	96,233	(704)
Shanghai Jinpu Plastic Packaging Material Company Limited	60733617-6	Shanghai	Production of polypropylene film	US$20,204	50	50	286,564	70,239	197,535	19,357
Shanghai Yamatake Automation Company Limited	60733503-4	Shanghai	Service and maintenance of building automation systems and products	US$3,000	40	40	131,992	42,893	93,889	13,844

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

(b) The particulars of the jointly controlled entity, which are limited companies established and operating in the PRC which principally affected the results or assets of the Group, at 30 June 2008 are as follows:

Company	Organisation code	Registered place	Principal activities	Registered capital '000	Percentage of equity held by the Group %	Percentage of voting right %	Total assets at 30 June 2008 RMB'000	Total liabilities at 30 June 2008 RMB'000	Operating income for the period RMB'000	Net Profit for the period RMB'000
BOC-SPC Gases Co., Ltd.	71786630-3	Shanghai	Production and sales of industrial gases	US$32,000	50	50	670,158	378,340	201,454	31,815

(c) Other equity investments include non-controlling equity investments in various enterprises which are mainly engaged in manufacturing or trading activities related to the Group's operations.

(d) Provision for impairment losses is analysed as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Balance at 1 January	**37,200**	38,838
Written-off on disposal for the period/year	**-**	(1,638)
Balance at 30 June / 31 December	**37,200**	37,200

	The Company	
	2008	2007
	RMB'000	RMB'000
Balance at 1 January	**117,203**	117,203
Provision made during the period/year	**110,297**	-
Balance at 30 June / 31 December	**227,500**	117,203

For the period ended 30 June 2008, the Company made an impairment loss provision of RMB 110,297,000 for the long-term equity investment in its subsidiary Zhejiang Jinyong Acryle Fibre Co., Ltd. ("Jinyong") (for the year ended 31 December 2007: RMB nil). Due to the rise in major raw material prices, Jinyong suffered operation loss and the net assets at current period end was a negative number. The Company therefore provided a full provision for impairment loss based on the estimated recoverable amount.

15. Investment property

	The Group Buildings RMB'000	The Company Buildings RMB'000
Cost:		
At 1 January 2008 and 30 June 2008	554,233	615,334
Accumulated depreciation:		
At 1 January 2008	(41,440)	(46,008)
Charge for the period	(6,720)	(7,460)
At 30 June 2008	(48,160)	(53,468)
Net book value:		
At 30 June 2008	506,073	561,866
At 31 December 2007	512,793	569,326

16. Fixed assets

(a) The Group

	Buildings RMB'000	Plant, machinery, equipment and others RMB'000	Total RMB'000
Cost or valuation:			
At 1 January 2008	5,711,471	29,954,411	35,665,882
Additions	-	514	514
Transferred from construction in progress (Note 17)	1,212	87,474	88,686
Disposals	(5,453)	(23,185)	(28,638)
At 30 June 2008	5,707,230	30,019,214	35,726,444
Accumulated depreciation:			
At 1 January 2008	3,233,107	16,864,252	20,097,359
Charge for the period	81,217	750,706	831,923
Written back on disposals	(1,600)	(19,924)	(21,524)
At 30 June 2008	3,312,724	17,595,034	20,907,758
Less: Provision for impairment losses:			
At 1 January and 30 June 2008	48,335	260,905	309,240
Net book value:			
At 30 June 2008	2,346,171	12,163,275	14,509,446
At 31 December 2007	2,430,029	12,829,254	15,259,283

16. Fixed assets *(continued)*

(b) The Company

	Buildings RMB'000	Plant, machinery, equipment and others RMB'000	Total RMB'000
Cost or valuation:			
At 1 January 2008	4,712,177	27,618,650	32,330,827
Additions	21,454	93,317	114,771
Transferred from construction in progress (Note 17)	1,041	85,268	86,309
Disposals	(4,036)	(16,567)	(20,603)
At 30 June 2008	4,730,636	27,780,668	32,511,304
Accumulated depreciation:			
At 1 January 2008	2,901,265	15,366,743	18,268,008
Transferred from fixed assets addition	1,090	9,849	10,939
Charge for the period	66,547	677,557	744,104
Written back on disposals	(1,450)	(15,150)	(16,600)
At 30 June 2008	2,967,452	16,038,999	19,006,451
Less: Provision for impairment losses:			
At 1 January and 30 June 2008	48,335	260,905	309,240
Net book value:			
At 30 June 2008	1,714,849	11,480,764	13,195,613
At 31 December 2007	1,762,577	11,991,002	13,753,579

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

16. Fixed assets *(continued)*

(c) At 30 June 2008, the cost of the Group's and the Company's fully depreciated fixed assets was RMB 9,924,284,000 and RMB 9, 211,120,000 (31 December 2007: RMB 8,316,446,000 and RMB 8,208,450,000).

(d) At 30 June 2008 and 31 December 2007, the Group and the Company had no pledged fixed assets.

(e) At 30 June 2008 and 31 December 2007, the Group and the Company had no individually significant fixed assets which were temporarily idle or pending for disposal.

17. Construction in progress

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance at 1 January	**965,463**	2,009,797	**940,491**	2,006,056
Additions for the period/year	**284,410**	2,488,943	**280,299**	2,452,666
Transferred to fixed assets(Note 16)	**(88,686)**	(3,533,277)	**(86,309)**	(3,518,231)
Balance at 30 June/31 December	**1,161,187**	965,463	**1,134,481**	940,491

At 30 June 2008, major projects of the Group and the Company are as follows:

Project	Budgeted amounts	At 1 January 2008	Addition for the period	Transferred to fixed assets	At 30 June 2008	Percentage of completion	Accumulated interest capitalised during the period
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	%	RMB'000
600,000ton/year aromatics unit	3,013,190	239,522	252,123	-	491,645	16.32%	8,964
Jin Jia Hu pipe station	71,440	64,396	734	-	65,130	91.17%	573
150,000 ton/year C5 separation unit	292,110	-	17,278	-	17,278	5.91%	66

All the above projects were made out of funds from financial institutions.

The capitalised borrowing costs included in the balances of construction in progress were RMB 17,844,000 (31 December 2007:RMB 8,084,000).The interest rates per annum at which borrowing costs were capitalised for the period ended 30 June 2008 by the Group and the Company is 6.30%-7.47% (2007: 5.27%-7.47%).

18. Intangible assets

(a) The Group

	Land use right RMB'000	Other intangible assets RMB'000	Total RMB'000
Cost			
At 1 January 2008	750,139	95,339	845,478
Disposals	(213)	-	(213)
At 30 June 2008	749,926	95,339	845,265
Less: Accumulated amortisation			
At 1 January 2008	209,103	38,478	247,581
Charge for the period	7,755	2,422	10,177
Written back on disposals	(67)	-	(67)
At 30 June 2008	216,791	40,900	257,691
Net book value			
At 30 June 2008	533,135	54,439	587,574
At 31 December 2007	541,036	56,861	597,897

18. Intangible assets *(continued)*

(b) The Company

	Land use right RMB'000
Cost	
At 1 January 2008	640,156
Additions	11,758
Disposals	(213)
At 30 June 2008	651,701
Less: Accumulated amortisation	
At 1 January 2008	179,518
Charge for the period	6,528
Written back on disposals	(67)
At 30 June 2008	185,979
Net book value	
At 30 June 2008	465,722
At 31 December 2007	460,638

19. Deferred tax assets and liabilities

(a) The Group

Deferred tax assets are analysed as follows:

	At 30 June 2008		At 31 December 2007	
	Deductible temporary differences RMB'000	**Deferred tax assets RMB'000**	Deductible temporary differences RMB'000	Deferred tax assets RMB'000
Provision for bad debts and inventories	**167,632**	**41,908**	95,696	23,924
Impairment losses on fixed assets	**309,240**	**77,310**	309,240	77,310
Contribution by fixed assets and sales of assets to a jointly controlled entity	**45,536**	**11,384**	47,292	11,822
Deductible tax losses	**542,556**	**135,639**	-	-
Others	**54,812**	**13,703**	64,604	16,151
Total	**1,119,776**	**279,944**	516,832	129,207

Deferred tax liabilities are analysed as follows:

	At 30 June 2008		At 31 December 2007	
	Taxable temporary differences RMB'000	**Deferred tax liabilities RMB'000**	Taxable temporary differences RMB'000	Deferred tax liabilities RMB'000
Fair value of available-for-sale securities	**256,908**	**64,227**	463,420	115,855
Capitalisation of borrowing costs	**122,532**	**30,633**	128,280	32,070
Others	**8,980**	**2,245**	8,980	2,245
Total	**388,420**	**97,105**	600,680	150,170

19. Deferred tax assets and liabilities *(continued)*

(b) The Company

Deferred tax assets are analysed as follows:

	At 30 June 2008		At 31 December 2007	
	Deductible temporary differences RMB'000	**Deferred tax assets RMB'000**	Deductible temporary differences RMB'000	Deferred tax assets RMB'000
Provision for bad debts and inventories	**166,668**	**41,667**	94,736	23,684
Impairment losses on fixed assets	**309,240**	**77,310**	309,240	77,310
Contribution by fixed assets and sales of assets to a jointly controlled entity	**45,536**	**11,384**	47,292	11,822
Deductible tax losses	**542,556**	**135,639**	-	-
Others	**54,812**	**13,703**	54,812	13,703
Total	**1,118,812**	**279,703**	506,080	126,519

Deferred tax liabilities are analysed as follows:

	At 30 June 2008		At 31 December 2007	
	Taxable temporary differences RMB'000	**Deferred tax liabilities RMB'000**	Taxable temporary differences RMB'000	Deferred tax liabilities RMB'000
Fair value of available-for-sale securities	**242,952**	**60,738**	420,464	105,116
Capitalisation of borrowing costs	**122,532**	**30,633**	128,280	32,070
Total	**365,484**	**91,371**	548,744	137,186

Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 3(13), the Group has not recognised deferred tax assets in respect of cumulative tax losses suffered in the Company's consolidated subsidiary, Zhejiang Jinyong acryle Fibre Co., Ltd, of RMB 214,564,000 (31 December 2007: RMB 112,444,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in that subsidiary. The deductible tax losses will expire from 2010 to 2013 under current tax law.

20. Impairment losses

At 30 June 2008, impairment losses of the Group are analysed as follows:

Items	Note	**Balance at 1 January 2008 RMB'000**	Provision for the period RMB'000	Reversal for the period RMB'000	Written off for the period RMB'000	**Balance at 30 June 2008 RMB'000**
Receivables	8,11	**38,185**	26	-	-	**38,211**
Inventories	12	**73,792**	71,930	-	-	**145,722**
Long-term equity investments	14	**37,200**	-	-	-	**37,200**
Fixed assets	16	**309,240**	-	-	-	**309,240**
Total		**458,417**	71,956	-	-	**530,373**

At 30 June 2008, impairment losses of the Company are analysed as follows:

Items	Note	**Balance at 1 January 2008 RMB'000**	Provision for the period RMB'000	Reversal for the period RMB'000	Written off for the period RMB'000	**Balance at 30 June 2008 RMB'000**
Receivables	8,11	**25,619**	-	-	-	**25,619**
Inventories	12	**70,730**	71,930	-	-	**142,660**
Long-term equity investments	14	**117,203**	110,297	-	-	**227,500**
Fixed assets	16	**309,240**	-	-	-	**309,240**
Total		**522,792**	182,227	-	-	**705,019**

See the note of each class of assets for the reason for corresponding impairment losses recognised in the current period.

21. Short-term loans

The Group's and Company's short-term loans include:

	The Group		The Company	
	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000
Bank loans	**4,463,190**	2,317,642	**4,328,190**	2,062,642
Loans with related parties (Note 44)	**240,000**	1,355,300	**130,000**	1,227,000
	4,703,190	3,672,942	**4,458,190**	3,289,642

At 30 June 2008 and 31 December 2007, the Group and the Company had no significant overdue short-term loan.

At 30 June 2008, the balance of short-term loans guaranteed by a third party of the Group and the Company was RMB 637,896,300 (31 December 2007: nil). Other loans are unsecured loans without guarantee.

Except for the balance disclosed in Note 44, there is no amount due to major shareholders who held 5% or more shareholding included in the above balance.

22. Bills payable, trade creditors, receipts in advance and other payables

At 30 June 2008, there are no significant trade creditors and other payables aged over 1 year.

There are no significant receipts in advance aged over 1 year.

Bills payable are mainly bank bills issued for the purchase of material, merchandises and products, generally due in 3 to 6 months.

Except for the balances disclosed in Note 44, there is no amount due to shareholders who held 5% or more shareholding included in the balance of bills payable, trade creditors, receipts in advance and other payables.

23. Employee benefits payable

At 30 June 2008 and 31 December 2007, the Group's and the Company's employee benefits payable mainly represented wages and social insurance payable. As stipulated by the relevant regulations, the Group and the Company participates in a defined contribution retirement plan organised by the Shanghai Municipal Government for its staff. Pursuant to a document "Hu Fu Ban Fa (2004) No.45", the Group is required to make contributions to the retirement plan at a rate of 22% of the salaries, bonuses and certain allowances of its staff since 1 August 2004. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at his retirement date. In addition, pursuant to a document "Lao Bu Fa (1995) No.464"dated 29 December 1995 issued by the Ministry of Labour of the PRC, the Group and the Company have set up a supplementary defined contribution retirement plan for the benefit of employees. Employees who have served the Group and the Company for five years or more may participate in this plan. The Group and the Company and participating employees make defined contributions to their pension savings account according to the plan. The assets of this plan are held separately from those of the Group and the Company in an independent fund administered by a committee consisting of representatives from the employees and the Group and the Company. In April 2003, the Group and the Company revised certain terms of the plan and increased the amount of contributions. The Group has no other material obligations for the payment of pension benefit beyond the annual contributions described above and supplementary contributions. For the six-month period ended 30 June 2008, the Group's and the Company's contribution to the above plan amounted to RMB 24,720,000 and RMB 18,677,000 (For the six-month period ended 30 June 2007: RMB 22,242,000 and RMB 19,576,000).

In accordance with the Group's and the Company's voluntary employee reduction plan, the Group and the Company recorded employee reduction expenses of RMB 35,631,000 and RMB 5,751,000 (For the six-month period ended 30 June 2007: RMB 50,733,000 and RMB 18,090,000) during the six-month period ended 30 June 2008, in respect of the voluntary resignation of approximately 397 employees and 81 employees (For the six-month period ended 30 June 2007: 662 employees and 283 employees).

24. Dividends Payable

	The Group		The Company	
	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000
China Petroleum & Chemical Corporation	**360,000**	-	**360,000**	-
Others	**86,199**	-	**25,143**	-
Total	**446,199**	-	**385,143**	-

Pursuant to the shareholders' approval at the Annual General Meeting on 12 June 2008, a dividend of RMB 0.09 per share totalling RMB 648,000,000 (2007: RMB 0.04 per share totalling RMB 288,000,000) in respect of the year ended 31 December 2007 was approved.

Except for balances disclosed in Note 44, there is no amount due to major shareholders who held 5% or more shareholding included in the balance of dividends payable.

25. Long-term loans and current portion of long-term loans

The maturity analysis of the long-term loans is set out below:

	The Group		The Company	
	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000
Between one and two years	**274,930**	489,929	**250,000**	450,000
Between two and three years	**24,930**	24,930	**-**	-
Between three and five years	**-**	4,430	**-**	-
	299,860	519,289	**250,000**	450,000
Loans from related parties				
Between one and two years	**120,000**	20,000	**-**	-
Between two and three years	**-**	100,000	**-**	-
	120,000	120,000	**-**	-
Current portion of long-term loans	**619,359**	419,027	**450,000**	259,097
	1,039,219	1,058,316	**700,000**	709,097

25. Long-term loans and current portion of long-term loans *(continued)*

Long-term loans are analysed as follows:

Repayment terms and final maturity	Interest type	Interest rate at 30 June 2008	Original currency '000	Exchange rate at 30 June 2008	The Group At 30 June 2008 RMB'000	The Group At 31 December 2007 RMB'000	The Company At 30 June 2008 RMB'000	The Company At 31 December 2007 RMB'000
Arranged by Central Treasury of the Company								
U.S. Dollar denominated:								
Payable semi-annually through 2008(Note (a))	Fixed	-			-	9,097	-	9,097
Renminbi denominated:								
Due in 2008	Fixed	6.30%-7.47%			**250,000**	250,000	**250,000**	250,000
Due in 2009	Fixed	6.30%-7.47%			**450,000**	450,000	**450,000**	450,000
Arranged by subsidiaries								
U.S. Dollar denominated:								
Payable annually through 2011	Interest free	-	1,534	6.8591	**10,519**	10,519	-	-
Renminbi denominated:								
Due in 2008	Fixed	6.72%-6.97%			**125,000**	135,000	-	-
Due in 2009	Fixed	6.48%-6.97%			**35,000**	35,000	-	-
Due in 2010	Fixed	6.80%			**100,000**	100,000	-	-
Payable annually through 2010	Interest free	-			**61,500**	61,500	-	-
Payable annually through 2011	Interest free	-			**7,200**	7,200	-	-
Total long-term loans outstanding					**1,039,219**	1,058,316	**700,000**	709,097
Less: Amounts due within one year					**(619,359)**	(419,027)	**(450,000)**	(259,097)
Amounts due after one year					**419,860**	639,289	**250,000**	450,000

Note (a): Guaranteed by Sinopec Corp

Except for loans indicated as guaranteed, other loans are unsecured loans without guarantee.

