Contents

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

2009 Interim Report

Important Message

The board of directors (the "Board") and the Supervisory Committee of Sinopec Shanghai Petrochemical Company Limited (the "Company" or "SPC") as well as its Directors, Supervisors and Senior Management warrant that there are no false representations or misleading statements contained in, or material omission from, the 2009 interim report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information contained in the 2009 interim report.

Directors Mr. Lei Dianwu and Mr. Xiang Hanyin, as well as Independent Director Mr. Jiang Zhiquan were absent from the eighth meeting of the sixth session of the Board due to business engagements. Directors Mr. Lei Dianwu and Mr. Xiang Hanyin had appointed and authorised Mr. Rong Guangdao, Chairman, as their irrevocable voting proxies. Independent Director Mr. Jiang Zhiquan had appointed and authorised Mr. Chen Xinyuan, Independent Director, as his irrevocable voting proxy. The Board considered and approved the 2009 interim report.

The interim financial statements of the Company for the six-month period ended 30 June 2009 were unaudited.

The Company did not have any application of funds by controlling shareholders and its connected parties on a non-operating basis.

The Company did not provide third-party guarantees in violation of stipulated procedures.

Mr. Rong Guangdao, Chairman and concurrently 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 the 2009 interim 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 2009, the global financial crisis was still spreading. However, as various countries throughout the world implemented large-scale economic stimulus policies, the financial systems of the developed countries have shown signs of stabilisation. The economy is gradually bottoming out and the trend of global economic depression has begun to ease. Boosted by an array of plans intensively rolled out by the Central Government aiming at maintaining a stable and relatively fast economic growth by further boosting domestic demand, the Chinese national economy bottomed out and rebounded, exhibiting a marked positive trend of stabilisation in the first quarter, with a better-than-expected GDP growth of 7.1% in the first half of 2009. Driven by the State's macro-adjustment and control policies and measures, China's petrochemical industry has achieved positive results. The industry's economic operation has shown a trend of bottoming out, stabilising and rebounding, especially in the second quarter. The trend of sharp decline in growth rate has been contained, and the demand for part of the staple products has improved. The market has shown a trend of gradual rebound while the industry's profitability has improved distinctly.

In the first half of 2009, the global economic crisis continued to spread in both breadth and depth, the petrochemical industry witnessed a downturn of the cycle and market demand has not completely recovered in general. However, international crude oil prices saw a significant slump year-on-year and a new pricing mechanism for refined oil products has been introduced in China. Under such mixed conditions, the Group took "learning from the advanced, intensifying internal management, putting an end to the loss plight, expediting the development and boosting popular morale" as the main theme, pushing ahead in full scale various work on production operation as well as reform and development. In the first half of the year, the Group maintained stable operations and production, without encountering any major accidents in production, safety or environmental protection. The frequency and duration of non-scheduled shutdowns of major production plants decreased over the same period last year. The major technical and economic targets were satisfactorily achieved. The output-to-sales ratio and the receivable recovery ratio remained at satisfactory levels. For the six-month period ended 30 June 2009, the Group's turnover was RMB 21,178.6 million, down RMB 11,688.5 million or 35.56% year-on-year. Profit before taxation of RMB 1,368.7 million was realised, representing an increase of RMB 1,802.5 million over the same period last year. Meanwhile, profit after taxation and minority interests amounted to RMB 1,001.9 million, representing an increase of RMB 1,360.0 million over the same period last year.

In the first half of 2009, hit by the global economic crisis, the industry faced a downturn of the cycle and shrinking market demand, and the Group was affected by factors including overhaul and cutting back part of its plants in the first quarter. As a result, production volume of the Group's products decreased to a certain extent over the same period last year. Between January and June 2009, the Group processed 4,194,900 tons of crude oil, a decrease of 871,600 tons or 17.20% year-on-year. Of the total processed amount, imported crude oil and offshore crude oil amounted to 3,648,800 tons and 546,100 tons respectively. Production output of gasoline was 436,700 tons, up 4.65% year-on-year. Production outputs of diesel and jet fuel were 1,272,300 tons and 302,300 tons respectively, down 32.67% and 10.27% year-on-year respectively. The Group produced 439,300 tons of ethylene and 236,700 tons of propylene, down 8.65% and 10.68% respectively over the same period last year. The Group also produced 540,500 tons of synthetic resins and plastics, representing an increase of 0.82% year-on-year; 427,800 tons of synthetic fibre monomers, 289,200 tons of synthetic fibre polymers and 120,500 tons of synthetic fibres, representing decreases of 12.32%, 5.06% and 18.42% respectively year-on-year. The Group's output-to-sales ratio and receivable recovery ratio in the first half of the year were 99.82% and 98.03% 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					
	2009			2008		
	Sales Volume ('000 tons)	**Net Sales (in RMB Millions)**	**% of Total**	Sales volume ('000 tons)	Net Sales (in RMB Millions)	% of Total
Synthetic Fibres	**123.8**	**1,289.3**	**6.76**	153.4	2,108.6	6.53
Resins and Plastics	**766.6**	**5,725.8**	**30.00**	775.0	8,533.9	26.43
Intermediate Petrochemicals	**525.8**	**2,312.6**	**12.12**	710.8	6,038.3	18.70
Petroleum Products	**2,429.1**	**7,700.2**	**40.35**	3,138.4	14,074.8	43.58
Others	**-**	**2,056.0**	**10.77**	-	1,538.8	4.76
Total	**3,845.3**	**19,083.9**	**100.00**	4,777.6	32,294.4	100.00

In the first half of 2009, the Group realised a total net sales of RMB 19,083.9 million, down 40.91% over the same period last year, among which net sales derived from petroleum products, intermediate petrochemicals, resins and plastics and synthetic fibres decreased by 45.29%, 61.70%, 32.91% and 38.86% year-on-year respectively. Such decreases were mainly attributable to the decreases in product prices and sales volume of petroleum products, intermediate petrochemicals, resins and plastics and synthetic fibres arising from decreases in raw material and energy prices. Compared to the first half of 2008, the average prices (excluding tax) of the Group's petroleum products, intermediate petrochemicals, resins and plastics and synthetic fibres decreased by 29.24%, 48.24%, 32.15% and 24.29% respectively. However, when compared to the second half year of 2008, the average prices (excluding tax) of the above four products decreased by 38.68%, 33.83%, 18.72% and 16.25% respectively. In the first half of the year, net sales of the Group's "Other products" (mainly auxiliary feedstock) increased by 33.61% over the same period last year, mainly attributable to a decline in internally-consumed volume of auxiliary feedstock but an increase in external sales volume arising from a decrease in the Group's production output.

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

During the first six months of 2009, the Group's cost of sales decreased by 48.55% year-on-year to RMB 17,604.6 million, accounting for 92.25% of the net sales.

Crude oil is the Group's major raw material. Since the middle of March of the year, affected by various factors such as the anticipation of an economic recovery, improved demand, the depreciation of US dollar and an anticipation of inflation, prices of international crude oil showed a strong rebound. WTI crude oil price rose to a high of over US$70/ barrel, up over 100% as compared to its lowest price in the first half of the year. However, compared to the first half of the previous year, there was still a significant decline. According to statistics, during the first half of the year, the average price of Brent crude oil was approximately US$53/ barrel, dropped approximately 52% from the average price of US$111/ barrel year-on-year. This resulted in a year-on-year decline of RMB 2,525.11/ ton to RMB 2,543.77/ ton for the Group's average unit cost of crude oil processed in the first half of 2009, representing a 49.82% decrease. With the significant drop in the average price of crude oil and a decline in the volume of crude oil processed, the Group's total cost of crude oil processed during the reporting period decreased by 59.33% year-on-year to RMB 10,443.8 million. The crude oil costs accounted for 59.32% of the Group's cost of sales in the first half of the year.

Expenses for other auxiliary raw materials of the Group amounted to RMB 3,593.2 million in the first half of 2009, down 36.31% as compared to the same period last year, mainly due to a decrease in the price of raw materials. Depreciation and maintenance costs of the Group during the reporting period amounted to RMB 828.8 million and RMB 379.6 million respectively, both of which decreased slightly from a year ago. Energy and power costs decreased by RMB 144.5 million to RMB 774.8 million, as a result of year-on-year decreases to various degrees in both purchase volumes and purchase prices of coal for power generation and external electricity.

The Group's selling and administrative expenses in the first half of 2009 amounted to RMB 185.9 million, down 31.25% from RMB 270.4 million for the first six months of 2008. The decrease was caused by a drop in transportation expenses as a result of the decrease in sales volume, and a decrease in agency fees due to lower agency commission rates with respect to product sales in ordinary continuing connected transactions during the reporting period.

The Group's other operating expenses in the first half of 2009 decreased by RMB 52.9 million year-on-year to RMB 15.5 million, mainly as a result of a decrease in employee reduction expenses during the reporting period.

Financing costs of the Group in the first half of 2009 increased by 54.82% on a year-on-year basis to RMB 215.2 million, mainly because Renminbi continually appreciated against the US dollar in the first half of the previous year. However, during the first half of 2009, the exchange rate of Renminbi against the US dollar remained basically stable, which resulted in a significant slump in net foreign exchange gains of the Group during the reporting period.

The Group's profit after taxation and minority interests increased significantly from a loss of RMB 358.1 million in the first half of 2008 to a profit of RMB 1,001.9 million in the first half of 2009, representing an increase of RMB 1,360.0 million.

During the first half of 2008, the Group recognised subsidies as income amounting to RMB 1,627.7 million (of which, RMB 1,619.9 million was government financial subsidy income) and such subsidy was not received in the first half of 2009.

Liquidity and capital resources

The Group's net cash inflow from operating activities amounted to RMB 2,457.4 million for the first half of 2009, as compared with a net cash outflow of RMB 1,056.2 million in the corresponding period last year. The Group's gross profit was RMB 1,479.2 million during the first half of 2009 and the loss was RMB 296.2 million during the first half of 2008. The increase in gross profit led to an increase of cash inflow from operating activities of RMB 1,775.4 million. In addition, for the corresponding period of the previous year, inventory balance at the end of the period increased by RMB 2,281.6 million as compared to the inventory balance at the beginning of the period, while the inventory balance for the first half of 2009 decreased by RMB 171.9 million. Impacted by such movement in inventory balance at the end of the period, cash inflow from operating activities increased by RMB 2,453.5 million.

During the first half of 2009, the Group's net cash outflow from investing activities amounted to RMB 730.7 million, as compared to a net cash inflow of RMB 120.0 million year-on-year. The main reasons were: (1) a decrease in cash inflow from investing activities of RMB 266.4 million due to a year-on-year decrease in dividends received by the Group during the first half of 2009. Impacted by the global economic crisis, Shanghai Secco Petrochemical Company Limited, a major associate of the Group, recorded a loss in 2008 and has not distributed dividends for 2008. The Group received the distributable dividends of RMB 300.0 million for 2007 from this associate in the corresponding period of the previous year; and (2) an increase in cash outflow from investing activities of RMB 660.6 million due to a year-on-year increase in the Group's capital expenditures during the period. Capital expenditure for the 600,000-ton per year PX aromatics complex, the Group's major construction-in-progress, increased significantly in the period as compared to the corresponding period of the previous year.

During the first half of 2009, the Group's net cash outflow from financing activities amounted to RMB 1,929.9 million, an increase of net cash outflow of RMB 2,732.7 million year-on-year, mainly due to the Group's substantial repayment of short-term borrowings during the first half of 2009.

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 2009 decreased by RMB 1,976.6 million to RMB 7,825.2 million from the beginning of the period. Among the borrowings, short-term debts decreased by RMB 1,876.6 million while long-term borrowings decreased by RMB 100.0 million.

As at 30 June 2009, 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 RMB 25.3 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, a change in the relevant exchange rates will affect the level of the Group's financial expenses since some of the Group's debts is denominated in foreign currencies. Accordingly, the Group's profitability will be affected as well.

Capital expenditure

In the first half of 2009, the construction of the Group's structural adjustment projects continued to move forward. The construction of new projects including the 600,000-ton per year PX aromatics complex and the 150,000-ton per year C5 separation plant were basically completed according to schedule. They are currently in preparation for startup and are expected to commence operation in the second half of 2009. The flue gas desulphurisation facilities added to No. 3 and No. 4 furnaces of coal-fired power plants and the 220,000-volt transformer station renovation project commenced operation as scheduled. Meanwhile, projects including the selective hydro-desulphurisation of catalytic gasoline and the integrated use of natural gas and the drafting and compilation works of the "Twelfth Five-Year Plan" have commenced in an organised manner.

In the first half of the year, the Group's capital expenditure amounted to RMB 1,076.6 million, mainly comprising capital injections into the 600,000-ton per year aromatics complex and the 150,000-ton per 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 with cash from operations and banking facilities.

Liability-to-asset ratio

As at 30 June 2009, the Group's liability-to-asset ratio was 46.46% (31 December 2008: 50.02%). The ratio is calculated using this formula: total liabilities/ total assets.

Employees

As at 30 June 2009, the Group's on-record employees totaled 17,267. Staff costs for the six-month period ended 30 June 2009 totaled RMB 697.0 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 25% correspondingly for the year.

Disclosure required by the Hong Kong 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 "Hong Kong Listing Rules"), the Company confirmed that there have been no material changes in the existing information of the Company relating to the matters as set out in paragraph 32 in Appendix 16 and the information disclosed in the Company's 2008 annual report.

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

In the second half of 2009, global economies may witness more favorable factors. As the US economy, as a locomotive, has gradually stabilised while Europe and Japan may see an end to deep corrections in their economies, global economies are expected to enter a period of slow recovery and slow growth, although there are still lots of uncertainties as to whether the path will be smooth. Impacted by an array of economic stimulus plans to "ensure growth, expand domestic demand, adjust structure" and the continued implementation of proactive fiscal policies and moderately loose monetary policies, China's economy is expected to see a stronger upward momentum with a continued trend of stabilisation and rebound. Nevertheless, as the foundation for stabilisation and rebound has not been solid, the economic operation may still face tough challenges. Although the economic operation in China's petrochemical industry has shown a trend of bottoming out, stabilising and rebounding, the Chinese export situation looks grim. While there may be inadequate plant utilization rates for certain downstream industries, certain petrochemical products may be affected by a flood of products made by newly-built plants coming on stream. Certain petrochemical products are severely hit by imports. Market competition will be intensified as ever.

As the signs of recovery in the global economy have become more obvious, coupled with the mixed effects of ample liquidity, funds speculation, typhoons, and an increasing use of oil for heating during winter, international crude oil prices may continue to hover at relative high levels and may show a trend of surge quarter by quarter. As the Chinese Government may still exercise control over the prices of domestic refined oil products when international crude oil prices hit their highs.

To sum up, the Group expects the average crude oil processing costs to surge significantly in the second half of the year as compared to the first half of the year and therefore the production and operation of the Group in the second half of the year may hardly be optimistic. In the second half of 2009, 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:

i. Intensify HSE (health, safety, and environment) management and push forward production optimisation, striving to ensure a safe, stable and optimised operation.

ii. Closely track and study trend changes in the market and further improved its work on crude oil purchase and products sales.

iii. Ensure a successful implementation of the construction and putting into operation of the structural adjustment project, further improving the development of the Company.

iv. Further enhance the management system of the Company and continue to deepen its efforts in the application of the information technology system.

v. Continuously reinforce its human resource and actively cultivate a cohesive and harmonious corporate culture.

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

i. Principal operations by segment or 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	1,309,486	1,148,933	12.26	-38.06	-50.55	Increase 22.15 percentage points
Resins and plastics	5,804,333	4,267,614	26.48	-32.18	-48.66	Increase 23.59 percentage points
Intermediate petrochemicals	2,347,290	1,748,053	25.53	-61.26	-65.28	Increase 8.63 percentage points
Petroleum products	9,651,287	7,628,542	20.96	-33.85	-52.97	Increase 32.13 percentage points
Others	2,092,284	1,885,519	9.88	31.94	33.31	Decrease 0.93 percentage points
Including: connected transactions	10,533,920	8,769,631	16.75	-31.24	-47.33	Increase 25.44 percentage points

Pricing principles of connected transactions	The Directors (including the Independent Non-executive Directors) are of the view that the above mentioned connected transactions were conducted on normal commercial terms which were no less favourable 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 Group.
Description of the necessity and continuity of connected transactions	The purchases by the Company of crude oil and related materials from, and sales of petroleum products by the Company to, China Petroleum & Chemical Corporation("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 take place. 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 obtained construction and installation, project design, petrochemical industry insurance agency and financial services from China Petrochemical Corporation ("Sinopec") and its associates in order to secure steady and reliable services at reasonable prices.

ii. Principal operations by geographical location (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	19,728,964	- 34.80
Other regions in the PRC	1,406,903	- 44.45
Exports	68,813	- 40.09

iii. 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 2009, the gross profit margin of the Group's principal operations was 21.12%, representing an increase of 22.55 percentage points year-on-year. This was mainly attributable to the following reasons: 1) significant declines in international crude oil prices and production material prices year-on-year led to a significant drop in the production costs of the Group; 2) domestic refined oil prices have converged indirectly with crude oil prices in the international market in a controlled manner. In relation to the price range of international crude oil in the first half of the year, the new measures brought the price inversion between refined oil products and crude oil to an end, thereby improving the profitability of the Group's oil refining operation; and 3) the Group further strengthened its internal management and achieved good results in work including tapping potential and increasing efficiency as well as reducing costs and expenses, thereby enhancing operating quality and standards in general.

3. Investments by the Company

i. 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.

ii. Non-Fund Raising Projects

Project	Total project investment RMB million	Project progress as at 30 June 2009
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 has not had any amendment plan for 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 may have any material change in relation to such forecast as compared to the same period last year and the reasons thereof.

