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IMPORTANT MESSAGE

- (1) The board of directors (the "Board") and the Supervisory Committee of Sinopec Shanghai Petrochemical Company Limited (the "Company" or "SPC") as well as its Directors, Supervisors and senior management warrant that there are no false representations or misleading statements contained in, or material omission from, the 2010 interim report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information contained in the 2010 interim report.
- (2) If any Director fails to attend the Board meeting for considering and approving the 2010 interim report of the Company, his name shall be set out separately:

Name of Director not Attending	Position	Reasons for the absence	Name of Proxy
Wu Haijun	Vice Chairman	Business engagement	Rong Guangdao
Shi Wei	Director	Business engagement	Rong Guangdao
Lei Dianwu	Director	Business engagement	Rong Guangdao
Xiang Hanyin	Director	Business engagement	Rong Guangdao

- (3) The interim financial report of the Company for the six-month period ended 30 June 2010 (the "Reporting Period") were unaudited.
- (4) There is no occupancy of non-operating funds by controlling shareholders and their connected parties.
- (5) The Company did not provide third-party guarantees in violation of stipulated procedures.
- (6) Mr. Rong Guangdao, Chairman and the responsible person of the Company, Mr. Ye Guohua, 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 2010 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 report of the Company and its subsidiaries (the "Group") and notes in the interim report. The financial data involved hereinafter are extracted from the unaudited financial report prepared in accordance with IFRS.

Review and discussion on operating results

In the first half of 2010, the world economy had in general entered into the track of recovery with the rapid recovery of the national economies of developed countries such as the United States and Japan as well as some emerging markets. China continued to implement a package of schemes to cope with the impact of the global financial crisis, aiming at strengthening and improving macro-economic controls. Success was achieved during this phase and the positive momentum of an economic recovery was further consolidated, with a better-than-expected 11.1% growth in gross domestic product (GDP) in the first half of the year. China's petrochemical industry maintained a positive momentum, demonstrated by consecutive new highs in output value, a substantial increase in the output of major products, a remarkable rebound in export trade and an accelerated investment growth in the industry. The petrochemical market remained stable in general. Overall prices were on the rise, production and sales of products were carried out smoothly, industry profitability continued to improve and corporate profitability increased sharply year-on-year.

In the first half of 2010, the international and domestic macro-economic environments were, in general, better than those in the corresponding period of the previous year; China's petrochemical industry maintained a sound economic operation; international crude oil prices saw relatively milder fluctuations; domestic refined oil prices basically reached their appropriate levels; and the demand in the petrochemical market picked up steadily as compared to the corresponding period of the previous year. Under such conditions, the Group took "learning from the advanced, refining management, accelerating development and boosting staff morale" as its main theme by fully seizing market opportunities, striving with all its strength to increase the output volume of products and carrying out various tasks on production, operation, reform and development. In the first half of the year, the Group maintained sound operations and production, and crude oil processing volume and ethylene production stayed at relatively good levels as compared to previous corresponding periods. There was no occurrence of any major accidents in production, safety or environmental protection. Major production plants maintained high utilization and load rates, with a decrease in frequency and duration of shutdowns compared to the corresponding period of the previous year. Major technical and economic indices improved substantially over the corresponding period of the previous year. The output-to-sales ratio and the receivable recovery ratio remained at satisfactory levels. For the six-month period ended 30 June 2010, the Group's turnover was RMB36,128.3 million, up RMB14,949.7 million or 70.59% year-on-year. Profit before taxation was RMB1,897.7 million, representing an increase of RMB529.0 million year-on-year. Meanwhile, profit after taxation and non-controlling interests amounted to RMB 1,515.1 million, representing an increase of RMB 513.2 million year-on-year.

In the first half of 2010, owing to the full completion and commissioning of the Phase 5 Project, the Group's product mix was further optimized, its resources utilization efficiency was enhanced and its overall economy of scales was effectively leveraged. As a result, the output volume of the Group's products increased substantially over the corresponding period of the previous year. Between January and June 2010, the Group processed 5,042,800 tons of crude oil (including 163,800 tons of crude oil processed on a sub-contracting basis), an increase of 847,900 tons or 20.21% year-on-year. In respect of the total amount of processed crude oil, imported crude oil and offshore crude oil amounted to 4,725,000 tons and 317,800 tons respectively. The output of gasoline, diesel and jet fuel was 462,900 tons, 1,540,000 tons and 380,500 tons respectively, representing an increase of 6.00%, 21.04% and 25.87% year-on-year respectively. The output of ethylene and propylene was 493,900 tons and 270,300 tons respectively, representing an increase of 12.43% and 14.19% year-on-year respectively. The output of synthetic resins and plastics was 568,600 tons (polyester and PVA exclusive), representing an increase of 5.20% year-on-year. The output of synthetic fibre monomers, synthetic fibre polymers and synthetic fibres was 499,400 tons, 329,800 tons and 123,900 tons respectively, representing an increase of 16.74%, 14.04% and 2.82% year-on-year respectively. The Group's output-to-sales ratio and receivable recovery ratio in the first half of the year were 100.05% and 99.55% 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					
	2010			2009		
	Sales Volume ('000 tons)	Net Sales (Millions of RMB)	% of Total	Sales volume ('000 tons)	Net Sales (Millions of RMB)	% of Total
Synthetic Fibres	123.7	1,871.2	5.56	123.8	1,289.3	6.76
Resins and Plastics	821.6	7,524.6	22.34	766.6	5,725.8	30.00
Intermediate Petrochemicals	1,117.1	7,851.4	23.31	525.8	2,312.6	12.12
Petroleum products	2,852.5	12,876.4	38.23	2,429.1	7,700.2	40.35
Others	-	3,554.6	10.56	-	2,056.0	10.77
Total	4,914.9	33,678.2	100.00	3,845.3	19,083.9	100.00

In the first half of 2010, the Group realised total net sales of RMB33,678.2 million, representing an increase of 76.47% as compared to the corresponding period of the previous year, among which net sales derived from petroleum products, intermediate petrochemicals, resins and plastics as well as synthetic fibres increased by 67.22%, 239.51%, 31.42% and 45.13% respectively. Such increases were primarily attributable to the increased prices of raw materials and energy, resulting in increased prices for petroleum products, intermediate petrochemicals, resins and plastics and synthetic fibres, as well as a substantial increase in sales volume for a majority of products. Compared to the first half of 2009, the average prices (excluding tax) of the Group's petroleum products, intermediate petrochemicals, resins and plastics and synthetic fibres increased by 42.40%, 59.80%, 22.61% and 45.26% respectively during the Reporting Period. When compared to the second half of 2009, the average prices (excluding tax) of the above four major categories of products of the Group increased by 14.37%, 14.31%, 8.80% and 20.28% respectively. In the first half of the year, net sales of the Group's "other operations" increased by 72.89% as compared to the corresponding period of the previous year, primarily because the trade volume of the Group's petrochemicals increased substantially as compared to the corresponding period of the previous year.

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

During the first half of 2010, the Group's cost of sales increased by 80.72% year-on-year to RMB31,815.8 million, accounting for 94.47% of the net sales.

Crude oil is the Group's major raw material. In the first half of 2010, as a result of a number of factors such as the global economic recovery, the European debt crisis and frequent natural disasters, international crude oil prices were moving largely in the range of US\$70 and US\$85/barrel. WTI crude oil prices closed highest at US\$86.16/barrel and lowest at US\$65.58/barrel. In the first half of the year, the average price was approximately US\$78/barrel, representing an increase of around 50% from US\$52/barrel in the corresponding period of the previous year. In the first half of the year, the average Brent crude oil price was approximately US\$77/barrel, representing a year-on-year increase of around 45%. As a result of this impact, the Group's average unit cost of crude oil processed (the portion traded for the Group's own account) was RMB3,932.37/ton in the first half of 2010, representing an increase of 54.59% from RMB1,388.60/ton in the corresponding period of the previous year. As a result of the significant increase in the average price of crude oil and the increase in the volume of crude oil processed, the Group's total costs of crude oil processed during the Reporting Period increased substantially by 83.55% to RMB19,169.3 million. The crude oil costs accounted for 60.25% of the Group's cost of sales in the first half of the year.