Except for the balance disclosed in Note 44, there is no amount due to shareholders who held 5% or more shareholding included in the above balance.

26. Share capital

	The Group and the Company	
	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
(1) Shares not in trade:		
Domestic legal persons shares	**4,150,000**	4,150,000
(2) Shares in trade:		
RMB ordinary A shares listed in the PRC	**720,000**	720,000
Foreign investment H shares listed overseas	**2,330,000**	2,330,000
Total share capital	**7,200,000**	7,200,000

The Company was founded on 29 June, 1993 with registered capital of RMB 4,000,000,000 invested by its upper level holding company- China National Petrochemical Corporation; these shares were converted from assets of former Shanghai Petrochemical Complex.

Approved by Zheng Wei Fa No. [1993]30 issued by the State Council Securities Committee, the Company launched its Initial Public Offer ("IPO") in July 1993 and September 1993 in Hong Kong, New York, Shanghai and Shenzhen to issue 2.23 billion shares, including 1.68 billion H shares, 550 million A shares. The 550 million A shares include 400 million individual shares (including 150 million shares issued to SPC employees) and 150 million legal person shares. H shares were listed on the Hong Kong Exchanges and Clearing Company Limited on 26 July 1993, and listed on the NYSE in the form of ADS at the same time; the A shares were listed on the Shanghai Stock Exchanges on 8 November 1993.

After IPO, the total quantity of shares issued by the Company was 6.23 billion, including 4 billion state-owned shares, 150 million legal person shares, 400 million individual shares, and 1.68 billion H shares.

According to the plan stated in the prospectus issued in July 1993, and approved by the China Securities Regulatory Commission, the Company issued 320 million common A shares with a par value of RMB 1 each at an issuing price of RMB 2.4 each during the period from 5 April to 10 June 1994. These shares were listed on Shanghai Stock Exchange on 4 July 1994. By then, the total quantity of shares issued was expanded from 6.23 billion to 6.55 billion.

On 22 August 1996, the Company issued 500 million H shares to overseas investors; on 6 January 1997, 150 million H shares again were issued to overseas investors. By then, the total quantity of shares issued was expanded to 7.2 billion, including 2.33 billion H shares.

26. Share capital *(continued)*

China National Petrochemical Corporation was restructured to China Petrochemical Corporation("Sinopec") in 1998.

China Petroleum & Chemical Corporation was founded on 28 February 2000 based on the approved assets restructuring of Sinopec. As part of the restructuring efforts, the shares of the Company held by Sinopec were invested in the Sinopec Corp; after the restructuring, the ownership of 4 billion state-owned shares of the Company held by Sinopec were transferred to Sinopec Corp, and therefore the shares were changed to state-owned legal person shares in nature.

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

Capital verifications of the issued and paid up capital were performed by KPMG Huazhen. Capital verification reports were issued on 27 October 1993, 10 June 1994, 15 September 1996 and 20 March 1997 accordingly.

27. Capital reserve

Balance of capital reserve at 30 June 2008 and 31 December 2007 is represented by:

		The Group		The Company	
	Note	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000
Share premium		**2,420,841**	2,420,841	**2,420,841**	2,420,841
Government grants	(a)	**386,370**	386,370	**386,370**	386,370
Changes in fair value of available-for-sale financial assets, net of deferred tax	(b)	**192,683**	347,564	**182,214**	315,345
Others		**49,067**	49,067	**49,067**	49,067
Total		**3,048,961**	3,203,842	**3,038,492**	3,171,623

(a) Government grants represent grants received for the purchase of equipment used for technology improvements.

(b) The available-for-sale financial assets held by the Group are carried at fair value with any charge in fair value, net of deferred tax, recognised directly in capital reserve.

28. Surplus reserve

		The Group and the Company		
	Note	Statutory surplus reserve RMB'000	Discretionary surplus reserve RMB'000	Total RMB'000
Balance at 1 January 2007		3,293,460	1,280,514	4,573,974
Appropriation of net profit	(a)	192,434	-	192,434
Balance at 31 December 2007 and 30 June 2008		3,485,894	1,280,514	4,766,408

(a) Pursuant to resolution of the Board, the Company transfer 10% of net profit to the statutory surplus reserve for the year ended 31 December 2007.

29. Operating income

Operating income represents the invoice amount from sales of products after the deduction of VAT.

	Six-month period ended 30 June			
	The Group		The Company	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Income from principal operations	**32,671,827**	26,620,046	**30,177,411**	23,570,576
Income from other operations	**235,934**	263,385	**255,472**	346,977
Total	**32,907,761**	26,883,431	**30,432,883**	23,917,553

For the six-month period ended 30 June 2008, revenue from sales to top five customers amounted to RMB 14,508,745,000 (For the six-month period ended 30 June 2007: RMB 9,852,269,000) which accounted for 44.09% of operating income of the Group (For the six-month period ended 30 June 2007: 36.65%).

30. Operating costs

	Six-month period ended 30 June			
	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Operating cost from principal activities	**33,137,804**	23,492,282	**30,849,070**	20,714,569
Other operating costs	**166,590**	186,416	**172,773**	259,599
Total	**33,304,394**	23,678,698	**31,021,843**	20,974,168

31. Business taxes and surcharges

	Six-month period ended 30 June			
	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Consumption tax	**473,189**	248,117	**473,189**	248,117
City construction tax	**66,736**	68,610	**64,763**	66,503
Business tax	**3,698**	6,495	**1,614**	2,605
Education surcharges and others	**29,127**	28,854	**27,755**	28,087
	572,750	352,076	**567,321**	345,312

The charge for consumption tax is calculated at RMB 277.6 per tonne and RMB 117.6 per tonne on the sales of gasoline and diesel respectively in accordance with relevant tax rules and regulations. The charges for city construction tax and education surcharge are based on 7% and 3% respectively of the VAT, consumption tax and business tax paid during the period.

32. Financial expenses

	Six-month period ended 30 June			
	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Interest expenses	**246,394**	160,830	**215,300**	136,117
Less: borrowing costs capitalised as construction in progress	**(10,046)**	(35,307)	**(10,046)**	(35,307)
Interest expense, net	**236,348**	125,523	**205,254**	100,810
Interest income	**(34,249)**	(21,644)	**(29,367)**	(18,068)
Net foreign exchange gain	**(70,377)**	(18,947)	**(68,100)**	(12,664)
Others	**7,312**	3,825	**4,720**	856
Total	**139,034**	88,757	**112,507**	70,934

33. Impairment loss

	Six-month period ended 30 June			
	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Receivables	**26**	(106)	**-**	143
Inventories	**71,930**	-	**71,930**	-
Long-term equity investments	**-**	-	**110,297**	-
Total	**71,956**	(106)	**182,227**	143

34. Investment income

	Six-month period ended 30 June			
	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Investment income accounted for under the cost method				
- Subsidiaries	**-**	-	**5,790**	281,951
- Other investments	**6,227**	1,951	**-**	224
Investment income from associates and jointly controlled entities	**147,101**	384,912	**133,500**	372,876
(Loss)/gain on disposal of other investments	**-**	(12,696)	**-**	1,600
Gain from disposal of available-for-sale financial assets	**131,772**	413,119	**118,389**	327,129
Total	**285,100**	787,286	**257,679**	983,780

35. Non-operating income

	Six-month period ended 30 June			
	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net gain on disposal of fixed assets	**6,606**	202	**6,487**	142
Net gain on disposal of intangible assets	**595**	3,132	**595**	3,132
Gain on disposal of non-current assets	**7,201**	3,334	**7,082**	3,274
Subsidy income(Note)	**1,627,727**	-	**1,627,727**	-
Penalties income	**23**	44	**22**	20
Amortisation of deferred income	**5,000**	5,000	**5,000**	5,000
Others	**2,256**	2,591	**944**	525
Total	**1,642,207**	10,969	**1,640,775**	8,819

Note: During the six-month period ended 30 June 2008, the Group recognised a grant income of RMB 1,627,727,000(For the six-month period ended 30 June 2007: RMB Nil). These grants were for compensation of losses incurred due to the distortion of the correlation of domestic refined petroleum product prices and the crude oil prices, and the measures taken by the Group to stabilise the supply in the PRC refined petroleum product market during the period. There are no unfilled conditions and other contingencies attached to the receipts of these grants. There is no assurance that the Group will continue to receive such grants in the future.