Following the year-on-year decreases in international crude oil prices in the first half of the year, the costs of the Group's raw materials which are primarily crude oil dropped significantly. Meanwhile, the State Council carried out reforms on refined oil prices and fuel tax on 1 January 2009. Since then domestic oil prices have converged indirectly with crude oil prices in the international market in a controlled manner. On 8 May 2009, the National Development and Reform Commission promulgated the "Administrative Measures for Crude Oil Prices (Trial)" (《石油價格管理辦法(試行)》). In relation to the price range of international crude oil in the first half of the year, the new measures brought the price inversion between refined oil products and crude oil to an end, thereby improving the profitability of the oil refining operation. In relation to the petrochemical operation, after the panic sell-off and sharp decrease in prices of products triggered by the financial crisis, it has bottomed out and re-stabilised, with prices of a majority of products having risen to a certain extent as demands in the downstream industry have gradually stabilised. Also, the load of the relevant plants of the Company has increased and the profitability has therefore been enhanced. Nevertheless, the impact of the global financial crisis continues to persist while international crude oil prices are trending upward. Meanwhile, a release of newly added production capacity fuels market competition, and the external operating environment of the Company still sees lots of uncertainties. As a result, the Group will continue to face many difficulties and challenges in its production operation in the second half of the year. The Group is expected to maintain a profit in its overall results for the nine-month period ended 30 September 2009 (adjusted net profit attributable to equity shareholders of the Company for the nine-month period ended 30 September 2008 prepared under China Accounting Standards for Business Enterprises amounted to RMB -2,679.7 million).

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 capital structure during the reporting period.

2. Shareholding of shareholders

(i) Number of shareholders and their shareholdings

Total number of shareholders as at the end of the reporting period 134,528

Shareholdings of the top ten shareholers Unit: Share

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) Limited	Foreign Shareholder	31.93	2,298,868,101	-1,392,000	Circulating	-	Unknown
China Minsheng Banking Corp., Ltd. - Orient Selective Mixed Open-end Securities Investment Fund	Others	1.14	82,182,297	+2,759,926	Circulating	-	Unknown
China Construction Bank-CIFM China Advantage Security Investment Fund	Others	0.47	33,857,992	+2,967,083	Circulating	-	Unknown
Shanghai Kangli Gong Mao Company	Others	0.23	16,730,000	-	Non-circulating	16,730,000	Unknown
Bank of China - China AMC Large-cap Select Securities Investment Fund	Others	0.21	15,004,747	Unknown	Circulating	-	Unknown
Zhejiang Province Economic Construction and Investment Company	Others	0.17	12,000,000	-	Non-circulating	12,000,000	Unknown
China Construction Bank-Zhongxin Dividend Select Equity Type Securities Investment Fund	Others	0.13	9,503,672	Unknown	Circulating	-	Unknown
Bank of China-Harvest Shanghai and Shenzhen 300 Index Securities Investment Fund	Others	0.08	5,898,227	-360,331	Circulating	-	Unknown
Shanghai Textile Development Company	Others	0.08	5,650,000	-	Non-circulating	5,650,000	Unknown

Top ten shareholders of shares in circulation:

Name of shareholders	Number of shares in circulation held	Type of shares
HKSCC (Nominees) Limited	2,298,868,101	Overseas listed foreign shares
China Minsheng Banking Corp., Ltd. - Orient Selective Mixed Open-end Securities Investment Fund	82,182,297	RMB-denominated ordinary shares
China Construction Bank - CIFM China Advantage Security Investment Fund	33,857,992	RMB-denominated ordinary shares
Bank of China - China AMC Large-cap Select Securities Investment Fund	15,004,747	RMB-denominated ordinary shares
China Construction Bank-Zhongxin Dividend Select Equity Type Securities Investment Fund	9,503,672	RMB-denominated ordinary shares
Bank of China-Harvest Shanghai and Shenzhen 300 Index Securities Investment Fund	5,898,227	RMB-denominated ordinary shares
China Construction Bank Co., Ltd. - Changsheng Tongqing Separately-traded Equity Type Securities Investment Fund	5,319,943	RMB-denominated ordinary shares
Bank of China - ChinaAMC Strategy Select Securities Fund	5,000,977	RMB-denominated ordinary shares
China Merchants Bank Co., Ltd. - Zhongxin Classical Allocated Securities Investment Fund	3,851,600	RMB-denominated ordinary shares
International Finance Corporation - Bank of China - CICC Equity Selection Collective Investment Scheme	3,499,942	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 of any other connected relationships among the other shareholders, or any concert parties under the Administrative Measures on Acquisition of Listed Companies.

ii. Change in controlling shareholder and controlling company of the controlling shareholder of the Company

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

iii. Interests and short positions of substantial shareholders and other persons in shares and underlying shares of the Company

As at 30 June 2009, 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:

(i) Interests in ordinary shares of the Company

Name of shareholders	Number and type of shares held	% of total issued share capital	% of shareholding in the Company's total issued H share	Capacity
China Petroleum & Chemical Corporation	4,000,000,000 promoter legal person shares (L)	55.56	-	Beneficial owner
JPMorgan Chase & Co.	193,744,446(L)	2.69	8.32	Beneficial owner;
	5,878,000(S)	0.08	0.25	investment managers;
	32,364,480(P)	0.45	1.39	others (Lending pool)

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

Save as disclosed above, no interests 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.

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

As at 30 June 2009, 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, Senior Management and Others

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 the 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 Counsel	Nil	Nil	No change

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

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 2009, 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 2009, 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

There were no new appointments or dismissals of the Company's Directors, Supervisors and Senior Management in the reporting period.

Audit Committee

On 26 August 2009, the Audit Committee of the sixth session of the Board held the third meeting, primarily to review the interim financial report of the Group for the period.

Purchase, Sale or Redemption of the Company's Securities

During the reporting period, the Group has not 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 contained in Appendix 14 to the Hong Kong Listing Rules, except for the following deviation:

Code Provision A.2.1:	The roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.
Deviation:	Mr. Rong Guangdao has been appointed as the Chairman and President of the Company.
Reason:	Mr. Rong Guangdao has a wealth of experience in the management of large-scale petrochemical production enterprise. Mr. Rong is the most suitable candidate to serve in the positions of the 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 Model Code

The Directors of the Company confirm that the Company has adopted the Model Code set out in Appendix 10 to the Hong Kong 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 its articles of association at the 2008 annual general meeting.

2. **Implementation of the profit appropriation plan during the reporting period**

(1) The profit appropriation plan for 2008 was considered and approved at the Company's 2008 annual general meeting convened on 18 June 2009. The Company did not declare a final dividend for the year, nor did the Company increase share capital by transferring reserve fund.

(2) The Company did not declare an interim dividend for 2009, nor did the Company increase share capital by transferring reserve fund.

3. **Implementation of cash dividend distribution policy during the reporting period**

(1) Cash dividend distribution policy:

Amendment to Article 208 of the Articles of Association was made at the 2008 annual general meeting convened on 18 June 2008 where cash dividend distribution policy was defined. The amended Article 208 is as follows:

"Where there is any profit that may be distributed to shareholders, the Company shall take steps to implement a profit distribution scheme with the principle of providing reasonable investment return to shareholders as well as ensuring the Company to meet its reasonable capital requirements.

The profit distribution policies of the Company are as follows:

i The Company shall properly deal with the correlation between the short-term benefits and long-term development of the Company and formulate a reasonable dividend distribution plan each year based on the prevailing operating environment and the capital requirement plan for project investment and after thoroughly considering the benefits of shareholders.

ii The profit distribution policies of the Company shall maintain consistency and stability.

iii The accumulated profits distributed in cash by the Company over the past three years shall represent no less than 30% of the realised average annual distributable profits over the past three years.

iv If the Board of the Company does not make any cash profit distribution proposal, the Company shall disclose the reason(s) in its periodic reports."

(2) Implementation of cash dividend distribution during the reporting period

The Company incurred significant loss in its 2008 net profit and therefore no distribution of cash dividend was implemented.

4. Material Litigation or Arbitration

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

5. Transfer of assets

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

6. The Company holds stakes in other listed companies

Stock code	Abbreviation of securities	Initial investment cost (RMB'000)	Percentage of shareholding in that company at the end of the reporting period (%)	Book value at the end of the reporting period (RMB'000)	Gain in the reporting period (RMB'000)	Change in shareholders' equity of the reporting period (RMB'000)	Account	Source of shares
600837	HTSEC	11,164	0.12	162,922	-	61,950	Available-for-sale financial assets	Investment
600000	SPDB	1,318	-	-	39,723	(22,265)	Available-for-sale financial assets	Investment
600527	JNGX	898	-	-	16,011	(8,769)	Available-for-sale financial assets	Investment
Total		13,380		162,922	55,734	30,916		

7. Major connected transactions during the reporting period

(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 obtained 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 take place. 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 obtained 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 (i) State tariffs; or (ii) State guidance prices; or (iii) 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	8,639,133	40.74
	Other related parties	1,894,787	8.94
Purchases	Sinopec Transport and Storage Company	1,491,367	8.85
	Other related parties	5,344,980	31.73
Construction and installation fees	Sinopec and its subsidiaries	101,508	61.94
Transportation fees	Sinopec Transport and Storage Company	29,660	26.34

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 RMB 9,909,580,000.

(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	-	-	-	-
China Petrochemical Corporation and its other subsidiaries	Controlling company of the controlling shareholder and other subsidiaries	(11,654)	-	(39,423)	27,488
Total		(11,654)	-	(39,423)	27,488

During the reporting period, no funds were provided by the Company to the controlling shareholder and its subsidiaries. There were no balance of funds provided by the Company to the controlling shareholder and its subsidiaries.

8. Material contracts and the performing of obligations

(1) Trust, Sub-contract and Lease Arrangements

(i) Trust

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

(ii) Sub-contracting

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

(iii) Leasing

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

(2) Guarantees

Unit: RMB'000

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

Guarantor	Relationship between the guarantor and the Company	Guaranteed entities	Guarantee amount	Date (Agreement signing date)	Commencement date of guarantee	Maturity date of the guarantee	Type of guarantee	Guarantee expired	Whether the guarantee is overdue	Overdue amount of the guarantee	Whether counter-guarantee available	Guarantee for a connected party	Connected relation-ships
SPC	-	Shanghai Jinpu Plastics Packaging Material Company Limited	14,500	20 July 2008	20 July 2008	20 July 2009	Joint guarantee	No	No	-	No	Yes	Associate
Shanghai Petrochemical Enterprise Development Company Limited	Parent company and subsidiary	Shanghai Jinshan Hotel Co. Ltd.	9,294	14 May 2009	14 May 2009	13 November 2009	Joint guarantee	No	No	-	No	Yes	Joint venture
Shanghai Petrochemical Enterprise Development Company Limited	Parent company and subsidiary	Shanghai Chemical Industry Park Logistics Co., Ltd.	1,500	21 December 2004	21 December 2004	21 December 2009	Joint guarantee	No	No	-	No	Yes	Joint venture

Amount of guarantees signed during the reporting period (excluding guarantees to subsidiaries)	(453)
Amount of guarantees at the end of the reporting period (excluding guarantees to subsidiaries)	25,294
Group's guarantees to subsidiaries	
Amount of guarantees to subsidiaries signed by the Company during the reporting period	(50,000)
Amount of guarantees to subsidiaries at the end of the reporting period	200,000
Total guarantee amount (including guarantees to subsidiaries)	
Total guarantee amount	225,294
Total guarantee amount as a percentage of net asset value of the Group under China Accounting Standards for Business Enterprises (%)	1.52
of which:	
Amount of guarantee provided for shareholders, the controlling company of the controlling shareholder or the other connected parties	-
Amount of debt guarantee provided for the companies with liabilities to assets ratio of over 70% directly or indirectly	209,294
Total amount of guarantee is over 50% of the net asset	-
Total guarantee amount of the above three items	209,294

(3) Trust financial management

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

(4) Other material contracts

There was no other material contract during the reporting period.

9. Performance of undertakings

There was no undertaking by the Company or its shareholders with shareholding of over 5% or its controlling company of the controlling shareholder during and until the reporting period.

10. 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.

11. Disciplinary actions upon the Company and its Directors, Supervisors, Senior Management, shareholders and controlling company of the controlling shareholder

During the reporting period, the Company and its Directors, Supervisors, Senior Management, shareholders and controlling company of the controlling shareholder had not been investigated, administratively punished or publicly criticized by the China Securities Regulatory Commission or publicly reprimanded by the stock exchanges.

12. Other important events and factors, and analysis of solutions

There was no other important event during the reporting period.

13. Disclosure of Information

Item	Publication	Publishing Date	Websites
Resolutions of the Sixth Meeting of the Sixth Session of the Board of Directors, Resolutions of the Fourth Meeting of the Sixth Session of the Supervisory Committee and 2008 Annual Report Summary	"Shanghai Securities News" and "China Securities Journal"	30 March 2009	Website of Shanghai Stock Exchange (www.sse.com.cn), website of The Stock Exchange of Hong Kong Limited(www.hkex.com.hk), website of the Company (www.spc.com.cn)
Announcement on Expected Profit for the First Quarterly Results of 2009	"Shanghai Securities News" and "China Securities Journal"	8 April 2009	Same as above
Resolutions of the Seventh Meeting of the Sixth Session of the Board of Directors, 2009 First Quarterly Report	"Shanghai Securities News" and "China Securities Journal"	20 April 2009	Same as above
Announcement in respect of Abnormal Share Price Fluctuation of A Shares	"Shanghai Securities News" and "China Securities Journal"	23 April 2009	Same as above
Notice of 2008 Annual General Meeting	"Shanghai Securities News" and "China Securities Journal"	30 April 2009	Same as above
Announcement on Expected Profit for the Interim Results of 2009	"Shanghai Securities News" and "China Securities Journal"	11 June 2009	Same as above
Resolutions Passed at the 2008 Annual General Meeting	"Shanghai Securities News" and "China Securities Journal"	19 June 2009	Same as above
Announcement in respect of the Company's Share Reform Progress	"Shanghai Securities News" and "China Securities Journal"	2 February, 2 March, 30 March, 23 April, 25 May and 22 June 2009	Same as above

Documents for Inspection

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

   i. 2009 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 Hong Kong Listing Rules will be disclosed on the websites of The Stock Exchange of Hong Kong 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)	**28,205,680**	28,107,465	0.349
Shareholders' equity (excluding minority interests)(RMB'000)	**14,859,523**	13,841,371	7.356
Net asset value per share attributable to equity shareholders of the Company (RMB)*	**2.064**	1.922	7.356

	For the six-month period ended 30 June 2009 (reporting period)	Corresponding period of the previous year (After adjustment)[Note]	Corresponding period of the previous year (Before adjustment)[Note]	Increase/decrease during this reporting period as compared to the corresponding period of the previous year(%)
Operating profit/(loss)(RMB'000)	**1,269,719**	(2,065,089)	(2,065,089)	-
Profit/(loss) before taxation(RMB'000)	**1,353,562**	(448,939)	(448,939)	-
Net profit/(loss) attributable to equity shareholders of the Company(RMB'000)	**987,236**	(372,772)	(372,772)	-
Net profit/(loss) attributable to equity shareholders of the Company excluding non-recurring items(RMB'000)	**834,728**	(435,093)	(1,655,889)	-
Basic earnings/(loss) per share (RMB)	**0.137**	(0.052)	(0.052)	-
Basic earnings/(loss) per share excluding non-recurring items (RMB)	**0.116**	(0.060)	(0.230)	-
Diluted earnings/(loss) per share (RMB)	**0.137**	(0.052)	(0.052)	-
Return/loss on net assets* (fully diluted) (%)	**6.644**	(1.880)	(1.880)	Increase 8.524 percentage points
Net cash inflow/(outflow) from operating activities(RMB'000)	**2,688,366**	(808,818)	(808,818)	-
Net cash inflow/(outflow) per share from operating activities (RMB)	**0.373**	(0.112)	(0.112)	-

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

Note: Comparative figures for the corresponding period of the previous year have been restated in accordance with the amendments of the "Notice on the Explanation of Information Disclosure of Companies Offering Securities to the Public No.1 - Non-recurring Items" (2008).

2. Non-recurring items and amounts

Non-recurring items	Amount RMB'000
Gain from disposal of non-current assets	223,664
Enterprises restructure expenses, e.g. expenses for employee placement, integration expenses	(3,717)
Losses arising from changes in fair value of forward exchange contracts	(10,372)
Net expenses of non-operating expenses other than those mentioned above	(6,217)
Less: tax effect for the above items	(50,840)
Total	152,518
Include: Non-recurring items attributable to equity shareholders of the Company	152,508
Non-recurring items attributable to minority shareholders	10

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

Items	Net profit/(loss) attributable to equity shareholders of the Company		Total equity attributable to equity shareholders of the Company (excluding minority interests)	
	The reporting period RMB'000	The reporting period Corresponding period of the previous year RMB'000	At the beginning of the reporting period RMB'000	At the end of the reporting period RMB'000
Prepared under the China Accounting Standards for Business Enterprises	987,236	(372,772)	13,841,371	14,859,523
Prepared under IFRS	1,001,928	(358,080)	13,496,933	14,529,777

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

KPMG

Review report to the board of directors of
Sinopec Shanghai Petrochemical Company Limited
(Established in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 30 to 52 which comprises the consolidated balance sheet of Sinopec Shanghai Petrochemical Company Limited as of 30 June 2009 and the related consolidated income statement, statement of comprehensive income, statement of changes in equity and condensed consolidated statement of cash flows 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 the 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 2009 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 2009

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 2009 *(unaudited)*

	Note	Six-month period ended 30 June 2009 RMB'000	2008 RMB'000
Turnover	3	**21,178,582**	32,867,105
Sales taxes and surcharges		**(2,094,713)**	(572,750)
Net sales		**19,083,869**	32,294,355
Other income	3	**-**	1,627,727
Cost of sales		**(17,604,625)**	(34,218,330)
Gross profit / (loss)		**1,479,244**	(296,248)
Selling and administrative expenses		**(185,880)**	(270,356)
Other operating income		**198,049**	56,363
Other operating expenses			
Employee reduction expenses		**(3,717)**	(35,631)
Others		**(11,749)**	(32,777)
Total other operating expenses		**(15,466)**	(68,408)
Profit / (loss) from operations		**1,475,947**	(578,649)
Financial income		**10,899**	97,314
Financial expenses		**(226,078)**	(236,348)
Net financing costs		**(215,179)**	(139,034)
Investment income		**55,734**	131,772
Share of profit of associates and jointly controlled entities		**52,189**	152,101
Profit / (loss) before taxation	3,4	**1,368,691**	(433,810)
Income tax	5	**(324,574)**	102,120
Profit / (loss) for the period		**1,044,117**	(331,690)
Attributable to:			
Equity shareholders of the Company		**1,001,928**	(358,080)
Minority interests		**42,189**	26,390
Profit / (loss) for the period		**1,044,117**	(331,690)
Earnings / (loss) per share	7		
Basic		**RMB 0.139**	(RMB 0.050)
Diluted		**RMB 0.139**	(RMB 0.050)

The notes on pages 36 to 52 form part of this unaudited interim financial report.