Expenses on other auxiliary raw materials of the Group amounted to RMB6,291.7 million in the first half of 2010, representing an increase of 142.62% as compared to the corresponding period of the previous year, primarily attributable to an increase in the prices and the volume of materials for production. Depreciation and maintenance costs of the Group during the Reporting Period amounted to RMB833.4 million and RMB390.3 million respectively, representing slight increases year-on-year. Fuel and power expenses increased by RMB223.4 million year-on-year to RMB998.2 million as a result of the year-on-year increases to various degrees in both purchase volumes and purchase prices of coal for power generation.

The Group's selling and administrative expenses in the first half of 2010 amounted to RMB255.6 million, up 37.49% from RMB185.9 million during the corresponding period of the previous year. The increase was primarily attributable to an increase in sales transportation expenses as a result of a substantial increase in sales volume (due to adjustment of sales policy which significantly increased sales transportation expenses), and an increase in agency fees 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 2010 decreased by RMB0.7 million year-on-year to RMB14.8 million, primarily attributable to a decrease in employee reduction expenses during the Reporting Period.

Financing costs of the Group in the first half of 2010 decreased by 45.76% year-on-year to RMB116.7 million, primarily because of adjustment of the borrowing structure between US dollar-denominated loans and Renminbi-denominated loans, where the Group borrowed more US dollar-denominated loans at low interest rates during the Reporting Period than in the corresponding period of the previous year, resulting in a substantial drop in interest expenses. Furthermore, the Renminbi appreciated against the US dollar in May and June 2010, whereas during the first half of 2009, the exchange rate of the Renminbi against the US dollar remained stable in general. As a result, there was an increase in net foreign exchange gains of the Group during the period.

The Group's profit after taxation and non-controlling interests was RMB1,515.1 million in the first half of 2010, representing an increase of RMB513.2 million from RMB1,001.9 million for the corresponding period of the previous year.

Liquidity and capital resources

The Group's net cash inflow from operating activities amounted to RMB207.7 million for the first half of 2010, while the net cash inflow for the corresponding period of the previous year was RMB2,457.4 million, primarily because: (1) the closing balance of inventory decreased RMB171.9 million as compared with the opening balance for the corresponding period of the previous year, while there was an increase of RMB548.1 million in the first half of 2010. Consequently, cash outflow from operating activities increased by RMB720.0 million as a result of the movement in the opening and closing balance of inventory; (2) cash outflow of the current period increased by RMB2,448.5 million as a result of more operating payables were paid at the beginning of the year as compared with the corresponding period of the previous year; (3) the movement in the operating receivables for the current period as compared to the corresponding period of the previous year caused the increase in cash inflow of RMB425.0 million; (4) the profit from operations for the current period increased by RMB147.6 million over the corresponding period of the previous year, so it also caused the increase of operating cash inflow.

In the first half of 2010, the Group's net cash inflow from investing activities amounted to RMB572.4 million, as compared to a net cash outflow of RMB730.7 million in the corresponding period of the previous year, primarily because: (1) the Group purchased financial products totaling RMB700.0 million from state-controlled banks in China at the end of 2009, and such financing products were redeemed in January 2010; and (2) cash outflow from investing activities decreased by RMB797.7 million due to a year-on-year decrease in the Group's capital expenditures during the period. The 600,000-ton/year PX aromatics complex, a major project of the Group under construction, was transferred to fixed assets in September 2009. During the Reporting Period, there was no similar large-scale project under construction.

In the first half of 2010, the Group's net cash outflow from financing activities amounted to RMB506.0 million, representing a year-on-year decrease in net cash outflow of RMB1,423.9 million, primarily attributable to the Group's repayment of a substantial amount of short-term borrowings during corresponding period of the previous year.

Borrowings and debts

The Group's long-term borrowings are mainly applied to its capital expansion projects. In general, the Group has arranged long-term borrowings according to its capital expenditure plans and in overall terms, there are no seasonal borrowings. Short-term debts are used to replenish the Group's working capital during the normal course of production operation. The Group's borrowings as at the end of the first half of 2010 decreased by RMB594.9 million to RMB7,484.0 million from the beginning of the Reporting Period. In particular, short-term debts decreased by RMB590.7 million while long-term borrowings decreased by RMB4.3 million.

Risks associated with exchange rate fluctuation

Since the Group purchases its major raw materials, particularly crude oil, from overseas sources and also exports a portion of the Group's petrochemical products directly as well, exchange rate changes will indirectly affect the prices of the Group's raw materials and petrochemical products. This may, in turn, have a discernible impact on the Group's profitability. In addition, a change in the relevant exchange rates will affect the level of the Group's financial expenses since some of the Group's debts are denominated in foreign currencies. Accordingly, the Group's profitability will be affected as well. At 30 June 2010, the Group's loans denominated in US dollars amounted to USD782.3 million.

Capital expenditure

In the first half of 2010, the Group continued to adjust its business structure and product portfolio, adhering to the development strategy of “giving consideration to both cost leadership and differentiation and paying equal attention to scale and refinement” and the development idea of “laying particular emphasis on being cost and scale effective at upstream and being highly value-added and highly refined at downstream”. The group was focusing on the earlier stage work for the phase 6 project of the Company with refinery revamping and expansion item as the main project. The environmental appraisals for the refinery revamping and expansion project, the carbon fibre project and some other projects are being carried out, the Group is working hard on the preparatory work of these projects so that earth-breaking could take place within the year. Meanwhile, the construction of a pipeline network for comprehensively using natural gas was completed as scheduled. Starting from 15 March, natural gas from the Shanghai pipelines network was introduced to the Company, thus fulfilling the target of switching to 100% natural gas as substitute feedstock for No. 1 Hydrogen Making Plant, and achieving improved economic efficacy. Other key technological renovation projects of the Group have also proceeded in an orderly manner.

In the first half of the year, the Group's capital expenditure amounted to RMB278.9 million, mainly used for the project of comprehensively using LNG, the project of systematic optimization, energy conservation and consumption reduction of 2# PTA Plant, and the 1# EO/EG Plant technological revamping project. 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 2010, the Group's liability-to-asset ratio was 44.16% (31 December 2009: 48.85%). The ratio is calculated using this formula: total liabilities/ total assets.

Employees

As at 30 June 2010, the Group's on-record employees totaled 16,680. Staff costs for the six-month period ended 30 June 2010 totaled RMB 882.8 million.

Income tax

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

Disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

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 2009 annual report.

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

In the second half of 2010, consumption, a main driver of economic growth, is likely to remain weak due to the high unemployment rates in major economies such as the U.S., Japan and Europe; and the sovereign debt crisis in some nations could pose a major risk to the global economy and financial market after the global financial crisis. As a result, the recovery of the world economy remains uncertain and unstable, with a possible slowdown in economic growth. China's economy may be facing a better development environment than last year, but it is also facing extremely complex situations characterized by a mixture of positive changes and adverse effects, a twist of temporary issues and long-standing conflicts as well as an interaction of domestic and international factors, resulting in a slowdown in economic operation growth. The economic operation of the domestic petrochemical industry will come under pressure from all sides, and may tend to soar high in the first half of the year and fall in the second half of the year. The domestic petrochemical industry will be confronted with pressure from all aspects, such as the rapid growth in capacities of certain petrochemical products, the aggravated situation of under-utilization of certain downstream sectors, possibly weak consumption and demand in the downstream sectors and the impact of imported products. Market competition will become more intense in the second half of the year.

Although the recovery of the world economy has become increasingly uncertain, the direction remains unchanged. It is expected that international crude oil prices may continue to hover around US\$70-80/barrel as a result of a number of factors such as adequate liquidity in the market and the upcoming peak period for petroleum consumption in the second half of the year. Meanwhile, the Chinese government may still exercise controls over the prices of domestic refined oil products when international crude oil prices go to a higher level.

To sum up, the Group expects that the average crude oil processing costs in the second half of the year will still remain high, and competition in the chemical market will become more intense, and therefore the Group cannot take an optimistic view towards its production and operation. In the second half of the year, the Group will continue to follow the tasks and objectives established at the beginning of the year and proceed with the following tasks in a proactive, diligent, solid and effective manner:

1. Continuously pay special attention to plant operation and make efforts for higher output volume;
2. Further optimize production and operation and strive to enhance profitability;
3. Attach great importance to HSE (health, safety and environment) and maintain stable operation in all aspects with all efforts;
4. Accelerate the construction of the projects in the next round development plan, push forward technological advancement, make efforts to accumulate reserved strength for further development;
5. Further intensify internal management and strive to reach a higher management standards; and
6. Continue to strengthen human resources structure and competence, and create the atmosphere of unity and harmony.