36. Non-operating expenses

	Six-month period ended 30 June			
	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loss on disposal of fixed assets	**2,024**	16,140	**2,023**	5,859
Service fee	**10,000**	16,000	**10,000**	16,000
Donations	**2,000**	8,250	**2,000**	8,250
Others	**12,033**	11,417	**11,628**	9,740
Total	**26,057**	51,807	**25,651**	39,849

37. Income tax

(1) Income tax expenses for the period represents

	Six-month period ended 30 June			
	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Provision for PRC income tax for the period	**32,962**	673,992	**-**	648,001
Deferred taxation	**(152,174)**	(10,976)	**(154,621)**	(10,976)
Adjustment for provision for income tax in respect of prior years	**16,655**	2,228	**14,305**	4,052
Total	**(102,557)**	665,244	**(140,316)**	641,077

Deferred tax effect is analysed as follows:

	Six-month period ended 30 June			
	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Origination and reversal of temporary differences	**152,174**	1,022	**154,621**	1,022
Tax effect of change in tax rate	**-**	9,954	**-**	9,954
Total	**152,174**	10,976	**154,621**	10,976

37. Income tax *(continued)*

(2) Reconciliation between income tax expenses and accounting (loss)/profit is as follows:

	Six-month period ended 30 June			
	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
(Loss)/profit before taxation	**(448,939)**	2,453,995	**(591,455)**	2,588,214
Expected income tax expense at a statutory tax rate of 25% (2007: 33%)	**(112,235)**	809,818	**(147,864)**	854,111
Tax effect of non-deductible expenses	**6,140**	9,134	**28,341**	8,304
Tax effect of non-taxable income	**(1,872)**	(6,383)	**(1,723)**	(92,387)
Under-provision in prior years	**16,655**	2,228	**14,305**	4,052
Tax effect of share of profits recognised under the equity method	**(36 ,775)**	(127,021)	**(33,375)**	(123,049)
Effect of change in tax rate on deferred tax	**-**	(9,954)	**-**	(9,954)
Tax effect of unused tax losses not recognised for deferred tax	**25,530**	8,900	**-**	-
Tax effect of differential tax rate on subsidiaries' income	**-**	(21,478)	**-**	-
Income tax expenses	**(102,557)**	665,244	**(140,316)**	641,077

38. Supplemental information to the cash flow statements

(1) Supplemental information to the cash flow statements

Reconciliation of net (loss)/profit to cash flows from operating activities:

	Six-month period ended 30 June			
	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net (loss)/profit	**(372,772)**	1,758,290	**(451,139)**	1,947,137
Add: Impairment losses on assets	**71,956**	(106)	**182,227**	143
Depreciation on investment property	**6,720**	6,628	**7,460**	7,460
Depreciation on fixed assets	**831,923**	823,862	**744,104**	710,349
Amortisation of intangible assets	**10,177**	10,121	**6,528**	6,493
(Gain)/ loss on disposal of fixed assets, intangible assets and other long-term assets	**(5,177)**	12,806	**(5,059)**	2,585
Financial expenses	**131,722**	84,932	**107,787**	70,078
Investment income	**(285,100)**	(787,286)	**(257,679)**	(983,780)
Increase in deferred tax assets	**(150,737)**	(23,630)	**(153,184)**	(23,630)
(Decrease)/increase in deferred tax liabilities	**(1,437)**	12,654	**(1,437)**	12,654
Increase in inventories	**(2,353,507)**	(927,953)	**(2,212,156)**	(1,029,473)
Decrease/(increase) in operating receivables	**275,096**	(62,067)	**306,387**	(102,542)
Increase in operating payables	**1,005,928**	396,543	**682,032**	599,455
Minority interests	**26,390**	30,461	**-**	-
Net cash flow from operating activities	**(808,818)**	1,335,255	**(1,044,129)**	1,216,929

(2) Net change in cash and cash equivalents:

	Six-month period ended 30 June			
	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash balance at the end of the period	**758,941**	801,499	**398,133**	406,022
Less: cash balance at the beginning of the period	**893,165**	894,650	**634,533**	551,693
Net decrease in cash and cash equivalents	**(134,224)**	(93,151)	**(236,400)**	(145,671)

38. Supplemental information to the cash flow statements *(continued)*

(3) The analysis of cash and cash equivalents is as follows:

	Six-month period ended 30 June			
	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
(a) Cash				
- Cash on hand	**103**	76	**55**	36
- Bank deposit available on demand	**733,687**	742,490	**385,415**	349,914
- Other monetary fund available on demand	**25,151**	58,933	**12,663**	56,072
(b) Closing balance of cash and cash equivalents available on demand	**758,941**	801,499	**398,133**	406,022

39. Segment reporting

Segment information is presented in respect of the Group's business segments, the format of which is based on the Group's management and internal reporting structure. In view of the fact that the Company and its subsidiaries operate mainly in the PRC, no geographical segment information is presented.

The Group evaluates the performance and allocates resources to its operating segments on an operating income basis, without considering the effects of finance costs, or investment income, non-operating income and non-operating expense.

Operating cost includes cost of sales, sales taxes and surcharges, selling and administrative expenses and impairment losses on assets.

The Group principally operates in four operating segments: synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products. All of the Group's products are produced through intermediate steps from the principal raw material of crude oil. The specific products of each segment are as follows:

(i) The synthetic fibres segment produces primarily polyester and acrylic fibres primarily used in the textile and apparel industries.

(ii) The resins and plastics segment produces primarily polyester chips, low density polyethylene resins and films, polypropylene resins and PVA granules. The polyester chips are used in the processing of polyester fibres and construction coating materials and containers. Low density polyethylene resins and plastics are used in cable jacketing, sheeting, the manufacture of moulded products, such as house wares and toys and for agricultural and packaging uses. Polypropylene resins are used in the manufacturing of extruded films or sheets and injection moulded products such as house wares, toys and household electric appliance and automobile parts.

(iii) The intermediate petrochemicals segment primarily produces ethylene and benzene. Most of the intermediate petrochemicals produced by the Group are used by the Group as raw materials in the production of other petrochemicals, resins, plastics and synthetic fibres. A portion of the intermediate petrochemicals as well as certain by-products of the production process are sold to outside customers.

(iv) The Group's petroleum products segment has crude oil distillation facilities used to produce vacuum and atmospheric gas oils used as feedstocks of the Group's downstream processing facilities. Residual oil and low octane gasoline fuels are produced primarily as a co-product of the crude oil distillation process. A proportion of the residual oil is further processed into qualified refined gasoline and diesel oil. In addition, the Group produces a variety of other transportation, industrial and household heating fuels, such as diesel oils, jet fuels, heavy oils and liquefied petroleum gases.

(v) All other operating segments represent the operating segments which do not meet the quantitative threshold for determining reportable segments. These include trading, consumer products and services and a variety of other commercial activities, which are not allocated to the above four operating segments.