Consolidated Statement of Comprehensive Income for the six-month period ended 30 June 2009 *(unaudited)*

	Note	Six-month period ended 30 June 2009 RMB'000	2008 RMB'000
Profit / (loss) for the period		**1,044,117**	(331,690)
Other comprehensive income / (loss) for the period (after tax and reclassification adjustments)			
Net change in fair value of available-for-sale securities	6	**30,916**	(154,881)
		30,916	(154,881)
Total comprehensive income / (loss) for the period		**1,075,033**	(486,571)
Attributable to:			
Equity shareholders of the Company		**1,032,844**	(512,961)
Minority interests		**42,189**	26,390
Total comprehensive income / (loss) for the period		**1,075,033**	(486,571)

The notes on pages 36 to 52 form part of this unaudited interim financial report.

Consolidated Balance Sheet as at 30 June 2009 *(unaudited)*

	Note	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Non-current assets			
Property, plant and equipment	9	**12,924,311**	13,272,899
Investment property	10	**486,060**	492,690
Construction in progress		**2,523,581**	1,854,154
Interest in associates and jointly controlled entities		**2,556,334**	2,545,978
Other investments		**262,922**	289,657
Lease prepayments and other assets		**619,192**	604,163
Deferred tax assets		**1,664,161**	1,962,135
Total non-current assets		**21,036,561**	21,021,676
Current assets			
Inventories		**4,320,290**	4,492,215
Trade debtors	11	**183,781**	89,086
Bills receivable	11	**658,641**	532,580
Deposits, other debtors and prepayments	11	**363,309**	484,475
Amounts due from related parties	11	**662,991**	277,777
Income tax recoverable		**1,008**	7,533
Cash and cash equivalents	12	**424,353**	627,685
Total current assets		**6,614,373**	6,511,351
Current liabilities			
Loans and borrowings	13	**7,496,146**	9,372,725
Trade creditors	14	**1,319,306**	1,272,811
Bills payable	14	**724,635**	263,443
Other creditors		**1,176,549**	679,415
Amounts due to related parties	14	**1,776,038**	1,752,647
Income tax payable		**24,192**	1,679
Total current liabilities		**12,516,866**	13,342,720
Net current liabilities		**(5,902,493)**	(6,831,369)
Total assets less current liabilities carried forward		**15,134,068**	14,190,307

The notes on pages 36 to 52 form part of this unaudited interim financial report.

Consolidated Balance Sheet as at 30 June 2009 *(unaudited) (continued)*

	Note	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Total assets less current liabilities brought forward		**15,134,068**	14,190,307
Non-current liabilities			
Loans and borrowings	13	**329,021**	429,021
Total non-current liabilities		**329,021**	429,021
Net assets		**14,805,047**	13,761,286
Shareholders' equity			
Share capital		**7,200,000**	7,200,000
Reserves		**7,329,777**	6,296,933
Total equity attributable to equity shareholders of the Company		**14,529,777**	13,496,933
Minority interests		**275,270**	264,353
Total equity		**14,805,047**	13,761,286

Approved and authorised for issue by the Board of Directors on 27 August 2009.

Rong Guangdao
Chairman and President

Han Zhihao
Director and Chief Financial Officer

The notes on pages 36 to 52 form part of this unaudited interim financial report.

Consolidated Statement of Changes in Equity for the six-month period ended 30 June 2009
(unaudited)

	Note	Total equity attributable to equity shareholders of the Company						
		Share capital RMB'000	**Share premium** RMB'000	**Reserves** RMB'000	**Retained earnings** RMB'000	**Total** RMB'000	**Minority interests** RMB'000	**Total Equity** RMB'000
Balance at 1 January 2008		7,200,000	2,420,841	4,969,548	6,057,649	20,648,038	303,991	20,952,029
Dividends approved in respect of previous year	8	-	-	-	(648,000)	(648,000)	-	(648,000)
Dividends paid to minority shareholders		-	-	-	-	-	(64,696)	(64,696)
Total comprehensive income for the period		-	-	(154,881)	(358,080)	(512,961)	26,390	(486,571)
Balance at 30 June 2008		7,200,000	2,420,841	4,814,667	5,051,569	19,487,077	265,685	19,752,762
Balance at 1 January 2009		7,200,000	2,420,841	4,704,887	(828,795)	13,496,933	264,353	13,761,286
Dividends paid to minority shareholders		-	-	-	-	-	(31,272)	(31,272)
Total comprehensive income for the period		-	-	30,916	1,001,928	1,032,844	42,189	1,075,033
Balance at 30 June 2009		7,200,000	2,420,841	4,735,803	173,133	14,529,777	275,270	14,805,047

The notes on pages 36 to 52 form part of this unaudited interim financial report.

Condensed Consolidated Statement of Cash Flows for the six-month period ended 30 June 2009 *(unaudited)*

	Note	Six-month period ended 30 June 2009 RMB'000	2008 RMB'000
Cash generated from / (used in) operating activities		**2,696,237**	(861,847)
Interest paid		**(230,996)**	(247,345)
Income tax paid		**(16,306)**	(30,888)
Income tax refunded		**8,435**	83,917
Net cash generated from / (used in) operating activities		**2,457,370**	(1,056,163)
Net cash (used in) / generated from investing activities		**(730,735)**	119,966
Net cash (used in) / generated from financing activities		**(1,929,943)**	802,802
Net decrease in cash and cash equivalents		**(203,308)**	(133,395)
Cash and cash equivalents at 1 January	12	**627,685**	893,165
Effect of foreign exchange rates changes		**(24)**	(829)
Cash and cash equivalents at 30 June	12	**424,353**	758,941

The notes on pages 36 to 52 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 applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2009.

2. Changes in accounting policies

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, Operating segments
- IAS 1 (revised 2007), Presentation of financial statements
- Improvements to IFRSs (2008)
- Amendments to IAS 27, Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate
- Amendments to IFRS 7, Financial instruments: Disclosures - improving disclosures about financial instruments
- IAS 23 (revised 2007), Borrowing costs

The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to several of IFRSs which the IASB has issued as an omnibus batch of amendments. The amendments had no material impact on the Group's interim financial report.

The amendments to IAS 23 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of IFRS 8 has not resulted in any significant changes to the presentation of segment information since the identification and presentation of reportable segments in prior periods were consistent with IFRS 8.

- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been reclassified to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

2. Changes in accounting policies *(continued)*

- The amendments to IAS 27 have removed the requirement that dividends arising from pre-acquisition profits should be recognised as a deduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, associates and jointly controlled entities, whether arising from pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. Segment reporting

Segment information is presented in respect of the Group's business segments. The format 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.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

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 mainly 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 housewares 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 housewares, toys and household electric appliance and automobile parts.

3. **Segment reporting** *(continued)*

(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 sales of consumer products and services and a variety of other commercial activities, which are not allocated to the above four operating segments.

(a) Segment results, assets and liabilities

In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's chief operating decision maker for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

3. **Segment reporting** *(continued)*

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

Turnover and other income	Six-month period ended 30 June **2009** **RMB'000**	 2008 RMB'000
Manufactured Products		
Synthetic fibres		
- External sales	**1,309,486**	2,114,272
- Intersegment sales	**39**	42
Total	**1,309,525**	2,114,314
Resins and plastics		
- External sales	**5,804,333**	8,558,916
- Intersegment sales	**26,784**	50,534
Total	**5,831,117**	8,609,450
Intermediate petrochemicals		
- External sales (note a)	**2,347,290**	6,058,541
- Intersegment sales	**4,505,179**	11,257,562
Total	**6,852,469**	17,316,103
Petroleum products		
- External sales (note a)	**9,651,287**	14,590,287
- Intersegment sales	**372,144**	1,171,981
- Other income (note b)	**-**	1,627,727
Total	**10,023,431**	17,389,995
All others		
- External sales (note a)	**2,066,186**	1,545,089
- Intersegment sales	**878,646**	1,131,348
Total	**2,944,832**	2,676,437
Elimination of intersegment sales	**(5,782,792)**	(13,611,467)
Turnover and other income	**21,178,582**	34,494,832

3. **Segment reporting** *(continued)*

Profit / (loss) before taxation	Six-month period ended 30 June **2009** **RMB'000**	2008 RMB'000
Profit / (loss) from operations		
Synthetic fibres	**28,287**	(24,280)
Resins and plastics	**962,032**	12,471
Intermediate petrochemicals	**371,813**	56,341
Petroleum products	**(61,459)**	(626,476)
All others	**175,274**	3,295
Consolidated profit / (loss) from operations	**1,475,947**	(578,649)
Net financing costs	**(215,179)**	(139,034)
Investment income	**55,734**	131,772
Share of profit of associates and jointly controlled entities	**52,189**	152,101
Profit / (loss) before taxation	**1,368,691**	(433,810)

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

	Six-month period ended 30 June **2009** **RMB'000**	2008 RMB'000
Intermediate petrochemicals	**600,695**	1,670,193
Petroleum products	**8,637,266**	12,611,224
All others	**671,619**	-
Total	**9,909,580**	14,281,417

Note (b): The Group recognised grant income of RMB 1,627,727,000 during the six-month period ended 30 June 2008. These grants were mainly for compensation of losses incurred due to the distortion of the correlation between 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 unfulfilled conditions and other contingencies related to the receipts of these grants. There is no assurance that the Group will continue to receive such grants in the future. During the period ended 30 June 2009, the Group did not receive such grants.

4. Profit / (Loss) before taxation

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

	Six-month period ended 30 June	
	2009	2008
	RMB'000	RMB'000
Interest on bank loans and advances	**228,186**	246,394
Less: Amount capitalised into construction in progress	**(23,491)**	(10,046)
Interest expense, net	**204,695**	236,348
Cost of inventories sold	**17,604,625**	34,218,330
Depreciation	**774,167**	825,263
Inventory write-down and losses net of reversals	**(16,836)**	71,930
Net foreign exchange loss / (gain)	**11,011**	(63,065)
Interest income	**(10,899)**	(34,249)
Gain on sale of available-for-sale securities	**(55,734)**	(131,772)

5. Income tax

	Six-month period ended 30 June	
	2009	2008
	RMB'000	RMB'000
Provision for PRC income tax for the period	**36,906**	49,617
Deferred taxation	**287,668**	(151,737)
	324,574	(102,120)

The charge for PRC income tax is calculated at the rate of 25% (2008: 25%) on the estimated assessable income of the period determined in accordance with relevant income tax rules and regulations. The Company did not carry out business overseas and therefore does not incur overseas income taxes.

6. Other comprehensive income / (loss)

	Six-month period ended 30 June	
	2009	2008
	RMB'000	RMB'000
Available-for-sale securities:		
Changes in fair value recognised during the period	**72,717**	(56,052)
Reclassification adjustments for amounts transferred to profit or loss - gains on disposal	**(41,801)**	(98,829)
Net change in the fair value during the period recognised in other comprehensive income	**30,916**	(154,881)

7. Earnings / (loss) per share

(a) Basic earnings / (loss) per share

The calculation of basic earnings / (loss) per share is based on the profit / (loss) attributable to ordinary equity shareholders of the Company for the six-month period ended 30 June 2009 of RMB 1,001,928,000 (six-month period ended 30 June 2008: a loss of RMB 358,080,000) and the weighted average number of ordinary shares of 7,200,000,000 (six-month period ended 30 June 2008: 7,200,000,000) in issue during the interim period.

(b) Diluted earnings / (loss) per share

There were no dilutive potential ordinary shares during the six-month period ended 30 June 2009 and 2008.

8. Dividends

	Six-month period ended 30 June	
	2009	2008
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the period, of RMB nil per share (2008: RMB 0.09 per share)	**-**	648,000

No final dividend in respect of the financial year 2008 was approved during the period (financial year 2007: RMB 648,000,000).

The Directors did not declare the payment of an interim dividend for the period (2008: RMB Nil).

9. Property, plant and equipment

	30 June 2009 RMB'000	31 December 2008 RMB'000
Cost or valuation:		
At 1 January	**35,498,939**	35,234,625
Additions	**25,342**	104,525
Transferred from construction in progress	**399,391**	289,064
Disposals	**(52,113)**	(129,275)
At 30 June / 31 December	**35,871,559**	35,498,939
Accumulated depreciation and impairment losses:		
At 1 January	**22,226,040**	20,257,388
Charge for the period/year	**767,537**	1,618,478
Impairment loss	**-**	440,946
Written back on disposals	**(46,329)**	(90,772)
At 30 June / 31 December	**22,947,248**	22,226,040
Net book value:		
Balance at 30 June / 31 December	**12,924,311**	13,272,899

10. Investment Property

	30 June 2009 RMB'000	31 December 2008 RMB'000
Cost:		
At 1 January	**546,838**	554,233
Disposal	**-**	(7,395)
At 30 June / 31 December	**546,838**	546,838
Accumulated depreciation:		
At 1 January	**54,148**	41,440
Charge for the period / year	**6,630**	13,440
Written back on disposals	**-**	(732)
At 30 June / 31 December	**60,778**	54,148
Net book value:		
At 30 June / 31 December	**486,060**	492,690

10. **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 2009 is estimated by the directors to be approximately RMB 741,593,000, by reference to market values of like properties in the relevant regions (31 December 2008: RMB 729,739,000). The investment property has not been valued by an external independent valuer.

Rental income of RMB 16,077,000 was received during the period ended 30 June 2009 (period ended 30 June 2008: RMB 21,746,000).

11. **Trade and other debtors**

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Trade debtors	**202,392**	107,697
Less: Impairment losses for bad and doubtful debts	**(18,611)**	(18,611)
	183,781	89,086
Bills receivable	**658,641**	532,580
Amounts due from related parties	**662,991**	277,777
	1,505,413	899,443
Derivative financial instruments		
- Forward contracts receivable	**10,366**	97,644
Deposits, other debtors and prepayments	**352,943**	386,831
	363,309	484,475
	1,868,722	1,383,918

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

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Invoice date:		
Within one year	**1,504,496**	899,309
Between one and two years	**917**	134
	1,505,413	899,443

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

12. Cash and cash equivalents

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Cash deposits with a related party	**29,354**	23,318
Cash at bank and in hand	**394,999**	604,367
	424,353	627,685

13. Loans and borrowings

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Short-term loans	**6,196,625**	8,838,204
Corporate bonds (Note a)	**1,000,000**	-
Current portion of long-term loans	**299,521**	534,521
Loans and borrowings - current	**7,496,146**	9,372,725
Loans and borrowings - non-current	**329,021**	429,021
	7,825,167	9,801,746

Note a:

The Company issued RMB 1 billion 330-day unsecured corporate bonds to corporate investors in the PRC inter-bank debenture market on 3 April 2009. The bonds were issued at 100% of face value, with an effective yield of 2.05% per annum, and will mature on 3 March 2010.

14. Trade accounts payable

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Trade creditors	**1,319,306**	1,272,811
Bills payable	**724,635**	263,443
Amounts due to related parties	**1,776,038**	1,752,647
	3,819,979	3,288,901

14. Trade accounts payable *(continued)*

The trade accounts payable are due as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Due within 1 month or on demand	**3,113,976**	3,024,511
Due after 1 month but within 3 months	**426,730**	264,390
Due after 3 months but within 6 months	**279,273**	-
	3,819,979	3,288,901

15. Reserves

For the six-month period ended 30 June 2009 and 2008, no transfers were made to the statutory surplus reserve, or the discretionary surplus reserve.

16. Related party transactions

(a) Most of the transactions undertaken by the Group during the six-month period ended 30 June 2009 have been affected on such terms as determined by Sinopec Corp, the immediate parent company, and 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 2009, the value of crude oil purchased in accordance with Sinopec Corp's allocation was as follows:

	Six-month period ended 30 June	
	2009 RMB'000	2008 RMB'000
Purchases of crude oil	**5,677,617**	20,354,163

16. Related party transactions *(continued)*

(b) Other transactions between the Group and related parties during the six-month period ended 30 June 2009 and 2008 were as follows:

	Six-month period ended 30 June 2009 RMB'000	2008 RMB'000
Sales of goods and service fee income	**10,533,920**	15,319,559
Purchases other than crude oil	**1,188,390**	3,031,338
Insurance premiums paid	**54,715**	57,721
Interest received and receivable	**208**	315
Loans borrowed	**1,460,000**	213,000
Loans repayment	**1,640,000**	1,328,300
Interest paid and payable	**17,746**	13,940
Construction and installation fees	**101,508**	16,773
Sales commissions	**50,470**	111,242
Financial guarantees issued (note 18(a))	**25,294**	25,747
Rental income from related parties	**9,510**	9,150

(c) Cash deposits with related parties

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Cash deposits, maturing within 3 months	**29,354**	23,318

(d) Loans with related parties

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Short-term loans	**350,000**	410,000
Long-term loans	**-**	120,000
	350,000	530,000

16. Related party transactions *(continued)*

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

	Six-month period ended 30 June	
	2009	2008
	RMB'000	RMB'000
Short-term employee benefits	**3,746**	4,118
Post-employment benefits	**50**	19
	3,796	4,137

Post-employment benefits are included in "contributions to defined contribution retirement plans" as disclosed in Note 16 (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	
	2009	2008
	RMB'000	RMB'000
Municipal retirement scheme costs	**97,008**	96,491
Supplementary retirement scheme costs	**22,115**	24,720

At 30 June 2009 and 31 December 2008, there was no material outstanding contribution to post-employment benefit plans.

(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, 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.

16. Related party transactions *(continued)*

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

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 the related amounts.