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	1,891,401	1,469,480	22.31	44.44	27.90	Increased by 10.05 percentage points
Resins and plastics	7,597,388	7,103,568	6.50	30.89	66.45	Decreased by 19.98 percentage points
Intermediate petrochemicals	7,936,403	7,325,281	7.70	238.11	319.05	Decreased by 17.83 percentage points
Petroleum products	15,142,333	11,513,929	23.96 ^{Note}	56.89	50.93	Increased by 3.00 percentage points
Others	3,583,905	3,409,562	4.86	71.29	80.83	Decreased by 5.02 percentage points
Including: connected transactions	18,907,066	16,172,911	14.46	79.49	84.42	Decreased by 2.29 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 (the "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.

Note: The gross profit margin is calculated according to the price of petroleum products which includes consumption tax. The gross profit margin of petroleum products after deducting consumption tax amounts to 10.05%.

(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	33,117,729	67.86
Other regions in the PRC	2,782,767	97.79
Exports	250,934	264.66

(iii) Description of substantial changes in the Company's major financial data during the Reporting Period as compared to the previous year (prepared under the China Accounting Standards for Business Enterprises)
(details of reporting items with changes of 30% or more and occupying 5% or more of the Group's total assets at the reporting date or 10% or more of the total profit for the Reporting Period, together with reasons for the changes)

Item	For the six-month period ended 30 June		Increase/ (decrease)		Reasons for change
	2010 RMB'000	2009 RMB'000	amount RMB'000	change (%)	
Operating revenue	36,151,430	21,204,680	14,946,750	70.49	Owing to the recovery of the petrochemical industry and the full completion and commissioning of the Phase 5 Project of the Company, the Reporting Period saw a substantial increase in the product sales of the Group, and a significant rise in the prices of petrochemical products as compared with the corresponding period of the previous year.
Operating costs	30,821,820	16,678,661	14,143,159	84.80	
Operating profit	1,887,627	1,269,719	617,908	48.66	
Profit before income tax	1,882,526	1,353,562	528,964	39.08	
Net profit	1,493,572	1,029,425	464,147	45.09	
Net profit attributable to equity shareholders of the Company	1,493,930	987,236	506,694	51.32	
Investment income	385,848	180,793	205,055	113.42	

- (iv) Results of the company in which the Company has investment interests (applicable if investment income accounts for more than 10% of the net profit)

Company	Scope of business	Net profit	Investment income contributed by the company in which the Company has investment interests	Proportion of net profit of listed company (%)
Shanghai Secco Petrochemical Company Limited	Production and distribution of petrochemicals	1,664,297	326,463	21.85

3. Investment by the Company

- (i) Application of capital raised

During the Reporting Period, the Company did not raise capital or use the capital raised in previous Reporting Periods.

- (ii) Projects from non-raised capital

Project	Total project investment RMB million	Project progress as at 30 June 2010
The Refinery Upgrade Project	6,319.0	Preliminary preparation
The Carbon Fiber Project with a Capacity of 1,500 tons/year	805.5	Preliminary preparation
Natural Gas Integrated Utilization Project	195.1	Completed
Upgrade Project for Optimization of Energy Saving and Consumption Reduction for No. 2 Oxidation Device System	185.6	Under construction
The Isoamylene Device Project with a Capacity of 10,000 tons/year	105.3	Preliminary preparation

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

1. Change in Share Capital

There was no change in the Company's total number of shares or share capital structure during the Reporting Period.

2. Shareholding of Shareholders

(1) Total number of shareholders and their shareholdings

Total number of shareholders as at the end of the Reporting Period: 114,877

Shareholdings of the top ten shareholders:

Name of shareholders	Type of shareholders	Percentage of total shareholding (%)	Number of shares held at the end of the Reporting Period (shares)	Increase(+)/decrease(-) during the Reporting Period (shares)	Type of shares	Number of non-circulating shares held (shares)	Number of shares pledged or frozen (shares)
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	31.84	2,292,736,101	-6,910,000	Circulating	-	Unknown
China Minsheng Banking Corp., Ltd. - Orient Jing Xuan Hun He Xing Kai Fang Shi Securities Investment Fund	Others	0.74	53,450,000	-1,350,000	Circulating	-	Unknown
China Construction Bank - CIFM China Advantage Security Investment Fund	Others	0.61	43,943,237	+9,069,383	Circulating	-	Unknown
The Bank of China - Harvest Stable Open Securities Investment Fund	Others	0.47	33,515,553	+14,247,541	Circulating	-	Unknown
The Bank of China - Harvest Growth and Gain Securities Investment Fund	Others	0.38	27,704,423	+13,944,629	Circulating	-	Unknown
Shanghai Kangli Gong Mao Company	Others	0.23	16,730,000	-	Non-circulating	16,730,000	Unknown
China Life Insurance Company Limited - Tradition - Ordinary Insurance Product - 005L-CT001 Shanghai	Others	0.19	13,678,194	+30,000	Circulating	-	Unknown
Zhejiang Economic Construction Investment Co., Ltd	Others	0.17	12,000,000	-	Non-circulating	12,000,000	Unknown
China Life Insurance Company Limited - Bonus - Individual Bonus - 005L-FH002 Shanghai	Others	0.13	9,248,504	-4,596,315	Circulating	-	Unknown

Top ten shareholders of shares in circulation:

Name of shareholders	Number of circulating shares held (shares)	Type of shares
HKSCC (Nominees) Limited	2,292,736,101	Overseas listed foreign shares
China Minsheng Banking Corp., Ltd. - Orient Jing Xuan Hun He Xing Kai Fang Shi Securities Investment Fund	53,450,000	RMB-denominated ordinary shares
China Construction Bank - CIFM China Advantage Security Investment Fund	43,943,237	RMB-denominated ordinary shares
The Bank of China - Harvest Stable Open Securities Investment Fund	33,515,553	RMB-denominated ordinary shares
The Bank of China - Harvest Growth and Gain Securities Investment Fund	27,704,423	RMB-denominated ordinary shares
China Life Insurance Company Limited - Tradition - Ordinary Insurance Product - 005L-CT001 Shanghai	13,678,194	RMB-denominated ordinary shares
China Life Insurance Company Limited - Bonus - Individual Bonus - 005L-FH002 Shanghai	9,248,504	RMB-denominated ordinary shares
Industrial & Commercial Bank of China - CIFM China Consumption Fund	6,567,246	RMB-denominated ordinary shares
The Bank of China - Harvest Research and Selective Securities Investment Fund	6,500,000	RMB-denominated ordinary shares
The Bank of China - Harvest Shanghai and Shenzhen 300 Index Securities Investment Fund	6,103,742	RMB-denominated ordinary shares

Description of any connected relationship or connected parties relationships among the above shareholders	Of the above-mentioned shareholders, China Petroleum & Chemical Corporation, 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.
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(2) 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.

(3) Interests and short positions of substantial shareholders and other persons in shares and underlying shares of the Company

As at 30 June 2010, 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 of Hong Kong (Chapter 571 of the Laws of Hong Kong) ("SFO") (including those who are entitled to exercise, or control the exercise of, 5% or more of the voting power at any general meeting of the Company 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 (shares)	% of total issued share capital	% of shareholding		Capacity
			in the Company's total issued H shares		
China Petroleum & Chemical Corporation	4,000,000,000 Promoter legal person shares (L)	55.56	-		Beneficial owner
JPMorgan Chase & Co.	164,041,952(L) 42,730(S) 27,248,000(P)	2.28(L) 0.00(S) 0.38(P)	7.04(L) 0.00(S) 1.17(P)		Beneficial owner; Investment managers; Others (Available- for-lending shares)

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

Save as disclosed above, no interests of substantial shareholders or other persons 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 2010, 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. Changes in Shareholdings of Directors, Supervisors and Senior Management

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

Name	Position	Number of shares held at the beginning of the Reporting Period (shares)	Number of shares held at the end of the Reporting Period (shares)	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
Wu Haijun	Vice Chairman	Nil	Nil	No change
Li Honggen	Director and Vice President	Nil	Nil	No change
Shi Wei	Director and Vice President	Nil	Nil	No change
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 Zhiliang	Vice President	Nil	Nil	No change
Zhang Jianping	Vice President	Nil	Nil	No change
Tang Chengjian	Vice President	Nil	Nil	No change
Ye Guohua	Chief Financial Officer	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 2010, 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 required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at 30 June 2010, 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

During the Reporting Period, Mr. Han Zhihao, Director of the sixth session of the Board, submitted his request to the Board on 28 April 2010 to resign from his directorship due to his age. In accordance with the Articles of Association of the Company, Mr. Han Zhihao's resignation was effective on 28 April 2010 upon delivery of his resignation. The Board convened the 12th meeting by way of correspondence on the same day and agreed on the appointment of Mr. Wu Haijun as Director to fill the vacancy in the sixth session of the Board. The resolution on the appointment of Mr. Wu Haijun as Director was approved at the 2009 annual general meeting of the Company held on 23 June 2010. Mr. Wu Haijun was elected as Executive Director and Vice Chairman at the 13th meeting of the Board on the same day.