39. Segment reporting *(continued)*

Operating income	Six-month period ended 30 June 2008 RMB'000	2007 RMB'000
Synthetic fibres		
External sales	**2,114,272**	2,304,678
Intersegment sales	**42**	46
Sub-total	**2,114,314**	2,304,724
Resins and plastics		
External sales	**8,558,916**	8,117,734
Intersegment sales	**50,534**	35,115
Sub-total	**8,609,450**	8,152,849
Intermediate petrochemicals		
External sales	**6,058,541**	4,202,885
Intersegment sales	**11,257,562**	8,440,840
Sub-total	**17,316,103**	12,643,725
Petroleum products		
External sales	**14,590,287**	10,069,800
Intersegment sales	**1,171,981**	782,449
Sub-total	**15,762,268**	10,852,249
All others		
External sales	**1,585,745**	2,188,334
Intersegment sales	**1,131,348**	1,535,505
Sub-total	**2,717,093**	3,723,839
Eliminations of intersegment sales	**(13,611,467)**	(10,793,955)
Total	**32,907,761**	26,883,431

39. Segment reporting *(continued)*

Operating cost	Six-month period ended 30 June 2008 RMB'000	2007 RMB'000
Synthetic fibres	**2,137,524**	2,200,550
Resins and plastics	**8,547,509**	7,537,734
Intermediate petrochemicals	**6,007,005**	3,678,993
Petroleum products	**16,849,581**	9,593,220
All others	**1,577,297**	2,076,630
Total	**35,118,916**	25,087,127

Operating (loss)/profit	Six-month period ended 30 June 2008 RMB'000	2007 RMB'000
Synthetic fibres	**(23,252)**	104,128
Resins and plastics	**11,407**	580,000
Intermediate petrochemicals	**51,536**	523,892
Petroleum products	**(2,259,294)**	476,580
All others	**8,448**	111,704
Total segment result	**(2,211,155)**	1,796,304
Financial expenses	**(139,034)**	(88,757)
Add: Investment income	**285,100**	787,286
Operating (loss)/profit	**(2,065,089)**	2,494,833

39. Segment reporting *(continued)*

Assets	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Segment assets		
Synthetic fibres	2,645,552	2,815,477
Resins and plastics	2,677,512	2,837,072
Intermediate petrochemicals	8,089,121	7,522,940
Petroleum products	10,268,426	9,063,063
All others	2,673,406	2,698,055
Total segment assets	26,354,017	24,936,607
Long-term equity investments	3,165,398	3,543,769
Unallocated	2,016,007	2,013,958
Total assets	31,535,422	30,494,334

Liabilities	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Segment Liabilities		
Synthetic fibres	348,639	317,311
Resins and plastics	1,410,989	1,163,885
Intermediate petrochemicals	998,372	687,388
Petroleum products	2,327,136	1,607,474
All others	261,144	272,683
Total segment liabilities	5,346,280	4,048,741
Short-term loans	4,703,190	3,672,942
Current portion of Long-tem loans	619,359	419,027
Long-term loans	419,860	639,289
Unallocated	357,257	410,900
Total liabilities	11,445,946	9,190,899

39. Segment reporting *(continued)*

Depreciation and amortisation	Six-month period ended 30 June 2008 RMB'000	2007 RMB'000
Synthetic fibres	**110,750**	110,349
Resins and plastics	**169,361**	169,106
Intermediate petrochemicals	**299,943**	296,774
Petroleum products	**178,916**	175,390
All others	**83,130**	82,364
Segment depreciation and amortisation	**842,100**	833,983
Unallocated	**6,720**	6,628
Depreciation and amortisation	**848,820**	840,611

Total capital expenditures for segment long-lived assets	Six-month period ended 30 June 2008 RMB'000	2007 RMB'000
Synthetic fibres	**30,998**	22,834
Resins and plastics	**24,436**	9,954
Intermediate petrochemicals	**93,749**	331,253
Petroleum products	**232,557**	240,394
All others	**34,295**	68,604
Total capital expenditures for segment long-lived assets	**416,035**	673,039
Unallocated	**-**	-
Total	**416,035**	673,039

40. Significant accounting estimates and judgments

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in Note 3. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(1) Impairments for long-lived assets

If circumstances indicate that the net book value of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with "CAS (2006) 8 Impairment of Assets". Long-lived assets are reviewed for impairment at the end of each reporting period or whenever events or changes in circumstance have indicated that their carrying amounts may not be recoverable. If any such indication exists, impairment loss is provided.

The recoverable amount of an asset is the greater of its net selling price and its present value of expected future cash flows. Since a market price of the asset can not be obtained reliably, the fair value of the asset can not be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumption.

(2) Depreciation

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

40. Significant accounting estimates and judgments *(continued)*

(3) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(4) Allowance for diminution in value of inventories

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The Group bases the estimates on all available information, including the current market prices of the finished goods and raw materials, and historical operating costs. If the actual selling prices were to be lower or the costs of completion were to be higher than estimated, the actual allowance for diminution in value of inventories could be higher than estimated.

41. Financial risk management

Overview

The Group and the Company have exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk

The Board of Directors has overall responsibility for the establishment, oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group's audit committee.

41. Financial risk management *(continued)*

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The carrying amounts of trade debtors, bills receivables and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

The majority of the Group's trade debtors relate to sales of petroleum and chemical products to related parties and third parties operating in the petroleum and chemical industries. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on trade debtors. The Group maintains an impairment loss for doubtful accounts and actual losses have been within management's expectations.

No other financial assets of the Group carry a significant exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group prepares monthly cash flow budget to ensure that they will always have sufficient liquidity to meet its financial obligation as they fall due. The Group arranges and negotiates financing with financial institutions and maintains a certain level of standby credit facilities to reduce the liquidity risk.

At 30 June 2008, the Group had standby credit facilities with several PRC financial institutions which allowed the Group to borrow up to RMB 2,900,000,000 (31 December 2007: RMB 2,900,000,000) on an unsecured basis, at a weighted average interest rate of 6.63% (2007: 6.29%). At 30 June 2008, the Group's outstanding borrowings under these facilities were RMB 1,414,296,000 (31 December 2007: RMB 1,812,642,000) and were included in short-term bank loans.

At 30 June 2008, the Group had revolving credit facilities with several PRC financial institutions which allowed the Group to borrow up to RMB 1,500,000,000 (31 December 2007: RMB 1,300,000,000) on an unsecured basis, at a weighted average interest rate of 6.07%-7.10% (2007: 5.30%-6.72%). At 30 June 2008, the Group's outstanding borrowings under these facilities were RMB Nil (31 December 2007: RMB Nil).

41. Financial risk management *(continued)*

Liquidity risk *(continued)*

The following table sets out the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates current at the balance sheet date) and the earliest date the Group and the Company would be required to repay:

The Group

	At 30 June 2008				
	Carrying Amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000
Short-term loans	4,703,190	4,955,831	4,955,831	-	-
Current portion of long-term loans	619,359	658,634	658,634	-	-
Long-term loans	419,860	472,870	26,505	421,435	24,930
Total	5,742,409	6,087,335	5,640,970	421,435	24,930

	At 31 December 2007				
	Carrying Amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000
Short-term loans	3,672,942	3,734,332	3,734,332	-	-
Current portion of long-term loans	419,027	444,822	444,822	-	-
Long-term loans	639,289	723,741	39,271	549,201	135,269
Total	4,731,258	4,902,895	4,218,425	549,201	135,269

41. Financial risk management *(continued)*

Liquidity risk *(continued)*

The Company

	At 30 June 2008				
	Carrying Amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000
Short-term loans	4,458,190	4,701,340	4,701,340	-	-
Current portion of long-term loans	450,000	479,790	479,790	-	-
Long-term loans	250,000	286,810	18,405	268,405	-
Total	5,158,190	5,467,940	5,199,535	268,405	-

	At 31 December 2007				
	Carrying Amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000
Short-term loans	3,289,642	3,341,069	3,341,069	-	-
Current portion of long-term loans	259,097	276,181	276,181	-	-
Long-term loans	450,000	512,550	31,275	481,275	-
Total	3,998,739	4,129,800	3,648,525	481,275	-

41. Financial risk management *(continued)*

Market risk

(a) Currency risk

The revenue-generating operations and financing of the Group and the Company are mainly transacted in Renminbi, which is not fully convertible into foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorised to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

The Group and the Company has no hedging policy on foreign currency balances, and principally reduces the currency risk by monitoring the level of foreign currency. Other than the amounts as disclosed in Note 6 and the loans as disclosed below, the amounts of other financial assets and liabilities of the Group and the Company are substantially denominated in the functional currency of respective entity of the Group.