(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 periods ended 30 June 2009 and 2008, the aggregate amount of crude oil purchased by the Group from the above state-controlled energy and chemical companies are as follows:

	Six-month period ended 30 June	
	2009	2008
	RMB'000	RMB'000
Purchases of crude oil	**4,351,122**	6,324,967

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

	At 30 June	At 31 December
	2009	2008
	RMB'000	RMB'000
Trade creditors and bills payable	**463,331**	-

16. Related party transactions *(continued)*

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

(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	
	2009	2008
	RMB'000	RMB'000
Interest income	**10,692**	33,934
Interest expenses	**186,949**	222,261

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

	At 30 June 2009	At 31 December 2008
	RMB'000	RMB'000
Bank balances with state-controlled banks in the PRC (included in cash and cash equivalents)	**394,999**	604,367
Short-term loans and current portion of long-term loans	**6,096,625**	8,893,204
Long-term loans excluding current portion of long-term loans	**300,000**	300,000
Total loans from state-controlled banks in the PRC	**6,396,625**	9,193,204

17. Capital commitments

The Group had capital commitments outstanding as at 30 June 2009 and 31 December 2008 not provided for in the financial statements as follows:

	At 30 June 2009	At 31 December 2008
	RMB'000	RMB'000
Property, plant and equipment		
Contracted but not provided for	**656,657**	90,987
Authorised by the Board but not contracted for	**632,660**	2,450,250
	1,289,317	2,541,237

18. Contingent liabilities

(a) Financial guarantees issued

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Guarantees issued to banks in favour of:		
- associates	**14,500**	14,500
- joint ventures	**10,794**	11,247
	25,294	25,747

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 been incurred, and recognise any such losses under guarantees when those losses are estimable. At 30 June 2009, 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

With respect to uncertainties about enterprise income tax differences arising from 2006 and before as originated from a tax circular (Circular No.664) issued by the State Administrative of Taxation in June 2007, 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. To date, 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 period ended 30 June 2009. No provision has been made in the financial statements for this uncertainty for tax years prior to 2007 because management believes it is not possible to reliably estimate the amount of the obligation, if any, that might exist.

19. Comparative figures

As a result of the application of IAS 1 (revised 2007), Presentation of financial statements, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

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

Balance Sheets *(Unaudited)*

	Note	The Group At 30 June 2009 RMB'000	The Group At 31 December 2008 RMB'000	The Company At 30 June 2009 RMB'000	The Company At 31 December 2008 RMB'000
Assets					
Current assets					
Cash at bank and on hand	7	**424,353**	627,685	**308,750**	294,786
Financial assets held for trading	8	**10,366**	97,644	**10,366**	97,644
Bills receivable	9	**686,933**	566,356	**558,275**	436,056
Dividends receivable	10	**50,873**	74,000	**44,000**	74,000
Trade debtors	11	**760,694**	226,293	**627,271**	197,522
Advance payments	12	**206,127**	66,772	**212,480**	65,586
Other receivables	13	**140,576**	111,578	**125,136**	12,465
Inventories	14	**4,320,290**	4,492,215	**4,063,867**	4,249,254
Other current assets	15	**14,161**	248,808	**-**	245,420
Total current assets		**6,614,373**	6,511,351	**5,950,145**	5,672,733
Non-current assets					
Available-for-sale financial assets	16	**162,922**	123,918	**162,922**	111,327
Long-term receivables	17	**100,000**	-	**-**	-
Long-term equity investments	18	**2,781,334**	2,941,717	**4,237,248**	4,231,982
Investment property	19	**486,060**	492,690	**546,943**	554,405
Fixed assets	20	**13,166,217**	13,528,185	**12,345,053**	12,648,909
Construction in progress	21	**2,523,581**	1,854,154	**2,485,393**	1,815,344
Intangible assets	22	**566,958**	577,479	**451,965**	459,181
Long-term deferred expenses		**169,354**	145,553	**165,842**	141,331
Deferred tax assets	23	**1,634,881**	1,932,418	**1,635,423**	1,935,851
Total non-current assets		**21,591,307**	21,596,114	**22,030,789**	21,898,330
Total assets		**28,205,680**	28,107,465	**27,980,934**	27,571,063

The notes on pages 60 to 146 form part of these unaudited financial statements.

Balance Sheets *(Unaudited) (continued)*

		The Group		The Company	
		At 30 June	At 31 December	**At 30 June**	At 31 December
	Note	**2009**	2008	**2009**	2008
		RMB'000	RMB'000	**RMB'000**	RMB'000
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans	25	**6,196,625**	8,838,204	**5,978,505**	8,683,204
Bills payable	26	**1,887,635**	265,443	**1,887,151**	265,364
Trade creditors	26	**1,539,919**	2,513,076	**1,239,358**	2,399,527
Receipt in advance	26	**354,425**	443,471	**336,569**	369,723
Employee benefits payable	28	**26,096**	23,240	**22,698**	20,443
Taxes payable	5(3)	**596,337**	45,448	**545,203**	39,062
Interest payable		**15,523**	18,333	**15,523**	18,333
Other payables	26	**599,781**	660,984	**1,232,929**	921,185
Short-term debentures payable	27	**1,000,000**	-	**1,000,000**	-
Current portion of non-current liabilities	29	**299,521**	534,521	**250,000**	450,000
Total current liabilities		**12,515,862**	13,342,720	**12,507,936**	13,166,841
Non-current liabilities					
Long-term loans	29	**329,021**	429,021	**450,000**	300,000
Other non-current liabilities		**226,004**	230,000	**226,004**	230,000
Total non-current liabilities		**555,025**	659,021	**676,004**	530,000
Total liabilities		**13,070,887**	14,001,741	**13,183,940**	13,696,841
Shareholders' equity					
Share capital	30	**7,200,000**	7,200,000	**7,200,000**	7,200,000
Capital reserve	31	**2,970,097**	2,939,181	**2,970,097**	2,930,412
Surplus reserve	32	**4,766,408**	4,766,408	**4,766,408**	4,766,408
Accumulated losses	33	**(76,982)**	(1,064,218)	**(139,511)**	(1,022,598)
Total equity attributable to equity shareholders of the Company		**14,859,523**	13,841,371	**14,796,994**	13,874,222
Minority interests	6	**275,270**	264,353	**-**	-
Total equity		**15,134,793**	14,105,724	**14,796,994**	13,874,222
Total liabilities and shareholders' equity		**28,205,680**	28,107,465	**27,980,934**	27,571,063

The notes on pages 60 to 146 form part of these unaudited financial statements.

Income Statements *(Unaudited)*

	Note	Six-month period ended 30 June			
		The Group		The Company	
		2009	2008	**2009**	2008
		RMB'000	RMB'000	**RMB'000**	RMB'000
Operating income	34	**21,204,680**	32,907,761	**18,438,778**	30,432,883
Less: Operating costs		**16,678,661**	33,304,394	**14,152,342**	31,021,843
Business taxes and surcharges	35	**2,094,713**	572,750	**2,090,835**	567,321
Selling and distribution expenses		**185,880**	270,356	**146,775**	227,827
General and administrative expenses		**958,157**	899,460	**847,189**	785,416
Financial expenses	36	**204,807**	139,034	**194,982**	112,507
(Reversal) / provision of impairment loss	37	**(16,836)**	71,956	**(11,609)**	182,227
Add: Loss from changes in fair value	38	**(10,372)**	-	**(10,372)**	-
Investment income	39	**180,793**	285,100	**78,229**	257,679
(Including: income from investment in associates and jointly controlled enterprises)		**47,189**	147,101	**38,506**	133,500
Operating profit / (loss)		**1,269,719**	(2,065,089)	**1,086,121**	(2,206,579)
Add: Non-operating income	40	**99,081**	1,642,207	**98,519**	1,640,775
Less: Non-operating expenses	41	**15,238**	26,057	**14,353**	25,651
(Including: loss from disposal of non-current assets)		**2,575**	2,024	**1,985**	2,023
Profit / (loss) before income tax		**1,353,562**	(448,939)	**1,170,287**	(591,455)
Less: Income tax	42	**324,137**	(102,557)	**287,200**	(140,316)
Net profit / (loss) for the period		**1,029,425**	(346,382)	**883,087**	(451,139)
Attributable to:					
Equity shareholders of the Company		**987,236**	(372,772)		
Minority interests		**42,189**	26,390		
Earnings / (losses) per share					
Basic	52	**0.137**	(0.052)		
Diluted	52	**0.137**	(0.052)		
Other comprehensive income / (loss)	43	**30,916**	(154,881)	**39,685**	(133,131)
Total comprehensive income / (loss)		**1,060,341**	(501,263)	**922,772**	(584,270)
Attributable to:					
Equity shareholders of the Company		**1,018,152**	(527,653)		
Minority interests		**42,189**	26,390		

The notes on pages 60 to 146 form part of these unaudited financial statements.

Cash flow statements *(Unaudited)*

		Six-month period ended 30 June			
		The Group		The Company	
	Note	**2009**	2008	**2009**	2008
		RMB'000	RMB'000	**RMB'000**	RMB'000
Cash flows from operating activities:					
Cash received from sale of goods and rendering of services		24,218,601	39,222,587	20,975,566	35,933,384
Refund of taxes		8,435	83,917	–	83,917
Other cash received relating to operating activities		1,445	1,419,246	981	1,417,933
Sub-total of cash inflows		24,228,481	40,725,750	20,976,547	37,435,234
Cash paid for goods and services		(18,689,286)	(39,938,084)	(15,480,404)	(37,126,600)
Cash paid to and for employees		(859,574)	(920,685)	(762,682)	(735,542)
Cash paid for all types of taxes		(1,770,842)	(473,148)	(1,745,570)	(431,337)
Other cash paid relating to operating activities		(220,413)	(202,651)	(203,685)	(185,884)
Sub-total of cash outflows		(21,540,115)	(41,534,568)	(18,192,341)	(38,479,363)
Net cash inflow / (outflow) from operating activities	**44(1)**	2,688,366	(808,818)	2,784,206	(1,044,129)
Cash flows from investing activities:					
Cash received from disposal of investments		301,560	153,997	41,041	120,001
Cash received from investment income		68,906	335,318	63,240	327,239
Net cash received from disposal of fixed assets and intangible assets		96,543	12,437	94,705	6,834
Other cash received relating to investing activities		10,899	34,249	7,470	29,367
Sub-total of cash inflows		477,908	536,001	206,456	483,441
Cash paid for acquisition of fixed assets and intangible assets		(1,076,643)	(416,035)	(1,075,509)	(411,920)
Cash paid for acquisition of investments		(132,000)	–	–	–
Sub-total of cash outflows		(1,208,643)	(416,035)	(1,075,509)	(411,920)
Net cash (outflow) / inflow from investing activities		(730,735)	119,966	(869,053)	71,521

The notes on pages 60 to 146 form part of these unaudited financial statements.

Cash flow statements *(Unaudited)* *(continued)*

		Six-month period ended 30 June			
		The Group		The Company	
	Note	**2009**	2008	**2009**	2008
		RMB'000	RMB'000	**RMB'000**	RMB'000
Cash flows from financing activities:					
Cash received from issue of debenture		**1,000,000**	-	**1,000,000**	-
Cash received from borrowings		**12,776,432**	13,993,717	**12,715,302**	13,860,717
Sub-total of cash inflows		**13,776,432**	13,993,717	**13,715,302**	13,860,717
Repayment of borrowings		**(15,678,546)**	(12,912,189)	**(15,394,750)**	(12,633,166)
Cash paid for dividends, profits distribution and interest		**(258,825)**	(526,071)	**(221,717)**	(491,337)
Sub-total of cash outflows		**(15,937,371)**	(13,438,260)	**(15,616,467)**	(13,124,503)
Net cash (outflow) / inflow from financing activities		**(2,160,939)**	555,457	**(1,901,165)**	736,214
Effect of foreign exchange rate changes on cash and cash equivalents		**(24)**	(829)	**(24)**	(6)
Net (decrease) / increase in cash and cash equivalents	44(2)	**(203,332)**	(134,224)	**13,964**	(236,400)
Add: cash and cash equivalents at the beginning of the period		**627,685**	893,165	**294,786**	634,533
Cash and cash equivalents at the end of the period		**424,353**	758,941	**308,750**	398,133

The notes on pages 60 to 146 form part of these unaudited financial statements.

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

	Six-month period ended 30 June													
	2009							2008						
	Attributable to equity shareholders of the Company							Attributable to equity shareholders of the Company						
	Share Capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Minority interests RMB'000	Total equity RMB'000	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 1 January	7,200,000	2,939,181	4,766,408	(1,064,218)	13,841,371	264,353	14,105,724	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 profit / (loss) for the period	-	-	-	987,236	987,236	42,189	1,029,425	-	-	-	(372,772)	(372,772)	26,390	(346,382)
2. Gain and loss recognised directly in equity														
- Unrealised gain / (loss) for changes in fair value of available-for-sale securities	-	96,956	-	-	96,956	-	96,956	-	(74,737)	-	-	(74,737)	-	(74,737)
- Transfer to profit or loss on disposal of available-for-sale securities	-	(55,734)	-	-	(55,734)	-	(55,734)	-	(131,772)	-	-	(131,772)	-	(131,772)
- Deferred tax effect of the above items	-	(10,306)	-	-	(10,306)	-	(10,306)	-	51,628	-	-	51,628	-	51,628
Sub-total of 1&2	-	30,916	-	987,236	1,018,152	42,189	1,060,341	-	(154,881)	-	(372,772)	(527,653)	26,390	(501,263)
3. Appropriation of profits														
- Distribution to shareholders	-	-	-	-	-	(31,272)	(31,272)	-	-	-	(648,000)	(648,000)	(64,696)	(712,696)
Balance at 30 June	7,200,000	2,970,097	4,766,408	(76,982)	14,859,523	275,270	15,134,793	7,200,000	3,048,961	4,766,408	4,808,422	19,823,791	265,685	20,089,476

The notes on pages 60 to 146 form part of these unaudited financial statements.

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

Six-month period ended 30 June

	2009					2008				
	Share Capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Accumulated losses 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 1 January	7,200,000	2,930,412	4,766,408	(1,022,598)	13,874,222	7,200,000	3,171,623	4,766,408	5,630,080	20,768,111
Changes in equity for the period										
1. Net profit / (loss) for the period	-	-	-	883,087	883,087	-	-	-	(451,139)	(451,139)
2. Gain and loss recognised directly in equity										
- Unrealised gain / (loss) for changes in fair value of available-for-sale securities	-	92,636	-	-	92,636	-	(59,120)	-	-	(59,120)
- Transfer to profit or loss on disposal of available-for-sale securities	-	(39,723)	-	-	(39,723)	-	(118,389)	-	-	(118,389)
- Deferred tax effect of the above items	-	(13,228)	-	-	(13,228)	-	44,378	-	-	44,378
Sub-total of 1&2	-	39,685	-	883,087	922,772	-	(133,131)	-	(451,139)	(584,270)
3. Appropriation of profits										
- Distribution to shareholders	-	-	-	-	-	-	-	-	(648,000)	(648,000)
Balance at 30 June	7,200,000	2,970,097	4,766,408	(139,511)	14,796,994	7,200,000	3,038,492	4,766,408	4,530,941	19,535,841

The notes on pages 60 to 146 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 ("CPC").

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 6 "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 set out below:

- Available-for-sale financial assets (See Note 3(11))
- Financial assets held for trading (See Note 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 combined 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 one combining enterprise effectively obtains control of the other combining enterprises.

(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 acquirer is the aggregate of the fair value at the acquisition date of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, 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 acquirer 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 acquirer, 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 acquirer's interest in the fair value of the acquiree's identifiable net assets is recognised as goodwill.

Any excess of the acquirer'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 operating 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 a subsidiary was acquired 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 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, from the date that common control was established.

Where a subsidiary was acquired 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, base on the fair value of those identifiable assets and liabilities at the acquisition date.

Where the Company acquired a minority interest from a subsidiary's minority shareholders, the difference between the investment cost for acquiring the minority interest and the corresponding reduction of minority interest in the consolidated financial statements, is adjusted to the capital reserve in the consolidated balance sheet. If the credit balance of capital reserve is insufficient, any excess is adjusted to retained earnings.

3. Significant accounting policies *(continued)*

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

(c) Consolidated financial statements *(continued)*

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

Where losses attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' interests in 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 unrealized 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 at 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 for those arising from the principals and interests on foreign currency borrowings specifically for the purpose of acquisition, construction of qualifying assets (see Note 3(18)). 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 fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale financial assets, which is 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.

Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets. Reusable materials are amortised in full when received for use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.

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(12)(c)) 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 Company'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 other 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 enterprises and associates

A jointly controlled enterprise 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 enterprise or an associate is accounted for using the equity method, unless the investment is classified as held for sale (see Note 3(10)).

At period-end, the Group makes provision for impairment loss of investments in jointly controlled enterprises and associates (see Note 3(12)(c)).

An investment in a jointly controlled enterprise 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.

3. Significant accounting policies *(continued)*

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

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

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 date 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 date 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 identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or jointly controlled enterprises are eliminated to the extent of the Group's interest in the associates or jointly controlled enterprises. Unrealised losses resulting from transactions between the Group and its associates or jointly controlled enterprises are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

- 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 associate or the jointly controlled enterprise 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 associate or jointly controlled enterprise, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

3. Significant accounting policies *(continued)*

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

(c) Other long-term equity investments

Other long-term equity investments refer to investments where the Group does not have control, joint control or significant influence over the investees, and 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 enterprises and associates, and then accounted for using the cost method. At year-end the Group makes provision for impairment losses on such investments (see Note 3(12)(b)).

(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 (see Note 3(12)(c)). Investment property is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale. (see Note 3(10)).

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

(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(12)(c)). Construction in progress is stated in the balance sheet at cost less impairment losses (see Note 3(12)(c)).

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(18)), and any other costs directly attributable to bringing the asset to working condition for its intended use.