The appointment of Mr. Zhang Zhiliang as Vice President of the Company was approved at the 12th meeting of the Board.

3. Audit Committee

On 26 August 2010, the Audit Committee of the sixth session of the Board held its fifth meeting, primarily to review the interim financial report of the Group for the period.

4. 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.

5. Compliance with Code of Corporate Governance Practices

The Company has complied with all the principles and provisions set out in the Code of Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Hong Kong Listing Rules, except for the following two deviations:

- (i) 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 is appointed as the Chairman and President of the Company.

Reason: Mr. Rong Guangdao has extensive experience in the management of large-scale petrochemical production and has in-depth understanding about the operation of the Company. Mr. Rong is the most suitable candidate to serve 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 better or similar abilities and talent as Mr. Rong to serve any of the above positions.

Explanation: Mr. Rong Guangdao resigned from the office of President on 19 July 2010, on which day Mr. Wang Zhiqing was appointed as President of the Company at the 14th meeting of the sixth session of the Board.

- (ii) Code Provision A. 4.1: Non-executive directors should be appointed for a specific term, subject to re-election.

Deviation: Mr. Chen Xinyuan, the Independent Non-executive Director, has served as an Independent Non-executive Director for more than the six-year period as stipulated in the Articles of Association of the Company.

Reason: Mr. Chen Xinyuan currently serves as the Dean, Professor and Tutor to doctoral students of the College of Accounting at Shanghai University of Finance and Economics. He is very familiar with financial reporting and accounting and has extensive experience in management. Mr. Chen also serves as the Director of the Audit Committee of the Board of the Company. For the time being, the Company is unable to identify another accounting professional like Mr. Chen, who will be replaced at the election of a new session of the Board to be held in June 2011.

6. Model Code for Securities Transactions

The Directors of the Company confirm that the Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code for Securities Transactions”) set out in Appendix 10 to the Hong Kong Listing Rules. After making specific enquiries with all the Directors and Supervisors of the Company, the Company is not aware of any information that would reasonably indicate that the Directors and Supervisors of the Company were not in compliance with the requirements of the Model Code for Securities Transactions during the Reporting Period.

MAJOR EVENTS

1. Current Status of Corporate Governance in the Company

The Company has strictly complied with 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 and the appendices at the 2009 annual general meeting.

2. Implementation of the Profit Appropriation Plan during the Reporting Period

- (1) The profit appropriation plan for 2009 was considered and approved at the Company’s 2009 annual general meeting convened on 23 June 2010. The 2009 profit appropriation plan is: distributing a dividend of RMB0.30 per 10 shares (tax inclusive) based on the total share capital of RMB7.2 billion as at 31 December 2009. The relevant announcements were published on “Shanghai Securities News” and “China Securities Journal” on 24 June 2010. The Company published the Announcement on Distribution of Cash Dividends to Holders of A Shares on 8 July 2010. The share registration date for the distribution of dividends to holders of A shares was 13 July 2010. The ex-dividend date was 14 July 2010. The dividend payment date for H shares and social public A shares was 20 July 2010. The profit appropriation plan has been implemented as scheduled.
- (2) The Company did not declare an interim dividend for 2010, nor did the Company increase share capital by transferring reserve funds.

3. Implementation of Cash Dividend Distribution Policy during the Reporting Period

The Company’s cash dividend distribution policy is defined by Article 208 of the Article of Association which 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 meets 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."

The 2009 profit appropriation plan was considered and approved at the 2009 annual general meeting of the Company convened on 23 June 2010 and has been implemented as scheduled.

4. Material Litigation or Arbitration

The Company was not involved in any material litigation and arbitration during the Reporting Period.

5. Events regarding Bankruptcy and Restructuring

No events regarding bankruptcy and restructuring occurred in the Company during the Reporting Period.

6. Shareholdings by the Company in Other Listed Companies and in Financial Enterprises

There was no shareholding by the Company in other listed companies or in financial enterprises during the Reporting Period.

7. Acquisition or Disposal of Assets or Merger by Absorption during the Reporting Period

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

8. Major Connected Transactions of the Company during the Reporting Period

(1) Connected transactions in relation 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; (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 continuing connected transactions did not have a material adverse impact on the Company's independence.

Prepared under the 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	13,030,243	36.04
	Other related parties	5,876,823	16.26
Purchases	China International United		
	Petroleum & Chemical Co., Ltd.	11,693,597	41.59
	Other related parties	6,604,888	23.49
Installation fees	Sinopec and its subsidiaries	35,851	71.50

This includes an amount of RMB18,043,373,420 for the connected transactions in respect of the sale of products or the provision of services to the controlling shareholder and its subsidiaries by the listed company during the Reporting Period.

(2) Non-operating connected creditor's rights and liabilities

Connected party	Connected relationship	Funds provided to connected parties		Funds provided by connected parties to the listed company	
		Net transaction RMB'000	Balance RMB'000	Net transaction RMB'000	Balance RMB'000
Sinopec Corp.	Controlling shareholder	-	-	(175,218)	-
Sinopec and other related parties	Controlling company of the controlling shareholder and other related parties	3,569	10,176*	(5,568)	23,901
Total		3,569	10,176	(180,786)	23,901

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.

* The period-end balance of the funds provided by the Group to its connected parties are mainly receivables which were incurred for services provided to the associated companies and joint venture companies of the Group and which were not settled.

9. Material Contracts and the Performing of Obligations

(1) Trust, sub-contract and lease arrangements that produced 10% or more (including 10%) of the profit of the Company for the Reporting Period.

(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

Amount of guarantees signed during the Reporting Period (excluding guarantees to subsidiaries)	-
Amount of guarantees at the end of the Reporting Period (excluding guarantees to subsidiaries)	-
Group's guarantees to subsidiaries	
Amount of guarantees to subsidiaries signed by the Company during the Reporting Period	-
Amount of guarantees to subsidiaries at the end of the Reporting Period	200,000
Total guarantee amount (including guarantees to subsidiaries)	
Total guarantee amount	200,000
Total guarantee amount as a percentage of net asset of the Company under the China Accounting Standards for Business Enterprises (%)	1.20
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	200,000
Total amount of guarantee is over 50% of net asset	-
Total guarantee amount of the above three items	200,000

- (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.

10. Performance of Undertakings

There was no undertaking by the Company or its shareholders with shareholding of over 5% during and until the Reporting Period.

- (i) As at the date of publication of the interim report, is there any unfulfilled undertaking in respect of operating results? No.
- (ii) As at the date of publication of the interim report, is there any unfulfilled undertaking in respect of asset injection and asset integration? No.

11. 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 an unqualified review conclusion on the interim financial report as at 30 June 2010 prepared by management in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

12. 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 CSRC or publicly reprimanded by the stock exchanges.

13. Other Important Events

There was no other important event during the Reporting Period.