Included in loans and borrowings are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	At 30 June 2008 '000	At 31 December 2007 '000	**At 30 June 2008 '000**	At 31 December 2007 '000
United States Dollars	**USD413,767**	USD86,556	**USD412,327**	USD85,116

A 5 percent strengthening / decreasing of Renminbi against USD at 30 June 2008 would have increased /decreased net profit for the period and retained earnings of the Group by approximately RMB 106,428,000 (31 December 2007: RMB 21,181,000). This analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the foreign currency balances to which the Group has significant exposure as stated above, and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

41. Financial risk management *(continued)*

Market risk *(continued)*

(b) Interest rate risk

The interest rates and terms of repayment of loans and borrowings of the Group are disclosed in Note 21 and 25.

As at 30 June 2008, it is estimated that a general increase / decrease of 100 basis points in interest rates, with all other variables held constant, would decrease / increase the Group's net profit for the period and retained earnings by approximately RMB 31,457,000 (31 December 2007: RMB 12,146,000). This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to floating interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2007.

Capital management

The Group also optimises the structure of its capital, comprising equity and loans. In order to maintain or adjust the capital structure, the Group may issue new shares, adjust the capital expenditure plan, sell assets to reduce debt, or adjust the proportion of short-term and long-term loans. The Group monitors capital on the basis of debt-to-equity ratio, which is calculated by dividing long-term loans, including long-term bank loans and loans from the related parties, by the total of equity attributable to equity shareholders of the Company and long-term loans, and liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. The Group's strategy is to make appropriate adjustments according to the operating and investment needs and the changes of market conditions, and has maintained the debt-to-equity ratio and the liability-to-asset ratio at a range considered as reasonable by management.

The schedule of the contractual maturities of loans and commitments are disclosed in Note 21, Note 25 and Note 42, respectively.

There were no changes in the Group's approach to capital management during the period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

41. Financial risk management *(continued)*

Fair value

The disclosures of the fair value estimates, methods and assumptions, set forth below for the Group's financial instruments, are made to comply with the requirements of CAS 37 and 22 and should be read in conjunction with the Group's consolidated financial statements and related notes.

The following table presents the carrying amounts and fair values of the Group's long-term bank loans at 30 June 2008 and at 31 December 2007:

	At 30 June 2008		At 31 December 2007	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Liabilities				
Long-term bank loans	**1,039,219**	**1,021,336**	1,058,316	1,034,682

The fair value of long term bank loans is estimated by discounting future cash flows thereon using current market interest rates offered to the Group for debts with substantially the same characteristics and maturities ranging 7.44%-7.74% (31 December 2007: 7.17%-7.74%).

The fair value of available-for-sale assets was based on quoted market price at the balance sheet date. Unquoted equity investments are individually and in the aggregate not material to the Group's financial condition or results of operations. There are no listed market prices for such interests in the PRC and, accordingly, a reasonable estimate of fair value could not be made without incurring excessive costs.

The fair values of cash, trade debtors, bills receivable, prepayments, other receivables, trade creditors, receipt in advance and other payables are not materially different from their carrying amounts.

Short-term loans and borrowings - the carrying value is estimated to approximate fair value based on the nature or short term maturity of these instruments.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

42. Capital commitments

Capital commitments of the Group and the Company are as follows:

	Six-month period ended 30 June	
	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Contracted but not provided for	**280,358**	311,991
Authorised by the Board but not contracted for	**3,364,980**	3,546,960
	3,645,338	3,858,951

Capital commitments relate primarily to the construction of building, plant, machinery and purchase of equipment and the Group's other investments and associates.

At 30 June 2008, the Group and the Company did not have material operating lease commitment.

43. Contingent liabilities

(1) The contingent liabilities of the Group and the Company are summarised as follows:

	The Group		The Company	
	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000
Guarantees issued to banks in favor of				
- subsidiaries	**-**	-	**425,000**	545,000
- associates	**14,500**	14,500	**14,500**	14,500
- other unlisted investment companies	**16,247**	16,247	**-**	-
	30,747	30,747	**439,500**	559,500

The Group and the Company monitors the conditions that are subject to the guarantees to identify whether it is probable that a loss has occurred, and recognises any such losses under guarantees when those losses are estimable. At 30 June 2008, it is not probable that the Group and the Company will be required to make payments under the guarantees. Thus no liability has been accrued for a loss related to the Group's and the Company's obligation under the guarantees arrangement.

43. Contingent liabilities *(continued)*

(2) Income tax differences

Regarding the issue on the enterprise income tax differences arising from prior years as disclosed in Note 5(2)and 44(2) in the Company's 2007 annual financial statements, the Company has been informed by the relevant tax authority to settle the enterprise income tax ("EIT") for 2007 at a rate of 33 percent. Up till now, the Company has not been requested to pay additional EIT in respect of any years prior to 2007. Except for the above, there is no further development of this matter during the six-month period ended 30 June 2008.

44. Related party relationships and transactions

(1) Information on the parent of the Company is listed as follows:

Name of company:	China Petroleum & Chemical Corporation
Organisation code:	71092609-4
Registered Address:	No. 6, Hui Xin Dong Jie Jia, Chao Yang Qu, Beijing
Scope of operations:	Exploring for, extracting and selling crude oil and natural gas; oil refining; production, sale and transport of petro-chemical, chemical fibres and other chemical products; pipe transport of crude oil and natural gas; research and development and application of new technologies and information.
Relationship with the Company:	The immediate parent company
Economic nature:	Joint stock limited company
Authorised representative:	Su Shulin
Registered capital:	RMB 86.7 billion(2007: RMB 86.7 billion)
On the company's stake:	55.56%
Proportion of voting rights:	55.56%

The above registered capital has not changed during the six-month period ended 30 June 2008.

At 30 June 2008, Sinopec Corp held 4 billion shares of the Company. There are no changes during the period.

(2) Details of the Company's subsidiaries are set out in Note 5.

44. Related parties and related party transactions *(continued)*

(3) Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, including directors and supervisors of the Group. The key management compensations are as follows:

	Six-month period ended 30 June	
	2008	2007
	RMB'000	RMB'000
Short-term employee benefits	**4,118**	2,638
Retirement scheme contributions	**19**	16
	4,137	2,654

(4) Transactions between the Group and the Company with other related parties

(a) Other companies not having the direct ability to exercise significant influence over the Group.

	Relationship with the Company
China Petrochemical Corporation	The ultimate parent company
Sinopec Finance Company Limited	Subsidiary of the ultimate parent company
Sinopec Storage and Transportation Branch	Subsidiary of the ultimate parent company
Sinopec Zhenhai Refining & Chemical Branch	Branch of the immediate parent company
Sinopec Huadong Sales Company	Branch of the immediate parent company
Sinopec Pipeline storage & Transport Company	Branch of the immediate parent company
China International United Petroleum and Chemical Company Limited	Subsidiary of the immediate parent company
China Petrochemical International Company Limited	Subsidiary of the immediate parent company
Sinopec Chemical Sales Company Limited	Subsidiary of the immediate parent company
Shanghai Secco Petrochemical Company Limited	Associated company
BOC-SPC Gases Co., Ltd	Jointly controlled company
Shanghai Jinpu Plastics Packaging Material Company Limited	Associated company
Shanghai Jinsen Hydrocarbon Resins Company Limited	Associated company

Details of the Group's jointly controlled entities and associates are set out in Note 14.

44. Related parties and related party transactions *(continued)*

(4) Transactions between the Group and the Company with other related parties *(continued)*

(b) Most of the transactions undertaken by the Group during the six-month period ended 30 June 2008 have been affected with such counterparties and on such terms as have been determined by Sinopec Corp and other relevant authorities.

Sinopec Corp negotiates and agrees the terms of crude oil supply with suppliers on a group basis, which is then allocated among its subsidiaries, including the Group, on a discretionary basis. During the period, the value of crude oil purchased in accordance with Sinopec Corp's allocation was as follows:

	Six-month period ended 30 June	
	2008	2007
	RMB'000	RMB'000
Purchases of crude oil	**20,354,163**	15,182,743

(c) Other transactions between the Group and the Company with other related parties during the period were as follows:

	The Group		The Company	
	Six-month period ended 30 June			
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Sales of goods and service fee income	**15,319,559**	10,442,978	**15,901,446**	11,475,942
Purchases other than crude oil	**3,031,338**	1,923,125	**4,186,571**	2,947,716
Insurance premiums paid	**57,721**	49,833	**57,498**	53,000
Net addition / (withdrawal) from deposits in a related party	**2,977**	(53,696)	**(2,906)**	(59,288)
Interest received and receivable	**315**	273	**304**	235
Loans borrowed	**213,000**	180,000	**130,000**	-
Loans repayment	**(1,328,300)**	-	**(1,227,000)**	-
Interest paid and payable	**13,940**	903	**6,869**	-
Construction and installation fees	**16,773**	64,737	**16,773**	64,737
Gains from disposal of investments	**-**	14,585	**-**	14,585
Sales commissions	**111,242**	93,891	**111,242**	93,879
Net (decrease) / increase of guarantees	**-**	(28,750)	**(120,000)**	146,000
Rental income from related parties	**9,150**	6,915	**11,781**	9,483

The sales and purchases transactions between the Group and other related parties as disclosed in Note 44(4)(a) accounted for approximately 90% of the transactions of the similar nature.