3. Significant accounting policies *(continued)*

(7) Fixed assets and construction in progress *(continued)*

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 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, each part is 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, unless the fixed asset is classified as held for sale (see Note 3(10)). 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 and machinery	10 - 20 years	3%-5%	4.8%-9.7%
Vehicles and other equipment	5 - 26 years	3%-5%	3.7%-19.4%

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

(8) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 3(12)(c)). For an intangible asset with finite useful life, its cost less residual value and impairment loss is amortised on a straight-line basis over its estimated useful lives, unless the intangible asset is classified as held for sale (see Note 3(10)). The respective amortisation periods for such intangible assets are as follows:

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

3. Significant accounting policies *(continued)*

(8) Intangible assets *(continued)*

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(12)(c)). 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 acquirer'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 is not amortised and is stated at cost less accumulated impairment losses (see Note 3(12)(c)). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

(10) Non-current assets held for sale

A non-current asset is classified as held for sale when the Group has made a decision and signed a non-cancellable agreement on the transfer of the asset with the transferee, and the transfer is expected to be completed within one year. Such non-current assets may be fixed assets, intangible assets, investment property subsequently measured using the cost model, long-term equity investment etc. but not include deferred tax assets. Non-current assets held for sale are stated at the lower of carrying amount and net realisable value. Any excess of the carrying amount over the net realisable value is recognised as impairment loss. At balance sheet date, non-current assets held for sale are still presented under corresponding asset classification as they were.

3. Significant accounting policies *(continued)*

(11) Financial instruments

Financial instruments of the Group comprise cash at bank and on hand, financial assets held for trading, 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 instrument.

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, unless the derivative is a designated and effective hedging instrument. 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.

  Other than 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 profit or loss, 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. Dividend income from these equity instruments is recognised in profit or loss when the investee declares the dividends. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss (see Note 3(16)(c)).

- Other financial liabilities

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

  Other financial liabilities include the liabilities arising from financial guarantee contracts. Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the Group issues a financial guarantee, subsequent to initial recognition, the guarantee is measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles of contingent liabilities (see Note 3(15)).

  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.

3. Significant accounting policies *(continued)*

(11) Financial instruments *(continued)*

(b) 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.

(c) 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

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

(d) 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.

Consideration and transaction costs paid by the Company for repurchasing its own equity instrument are deducted from shareholders' equity.

3. Significant accounting policies *(continued)*

(12) Impairment of financial assets and non-financial long-term assets

(a) 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.

- 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, after an impairment loss has been recognised on receivables or held-to-maturity investments, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised 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

  Available-for-sale financial assets 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.

3. Significant accounting policies *(continued)*

(12) Impairment of financial assets and non-financial long-term assets *(continued)*

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

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.

(b) Impairment of other long-term equity investments

Other long-term equity investments (see note 3(5)(c)) are assessed for impairment on an individual basis.

For other long-term equity investments, 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) 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
- long-term equity investments in subsidiaries, associates and jointly controlled entities.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill at no later than 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.

3. Significant accounting policies *(continued)*

(12) Impairment of financial assets and non-financial long-term assets *(continued)*

(c) Impairment of non-financial long-term assets *(continued)*

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.

If the result of the recoverable amount calculating indicates the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment loss of the asset is recognised accordingly. For 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, 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.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

3. Significant accounting policies *(continued)*

(13) Employee benefits

Employee benefits are all forms of considerations given and other relevant 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) Pension benefits

Pursuant to the relevant laws and regulations of the PRC, the Group has joined a basic pension insurance for the employees arranged by local Labour and Social Security Bureaus. The Group makes contributions to the pension insurance 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 pension benefits to the retired employees.

(b) Housing fund and other social insurances

Besides the pension 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.

3. Significant accounting policies *(continued)*

(14) 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.

At the balance sheet date, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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.

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.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities, and

- they relate to income taxes levied by the same tax authority on either:

    - the same taxable entity; or
    - different taxable entities which either to intend to settle the current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. Significant accounting policies *(continued)*

(15) Provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if 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.

(16) Revenue recognition

Revenue is the gross inflow of economic benefit 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)*

(16) Revenue recognition *(continued)*

(b) Rendering of services

At the balance sheet date, where 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.

(17) 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 an investor in 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 attaching to 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)*

(18) Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, construction or 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.

During 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 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 initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense in the period in which they are incurred.

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 that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs is suspended when the acquisition, construction activities are interrupted abnormally and the interruption lasts over three months.

3. Significant accounting policies *(continued)*

(19) 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.

(20) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control, joint 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. Related parties of the Group and the Company include, but are not limited to:

(a) the Company's parent

(b) the Company's subsidiaries

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

(d) investors that have joint control or exercise significant influence over the Group

(e) enterprises or individuals if a party has control, joint control or significant influence over both the enterprises or individuals and 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

(l) other enterprises 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)*

(20) 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 or persons that act an concert, that hold 5% or more of the Company's shares

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

(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.

(21) Segment reporting

Operating segments and the amount of each segment item disclosed in the financial report has been prepared in a manner consistent with the information provided regularly to the Group's chief operating decision maker for the purposes of assessing segment performance and allocating resources between segments.

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. Changes in accounting policies

(1) Changes in accounting policies and their effects

(a) Description and reasons for changes in accounting policies

In accordance with China Accounting Standards for Business Enterprises Bulletin No.3 (CAS Bulletin No.3), which was issued during the six-month period ended 30 June 2009, the Group changed the following significant accounting policies in the current reporting period:

- Cost accounting for long-term equity investments

  According to the cost accounting method for long-term equity investments, cash dividends or profits declared by an investee company were recognised as investment income by the Group only to the extent of accumulated post-acquisition profits generated by the investee company. From 1 January 2009, all dividends, except for the declared but unpaid ones among the initial investment costs, whether arising from pre- or post-acquisition profits, are recognised as investment income. After the recognition of investment income according to the above, an impairment test on long-term equity investments will be performed if the carrying amount of the investment exceeds the extent of the carrying amount of the net assets (including goodwill) of the investee company owned by the Group. If so, the Group would recognise an impairment loss when the recoverable amount is lower than the carrying amount of the investments in the investee company.

  In accordance with CAS Bulletin No.3, the Group did not apply the change on the cost method retrospectively. This change in accounting policy has no material impact on the financial statements of the Group for the current period.

- Presentation of income statement

  The Group has separately presented "other comprehensive income" and "total comprehensive income" under "earnings per share" in the income statement. "Other comprehensive income" reflects the gains and losses net of income tax which are not recognised in profit and loss according to the China Accounting Standards for Business Enterprises. "Total comprehensive income" represents the aggregate of net profit and other comprehensive income. Accordingly, the Group's consolidated income statement has been adjusted to reflect the above. The "attributable to equity shareholders of the Company" and "attributable to minority interests" have been separately disclosed under the "total comprehensive income".

  The new format for the income statement has been adopted in this interim financial report and corresponding amounts have been reclassified to conform to the new presentation. Please see the corresponding items in the income statements for more information.

4. Changes in accounting policies *(continued)*

(1) Changes in accounting policies and their effects *(continued)*

(a) Description of and reasons for changes in accounting policies *(continued)*

- Segment reporting

  Segment information was presented in respect of the Group's business segments in prior periods. The Group has now changed to disclose segment information based on operating segments considering the internal organisation, management requirements and internal reporting system.

  This change in accounting policy has no material impact on the financial statements of the Group for the current period.

(b) Effects of changes in accounting policies

The changes in accounting policies have no material impact on the financial statements of the Group for the current period.

5. 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%

With effect from 1 January 2009, the Group has input tax deduction when buying fixed assets, and at the same time, the Group is subject to VAT when selling used fixed assets.

ii) Consumption tax

The Group's sales of gasoline and diesel oil have been adjusted to a tax rate of RMB 1,388 per ton and RMB 940.8 per ton respectively since 1 January 2009 (2008: gasoline and diesel oil are taxed at a rate of RMB 277.6 per ton and RMB 117.6 per ton respectively).

(2) Income tax

The income tax rate applicable to the Company and each of its subsidiaries for the year is 25% (2008: 25%). 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 2009 RMB'000	At 31 December 2008 RMB'000	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Value-added tax payable	**146,270**	3,453	**121,857**	-
Business tax payable	**663**	2,909	**550**	2,534
Income tax payable	**24,192**	1,679	**-**	-
Consumption tax payable	**365,619**	29,358	**365,619**	29,358
Education surcharge payable	**15,083**	1,023	**14,626**	970
Others	**44,510**	7,026	**42,551**	6,200
	596,337	45,448	**545,203**	39,062

6. Business combination and consolidated financial statements

(1) At 30 June 2009, 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 2009 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	1,212,340	1,212,340	100%	100%
Shanghai Petrochemical Enterprise Development Company Limited	13228675-X	Shanghai	Investment management	RMB455,000	513,815	513,815	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	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%

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

(2) Minority interests for each significant subsidiary are analysed as follows:

Company	Minority interests at 30 June 2009 RMB'000	Minority interests at 1 January 2009 RMB'000
China Jinshan Associated Trading Corporation	34,784	31,546
Zhejiang Jin Yong Acrylic Fibre Company Limited	-	-
Shanghai Golden Phillips Petrochemical Co., Ltd.	210,815	198,932
Shanghai Jinchang Engineering Plastics Co., Ltd.	25,227	28,178
Others	4,444	5,697
Total	275,270	264,353

As at 30 June 2009, the accumulated losses allocated to the minority shareholders exceeded the minority interests in the subsidiary of Zhejiang Jin Yong Acrylic Fibre Company Limited and the excess amounted to RMB 159,176,000 (as at 31 December 2008:RMB 145,595,000). Since the articles of association or agreement did not state that the minority shareholders have a binding obligation to make an additional investment to cover the losses, the excess amount was allocated to the Group's equity attributable to the shareholders of the Company.

7. Cash at bank and on hand

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

	30 June 2009 Exchange rate	The Group Original currency '000	The Group At 30 June 2009 RMB'000	The Group At 31 December 2008 RMB'000	The Company Original currency '000	The Company At 30 June 2009 RMB'000	The Company At 31 December 2008 RMB'000
Cash on hand							
Renminbi	**1.0000**	123	**123**	74	60	**60**	40
Cash at bank							
Renminbi	**1.0000**	379,206	**379,206**	591,223	266,527	**266,527**	258,916
Hong Kong Dollars	**0.8815**	13,607	**11,995**	11,912	13,607	**11,995**	11,912
United States Dollars	**6.8319**	418	**2,856**	318	34	**230**	234
Swiss Franc	**6.3228**	130	**819**	840	130	**819**	840
Cash at bank and on hand			**394,999**	604,367		**279,631**	271,942
Cash deposits at a related party(Note 50)							
Renminbi			**29,354**	23,318		**29,119**	22,844
			424,353	627,685		**308,750**	294,786

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

8. Financial assets held for trading

	The Group At 30 June 2009 RMB'000	The Group At 31 December 2008 RMB'000	The Company At 30 June 2009 RMB'000	The Company At 31 December 2008 RMB'000
Derivative financial assets				
- Forward exchange contracts	**10,366**	97,644	**10,366**	97,644

The above derivative financial assets are forward exchange contracts which are used to reduce currency risk exposed by the Group and the Company in relation to foreign currency denominated loans. (see Note 47(a)).

9. Bills receivable

	The Group		The Company	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank bills	**660,537**	547,916	**538,275**	424,056
Commercial bills	**26,396**	18,440	**20,000**	12,000
Total	**686,933**	566,356	**558,275**	436,056

All of the above bills held are due within six months. At 30 June 2009, the Group and the Company's outstanding endorsed or discounted bank bills (with recourse) amounted to RMB 284,342,000 and RMB 194,105,000.(31 December 2008: RMB 618,191,000 and RMB 498,693,000).

Except for the balances disclosed in Note 50, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of bills receivable.

10. Dividends receivable

	The Group		The Company	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Shanghai Secco Petrochemical Company Limited	**44,000**	74,000	**44,000**	74,000
Shanghai Petrochemical Yangu Gas Development Co., Ltd.	**6,873**	-	**-**	-
Total	**50,873**	74,000	**44,000**	74,000

No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of dividends receivable.

11. Trade debtors

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

	The Group		The Company	
	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Amounts due from subsidiaries	**-**	-	**34,129**	19,160
Amounts due from other related parties	**576,913**	137,207	**533,988**	134,496
Amounts due from others	**202,392**	107,697	**72,846**	57,558
Sub-total	**779,305**	244,904	**640,963**	211,214
Less : bad debt provision	**18,611**	18,611	**13,692**	13,692
Total	**760,694**	226,293	**627,271**	197,522

At 30 June 2009, the total amount of the trade debtors due from related parties of the Group and the Company is RMB 576,913,000 and RMB 568,117,000(31 December 2008: RMB 137,207,000 and RMB 153,656,000), represents 74.03% and 88.63% (31 December 2008: 56.02%and 72.75%) of the total trade debtors.

Except for the balances disclosed in Note 50, 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.

As at 30 June 2009, trade debtors due from the five biggest debtors of the Group and the Company are as follows:

	The Group		
	Amount RMB'000	Years past due	Percentage of total trade debtors %
Sinopec Huadong Sales Company	464,993	within one year	59.67
Shanghai Secco Petrochemical Company Limited	28,196	within one year	3.62
BOC-SPC Gases Co., Ltd	26,837	within one year	3.44
Shanghai Petrochemical Yali Industry Development Co., Ltd.	24,863	within one year	3.19
Sinopec Huadong Sales Company	20,521	within one year	2.63

11. Trade debtors *(continued)*

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

	The Company		
	Amount RMB'000	Years past due	Percentage of total trade debtors %
Sinopec Huadong Sales Company	464,993	within one year	72.55
BOC-SPC Gases Co., Ltd	26,837	within one year	4.19
Shanghai Petrochemical Yali Industry Development Co., Ltd.	24,863	within one year	3.88
China Jinshan Associated Trading Corporation	14,826	within one year	2.31
Shanghai Secco Petrochemical Company Limited	12,412	within one year	1.94

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

	The Group							
	At 30 June 2009				31 December 2008			
	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 (inclusive)	**759,881**	**97.51**	**-**	**0.00**	226,159	92.35	-	0.00
Between one and two years (inclusive)	**692**	**0.09**	**39**	**5.64**	192	0.08	58	30.21
Between two and three years (inclusive)	**646**	**0.08**	**486**	**75.23**	497	0.20	497	100.00
Over three years	**18,086**	**2.32**	**18,086**	**100.00**	18,056	7.37	18,056	100.00
Total	**779,305**	**100.00**	**18,611**		244,904	100.00	18,611	
Trade debtors, net	**760,694**				226,293			

11. Trade debtors *(continued)*

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

	The Company							
	30 June 2009				31 December 2008			
	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 (inclusive)	**626,541**	**97.75**	**-**	**0.00**	197,422	93.47	-	0.00
Between one and two years (inclusive)	**636**	**0.10**	**23**	**3.62**	142	0.07	42	29.58
Between two and three years (inclusive)	**552**	**0.09**	**435**	**78.80**	440	0.21	440	100.00
Over three years	**13,234**	**2.06**	**13,234**	**100.00**	13,210	6.25	13,210	100.00
Total	**640,963**	**100.00**	**13,692**		211,214	100.00	13,692	
Trade debtors, net	**627,271**				197,522			

The ageing 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 2009, the Group and the Company had no individually significant trade debtors that aged over three years.

12. Advance payments

All advance payments are aged within one year.

At 30 June 2009, the total amount of the advance payments to related parties of the Group and the Company is RMB 196,953,000 and RMB 194,412,000 respectively (31 December 2008: RMB 21,140,000 and RMB 20,418,000 respectively), represents 95.55% and 91.50% of the total advance payments respectively (31 December 2008: 31.66% and 31.13% respectively).

Except for the balances disclosed in Note 50, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of advance payments.

At 30 June 2009, an analysis of the Group's individual advance payments that are 30% or more of the total amount is as follows:

Entity's name	Reasons for advance payment	Amount RMB'000	Percentage of total advance payments
China International United Petroleum & Chemical Co., Ltd	Advance payment for purchase	168,816	81.90%

At 30 June 2009, an analysis of the Company's individual advance payments that are 30% or more of the total amount is as follows:

Entity's name	Reasons for advance payment	Amount RMB'000	Percentage of total advance payments
China International United Petroleum & Chemical Co., Ltd	Advance payment for purchase	168,816	79.45%

13. Other receivables

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

	The Group		The Company	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due from subsidiaries	**-**	-	**375,585**	283,135
Amounts due from other related parties	**6,913**	11,654	**6,114**	2,155
Amounts due from others	**146,393**	112,654	**31,706**	15,444
Sub-total	**153,306**	124,308	**413,405**	300,734
Less: bad debt provision	**12,730**	12,730	**288,269**	288,269
Total	**140,576**	111,578	**125,136**	12,465

At 30 June 2009, total amounts of the Group's and the Company's other receivables due from related parties are RMB 6,913,000 and RMB 381,699,000 respectively (31 December 2008: RMB 11,654,000 and RMB 285,290,000 respectively), represents 4.51% and 92.33% (31 December 2008: 9.38% and 94.86%) of the total other receivables.

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

	The Group							
	30 June 2009				31 December 2008			
	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 (inclusive)	**136,056**	**88.75**	**-**	**0.00**	104,732	84.25	-	0.00
Between one and two years (inclusive)	**5,446**	**3.55**	**1,940**	**35.62**	8,641	6.95	2,892	33.47
Between two and three years (inclusive)	**1,769**	**1.15**	**1,050**	**59.36**	2,225	1.79	1,335	60.00
Over three years	**10,035**	**6.55**	**9,740**	**97.06**	8,710	7.01	8,503	97.62
Total	**153,306**	**100.00**	**12,730**		124,308	100.00	12,730	
Other receivables, net	**140,576**				111,578			

13. Other receivables *(continued)*

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

The Company

	30 June 2009				31 December 2008			
	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 (inclusive)	**301,228**	**72.87**	**181,787**	**60.35**	189,911	63.15	182,700	96.20
Between one and two years (inclusive)	**105,254**	**25.46**	**100,280**	**95.27**	104,709	34.82	100,150	95.65
Between two and three years (inclusive)	**1,722**	**0.41**	**1,004**	**58.30**	1,713	0.57	1,022	59.66
Over three years	**5,201**	**1.26**	**5,198**	**99.94**	4,401	1.46	4,397	99.91
Total	**413,405**	**100.00**	**288,269**		300,734	100.00	288,269	
Other receivables, net	**125,136**				12,465			

The ageing is counted starting from the date other receivables is recognised.