14. Disclosure of Information

Item	Publication	Publishing Date	Websites
Clarification Announcement	"China Securities Journal", "Shanghai Securities News"	9 March 2010	On the Shanghai Stock Exchange website (www.sse.com.cn), website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.spc.com.cn) under the section headed "Investor Relations"
Resolutions of the 11th Meeting of the Sixth Session of the Board of Directors; Resolutions of the 9th Meeting of the Sixth Session of the Supervisory Committee; Summary of 2009 Annual Report	"China Securities Journal", "Shanghai Securities News"	29 March 2010	Same as above
Resolutions of the 12th Meeting of the Sixth Session of the Board of Directors; 2010 First Quarterly Report	"China Securities Journal", "Shanghai Securities News"	29 April 2010	Same as above
Notice of 2009 Annual General Meeting	"China Securities Journal", "Shanghai Securities News"	7 May 2010	Same as above
Resolutions Passed at the 2009 Annual General Meeting; Resolutions of the 13th Meeting of the Sixth Session of the Board of Directors	"China Securities Journal", "Shanghai Securities News"	24 June 2010	Same as above
Announcement on the Implementation of Distribution of 2009 Cash Dividends of A Shares	"China Securities Journal", "Shanghai Securities News"	8 July 2010	On the Shanghai Stock Exchange website and the website of the Company
Resolutions of the 14th Meeting of the Sixth Session of the Board of Directors	"China Securities Journal", "Shanghai Securities News"	20 July 2010	On the Shanghai Stock Exchange website, website of the Hong Kong Stock Exchange and the website of the Company

DOCUMENTS FOR INSPECTION

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

- i. 2010 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 CSRC 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 follows:

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 the Reporting Period	As at the end of the previous year	Increase/decrease at the end of the Reporting Period as compared to the end of the previous year(%)
Total assets (RMB'000)	30,174,238	30,458,322	-0.933
Shareholders' equity (excluding minority interests)(RMB'000)	16,629,476	15,346,073	8.363
Net asset value per share attributable to equity shareholders of the Company (RMB)*	2.310	2.131	8.363
	Reporting Period (January to June)	Corresponding period of the previous year	Increase/decrease during the Reporting Period as compared to the corresponding period of the previous year (%)
Operating profit(RMB'000)	1,887,627	1,269,719	48.665
Profit before taxation(RMB'000)	1,882,526	1,353,562	39.079
Net profit attributable to equity shareholders of the Company(RMB'000)	1,493,930	987,236	51.325
Net profit attributable to equity shareholders of the Company excluding non-recurring items(RMB'000)	1,497,812	834,728	79.437
Basic earnings per share (RMB)	0.207	0.137	51.325
Basic earnings per share excluding non-recurring items (RMB)	0.208	0.116	79.437
Diluted earnings per share (RMB)	0.207	0.137	51.325
Return on net assets (weighted average) (%)*	9.344	6.879	Increased by 2.465 percentage points
Net cash flow from operating activities	366,735	2,688,366	-86.358
Net cash flow per share from operating activities (RMB)	0.051	0.373	-86.358

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

2. Non-recurring items and amounts

Non-recurring items	Amount RMB'000
Net loss from disposal of non-current assets	-3,893
Employee reduction expenses	-1,123
Government grants recorded in profit and loss (except for government grants under the State's unified standards on quota and amount entitlements and closely related to corporate business)	5,000
Investment income from disposal of available-for-sale financial assets	215
Income from external entrusted loans	1,005
Other non-operating income and expenses other than those mentioned above	-6,208
Income tax effect	1,251
Effect attributable to minority interests (after tax)	-129
Total	-3,882

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

	Net profit attributable to equity shareholders of the Company		Total equity attributable to equity shareholders of the Company	
	The Reporting Period RMB'000	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	1,493,930	987,236	15,346,073	16,629,476
Prepared under IFRS	1,515,051	1,001,928	15,005,018	16,309,542

For details, please refer to the supplements of the interim financial statements prepared under China Accounting Standards for Business Enterprises.



**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 29 to 53 which comprises the consolidated balance sheet of Sinopec Shanghai Petrochemical Company Limited as of 30 June 2010 and the related consolidated income statement, statement of comprehensive income, statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of 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 2010 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 2010

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 2010 (*unaudited*)

	Note	<u>Six-month period ended 30 June</u>	
		2010 RMB'000	2009 RMB'000
Turnover	3	36,128,309	21,178,582
Sales taxes and surcharges		(2,450,087)	(2,094,713)
Net sales		33,678,222	19,083,869
Cost of sales		(31,815,785)	(17,604,625)
Gross profit		1,862,437	1,479,244
Selling and administrative expenses		(255,584)	(185,880)
Other operating income		31,479	198,049
Other operating expenses		(14,813)	(15,466)
Profit from operations		1,623,519	1,475,947
Financial income		29,607	10,899
Financial expenses		(146,319)	(226,078)
Net financing costs		(116,712)	(215,179)
Investment income		215	55,734
Share of profit of associates and jointly controlled entities		390,633	52,189
Profit before taxation	3,4	1,897,655	1,368,691
Income tax	5	(389,391)	(324,574)
Profit for the period		1,508,264	1,044,117
Attributable to:			
Equity shareholders of the Company		1,515,051	1,001,928
Non-controlling interests		(6,787)	42,189
Profit for the period		1,508,264	1,044,117
Earnings per share	7		
Basic		RMB0.210	RMB 0.139
Diluted		RMB0.210	RMB 0.139

The notes on pages 35 to 53 form part of this unaudited interim financial report.

Consolidated Statement of Comprehensive Income for the six-month period ended 30 June 2010 *(unaudited)*

	Note	<u>Six-month period ended 30 June</u>	
		2010 RMB'000	2009 RMB'000
Profit for the period		1,508,264	1,044,117
<hr style="border-top: 1px dashed black;"/>			
Other comprehensive income for the period (after tax and reclassification adjustments)			
Available-for-sale securities: net movement in the fair value reserve	6	-	30,916
		-	30,916
<hr style="border-top: 1px dashed black;"/>			
Total comprehensive income for the period		1,508,264	1,075,033
Attributable to:			
Equity shareholders of the Company		1,515,051	1,032,844
Non-controlling interests		(6,787)	42,189
Total comprehensive income for the period		1,508,264	1,075,033

The notes on pages 35 to 53 form part of this unaudited interim financial report.

Consolidated Balance Sheet at 30 June 2010 *(unaudited)*

	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Non-current assets			
Property, plant and equipment	9	14,376,414	14,977,205
Investment property	10	472,618	479,247
Construction in progress		255,516	348,865
Interest in associates and jointly controlled entities		3,070,273	2,749,646
Lease prepayments and other assets		601,586	754,126
Deferred tax assets		1,153,745	1,537,972
Total non-current assets		19,930,152	20,847,061
Current assets			
Inventories		7,431,885	6,883,834
Other investments	11	–	700,000
Trade debtors	12	153,801	120,145
Bills receivable	12	763,392	573,283
Deposits, other debtors and prepayments	12	131,855	81,847
Amounts due from related parties	12,17(c)	806,427	576,399
Cash and cash equivalents	13	399,848	125,917
Total current assets		9,687,208	9,061,425
Current liabilities			
Loans and borrowings	14	7,183,995	7,774,673
Trade creditors	15	1,207,552	1,521,319
Bills payable	15	6,218	112,271
Other creditors		1,541,840	1,399,719
Amounts due to related parties	15,17(c)	2,836,501	3,487,645
Income tax payable		2,559	9,298
Total current liabilities		12,778,665	14,304,925
Net current liabilities		(3,091,457)	(5,243,500)
Total assets less current liabilities carried forward		16,838,695	15,603,561

The notes on pages 35 to 53 form part of this unaudited interim financial report.

Consolidated Balance Sheet at 30 June 2010 (unaudited) (continued)

	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Total assets less current liabilities brought forward		16,838,695	15,603,561
<hr style="border-top: 1px dashed black;"/>			
Non-current liabilities			
Loans and borrowings	14	300,000	304,258
Total non-current liabilities		300,000	304,258
<hr style="border-top: 1px dashed black;"/>			
Net assets		16,538,695	15,299,303
<hr style="border-top: 1px solid black;"/>			
Shareholders' equity			
Share capital		7,200,000	7,200,000
Reserves	16	9,109,542	7,805,018
Total equity attributable to equity shareholders of the Company		16,309,542	15,005,018
Non-controlling interests		229,153	294,285
Total equity		16,538,695	15,299,303

Approved and authorised for issue by the Board of Directors on 27 August 2010.

Rong Guangdao
Chairman

Du Chongjun
Vice Chairman

The notes on pages 35 to 53 form part of this unaudited interim financial report.