The Directors of the Company are of the opinion that the above transactions were entered into the normal course of business and on normal commercial terms in accordance with the agreements governing such transactions. The above has been confirmed by independent non-executive directors.

44. Related parties and related party transactions *(continued)*

(4) Transactions between the Group and the Company with other related parties *(continued)*

(d) Balances with related parties

At 30 June, the Group's balances with related parties are as follows:

	Immediate Parent Company		Other related parties	
	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000
Dividends receivable	**-**	-	**200,758**	-
Bills receivable	**-**	-	**22,500**	43,725
Trade debtors	**59,022**	16,698	**742,082**	334,138
Other receivables	**304,781**	121	**4,983**	44,540
Advance payments	**4,039**	24,570	**18,609**	51,429
Bills payable	**700,000**	-	**14,500**	-
Trade creditors	**633,141**	679,944	**154,161**	132,173
Other payables	**19,667**	19,726	**15,461**	46,964
Receipts in advance	**6,135**	10,374	**8,905**	15,689
Dividends payable	**360,000**	-	**-**	-
Balance of guarantee	**-**	-	**30,747**	30,747

At 30 June, the Company's balances with related parties are as follows:

	Immediate Parent Company		Other related parties	
	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000
Dividends receivable	**-**	-	**200,000**	-
Bills receivable	**-**	-	**32,570**	52,344
Trade debtors	**17,220**	7,579	**748,666**	350,445
Other receivables	**304,781**	121	**105,354**	105,479
Advance payments	**3,431**	21,337	**16,930**	53,036
Bills payable	**700,000**	-	**-**	-
Trade creditors	**633,141**	679,944	**574,651**	280,264
Other payables	**19,668**	19,726	**518,989**	460,038
Receipts in advance	**4,820**	9,074	**25,718**	51,138
Dividends payable	**360,000**	-	**-**	-
Balance of guarantee	**-**	-	**439,500**	559,500

44. Related parties and related party transactions *(continued)*

(4) Transactions between the Group and the Company with other related parties *(continued)*

(e) Deposits in related parties

	The Group		The Company	
	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000
Cash at bank and on hand	**32,713**	29,736	**26,630**	29,536

(f) Loans with related parties

	The Group		The Company	
	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000	**At 30 June 2008 RMB'000**	At 31 December 2007 RMB'000
Short-term loans	**240,000**	1,355,300	**130,000**	1,227,000
Long-term loans	**120,000**	120,000	**-**	-

45. Comparative figures

The Group adopted CAS (2006) on 1 January 2007. The significant accounting policies applicable to the Group under CAS (2006) are summarised in Note 3.

After the publication of 2007 interim report, further interpretations on CAS (2006) (including CAS Bulletin 1 and Opinions on the Implementation of CAS (2006) from the Professional Working Group of the China Accounting Standards Committee) were issued. The Group reviewed the consolidated income statement for the six-month period ended 30 June 2008 in accordance with these interpretations during the preparation of the 2008 interim report and made retrospective adjustments to the comparative figure.

Income and expenses items affected by above retrospective adjustments in the income statement for the period ended 30 June 2007.

		The Group		
	Notes	Before Adjustment RMB'000	Adjustment RMB'000	After Adjustment RMB'000
Investment income		(785,534)	(1,752)	(787,286)
(Including: income from investment in associates and jointly controlled entities)	45(b)	(383,160)	(1,752)	(384,912)
Income tax	45(c)	669,885	(4,641)	665,244
Total		(115,649)	(6,393)	(122,042)

		The Company		
	Notes	Before Adjustment RMB'000	Adjustment RMB'000	After Adjustment RMB'000
Investment income	45(a)/(b)	(702,066)	(281,714)	(983,780)
(Including: income from investment in associates and jointly controlled entities)	45(b)	(371,124)	(1,752)	(372,876)
Income tax	45(c)	645,718	(4,641)	641,077
Total		(56,348)	(286,355)	(342,703)

45. Comparative figures *(continued)*

(a) Investment in subsidiaries

According to CAS (2006), investments in subsidiaries are accounted for using the cost method and adjusted under prospective application method. However, according to CAS Bulletin 1, investments in subsidiaries are accounted for under cost methods and retrospective application. Therefore, the Company made retrospective adjustments on such investments. The change in accounting policy did not cause any effect on the consolidated financial statement.

(b) Contribution by fixed assets and sales of assets to a jointly controlled entity

Before 1 July 2007, the shortfall of the acquisition cost of the Group's and the Company's contribution of fixed assets to joint ventures over the Group's and the Company's interest in the shareholder's equity of the acquiree was recognised in capital reserve; the excess of the transaction price of the Group's and the Company's sales of fixed assets to joint ventures over the carrying amount of the fixed assets was recognised in capital reserve.

According to the CAS Bulletin 1, the above profits and losses resulting from transactions between the Group and its jointly controlled enterprises are recognised in investment income after being eliminated for the part attributable to the Group calculated based on its share of the jointly controlled enterprises. This policy was changed retrospectively on 1 January 2007. The relevant 2007 comparative items have been adjusted accordingly.

(c) Income tax

Due to retrospective adjustments made to above item(b), the Group adjusted the deferred tax effect as at 30 June 2007.

46. Non-recurring items

In accordance with "Standard questions and answers on the preparation of information disclosures by companies publicly issuing securities, No 1 - Non recurring items" (2007 Revised), the Group's non-recurring items are set out as below:

	Six-month period ended 30 June	
	2008	2007
	RMB'000	RMB'000
Non-recurring items		
Gain from disposal of non-current assets	**135,527**	387,617
Subsidy income	**1,627,727**	-
Employee reduction expenses	**(35,631)**	(50,733)
Net expenses of non-operating income/(expenses) other than those mentioned above	**(16,754)**	(28,032)
Sub-total	**1,710,869**	308,852
Less: tax effect for the above items	**(427,717)**	(101,921)
Total	**1,283,152**	206,931
Include: Non-recurring items attributable to equity shareholders of the Company	**1,283,117**	206,969
Non-recurring items attributable to minority shareholders	**35**	(38)

47. (Loss)/earnings per share and return on net assets

Complied to "Regulations on the preparation of information disclosures by companies publicly issuing securities No.9 - calculation and disclosure of earnings per share and return on net assets"(2007 Modified) issued by China Security Regulation Committee, earning per share and return on net assets are calculated as follows:

(1) The Group's (loss)/earnings per share

	Six-month period ended 30 June			
	2008		2007	
	Basic earnings per share	**Diluted earnings per share**	Basic earnings per share	Diluted earnings per share
(a) (Loss) / earnings per share based on net (loss)/profit including non-recurring items (RMB)	**(0.052)**	**(0.052)**	0.244	0.244
- Net (loss)/ profit attributable to equity shareholders of the Company (RMB'000)	**(372,772)**	**(372,772)**	1,758,290	1,758,290
- Weighted average of issued shares ('000)	**7,200,000**	**7,200,000**	7,200,000	7,200,000
(b) (Loss) /earnings per share based on net (loss)/profit excluding non-recurring items (RMB)	**(0.230)**	**(0.230)**	0.215	0.215
- Net (loss)/ profit attributable to equity shareholders of the Company (RMB'000)	**(1,655,889)**	**(1,655,889)**	1,551,321	1,551,321
- Weighted average of issued shares ('000)	**7,200,000**	**7,200,000**	7,200,000	7,200,000