As at 30 June 2009, other receivables due from the five biggest debtors of the Group and the Company are as follows:

The Group

	Amount RMB'000	Years past due	Percentage of total other receivables %
Jia Xing Custom of People's Republic of China	18,022	within one year	11.76
Shanghai Jinshan Petrochemical Logistics Co., Ltd.	11,008	within one year	7.18
Shanghai Petrochemical Yali Industry Development Co., Ltd.	10,822	within one year	7.06
Shanghai Jin Shan Hotel Co., Ltd.	9,690	within one year	6.32
Shanghai Xiangshun Industry Co., Ltd.	8,913	within two years	5.81

13. Other receivables *(continued)*

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

	The Company		
	Amount RMB'000	Years past due	Percentage of total other receivables %
Zhejiang Jin Yong Acrylic Fibre Co., Ltd.	358,050	within two years	86.61
Shanghai Golden Conti Petrochemical Co., Ltd.	16,641	within one year	4.03
Shanghai Jinshan Petrochemical Logistics Co., Ltd.	11,008	within one year	2.66
BOC-SPC Gases Co., Ltd.	5,198	within one year	1.26
Shanghai Xin Lian Entertainment Co., Ltd.	2,423	within three years	0.59

Except for the balances disclosed in Note 50, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the balance of other receivables.

The Company made a bad debt provision of RMB 282,700,000 for the other receivables due from its consolidated subsidiary, Zhejiang Jin Yong Acrylic Fibre Co., Ltd. ("Jin Yong") (For the year ended 31 December 2008: RMB 282,700, 000). Due to the poor economic environment and the stagnant chemical fibre market, Jin Yong suffered a loss and temporarily suspended operation, furthermore it reported a negative net assets at 30 June 2009. The Company therefore provided a bad debt provision over receivables with long aging based on the estimated possibility on collection.

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 2009, the Group and the Company had no individually significant other receivables that aged over three years.

14. Inventories

	The Group				The Company			
	At 30 June 2009		At 31 December 2008		**At 30 June 2009**		At 31 December 2008	
	Amount RMB'000	**Provision for diminution in value RMB'000**	Amount RMB'000	Provision for diminution in value RMB'000	**Amount RMB'000**	**Provision for diminution in value RMB'000**	Amount RMB'000	Provision for diminution in value RMB'000
Raw materials	**1,776,728**	**-**	2,251,317	233,067	**1,660,602**	**-**	2,144,486	223,059
Work in progress	**1,382,793**	**-**	1,484,467	325,543	**1,372,467**	**-**	1,478,783	325,543
Finished goods	**492,820**	**6,580**	767,088	176,448	**408,109**	**6,580**	665,650	175,748
Spare parts and consumables	**758,562**	**84,033**	807,713	83,312	**679,688**	**50,419**	735,104	50,419
Total	**4,410,903**	**90,613**	5,310,585	818,370	**4,120,866**	**56,999**	5,024,023	774,769
Inventories, net	**4,320,290**		4,492,215		**4,063,867**		4,249,254	

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

	The Group									
	30 June 2009					31 December 2008				
	Raw materials RMB'000	**Work in progress RMB'000**	**Finished goods RMB'000**	**Spare parts and consumables RMB'000**	**Total RMB'000**	Raw materials RMB'000	Work in progress RMB'000	Finished goods RMB'000	Spare parts and consumables RMB'000	Total RMB'000
At 1 January	**233,067**	**325,543**	**176,448**	**83,312**	**818,370**	-	-	33,142	40,650	73,792
Provision for the period / year	**-**	**-**	**-**	**721**	**721**	233,067	325,543	143,306	42,662	744,578
Write-off	**(227,119)**	**(325,543)**	**(158,259)**	**-**	**(710,921)**	-	-	-	-	-
Reversal	**(5,948)**	**-**	**(11,609)**	**-**	**(17,557)**	-	-	-	-	-
At 30 June/ 31 December	**-**	**-**	**6,580**	**84,033**	**90,613**	233,067	325,543	176,448	83,312	818,370

14. Inventories *(continued)*

Provision for diminution in value of inventories is analysed as follows: *(continued)*

	The Company									
	30 June 2009					31 December 2008				
	Raw materials RMB'000	**Work in progress RMB'000**	**Finished goods RMB'000**	**Spare parts and consumables RMB'000**	**Total RMB'000**	Raw materials RMB'000	Work in progress RMB'000	Finished goods RMB'000	Spare parts and consumables RMB'000	Total RMB'000
At 1 January	**223,059**	**325,543**	**175,748**	**50,419**	**774,769**	-	-	33,142	37,588	70,730
Provision for the period / year	**-**	**-**	**-**	**-**	**-**	223,059	325,543	142,606	12,831	704,039
Write-off	**(223,059)**	**(325,543)**	**(157,559)**	**-**	**(706,161)**	-	-	-	-	-
Reversal	**-**	**-**	**(11,609)**	**-**	**(11,609)**	-	-	-	-	-
At 30 June/ 31 December	**-**	**-**	**6,580**	**50,419**	**56,999**	223,059	325,543	175,748	50,419	774,769

The inventories above are all purchased or self produced.

15. Other current assets

Other current assets represent deductible value added tax.

16. Available-for-sale financial assets

	The Group		The Company	
	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Available-for-sale securities	**162,922**	123,918	**162,922**	111,327

Available-for-sale financial assets mainly represent 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.

17. Long-term receivables

	The Group		The Company	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trust loan	**100,000**	-	**-**	-

The trust loan will be due in April 2012.

18. Long-term equity investments

	The Group					
	Interests in associates (Note (a))	Interests in jointly controlled entities (Note (b))	Other equity investment (Note(c))	Total before provision	Provision for impairment losses (Note(d))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009	2,661,974	114,005	202,938	2,978,917	(37,200)	2,941,717
Share of profits from investments accounted for under the equity method	38,745	8,444	-	47,189	-	47,189
Dividends receivable/received	(14,334)	(27,500)	-	(41,834)	-	(41,834)
Disposal for the period	-	-	(202,938)	(202,938)	37,200	(165,738)
Balance at 30 June 2009	2,686,385	94,949	-	2,781,334	-	2,781,334

	The Company					
	Interests in associates (Note (a))	Interests in jointly controlled entities (Note (b))	Interests in subsidiaries (Note(6))	Total before provision	Provision for impairment losses (Note(d))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009	2,374,990	114,005	1,970,487	4,459,482	(227,500)	4,231,982
Share of profits from investments accounted for under the equity method	30,062	8,444	-	38,506	-	38,506
Dividends received	(5,740)	(27,500)	-	(33,240)	-	(33,240)
Balance at 30 June 2009	2,399,312	94,949	1,970,487	4,464,748	(227,500)	4,237,248

18. 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 2009 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 2009 RMB'000	Total liabilities at 30 June 2009 RMB'000	Operating income for the period RMB'000	Net Profit /(loss) 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	7,425,083	4,075,384	69,627	68,198
Shanghai Secco Petrochemical Company Limited	71093847-4	Shanghai	Manufacturing and distribution of chemical products	US$901,441	20	20	17,042,433	9,846,847	5,516,062	147,018
Shanghai Jinsen Hydrocarbon Resins Company Limited	60739533-6	Shanghai	Production of resins products	US$23,395	40	40	185,742	61,982	75,846	(3,940)
Shanghai Jinpu Plastic Packaging Material Company Limited	60733617-6	Shanghai	Production of polypropylene film	US$20,204	50	50	245,726	41,787	129,016	300
Shanghai Yamatake Automation Company Limited	60733503-4	Shanghai	Service and maintenance of building automation systems and products	US$3,000	40	40	168,109	51,908	98,640	16,758

18. 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 2009 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 2009 RMB'000	Total liabilities at 30 June 2009 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	639,480	363,484	183,749	16,524

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

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

	The Group	
	2009 RMB'000	2008 RMB'000
Balance at 1 January	**37,200**	37,200
Written-off on disposal during the period/year	**(37,200)**	-
Balance at 30 June / 31 December	**-**	37,200

	The Company	
	2009 RMB'000	2008 RMB'000
Balance at 1 January	**227,500**	117,203
Provision made during the period/year	**-**	110,297
Balance at 30 June / 31 December	**227,500**	227,500

For the period ended 30 June 2009, the Company made an impairment loss provision of RMB 227,500,000 for the long-term equity investment in its subsidiary, Zhejiang Jin Yong Acrylic Fibre Co., Ltd. ("Jin Yong") (as at 31 December 2008: RMB 227,500,000). The Company provided a full provision for impairment loss based on the reasons disclosed in Note 13.

19. Investment property

	The Group	The Company
	Buildings	Buildings
	RMB'000	RMB'000
Cost:		
At 1 January 2009 and 30 June 2009	546,838	615,334
Accumulated depreciation:		
At 1 January 2009	54,148	60,929
Charge for the period	6,630	7,462
At 30 June 2009	60,778	68,391
Net book value:		
At 30 June 2009	486,060	546,943
At 31 December 2008	492,690	554,405

20. Fixed assets

(a) The Group

	Buildings RMB'000	Plant and machinery RMB'000	Vehicles and other equipment RMB'000	Total RMB'000
Cost:				
At 1 January 2009	5,710,645	23,511,387	6,708,164	35,930,196
Additions during the period	-	22,485	2,857	25,342
Transferred from construction in progress (Note 21)	10,854	371,551	16,986	399,391
Disposals	(13,029)	(22,611)	(16,473)	(52,113)
At 30 June 2009	5,708,470	23,882,812	6,711,534	36,302,816
Less: Accumulated depreciation:				
At 1 January 2009	3,388,201	13,829,106	4,434,518	21,651,825
Charge for the period	75,779	561,908	143,230	780,917
Written back on disposals	(9,255)	(20,231)	(15,881)	(45,367)
At 30 June 2009	3,454,725	14,370,783	4,561,867	22,387,375
Less: Provision for impairment losses				
At 1 January 2009	51,616	664,531	34,039	750,186
Written-off on disposals	(444)	(518)	-	(962)
At 30 June 2009	51,172	664,013	34,039	749,224
Net book value:				
At 30 June 2009	2,202,573	8,848,016	2,115,628	13,166,217
At 31 December 2008	2,270,828	9,017,750	2,239,607	13,528,185

20. Fixed assets *(continued)*

(b) The Company

	Buildings RMB'000	Plant and machinery RMB'000	Vehicles and other equipment RMB'000	Total RMB'000
Cost:				
At 1 January 2009	4,738,748	21,572,325	6,433,417	32,744,490
Additions during the period	-	22,485	2,857	25,342
Transferred from construction in progress (Note 21)	10,854	370,141	16,640	397,635
Disposals	(10,247)	(19,889)	(12,970)	(43,106)
At 30 June 2009	4,739,355	21,945,062	6,439,944	33,124,361
Less: Accumulated depreciation:				
At 1 January 2009	3,030,717	12,443,148	4,229,090	19,702,955
Charge for the period	64,061	524,216	135,102	723,379
Written back on disposals	(7,668)	(18,458)	(12,564)	(38,690)
At 30 June 2009	3,087,110	12,948,906	4,351,628	20,387,644
Less: Provision for impairment losses				
At 1 January 2009	51,616	333,014	7,996	392,626
Written-off on disposals	(444)	(518)	-	(962)
At 30 June 2009	51,172	332,496	7,996	391,664
Net book value:				
At 30 June 2009	1,601,073	8,663,660	2,080,320	12,345,053
At 31 December 2008	1,656,415	8,796,163	2,196,331	12,648,909

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

20. Fixed assets *(continued)*

(c) At 30 June 2009 and 31 December 2008, the Group and the Company had no pledged fixed assets.

(d) At 30 June 2009 and 31 December 2008, acrylic device at Jin Yong, the subsidiary of the Group, is temporarily idle and the details are analysed as follows :

	Cost RMB'000	Accumulated depreciation RMB'000	Impairment provision RMB'000	Net book value RMB'000
The Group				
30 June 2009	1,201,416	(728,668)	(357,560)	115,188
31 December 2008	1,201,416	(702,810)	(357,560)	141,046

21. Construction in progress

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Balance at 1 January	**1,854,154**	965,463	**1,815,344**	940,491
Additions for the period/year	**1,068,818**	1,177,755	**1,067,684**	1,160,005
Transferred to fixed assets(Note 20)	**(399,391)**	(289,064)	**(397,635)**	(285,152)
Balance at 30 June/31 December	**2,523,581**	1,854,154	**2,485,393**	1,815,344

At 30 June 2009, major projects of the Group and the Company are as follows:

Project	Budgeted amounts	At 1 January 2009	Addition for the period	Transferred to fixed assets	At 30 June 2009	Percentage of completion	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	798,432	913,014	-	1,711,446	56.8%	19,165
150,000 ton/year C5 separation unit	292,110	86,742	105,605	-	192,347	65.8%	2,841

All the above projects were made out of funds from loans and borrowings.

21. Construction in progress *(continued)*

The capitalised borrowing costs included in the balances of construction in progress of the Group were RMB 54,057,000 (31 December 2008:RMB 30,664,000).The interest rates per annum at which borrowing costs were capitalised for the period ended 30 June 2009 by the Group and the Company is 2.92%-5.04% (2008: 5.10%-7.47%).

22. Intangible assets

(a) The Group

	Land use rights RMB'000	Other intangible assets RMB'000	Total RMB'000
Cost			
At 1 January 2009	749,905	95,339	845,244
Disposals during the period	(1,038)	-	(1,038)
At 30 June 2009	748,867	95,339	844,206
Less: Accumulated amortisation			
At 1 January 2009	224,537	43,228	267,765
Charge for the period	7,744	2,079	9,823
Written back on disposals	(340)	-	(340)
At 30 June 2009	231,941	45,307	277,248
Net book value			
At 30 June 2009	516,926	50,032	566,958
At 31 December 2008	525,368	52,111	577,479

22. Intangible assets *(continued)*

(b) The Company

	Land use rights RMB'000
Cost	
At 1 January 2009	651,680
Additions during the period	-
Disposals during the period	(1,038)
At 30 June 2009	650,642
Less: Accumulated amortisation	
At 1 January 2009	192,499
Charge for the period	6,518
Written back on disposals	(340)
At 30 June 2009	198,677
Net book value	
At 30 June 2009	451,965
At 31 December 2008	459,181

23. Deferred tax assets and liabilities

The Group

	Deferred tax assets / (liabilities)				
	Opening balance RMB'000	Current period increase/ decrease charged to profit or loss RMB'000	Current period increase/ decrease recognised directly in equity RMB'000	Ending balance RMB'000	Ending balances of temporary differences RMB'000
Provision for bad debts and inventories	198,832	(179,459)	-	19,373	77,492
Impairment losses on fixed assets	98,156	(240)	-	97,916	391,664
Contribution by fixed assets and sales of assets to a jointly controlled entity	10,946	(438)	-	10,508	42,032
Deductible tax losses	1,701,453	(130,335)	-	1,571,118	6,284,472
Fair value of available -for-sale securities	(27,634)	-	(10,306)	(37,940)	(151,758)
Capitalisation of borrowing cost	(29,196)	1,437	-	(27,759)	(111,036)
Fair value of financial assets held for trading	(24,411)	21,819	-	(2,592)	(10,366)
Other deferred tax assets	5,142	(15)	-	5,127	20,508
Other deferred tax liabilities	(870)	-	-	(870)	(3,480)
Total	1,932,418	(287,231)	(10,306)	1,634,881	6,539,528

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

The Company

	Deferred tax assets / (liabilities)				
	Opening balance RMB'000	Current period increase/ decrease charged to profit or loss RMB'000	Current period increase/ decrease recognised directly in equity RMB'000	Ending balance RMB'000	Ending balances of temporary differences RMB'000
Provision for bad debts and inventories	198,508	(179,443)	-	19,065	76,260
Impairment losses on fixed assets	98,156	(240)	-	97,916	391,664
Contribution by fixed assets and sales of assets to a jointly controlled entity	10,946	(438)	-	10,508	42,032
Deductible tax losses	1,701,453	(130,335)	-	1,571,118	6,284,472
Fair value of available -for-sale securities	(24,712)	-	(13,228)	(37,940)	(151,758)
Capitalisation of borrowing cost	(29,196)	1,437	-	(27,759)	(111,036)
Fair value of financial assets held for trading	(24,411)	21,819	-	(2,592)	(10,366)
Other deferred tax assets	5,107	-	-	5,107	20,428
Total	1,935,851	(287,200)	(13,228)	1,635,423	6,541,696

At 30 June 2009, the deferred tax assets and liabilities on the balance sheet, after offsetting each other, were as follows:

	The Group		The Company	
	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Deferred tax assets	**1,704,042**	2,014,529	**1,703,714**	2,014,170
Deferred tax liabilities	**(69,161)**	(82,111)	**(68,291)**	(78,319)
Total	**1,634,881**	1,932,418	**1,635,423**	1,935,851

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

Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 3(14), the Group has not recognised deferred tax assets in respect of the cumulative tax losses of RMB 364,720,000 (31 December 2008: RMB 310,396,000) of a subsidiary, Zhejiang Jin Yong Acrylic Fibre Co., Ltd., as it is not probable that future taxable profits against which the losses can be utilised will be available in the subsidiary. The deductible tax losses will expire from 2010 to 2014 under the current tax law.

In accordance with the accounting policy set our in Note3(14), the Group has not recognised deferred tax assets in respect of the fixed assets impairment of RMB 357,560,000 of a subsidiary, Zhejiang Jin Yong Acrylic Fibre Co., Ltd., as it is not probable that future taxable profits of the subsidiary will be available against which deductible temporary differences can be utilised.

As set out in Note18 (d), the Company has provided a full provision for the long-term equity investment in its subsidiary, Zhejiang Jin Yong Acrylic Fibre Co., Ltd, as it is not probable that this temporary difference will be utilised in the foreseeable future, the Company has not recognised deferred tax assets in respect of this provision of RMB 227,500,000.