Consolidated Statement of Changes in Equity for the six-month period ended 30 June 2010
(unaudited)

Note	Attributable to equity shareholders of the Company					Non-controlling interests	Total Equity
	Share capital	Share premium	Reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009	7,200,000	2,420,841	4,704,887	(828,795)	13,496,933	264,353	13,761,286
Changes in equity for the period:							
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	(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	<u>7,200,000</u>	<u>2,420,841</u>	<u>4,735,803</u>	<u>173,133</u>	<u>14,529,777</u>	<u>275,270</u>	<u>14,805,047</u>
Balance at 1 January 2010	7,200,000	2,420,841	4,657,342	726,835	15,005,018	294,285	15,299,303
Changes in equity for the period:							
Dividends approved in respect of previous year	-	-	-	(216,000)	(216,000)	-	(216,000)
Dividends paid by subsidiaries to non-controlling interests	8	-	-	-	-	(58,345)	(58,345)
Total comprehensive income for the period	-	-	-	1,515,051	1,515,051	(6,787)	1,508,264
Others	-	-	5,473	-	5,473	-	5,473
Balance at 30 June 2010	<u>7,200,000</u>	<u>2,420,841</u>	<u>4,662,815</u>	<u>2,025,886</u>	<u>16,309,542</u>	<u>229,153</u>	<u>16,538,695</u>

The notes on pages 35 to 53 form part of this unaudited interim financial report.

Condensed Consolidated Cash Flow Statement for the six-month period ended 30 June 2010
(unaudited)

	Note	<u>Six-month period ended 30 June</u>	
		2010 RMB'000	2009 RMB'000
Cash generated from operations		378,639	2,696,237
Interest paid		(159,005)	(230,996)
Income tax paid		(11,903)	(16,306)
Income tax refunded		-	8,435
Net cash generated from operating activities		207,731	2,457,370
Net cash generated from / (used in) investing activities		572,378	(730,735)
Net cash used in financing activities		(505,996)	(1,929,943)
Net increase / (decrease) in cash and cash equivalents		274,113	(203,308)
Cash and cash equivalents at 1 January	13	125,917	627,685
Effect of exchange rate fluctuations on cash held		(182)	(24)
Cash and cash equivalents at 30 June	13	399,848	424,353

The notes on pages 35 to 53 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 an integrated entity which processes crude oil into synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products. The Company is a subsidiary of China Petroleum & Chemical Corporation (“Sinopec Corp”).

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 29.

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 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of the change in accounting policy 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 2009 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 2009 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2010.

2. Change in accounting policy

The IASB has issued two revised International Financial Reporting Standards (“IFRSs”), a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the amended IAS 27, *Consolidated and separate financial statements*, is relevant to the Group’s financial statements.

2. Changes in accounting policies *(continued)*

As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests (previously known as the “minority interests”) in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the holders of the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively.

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

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: 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. No operating segments have been aggregated to form these reportable segments. 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 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 interest in associates and jointly controlled entities, deferred tax assets, cash and cash equivalents, investment property and related revenue (such as share of profits of associates and jointly controlled entities, interest income and investment income), interest-bearing loans, borrowings and interest expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period 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:

<i>Turnover</i>	Six-month period ended 30 June	
	2010 RMB'000	2009 RMB'000
Manufactured Products		
<i>Synthetic fibres</i>		
- External sales	1,891,401	1,309,486
- Intersegment sales	56	39
Total	1,891,457	1,309,525
<i>Resins and plastics</i>		
- External sales	7,597,388	5,804,333
- Intersegment sales	44,053	26,784
Total	7,641,441	5,831,117
<i>Intermediate petrochemicals</i>		
- External sales (note a)	7,936,403	2,347,290
- Intersegment sales	9,728,886	4,505,179
Total	17,665,289	6,852,469
<i>Petroleum products</i>		
- External sales (note a)	15,142,333	9,651,287
- Intersegment sales	1,347,563	372,144
Total	16,489,896	10,023,431
<i>All others</i>		
- External sales (note a)	3,560,784	2,066,186
- Intersegment sales	1,125,455	878,646
Total	4,686,239	2,944,832
Elimination of intersegment sales	(12,246,013)	(5,782,792)
Turnover	36,128,309	21,178,582

3. Segment reporting (continued)

	Six-month period ended 30 June	
	2010	2009
<i>Profit before taxation</i>	RMB'000	RMB'000
Segment profit / (loss)		
Synthetic fibres	314,534	28,287
Resins and plastics	82,078	962,032
Intermediate petrochemicals	261,481	371,813
Petroleum products	930,700	(61,459)
All others	34,726	175,274
	1,623,519	1,475,947
Net financing costs	(116,712)	(215,179)
Investment income	215	55,734
Share of profit of associates and jointly controlled entities	390,633	52,189
Profit before taxation	1,897,655	1,368,691

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

	Six-month period ended 30 June	
	2010	2009
	RMB'000	RMB'000
Intermediate petrochemicals	3,310,910	600,695
Petroleum products	13,027,296	8,637,266
All others	1,705,167	671,619
Total	18,043,373	9,909,580

4. Profit before taxation

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

	Six-month period ended 30 June	
	2010	2009
	RMB'000	RMB'000
(a) Finance costs		
Interest on bank loans and advances	147,130	228,186
Less: Amount capitalised into construction in progress	(811)	(23,491)
Interest expense, net	146,319	204,695
Net foreign exchange loss	–	11,011
Other financial expenses	–	10,372
Total financial expenses	146,319	226,078
Net foreign exchange gain	(12,341)	–
Interest income	(17,266)	(10,899)
Total financial income	(29,607)	(10,899)
(b) Other Items		
Amortisation of lease prepayments	8,037	8,074
Depreciation	840,056	774,167
Research and development costs	7,014	24,781
Write-down of inventories(note a)	48,499	721
Gain on sale of available-for-sale financial assets	(215)	(55,734)

Note a: The write-down of inventories represents the write-down of long aged spare parts amounting to RMB 48,499,000 for the six-month period ended 20 June 2010.

5. Income tax

	Six-month period ended 30 June	
	2010	2009
	RMB'000	RMB'000
Provision for PRC income tax for the period	5,164	36,906
Deferred taxation	384,227	287,668
	389,391	324,574

The provision for PRC income tax is calculated at the rate of 25% (2009: 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

(a) Tax effects relating to each component of other comprehensive income

	Six-month period ended 30 June					
	2010			2009		
	Before-tax amount	Tax benefit	Net-of-tax amount	Before-tax amount	Tax benefit	Net-of-tax amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale securities:						
Net movement in fair value reserve	-	-	-	41,222	(10,306)	30,916

(b) Reclassification adjustments relating to components of other comprehensive income

	Six-month period ended 30 June	
	2010	2009
	RMB'000	RMB'000
Available-for-sale securities:		
Changes in fair value recognised during the period	215	96,956
Reclassification adjustments for amounts transferred to profit or loss		
- gains on disposal	(215)	(55,734)
Income tax on other comprehensive income	-	(10,306)
Net movement in fair value reserve during the period recognised in other comprehensive income	-	30,916

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six-month period ended 30 June 2010 of RMB 1,515,051,000 (six-month period ended 30 June 2009: RMB 1,001,928,000) and 7,200,000,000 (six-month period ended 30 June 2009: 7,200,000,000) shares in issue during the interim period.

The Group had no dilutive potential ordinary shares in existence during the six-month periods ended 30 June 2010 and 2009.

8. Dividends

	<u>Six-month period ended 30 June</u>	
	2010	2009
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the period, of RMB 0.03 per share (2009: RMB nil per share)	216,000	-

Pursuant to a resolution passed at the Annual General Meeting held on 23 June 2010, a final dividend of RMB 216,000,000 was declared and approved for the year ended 31 December 2009 (2008: RMB Nil).

The Directors did not declare the payment of an interim dividend for the period (2009: RMB Nil).

9. Property, plant and equipment

	30 June	31 December
	2010	2009
	RMB'000	RMB'000
Cost:		
At 1 January	38,377,646	35,498,939
Additions	48,056	205,689
Transferred from construction in progress	189,452	3,263,419
Disposals	(101,682)	(590,401)
At 30 June / 31 December	38,513,472	38,377,646
Accumulated depreciation and impairment losses:		
At 1 January	23,400,441	22,226,040
Charge for the period/year	833,427	1,635,518
Impairment loss	-	98,486
Written back on disposals	(96,810)	(559,603)
At 30 June / 31 December	24,137,058	23,400,441
Net book value:		
Balance at 30 June / 31 December	14,376,414	14,977,205

10. Investment Property

	30 June 2010 RMB'000	31 December 2009 RMB'000
Cost:		
At 1 January	546,630	546,838
Disposal	-	(208)
At 30 June / 31 December	546,630	546,630
Accumulated depreciation:		
At 1 January	67,383	54,148
Charge for the period / year	6,629	13,261
Written back on disposals	-	(26)
At 30 June / 31 December	74,012	67,383
Net book value:		
At 30 June / 31 December	472,618	479,247

Investment property represents certain floors of an office building leased under operating leases.