47. (Loss)/earnings per share and return on net assets *(continued)*

(2) Return on net assets

	The Group			
	At 30 June 2008		At 30 June 2007	
	Diluted	**Weighted average**	Diluted	Weighted average
(a) Return on net assets based on net (loss)/profit including non-recurring items	**-1.880%**	**-1.826%**	8.329%	8.687%
- Net (loss) / profit attributable to equity shareholders of the Company (RMB'000)	**(372,772)**	**(372,772)**	1,758,290	1,758,290
- Net assets attributable to equity shareholders of the Company (RMB'000)	**19,823,791**	**19,823,791**	21,109,813	21,109,813
- Net assets attributable to equity shareholders of the Company, weighted average (RMB'000)	**20,411,618**	**20,411,618**	20,239,766	20,239,766
(b) Return on net assets based on net profit excluding non-recurring items	**-8.353%**	**-8.112%**	7.349%	7.665%
- Net (loss)/profit attributable to equity shareholders of the Company excluding non-recurring items (RMB'000)	**(1,655,889)**	**(1,655,889)**	1,551,321	1,551,321
- Net assets attributable to equity shareholders of the Company (RMB'000)	**19,823,791**	**19,823,791**	21,109,813	21,109,813
- Net assets attributable to equity shareholders of the Company, weighted average (RMB'000)	**20,411,618**	**20,411,618**	20,239,766	20,239,766

C. Differences between financial statements prepared under the China Accounting Standards for Business Enterprises and International Financial Reporting Standards ("IFRS")

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

The Company also prepares a set of financial statements which complies with the China Accounting Standards for Business Enterprises ("CAS (2006)"). A reconciliation of the Group's net (loss)/ profit and shareholders' equity prepared under the China Accounting Standards for Business Enterprises and IFRS is presented below.

Other than the differences in the classification of certain financial statements assertions and the accounting treatment of the items described below, there are no material differences between the Group's financial statements prepared in accordance with the China Accounting Standards for Business Enterprises and IFRS. The major differences are:

Notes:

(i) Government grants

Under the China Accounting Standards for Business Enterprises, 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 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) Revaluation of land use rights

Under IFRS, land use rights are carried at historical cost less accumulated amortisation. Under the China Accounting Standards for Business Enterprises, the cost of land use rights invested by the shareholders at the time of the establishment of the enterprise is determined at revalued amount, then amortised on the basis of revalued amount to determine the net book value.

(iii) Goodwill

Under the China Accounting Standards for Business Enterprises, the Group no longer amortises positive goodwill effective 1 January 2007. From 1 January 2007, goodwill is tested annually for impairment.

Under IFRS, with reference to IFRS 3, "Business combinations", the Group no longer amortises goodwill effective 1 January 2005. From 1 January 2005, goodwill is tested annually for impairment.

C. Differences between financial statements prepared under the China Accounting Standards for Business Enterprises and IFRS *(continued)*

(iii) Goodwill *(continued)*

As a result, there are no differences in respect of goodwill amortisation between the China Accounting Standards for Business Enterprises and IFRS effective 1 January 2007. The difference in the shareholders' equity represents the two years of amortisation of positive goodwill during the period from 1 January 2005 to 31 December 2006 under the previous China Accounting Rules and Regulations.

(iv) Change in tax rate on deferred tax

As the EIT rate applicable to the Company was changed from 33% in 2007 to 25% in 2008, deferred tax recognised as at 31 December 2007 is based on the 25% tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The amount represents the effects of change in tax rate on deferred tax assets.

The effect on the Group's net (loss)/profit of significant differences between the China Accounting Standards for Business Enterprises and IFRS are summarised below:

	Note	**Six-month period ended 30 June**	
		2007	2006
		RMB'000	RMB'000
			(restated)#
(Loss)/profit attributable to equity shareholders of the Company under the China Accounting Standards for Business Enterprises		**(372,772)**	1,758,290
Adjustments:			
Reduced depreciation on government grants	(i)	**13,380**	13,380
Amortisation of revaluation of land use rights	(ii)	**1,749**	1,749
Effects of the above adjustments on taxation		**(437)**	(577)
Effects of change in tax rate on deferred tax	(iv)	**-**	12,727
(Loss)/profit attributable to equity shareholders of the Company under IFRS		**(358,080)**	1,785,569

\# After the publication of 2007 interim report, further interpretations on CAS (2006) were issued. The Group reviewed the consolidated income statement for the six-month period ended 30 June 2007 in accordance with these interpretations during the preparation of the 2008 interim report. The net profits as determined in accordance with the China Accounting Rules and Regulations for prior periods have been restated. As a result, the comparative figures have been adjusted accordingly.

C. Differences between financial statements prepared under the China Accounting Standards for Business Enterprises and IFRS *(continued)*

The effect on the Group's shareholders' equity of significant differences between the China Accounting Standards for Business Enterprises and IFRS are summarised below:

	Note	**At 30 June 2007 RMB'000**	At 31 December 2006 RMB'000 (restated)
Total equity attributable to equity shareholders of the Company under the China Accounting Standards for Business Enterprises		**19,823,791**	20,999,444
Adjustments:			
Government grants	(i)	**(223,779)**	(237,159)
Revaluation of land use rights	(ii)	**(165,505)**	(167,254)
Goodwill	(iii)	**22,415**	22,415
Effects of the above adjustments on taxation		**30,155**	30,592
Total equity attributable to equity shareholders of the Company under IFRS		**19,487,077**	20,648,038

Written Confirmation Issued by Directors, Supervisors and Senior Management

Pursuant to the requirements of No.68 of the Securities Law and Regulation on the Preparation of Information Disclosure Contents and Format of Companies Issuing Public Shares, No.3 revised by the China Securities Regulatory Commission(CSRC) in 2007, we, being directors, supervisors and the senior management of the Company, having carefully studied and reviewed the Company's 2008 interim report, are in the opinion that: the Company was in strict compliance with the financial system operation of listed companies and the 2008 interim report gave a true and fair view of the financial position and operating results of the Company. We warrant that the information contained in the 2008 interim report is true, accurate and complete, and that there are no false or misleading statements contained in or material omissions from this report. We jointly and severally accept full responsibility for the authenticity, accuracy and completeness of the information contained in this report.

Signature:

Directors:

Rong Guangdao	Du Chongjun	Han Zhihao	Li Honggen
Shi wei	Dai Jinbao	Lei Dianwu	Xiang Hanyin
Chen Xinyuan	Sun Chiping	Jiang Zhiquan	Zhou Yunnong

Supervisors:

Gao Jinping	Zhang Chenghua	Wang Yanjun	Zhai Yalin
Wu Xiaoqi	Liu Xiangdong	Yin Yongli	

Senior Management:

Zhang Jianping	Tang Chengjian	Zhang Jingming

CORPORATE INFORMATION

1.	Name of the Company in Chinese:	中國石化上海石油化工股份有限公司
	Short Name in Chinese:	上海石化
	Name of the Company in English:	Sinopec Shanghai Petrochemical Company Limited
	Short Name in English:	SPC
2.	A Shares Stock Exchange Listing:	Shanghai Stock Exchange
	A Shares Abbreviation:	S 上石化
	A Shares Stock Code:	600688
	H Shares Stock Exchange Listing:	Hong Kong Exchanges and Clearing Limited
	H Shares Abbreviation:	上海石化
	H Shares Stock Code:	338
	Other Stock Exchange Listing:	New York Stock Exchange
	Other Stock Abbreviation:	SHI
3.	Registered Office:	48 Jinyi Road, Jinshan District, Shanghai, PRC
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	Postal Code:	200540
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6. Newspapers for announcements: China Securities Journal, Shanghai Securities News (In case of any discrepancy between the Chinese and the English versions, the Chinese version should prevail.)
   Website for the Company's periodical report: www.sse.com.cn, www.hkex.com.hk, www.spc.com.cn
   Place for Access to the Company's periodical report: Office of Secretariat of the Board of Directors, 48 Jinyi Road, Jinshan District, Shanghai, PRC

7. Other information:

Date of the Company's initial registration:	29 June 1993
Initial registered office of the Company:	Jinshan Wei, Shanghai, PRC
Date of change of the Company's registration for the first time:	12 October 2000
Change of the Company's registration address for the first time:	48 Jinyi Road, Jinshan District, Shanghai, PRC
SAIC registration number of the Company:	310000000021453
Tax registration number of the Company:	310043132212291
Organisation registered code of the Company:	13221229-1
Domestic auditors of the Company:	KPMG Huazhen
General office of the domestic auditors:	8th floor, Office Tower E2, Oriental Plaza, No. 1, East Chang An Avenue, Beijing, PRC Postal Code: 100738
Name of international auditors of the Company:	KPMG
General office of the international auditors:	8th floor, Prince's Building, Central, Hong Kong

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