24. Impairment losses

At 30 June 2009, impairment losses of the Group are analysed as follows:

Items	Note	**Balance at 1 January 2009 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 2009 RMB'000**
Receivables	11,13	**31,341**	-	-	-	**31,341**
Inventories	14	**818,370**	721	(17,557)	(710,921)	**90,613**
Long-term equity investments	18	**37,200**	-	-	(37,200)	**-**
Fixed assets	20	**750,186**	-	-	(962)	**749,224**
Total		**1,637,097**	721	(17,557)	(749,083)	**871,178**

At 30 June 2009, impairment losses of the Company are analysed as follows:

Items	Note	**Balance at 1 January 2009 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 2009 RMB'000**
Receivables	11,13	**301,961**	-	-	-	**301,961**
Inventories	14	**774,769**	-	(11,609)	(706,161)	**56,999**
Long-term equity investments	18	**227,500**	-	-	-	**227,500**
Fixed assets	20	**392,626**	-	-	(962)	**391,664**
Total		**1,696,856**	-	(11,609)	(707,123)	**978,124**

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

25. Short-term loans

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

	The Group		The Company	
	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Bank loans	**5,846,625**	8,428,204	**5,828,505**	8,353,204
Loans with related parties (Note 50)	**350,000**	410,000	**150,000**	330,000
	6,196,625	8,838,204	**5,978,505**	8,683,204

At 30 June 2009, the Group's and the Company's weighted average interest rates per annum on short-term loans were 4.56% (2008:5.50%) and 4.49% (2008:5.72%). At 30 June 2009 and 31 December 2008, the Group and the Company had no significant overdue short-term loan.

Except for the balances disclosed in Note 50, there is no amount due to major shareholders who held 5% or more shareholding included in the above balance.

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

At 30 June 2009, there are no significant trade creditors, receipts in advance and other payables aged over 1 year.

Bills payable are mainly bank bills issued for the purchase of material, merchandises and products, generally due within 1 to 6 months.

Except for the balances disclosed in Note 50, there is no amount due to shareholders who hold 5% or more shareholding included in the balance of bills payable, trade creditors, receipts in advance and other payables.

27. Short-term debentures payable

	The Group and The Company	
	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Short-term debentures payable	**1,000,000**	-

The Company issued RMB 1 billion 330-day unsecured corporate bonds to corporate investors in the PRC inter-bank debenture market on 3 April 2009. The bonds were issued at 100% of face value, with an effective yield of 2.05% per annum, and will mature on 3 March 2010.

28. Employee benefits payable

At 30 June 2009 and 31 December 2008, 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 participate in a defined contribution retirement plan organised by the Shanghai Municipal Government for its staff. Pursuant to a document "Lao Bu Fa (1995) No.464" issued by Shanghai municipal government, the Group is required to make contributions to the retirement plan at a rate of 22% (2007: 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. The Group has no other material obligations for the payment of pension benefit beyond the annual contributions described above and supplementary contributions. For the period ended 30 June 2009, the Group's and the Company's contribution to the above plan amounted to RMB 22,115,000 and RMB 19,420,000 (For the six-month period ended 30 June 2008: RMB 24,720,000 and RMB 18,677,000).

In accordance with the Group and the Company's voluntary employee reduction plan, the Group and the Company recorded employee reduction expenses of RMB 3,717,000 and RMB 2,711,000 (For the six-month period ended 30 June 2008: RMB 35,631,000 and RMB 5,751,000) during the period ended 30 June 2009, in respect of the voluntary resignation of approximately 75 employees and 30 employees (For the six-month period ended 30 June 2008: 397 employees and 81 employees).

29. 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 2009 RMB'000	At 31 December 2008 RMB'000	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Bank loans				
Between one and two years	**24,760**	24,760	**-**	-
Between two and three years	**104,261**	104,261	**250,000**	100,000
Between three and five years	**200,000**	200,000	**200,000**	200,000
	329,021	329,021	**450,000**	300,000
Loans from related parties				
Between one and two years	**-**	100,000	**-**	-
	-	100,000	**-**	-
Long-term loans	**329,021**	429,021	**450,000**	300,000
Bank loans due within one year	**299,521**	514,521	**250,000**	450,000
Loans from related parties due within one year	**-**	20,000	**-**	-
Current portion of long-term loans	**299,521**	534,521	**250,000**	450,000
	628,542	963,542	**700,000**	750,000

29. 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 2009	Original currency '000	Exchange rate at 30 June 2009	The Group At 30 June 2009 RMB'000	The Group At 31 December 2008 RMB'000	The Company At 30 June 2009 RMB'000	The Company At 31 December 2008 RMB'000
Arranged by the Company								
Renminbi denominated:								
Due in 2009	Fixed	5.103%-5.346%			**250,000**	450,000	**250,000**	450,000
Due in 2011	Fixed	5.103%			**100,000**	100,000	**100,000**	100,000
Due in 2012	Fixed	2.25%			**-**	-	**150,000**	-
Due in 2013	Fixed	5.184%-5.346%			**200,000**	200,000	**200,000**	200,000
Arranged by subsidiaries								
U.S. Dollar denominated:								
Payable annually through 2011	Interest free	-	1,440	6.8319	**9,842**	9,842	**-**	-
Renminbi denominated								
Due in 2009	Fixed	-			**-**	35,000	**-**	-
Due in 2010	Fixed	-			**-**	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					**628,542**	963,542	**700,000**	750,000
Less: Amounts due within one year					**(299,521)**	(534,521)	**(250,000)**	(450,000)
Amounts due after one year					**329,021**	429,021	**450,000**	300,000

At 30 June 2009 and 31 December 2008, no loans were secured by the way of pledge of property, plant and equipment.

All the above loans are unsecured loans without guarantee.

Except for the balances disclosed in Note 50, there is no amount due to shareholders who held 5% or more shareholding in the above balance.

30. Share capital

	The Group and the Company	
	At 30 June 2009 RMB'000	At 31 December 2008 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.

30. 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.

31. Capital reserve

Balance of capital reserve at 30 June 2009 and 31 December 2008 is represented by:

		The Group		The Company	
	Note	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000	**At 30 June 2009 RMB'000**	At 31 December 2008 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)	**113,819**	82,903	**113,819**	74,134
Others		**49,067**	49,067	**49,067**	49,067
Total		**2,970,097**	2,939,181	**2,970,097**	2,930,412

(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.

32. Surplus reserve

	The Group and the Company		
	Statutory surplus reserve RMB'000	Discretionary surplus reserve RMB'000	Total RMB'000
Balance at 1 January 2008	3,485,894	1,280,514	4,766,408
Appropriation of net profit	-	-	-
Balance at 31 December 2008 and 30 June 2009	3,485,894	1,280,514	4,766,408

33. Accumulated losses

As the Company suffered loss in 2008, no final dividend in respect of the financial year 2008 was approved during the six-month period ended 30 June 2009 (For the year ended 31 December 2008: RMB 0.09 per share totally RMB 648,000,000).

As at 30 June 2009 and 31 December 2008, the Group's consolidated accumulated losses attributable to the equity shareholders of the Company included an appropriation of RMB 59,256,000 to surplus reserve made by the subsidiaries.

34. 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	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Income from principal operations	**21,031,344**	32,671,827	**18,252,312**	30,177,411
Income from other operations	**173,336**	235,934	**186,466**	255,472
Total	**21,204,680**	32,907,761	**18,438,778**	30,432,883

For the six-month period ended 30 June 2009, the Group's and the Company's sales to the top five customers amounted to RMB 10,103,954,000 and RMB 9,458,463,000 respectively (For the six-month period ended 30 June 2008: RMB 14,508,745,000 and RMB 14,335,798,000 respectively), which accounted for 47.65% and 51.30% of operating income of the Group and the Company (For the six-month period ended 30 June 2008: 44.09% and 47.11% respectively).

35. Business taxes and surcharges

	Six-month period ended 30 June			
	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Consumption tax	**1,858,549**	473,189	**1,858,549**	473,189
City construction tax	**162,836**	66,736	**161,114**	64,763
Business tax	**3,266**	3,698	**2,123**	1,614
Education surcharges and others	**70,062**	29,127	**69,049**	27,755
	2,094,713	572,750	**2,090,835**	567,321

In accordance with relevant tax regulations, the Group's sales of gasoline and diesel oil have been adjusted to a tax rate of RMB 1,388 per ton and RMB 940.8 per ton respectively since 1 January 2009 (2008: gasoline and diesel oil are taxed at a rate of RMB 277.6 per ton and RMB 117.6 per ton respectively); 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.

36. Financial expenses

	Six-month period ended 30 June			
	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Interest expenses	**228,186**	246,394	**218,464**	215,300
Less: borrowing costs capitalised	**(23,491)**	(10,046)	**(23,491)**	(10,046)
Interest expense, net	**204,695**	236,348	**194,973**	205,254
Interest income	**(10,899)**	(34,249)	**(7,470)**	(29,367)
Net foreign exchange loss/(gain)	**2,441**	(70,377)	**1,655**	(68,100)
Others	**8,570**	7,312	**5,824**	4,720
Total	**204,807**	139,034	**194,982**	112,507

37. (Reversal) / provision of impairment loss

	Six-month period ended 30 June			
	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Receivables	**-**	26	**-**	-
Inventories	**(16,836)**	71,930	**(11,609)**	71,930
Long-term equity investments	**-**	-	**-**	110,297
Total	**(16,836)**	71,956	**(11,609)**	182,227

38. Gain from changes in fair value

	Six-month period ended 30 June			
	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets held for trading				
- Changes in fair value during the period	**(10,372)**	-	**(10,372)**	-
Total	**(10,372)**	-	**(10,372)**	-

39. Investment income

	Six-month period ended 30 June			
	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Investment income accounted for under the cost method				
- Subsidiaries	**-**	-	**-**	5,790
- Other investments	**-**	6,227	**-**	-
Investment income from associates and jointly controlled entities	**47,189**	147,101	**38,506**	133,500
Gain on disposal of other investments	**77,870**	-	**-**	-
Gain from disposal of available-for-sale financial assets	**55,734**	131,772	**39,723**	118,389
Total	**180,793**	285,100	**78,229**	257,679

40. Non-operating income

	Six-month period ended 30 June			
	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net gain on disposal of fixed assets	834	6,606	**736**	6,487
Net gain on disposal of intangible assets	91,802	595	**91,802**	595
Gain on disposal of non-current assets	92,636	7,201	**92,538**	7,082
Subsidy income(Note)	–	1,627,727	**-**	1,627,727
Penalties income	22	23	**21**	22
Amortisation of deferred income	5,000	5,000	**5,000**	5,000
Others	1,423	2,256	**960**	944
Total	99,081	1,642,207	**98,519**	1,640,775

Note: The Group recognised grant income of RMB 1,627,727,000 during the six-month period ended 30 June 2008. These grants were mainly for compensation of losses incurred due to the distortion of the correlation between 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 unfulfilled conditions and other contingencies related to the receipts of these grants. There is no assurance that the Group will continue to receive such grants in the future. During the period ended 30 June 2009, the Group did not receive such grants.

41. Non-operating expenses

	Six-month period ended 30 June			
	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loss on disposal of fixed assets	**2,575**	2,024	**1,985**	2,023
Service fee	**-**	10,000	**-**	10,000
Donations	**-**	2,000	**-**	2,000
Others	**12,663**	12,033	**12,368**	11,628
Total	**15,238**	26,057	**14,353**	25,651

42. Income tax

(1) Income tax expenses for the period represents

	Six-month period ended 30 June			
	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Provision for PRC income tax for the period	**36,706**	32,962	**-**	-
Deferred taxation	**287,231**	(152,174)	**287,200**	(154,621)
Adjustment for provision for income tax in respect of prior years	**200**	16,655	**-**	14,305
Total	**324,137**	(102,557)	**287,200**	(140,316)

Deferred tax is analysed as follows:

	Six-month period ended 30 June			
	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Origination and reversal of temporary differences	**287,231**	(152,174)	**287,200**	(154,621)

42. Income tax *(continued)*

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

	Six-month period ended 30 June			
	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit/(loss) before taxation	**1,353,562**	(448,939)	**1,170,287**	(591,455)
Expected income tax expense at a statutory tax rate of 25% (2008: 25%)	**338,391**	(112,235)	**292,572**	(147,864)
Tax effect of non-deductible expenses	**4,480**	6,140	**4,480**	28,341
Tax effect of non-taxable income	**(20,718)**	(1,872)	**(225)**	(1,723)
Under-provision in prior years	**200**	16,655	**-**	14,305
Tax effect of share of profits recognised under the equity method	**(11,797)**	(36,775)	**(9,627)**	(33,375)
Tax effect of unused tax losses not recognised for deferred tax	**13,581**	25,530	**-**	-
Income tax expenses	**324,137**	(102,557)	**287,200**	(140,316)

43. Other comprehensive income / (loss)

	Six-month period ended 30 June			
	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unrealised gain/ (loss) for the changes in fair value of available-for-sale securities	**96,956**	(74,737)	**92,636**	(59,120)
Transfer to profit or loss on disposal of available-for-sale securities	**(55,734)**	(131,772)	**(39,723)**	(118,389)
Deferred tax effect of the above items	**(10,306)**	51,628	**(13,228)**	44,378
Net change in the fair value during the period recognised in other comprehensive income	**30,916**	(154,881)	**39,685**	(133,131)

44. Supplemental information to the cash flow statements

(1) Supplemental information to the cash flow statements

Reconciliation of net profit/(loss) attributable to equity shareholders of the Company to cash flows from operating activities:

	Six-month period ended 30 June			
	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net profit/(loss) attributable to equity shareholders of the Company	**987,236**	(372,772)	**883,087**	(451,139)
Add: (Reversal of)/impairment losses on assets	**(16,836)**	71,956	**(11,609)**	182,227
Depreciation on investment property	**6,630**	6,720	**7,462**	7,460
Depreciation on fixed assets	**780,917**	831,923	**723,379**	744,104
Amortisation of intangible assets	**9,823**	10,177	**6,518**	6,528
Gain on disposal of fixed assets, intangible assets and other long-term assets	**(90,061)**	(5,177)	**(90,553)**	(5,059)
Loss on changes in fair value	**10,372**	-	**10,372**	-
Financial expenses	**196,237**	131,722	**189,158**	107,787
Investment income	**(180,793)**	(285,100)	**(78,229)**	(257,679)
Decrease/(increase) in deferred tax assets	**310,487**	(150,737)	**310,456**	(153,184)
Decrease in deferred tax liabilities	**(23,256)**	(1,437)	**(23,256)**	(1,437)
Decrease/(increase) in inventories	**188,761**	(2,353,507)	**196,996**	(2,212,156)
(Increase)/decrease in operating receivables	**(821,657)**	275,096	**(836,044)**	306,387
Increase in operating payables	**1,288,317**	1,005,928	**1,496,469**	682,032
Minority interests	**42,189**	26,390	**-**	-
Net cash flows from operating activities	**2,688,366**	(808,818)	**2,784,206**	(1,044,129)

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

(2) Net change in cash and cash equivalents:

	Six-month period ended 30 June			
	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash balance at the end of the period	**424,353**	758,941	**308,750**	398,133
Less: cash balance at the beginning of the period	**627,685**	893,165	**294,786**	634,533
Net (decrease)/increase in cash and cash equivalents	**(203,332)**	(134,224)	**13,964**	(236,400)

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

	Six-month period ended 30 June			
	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
(a) Cash				
- Cash on hand	**123**	103	**60**	55
- Bank deposit available on demand	**411,367**	733,687	**295,876**	385,415
- Other monetary fund available on demand	**12,863**	25,151	**12,814**	12,663
(b) Closing balance of cash and cash equivalents available on demand	**424,353**	758,941	**308,750**	398,133

45. Segment reporting

Segment information is presented in respect of the Group's business segments. In view of the fact that the Company and its subsidiaries operate mainly in the PRC, no geographical segment information is presented.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

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 feed stocks 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.

45. Segment reporting *(continued)*

	Six-month period ended 30 June	
	2009	2008
Operating income	**RMB'000**	RMB'000
Synthetic fibres		
External sales	**1,309,486**	2,114,272
Intersegment sales	**39**	42
Sub-total	**1,309,525**	2,114,314
Resins and plastics		
External sales	**5,804,333**	8,558,916
Intersegment sales	**26,784**	50,534
Sub-total	**5,831,117**	8,609,450
Intermediate petrochemicals		
External sales*	**2,347,290**	6,058,541
Intersegment sales	**4,505,179**	11,257,562
Sub-total	**6,852,469**	17,316,103
Petroleum products		
External sales*	**9,651,287**	14,590,287
Intersegment sales	**372,144**	1,171,981
Sub-total	**10,023,431**	15,762,268
All others		
External sales*	**2,092,284**	1,585,745
Intersegment sales	**878,646**	1,131,348
Sub-total	**2,970,930**	2,717,093
Eliminations of intersegment sales	**(5,782,792)**	(13,611,467)
Total	**21,204,680**	32,907,761

* The total sales to a certain customer from intermediate petrochemicals segment, petroleum products segment and all others represent 47% of the Group's total sales (For the six-month period ended 30 June 2008: 43%).