The fair value of the investment property of the Group as at 30 June 2010 is estimated by the directors to be approximately RMB 777,038,000, by reference to market values of like properties in the relevant region (31 December 2009: RMB 808,751,000). The investment property has not been valued by an external independent valuer.

Rental income of RMB 18,282,000 was received by the Group during the period ended 30 June 2010 (period ended 30 June 2009: RMB 16,077,000).

11. Other investment

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Available-for-sale financial asset	-	700,000

Available-for-sale financial asset, with a carrying amount of RMB 700,000,000 at 31 December 2009, which approximated the acquisition cost, represents an investment fund purchased from a PRC state-owned bank. The fund mainly invests in debt and equity securities in the PRC. The Company redeemed this fund in January 2010.

12. Trade and other debtors

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Trade debtors	165,468	132,779
Less: Impairment losses for bad and doubtful debts	(11,667)	(12,634)
	153,801	120,145
Bills receivable	763,392	573,283
Amounts due from related parties	806,427	576,399
	1,723,620	1,269,827

Deposits, other debtors and prepayments	131,855	81,847
	131,855	81,847

	<u>1,855,475</u>	<u>1,351,674</u>

Amounts due from related parties represent trade-related balances.

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Invoice date:		
Within one year	1,722,274	1,269,793
Between one and two years	1,346	34
	1,723,620	1,269,827
	<u>1,723,620</u>	<u>1,269,827</u>

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

13. Cash and cash equivalents

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Cash deposits with a related party	3,205	957
Cash at bank and in hand	396,643	124,960
	<u>399,848</u>	<u>125,917</u>

14. Loans and borrowings

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Short-term loans	6,183,995	6,700,398
Corporate bonds (Note a)	1,000,000	1,000,000
Current portion of long-term loans	-	74,275
Loans and borrowings - current	7,183,995	7,774,673
Loans and borrowings - non-current	300,000	304,258
	<u>7,483,995</u>	<u>8,078,931</u>

Note a:

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

15. Trade payables

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Trade creditors	1,207,552	1,521,319
Bills payable	6,218	112,271
Amounts due to related parties	2,836,501	3,487,645
	<u>4,050,271</u>	<u>5,121,235</u>

15. Trade payables (continued)

The maturity analysis of trade payables is as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Due within 1 month or on demand	3,886,473	4,891,657
Due after 1 month but within 3 months	163,798	229,578
	4,050,271	5,121,235

16. Reserves

For the six-month periods ended 30 June 2010 and 2009, no transfers were made to the statutory surplus reserve or the discretionary surplus reserve.

17. Related party transactions

The following is a list of the Group's major related parties:

<u>Names of related parties</u>	<u>Relationship with the Company</u>
China Petrochemical Corporation ("Sinopec Group Company")	Ultimate parent company
China Petroleum & Chemical Corporation ("Sinopec Corp")	Immediate parent company
Sinopec Huadong Sales Company	Subsidiary 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 Yizheng Chemical Fibre Company Limited	Subsidiary of the immediate parent company
Sinopec Finance Company Limited	Subsidiary of the ultimate parent company
Sinopec Storage and Transportations Company Limited	Subsidiary of the ultimate parent company
Shanghai Secco Petrochemical Co., Ltd.	Associate
BOC-SPC Gases Co., Ltd.	Jointly controlled entity

17. Related party transactions *(continued)*

- (a) Most of the transactions undertaken by the Group during the six-month period ended 30 June 2010 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 six-month period ended 30 June 2010, the value of crude oil purchased in accordance with Sinopec Corp's allocation is as follows:

	Six-month period ended 30 June	
	2010	2009
	RMB'000	RMB'000
Purchases of crude oil	13,058,654	5,677,617

- (b) Other transactions between the Group and Sinopec Group Company and its subsidiaries, Sinopec Corp and its subsidiaries, associates and jointly controlled entities of the Group during the six-month periods ended 30 June 2010 and 2009 were as follows:

	Six-month period ended 30 June	
	2010	2009
	RMB'000	RMB'000
Sales of goods and service fee income		
- Sinopec Corp and its subsidiaries	18,043,373	9,909,580
- Sinopec Group Company and its subsidiaries	174,929	71,340
- Associates and jointly controlled entities of the Group	688,764	553,000
	18,907,066	10,533,920
Purchases other than crude oil		
- Sinopec Corp and its subsidiaries	2,970,243	714,770
- Sinopec Group Company and its subsidiaries	18,545	66,853
- Associates and jointly controlled entities of the Group	2,251,043	406,767
	5,239,831	1,188,390
Insurance premiums		
- Sinopec Corp and its subsidiaries	55,655	54,715
Interest income		
- A subsidiary of Sinopec Group Company	277	208

17. Related party transactions (continued)

(b) Other transactions between the Group and Sinopec Group Company and its subsidiaries, Sinopec Corp and its subsidiaries, associates and jointly controlled entities of the Group during the six-month periods ended 30 June 2010 and 2009 were as follows: (continued)

	Six-month period ended 30 June	
	2010	2009
	RMB'000	RMB'000
Loans borrowed		
- A subsidiary of Sinopec Group Company	3,220,000	1,460,000
Loans repayment		
- A subsidiary of Sinopec Group Company	3,100,000	1,640,000
Interest expenses		
- A subsidiary of Sinopec Group Company	14,811	17,746
Construction and installation fees		
- Sinopec Corp and its subsidiaries	35,851	101,508
Sales commissions		
- Sinopec Corp and its subsidiaries	84,096	50,470
Rental income		
- Sinopec Corp and its subsidiaries	9,425	9,510

17. Related party transactions *(continued)*

- (c) The relevant amounts due from/to Sinopec Corp and its subsidiaries, Sinopec Group Company and its subsidiaries, associates and jointly controlled entities of the Group, arising from purchases and other transactions as disclosed in notes 17(a) and 17(b), are summarised as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Amounts due from related parties		
- Sinopec Corp and its subsidiaries	703,905	523,236
- Sinopec Group Company and its subsidiaries	3,452	2,174
- Associates and jointly controlled entities of the Group	99,070	50,989
Total	<u>806,427</u>	<u>576,399</u>
Amounts due to related parties		
- Sinopec Corp and its subsidiaries	2,587,619	3,246,147
- Sinopec Group Company and its subsidiaries	11,965	41,209
- Associates and jointly controlled entities of the Group	236,917	200,289
Total	<u>2,836,501</u>	<u>3,487,645</u>
Cash deposits, maturing within 3 months		
- A subsidiary of Sinopec Group Company	<u>3,205</u>	<u>957</u>
Short-term loans		
- A subsidiary of Sinopec Group Company	<u>360,000</u>	<u>240,000</u>

17. Related party transactions *(continued)*

(d) 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 or indirectly, including directors and supervisors of the Group. The key personnel compensations are as follows:

	Six-month period ended 30 June	
	2010	2009
	RMB'000	RMB'000
Short-term employee benefits	4,059	3,746
Post-employment benefits	53	50
	4,112	3,796

Post-employment benefits are included in "contributions to defined contribution retirement plans" as disclosed in Note 17 (e).

(e) 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	
	2010	2009
	RMB'000	RMB'000
Municipal retirement scheme costs	101,797	97,008
Supplementary retirement scheme costs	22,898	22,115

At 30 June 2010 and 31 December 2009, there was no material outstanding contribution to the above defined contributions retirement plans.

(f) 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.

17. Related party transactions (continued)

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

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.

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 2010 and 2009, 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	
	2010	2009
	RMB'000	RMB'000
Purchases of crude oil	6,414,378	4,351,122

The amounts due to the above state-controlled energy and chemical companies are RMB 108,723,000 as at 30 June 2010 (31 December 2009: Nil).