45. Segment reporting *(continued)*

Operating cost	Six-month period ended 30 June 2009 RMB'000	2008 RMB'000
Synthetic fibres	**1,283,547**	2,137,524
Resins and plastics	**4,852,710**	8,547,509
Intermediate petrochemicals	**1,979,687**	6,007,005
Petroleum products	**9,712,596**	16,849,581
All others	**2,072,035**	1,577,297
Total	**19,900,575**	35,118,916

Operating profit/(loss)	Six-month period ended 30 June 2009 RMB'000	2008 RMB'000
Synthetic fibres	**25,939**	(23,252)
Resins and plastics	**951,623**	11,407
Intermediate petrochemicals	**367,604**	51,536
Petroleum products	**(61,309)**	(2,259,294)
All others	**20,248**	8,448
Total segment result	**1,304,105**	(2,211,155)
Financial expenses	**(204,807)**	(139,034)
Loss from changes in fair value	**(10,372)**	-
Add: Investment income	**180,793**	285,100
Operating profit/(loss)	**1,269,719**	(2,065,089)

45. Segment reporting *(continued)*

Assets	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Segment assets		
Synthetic fibres	**1,598,658**	1,794,251
Resins and plastics	**2,031,861**	2,031,413
Intermediate petrochemicals	**7,273,116**	6,338,010
Petroleum products	**9,124,313**	9,008,563
All others	**2,512,782**	2,396,348
Total segment assets	**22,540,730**	21,568,585
Long-term equity investments	**2,781,334**	2,941,717
Unallocated	**2,883,616**	3,597,163
Total assets	**28,205,680**	28,107,465

Liabilities	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Segment Liabilities		
Synthetic fibres	**327,833**	283,858
Resins and plastics	**1,455,855**	1,151,106
Intermediate petrochemicals	**588,010**	796,212
Petroleum products	**2,095,434**	1,436,567
All others	**529,395**	238,471
Total segment liabilities	**4,996,527**	3,906,214
Short-term loans	**6,196,625**	8,838,204
Short-term debentures payable	**1,000,000**	-
Current portion of long-tem loans	**299,521**	534,521
Long-term loans	**329,021**	429,021
Unallocated	**249,193**	293,781
Total liabilities	**13,070,887**	14,001,741

45. Segment reporting *(continued)*

Depreciation and amortisation	Six-month period ended 30 June	
	2009	2008
	RMB'000	RMB'000
Synthetic fibres	**109,393**	110,750
Resins and plastics	**168,729**	169,361
Intermediate petrochemicals	**264,404**	299,943
Petroleum products	**168,321**	178,916
All others	**79,893**	83,130
Segment depreciation and amortisation	**790,740**	842,100
Unallocated	**6,630**	6,720
Depreciation and amortisation	**797,370**	848,820

Total capital expenditures for segment long-lived assets	Six-month period ended 30 June	
	2009	2008
	RMB'000	RMB'000
Synthetic fibres	16,015	30,998
Resins and plastics	5,462	24,436
Intermediate petrochemicals	977,855	93,749
Petroleum products	45,833	232,557
All others	31,478	34,295
Total	1,076,643	416,035

46. 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. Management bases the assumptions and estimates on historical experience and on various other assumptions that management 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. Management 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 balance sheet date 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 useful lives of the assets, after taking into account the estimated residual values. The Group reviews the 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.

(3) Impairment for bad and doubtful debts

Management estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. Management 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.

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

(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. Management 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.

(5) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised in respect of temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is periodically reviewed and deferred tax assets are adjusted according to the probability of future taxable profits.

47. 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.

47. 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 receivable 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. Management 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.

The carrying amounts of trade debtors, bills receivable and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

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 2009, the Group's current liabilities exceeded its current assets by RMB 5,901,489,000. In 2009, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations, the renewal of its short-term bank loans and on its ability to obtain adequate external financing, including the issuance of short-term corporate bonds, to support its working capital and meet its debt obligation when they become due. At 30 June 2009, the Group has standby credit facilities with several PRC financial institutions which provide the Group to borrow up to RMB 12,800,000,000 (31 December 2008: RMB 9,600,000,000) on an unsecured basis, at a weighted average interest rate of 5.21% (2008: 5.30%). At 30 June 2009 the Group's outstanding borrowings under these facilities were RMB 4,861,232,000 (31 December 2008: RMB 6,933,385,000) and were included in short-term bank loans.

In 2009 and thereafter, management believes that adequate sources of liquidity exist to fund the Group's working capital and capital expenditure requirements, and meet its short term debt obligations as they become due. Management has considered historical cash requirements of the Group as well as other key factors, including the availability of the above-mentioned banking facilities which may impact the operations of the Group during the next twelve-month period.

47. 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 2009				
	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	6,196,625	(6,359,478)	(6,359,478)	-	-
Short-term debentures payable	1,000,000	(1,020,500)	(1,020,500)	-	-
Current portion of long-term loans	299,521	(315,437)	(315,437)	-	-
Long-term loans	329,021	(397,320)	(15,633)	(40,564)	(341,123)
Total	7,825,167	(8,092,735)	(7,711,048)	(40,564)	(341,123)

	At 31 December 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	8,838,204	(9,173,456)	(9,173,456)	-	-
Current portion of long-term loans	534,521	(567,934)	(567,934)	-	-
Long-term loans	429,021	(510,928)	(22,437)	(147,368)	(341,123)
Total	9,801,746	(10,252,318)	(9,763,827)	(147,368)	(341,123)

47. Financial risk management *(continued)*

Liquidity risk *(continued)*

The Company

	At 30 June 2009				
	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	5,978,505	(6,130,183)	(6,130,183)	-	-
Short-term debentures payable	1,000,000	(1,020,500)	(1,020,500)	-	-
Current portion of long-term loans	250,000	(265,917)	(265,917)	-	-
Long-term loans	450,000	(528,085)	(19,008)	(19,008)	(490,069)
Total	7,678,505	(7,944,685)	(7,435,608)	(19,008)	(490,069)

	At 31 December 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	8,683,204	(9,014,196)	(9,014,196)	-	-
Current portion of long-term loans	450,000	(481,275)	(481,275)	-	-
Long-term loans	300,000	(367,960)	(15,633)	(15,633)	(336,694)
Total	9,433,204	(9,863,431)	(9,511,104)	(15,633)	(336,694)

47. Financial risk management *(continued)*

Market risk

(a) Currency risk

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Group's currency risk exposure primarily relates to short-term and long-term debts denominated in US dollars. The Group entered into forward exchange contracts to manage such exposure. All of the forward exchange contracts have maturities of less than one year from the balance sheet date.

Other than the amounts as disclosed in Note 7 and the loans disclosed below, the amounts of other financial assets and liabilities of the Group and the Company are substantially denominated in the functional currency of the 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 2009 USD'000	At 31 December 2008 USD'000	**At 30 June 2009 USD'000**	At 31 December 2008 USD'000
United States Dollars	**(548,191)**	(600,314)	**(546,751)**	(598,874)
Forward exchange contracts	**52,897**	460,224	**52,897**	460,224
Total	**(495,294)**	(140,090)	**(493,854)**	(138,650)

A 5 percent strengthening / weakening of USD against Renminbi at 30 June would have decreased / increased net profit for the year and shareholders' equity of the Group by approximately RMB 126,892,000 (31 December 2008: RMB 35,905,000). 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 2008.

47. Financial risk management *(continued)*

Market risk *(continued)*

(b) Interest rate risk

The Group's interest rate risk exposure arises primarily from its short-term and long-term debts. Debts carrying interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and terms of repayment of loans and borrowings of the Group are disclosed in Note 25 and 29.

As at 30 June 2009, 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 year and shareholders' equity by approximately RMB 40,599,000 (31 December 2008: RMB 42,341,000). 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 2008.

Capital management

Management also optimises the structure of its capital, comprising equity and loans. In order to maintain or adjust the capital structure, management may cause the Group to issue new shares, adjust the capital expenditure plan, sell assets to reduce debt, or adjust the proportion of short-term and long-term loans. Management 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. Management'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. As at 31 December 2008, the debt-to-equity ratio and the liability-to-asset ratio of the Group were 2.17% (31 December 2008: 3.01%) and 46.34% (31 December 2008: 49.82%) respectively.

The schedule of the contractual maturities of loans and commitments are disclosed in Note 25, Note 29 and Note 49, respectively.

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

47. Financial risk management *(continued)*

Fair value

The following table presents the carrying amounts and fair values of the Group's long term bank loans at 30 June 2009 and 31 December 2008.

	At 30 June 2009		At 31 December 2008	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Liabilities				
Long-term bank loans	**628,542**	**626,985**	963,542	958,461

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 from 5.31% to 5.94% (31 December 2008: 5.31% to 5.94%).

The fair value of available-for-sale assets was based on quoted market price at the balance sheet date. The fair value of forward exchange contracts is based by discounting the contractual forward price and deducting the current spot rate. 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.

The carrying value of short term loans and borrowings and short-term debentures payable 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.

48. Capital commitments

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

	Six-month period ended 30 June	
	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Contracted but not provided for	**656,657**	90,987
Authorised by the Board but not contracted for	**632,660**	2,450,250
	1,289,317	2,541,237

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 2009, the Group and the Company did not have material operating lease commitment.

49. Contingent liabilities

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

	The Group		The Company	
	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Guarantees issued to banks in favor of				
- subsidiaries	**-**	-	**200,000**	250,000
- associates	**14,500**	14,500	**14,500**	14,500
- other unlisted investment companies	**10,794**	11,247	**-**	-
	25,294	25,747	**214,500**	264,500

Management 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 2009, 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.

49. Contingent liabilities *(continued)*

(2) Income tax differences

With respect to uncertainties about enterprise income tax differences arising from 2006 and before as originated from a tax circular (Circular No.664) issued by the State Administrative of Taxation in June 2007, 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. To date, 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 period ended 30 June 2009. No provision has been made in the financial statements for this uncertainty for tax years prior to 2007 because management believes it is not possible to reliably estimate the amount of the obligation, if any, that might exist.

50. 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(2008: 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 2009.

At 30 June 2009, 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 6.

50. 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	
	2009	2008
	RMB'000	RMB'000
Short-term employee benefits	**3,746**	4,118
Retirement scheme contributions	**50**	19
	3,796	4,137

(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	An associate of the Company
BOC-SPC Gases Co., Ltd	Jointly controlled company
Shanghai Jinpu Plastics Packaging Material Company Limited	An associate of the Company
Shanghai Jinsen Hydrocarbon Resins Company Limited	An associate of the Company

Details of the Group's jointly controlled entities and associates are set out in Note 18.

50. 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 period ended 30 June 2009 have been affected on such terms as determined by Sinopec Corp, and 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 period, the value of crude oil purchased in accordance with Sinopec Corp's allocation was as follows:

	Six-month period ended 30 June	
	2009	2008
	RMB'000	RMB'000
Purchases of crude oil	**5,677,617**	20,354,163

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

	The Group		The Company	
	Six-month period ended 30 June			
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Sales of goods and service fee income	**10,533,920**	15,319,559	**10,003,665**	15,901,446
Purchases other than crude oil	**1,188,390**	3,031,338	**1,723,265**	4,186,571
Insurance premiums paid	**54,715**	57,721	**54,715**	57,498
Interest received and receivable	**208**	315	**207**	304
Loans borrowed	**1,460,000**	213,000	**1,260,000**	130,000
Loans repayment	**(1,640,000)**	(1,328,300)	**(1,440,000)**	(1,227,000)
Interest paid and payable	**17,746**	13,940	**12,110**	6,869
Construction and installation fees	**101,508**	16,773	**101,508**	16,773
Sales commissions	**50,470**	111,242	**50,470**	111,242
Financial guarantees (note 49(1))	**25,294**	25,747	**214,500**	264,500
Rental income from related parties	**9,510**	9,150	**12,315**	11,781

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.

50. 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 2009 and 31 December 2008, the Group's balances with related parties are as follows:

	Immediate Parent Company		Other related parties	
	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Bills receivable	**28,292**	7,977	**-**	25,799
Trade debtors	**46,649**	679	**530,264**	136,528
Dividends receivable	**-**	-	**50,873**	74,000
Other receivables	**117**	-	**6,796**	11,654
Advance payments	**10,756**	1,580	**186,197**	19,560
Bills payable	**850,000**	-	**313,000**	2,000
Trade creditors	**271,264**	1,521,305	**289,712**	146,023
Other payables	**10,540**	6,203	**27,460**	60,708
Receipts in advance	**11,224**	11,476	**2,838**	4,932
Balance of guarantee	**-**	-	**25,294**	25,747

At 30 June 2009 and 31 December 2008, the Company's balances with related parties are as follows:

	Immediate Parent Company		Other related parties	
	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Bills receivable	**-**	-	**9,459**	29,770
Trade debtors	**19,508**	679	**548,609**	152,977
Dividends receivable	**-**	-	**44,000**	74,000
Other receivables	**117**	-	**98,882**	2,590
Advance payments	**8,578**	1,490	**185,834**	18,928
Bills payable	**850,000**	-	**313,000**	2,000
Trade creditors	**271,264**	1,521,305	**619,214**	270,719
Other payables	**10,540**	6,203	**721,331**	392,124
Receipts in advance	**11,224**	11,476	**20,963**	12,490
Balance of guarantee	**-**	-	**214,500**	264,500

50. 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 2009 RMB'000	At 31 December 2008 RMB'000	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Cash deposits	**29,354**	23,318	**29,119**	22,844

(f) Loans with related parties

	The Group		The Company	
	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Short-term loans	**350,000**	410,000	**150,000**	330,000
Long-term loans	**-**	120,000	**-**	-

51. Non-recurring items

In accordance with "Notice on the Explanation of Information Disclosure of Companies Offering Securities to the Public No.1- Non-recurring Items" (2008), the Group's non-recurring items are set out as below:

	Six-month period ended 30 June	
	2009	2008
	RMB'000	RMB'000
		(restated#)
Non-recurring items		
Gain from disposal of non-current assets	**223,664**	135,527
Employee reduction expenses	**(3,717)**	(35,631)
Changes in fair value of financial assets held for trading	**(10,372)**	-
Net expenses of non-operating income / (expenses) other than those mentioned above	**(6,217)**	(16,754)
Sub-total	**203,358**	83,142
Less: tax effect for the above items	**(50,840)**	(20,786)
Total	**152,518**	62,356
Include: Non-recurring items attributable to equity shareholders of the Company	**152,508**	62,321
Non-recurring items attributable to minority shareholders	**10**	35

#: In accordance with "Notice on the Explanation of Information Disclosure of Companies Offering Securities to the Public No.1- Non-recurring Items" (2008), the above figures for 2008 have been restated.

52. Earnings/(Loss) 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 earnings/(loss) per share

	Six-month period ended 30 June			
	2009		2008	
	Basic earnings per share	**Diluted earnings per share**	Basic earnings per share (restated)#	Diluted earnings per share (restated)#
(a) Earnings / (loss) per share based on net profit / (loss) including non-recurring items (RMB)	**0.137**	**0.137**	(0.052)	(0.052)
- Net profit / (loss) attributable to equity shareholders of the Company (RMB'000)	**987,236**	**987,236**	(372,772)	(372,772)
- Weighted average of issued shares ('000)	**7,200,000**	**7,200,000**	7,200,000	7,200,000
(b) Earnings / (loss) per share based on net profit / (loss) excluding non-recurring items (RMB)	**0.116**	**0.116**	(0.060)	(0.060)
- Net profit / (loss) attributable to equity shareholders of the Company (RMB'000)	**834,728**	**834,728**	(435,093)	(435,093)
- Weighted average of issued shares ('000)	**7,200,000**	**7,200,000**	7,200,000	7,200,000

52. Earnings /(Loss) per share and return on net assets *(continued)*

(2) Return on net assets

	The Group			
	At 30 June 2009		At 30 June 2008	
	Diluted	**Weighted average**	Diluted (restated)#	Weighted average (restated)#
(a) Return on net assets based on net profit / (loss) including non-recurring items	**6.644%**	**6.879%**	-1.880%	-1.826%
- Net profit / (loss) attributable to equity shareholders of the Company (RMB'000)	**987,236**	**987,236**	(372,772)	(372,772)
- Net assets attributable to equity shareholders of the Company (RMB'000)	**14,859,523**	**14,859,523**	19,823,791	19,823,791
- Net assets attributable to equity shareholders of the Company, weighted average (RMB'000)	**14,350,447**	**14,350,447**	20,411,618	20,411,618
(b) Return on net assets based on net profit excluding non-recurring items	**5.617%**	**5.817%**	-2.195%	-2.132%
- Net profit / (loss) attributable to equity shareholders of the Company excluding non-recurring items (RMB'000)	**834,728**	**834,728**	(435,093)	(435,093)
- Net assets attributable to equity shareholders of the Company (RMB'000)	**14,859,523**	**14,859,523**	19,823,791	19,823,791
- Net assets attributable to equity shareholders of the Company, weighted average (RMB'000)	**14,350,447**	**14,350,447**	20,411,618	20,411,618

#: In accordance with "Notice on the Explanation of Information Disclosure of Companies Offering Securities to the Public No.1- Non-recurring Items" (2008), the above figures for 2008 have been restated.

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 has also prepared a set of financial statements which complies with the China Accounting Standards for Business Enterprises ("CAS (2006)"). A reconciliation of the Group's net profit / (loss) 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.

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

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

	Note	Six-month period ended 30 June 2009 RMB'000	Six-month period ended 30 June 2008 RMB'000
Profit / (loss) attributable to equity shareholders of the Company under the China Accounting Standards for Business Enterprises		**987,236**	(372,772)
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)**	(437)
Profit / (loss) attributable to equity shareholders of the Company under IFRS		**1,001,928**	(358,080)

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 2009 RMB'000	At 31 December 2008 RMB'000
Total equity attributable to equity shareholders of the Company under the China Accounting Standards for Business Enterprises		**14,859,523**	13,841,371
Adjustments:			
Government grants	(i)	**(197,019)**	(210,399)
Revaluation of land use rights	(ii)	**(162,007)**	(163,756)
Effects of the above adjustments on taxation		**29,280**	29,717
Total equity attributable to equity shareholders of the Company under IFRS		**14,529,777**	13,496,933

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 2009 interim report, are in the opinion that: the Company was in strict compliance with the financial system operation of listed companies and the 2009 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 2009 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
	General Office:	48 Jinyi Road, Jinshan District, Shanghai, PRC
	Postal Code:	200540
	Company Website:	www.spc.com.cn
	Email Address:	spc@spc.com.cn
4.	Authorised Representative:	Rong Guangdao
5.	Company Secretary:	Zhang Jingming
	Telephone:	86-21-57943143/52377880
	Fax:	86-21-57940050/52375091
	Email Address:	spc@spc.com.cn
	Address:	48 Jinyi Road, Jinshan District, Shanghai, PRC
	Securities Representative:	Tang Weizhong
	Telephone:	86-21-52377880
	Fax:	86-21-52375091
	Email Address:	tom@spc.com.cn
	Address:	Suite B, 28/F, Huamin Empire Plaza, 728 West Yan'an Road, Shanghai, PRC

6. Newspapers for announcements: China Securities Journal, Shanghai Securities News.
   Website for the Company's periodical report: www.sse.com.cn, www.hkex.com.hk, www.spc.com.cn
   In case of any discrepancy between the Chinese and the English versions, the Chinese version should prevail.

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

Legal advisors

PRC: Haiwen & Partners
21st Floor, Beijing Silver Tower, No.2 Dong San Huan Road, Chaoyang District, Beijing, PRC
Postal Code: 100027

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