17. Related party transactions *(continued)*

(f) 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	
	2010	2009
	RMB'000	RMB'000
Interest income	16,989	10,692
Interest expenses	132,319	186,949

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

	At 30 June	At 31 December
	2010	2009
	RMB'000	RMB'000
Cash and cash equivalents at state-controlled banks in PRC	396,643	124,960
Short-term loans and current portion of long-term loans	5,823,995	6,460,398
Long-term loans excluding current portion of long-term loans	300,000	300,000
Total loans from state-controlled banks in the PRC	6,123,995	6,760,398

18. Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Property, plant and equipment		
Contracted but not provided for	823,008	35,745
Authorised by the Board but not contracted for	6,609,344	7,754,320
	<u>7,432,352</u>	<u>7,790,065</u>

19. Contingent liabilities

(a) 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. There is no further development of this matter during the period ended 30 June 2010. No provision has been made in the financial statements for this uncertainty for tax years prior to 2007 because management believes it cannot reliably estimate the amount of the obligation, if any, that might exist.

B. Financial Statements Prepared under China Accounting Standards for Business Enterprises

Consolidated Balance Sheet *(Unaudited)*

As at 30 June 2010

Expressed in thousands of renminbi yuan

Assets	Note	At 30 June 2010	At 31 December 2009
Current assets:			
Cash at bank and on hand	5(1)	399,848	125,917
Bills receivable	5(2)	801,618	603,701
Accounts receivable	5(3)	759,819	534,948
Prepayments	5(4)	170,472	127,568
Dividends receivable	5(5)	7,142	-
Other receivables	5(6)	69,750	85,457
Inventories	5(7)	7,431,885	6,883,834
Other current assets	5(8)	46,674	700,000
Total current assets		9,687,208	9,061,425
Non-current assets:			
Long-term receivables	5(9)	30,000	100,000
Long-term equity investments	5(10)	3,285,273	2,969,646
Investment property	5(11)	472,618	479,247
Fixed assets	5(12(1))	14,591,560	15,205,731
Construction in progress	5(13)	297,031	363,646
Intangible assets	5(14)	547,386	557,172
Long-term deferred expenses	5(15)	137,822	212,325
Deferred tax assets	5(16)	1,125,340	1,509,130
Total non-current assets		20,487,030	21,396,897
Total assets		30,174,238	30,458,322

The notes on pages 66 to 167 form part of these financial statements.

Consolidated Balance Sheet (Unaudited) (continued)

As at 30 June 2010

Expressed in thousands of renminbi yuan

Liabilities and shareholders' equity	Note	At 30 June 2010	At 31 December 2009
Current liabilities:			
Short-term loans	5(18)	6,183,995	6,700,398
Bills payable	5(19)	776,218	722,271
Accounts payable	5(20)	2,814,506	3,664,996
Advances from customers	5(21)	435,646	529,282
Employee benefits payable	5(22)	41,535	27,674
Taxes payable	5(23)	451,548	635,930
Interest payable	5(24)	8,281	20,155
Dividends payable	5(25)	278,468	-
Other payables	5(26)	683,935	903,944
Short-term debentures payable	5(27)	1,000,000	1,000,000
Non-current liabilities due within one year	5(28)	78,533	74,275
Total current liabilities		12,752,665	14,278,925
Non-current liabilities			
Long-term loans	5(29)	300,000	304,258
Other non-current liabilities	5(30)	256,515	234,781
Total non-current liabilities		556,515	539,039
Total liabilities		13,309,180	14,817,964
Shareholders' equity:			
Share capital	5(31)	7,200,000	7,200,000
Specific reserve	5(32)	5,473	-
Capital reserve	5(33)	2,882,278	2,882,278
Surplus reserve	5(34)	4,801,766	4,801,766
Retained earnings	5(35)	1,739,959	462,029
Total equity attributable to equity shareholders of the Company		16,629,476	15,346,073
Minority interests		235,582	294,285
Total equity		16,865,058	15,640,358
Total liabilities and shareholders' equity		30,174,238	30,458,322

The notes on pages 66 to 167 form part of these financial statements.

Balance Sheet *(Unaudited)*

As at 30 June 2010

Expressed in thousands of renminbi yuan

Assets	Note	At 30 June 2010	At 31 December 2009
Current assets:			
Cash at bank and on hand	10(1)	264,419	101,076
Bills receivable	10(2)	716,723	542,739
Accounts receivable	10(3)	585,112	432,686
Prepayments		167,723	125,419
Dividends receivable		5,042	-
Other receivables	10(4)	76,481	49,270
Inventories	10(5)	7,112,133	6,658,450
Other current assets	10(6)	22,308	700,000
Total current assets		8,949,941	8,609,640
Non-current assets:			
Long-term equity investments	10(7)	4,353,853	4,035,372
Investment property	10(8)	532,020	539,482
Fixed assets	10(9)	13,944,544	14,541,119
Construction in progress	10(10)	296,813	353,637
Intangible assets	10(11)	438,934	445,450
Long-term deferred expenses	10(12)	136,573	210,575
Deferred tax assets	10(13)	1,124,979	1,508,769
Total non-current assets		20,827,716	21,634,404
Total assets		29,777,657	30,244,044

The notes on pages 66 to 167 form part of these financial statements.

Balance Sheet (Unaudited) (continued)

As at 30 June 2010

Expressed in thousands of renminbi yuan

Liabilities and shareholders' equity	Note	At 30 June 2010	At 31 December 2009
Current liabilities:			
Short-term loans	10(15)	5,887,595	6,424,998
Bills payable	10(16)	776,218	878,105
Accounts payable		2,547,906	3,350,364
Advances from customers		396,299	513,071
Employee benefits payable		36,097	24,118
Taxes payable	10(17)	439,655	627,964
Interest payable		8,281	20,155
Dividends payable	10(18)	229,938	-
Other payables		1,362,754	1,518,220
Short-term debentures payable	5(27)	1,000,000	1,000,000
Total current liabilities		12,684,743	14,356,995
Non-current liabilities:			
Long-term loans	10(19)	345,000	450,000
Other non-current liabilities	5(30)	256,515	234,781
Total non-current liabilities		601,515	684,781
Total liabilities		13,286,258	15,041,776
Shareholders' equity:			
Share capital	5(31)	7,200,000	7,200,000
Specific reserve	5(32)	5,473	-
Capital reserve	10(20)	2,882,278	2,882,278
Surplus reserve	5(34)	4,801,766	4,801,766
Retained earnings		1,601,882	318,224
Total equity		16,491,399	15,202,268
Total liabilities and shareholders' equity		29,777,657	30,244,044

The notes on pages 66 to 167 form part of these financial statements.

Consolidated Income Statement *(Unaudited)*

For the six-month period ended 30 June 2010

Expressed in thousands of renminbi yuan

	Note	Six-month period ended 30 June	
		2010	2009
Operating income	5(36)	36,151,430	21,204,680
Less: Operating costs	5(36)	30,821,820	16,678,661
Business taxes and surcharges	5(37)	2,450,087	2,094,713
Selling and distribution expenses		255,584	185,880
General and administrative expenses		958,094	958,157
Financial expenses	5(38)	116,712	204,807
Provision / (reversal) of impairment loss	5(39)	47,354	-16,836
Add: Gains / (losses) from changes in fair value	5(40)	-	-10,372
Investment income	5(41)	385,848	180,793
Including: Income from investment in associates and jointly controlled enterprises		385,633	47,189
Operating profit		1,887,627	1,269,719
Add: Non-operating income	5(42)	13,358	99,081
Less: Non-operating expenses	5(43)	18,459	15,238
Including: Losses from disposal of non-current assets		4,678	2,575
Profit before income tax		1,882,526	1,353,562
Less: Income tax	5(44)	388,954	324,137
Net profit		1,493,572	1,029,425
Attributable to: Equity shareholders of the Company		1,493,930	987,236
Minority shareholders		-358	42,189
Earnings per share:			
Basic and diluted earnings per share	5(45)	RMB 0.207	RMB 0.137
Other comprehensive loss for the period	5(46)	-	30,916
Total comprehensive income for the period		1,493,572	1,060,341
Attributable to: Equity shareholders of the Company		1,493,930	1,018,152
Minority shareholders		-358	42,189

The notes on pages 66 to 167 form part of these financial statements.

Income Statement *(Unaudited)*

For the six-month period ended 30 June 2010

Expressed in thousands of renminbi yuan

	Note	Six-month period ended 30 June	
		2010	2009
Operating income	10(21)	31,915,310	18,438,778
Less: Operating costs	10(21)	26,674,152	14,152,342
Business taxes and surcharges	10(22)	2,449,119	2,090,835
Selling and distribution expenses		217,327	146,775
General and administrative expenses		893,393	847,189
Financial expenses	10(23)	106,785	194,982
Provision / (reversal) of impairment loss	10(24)	73,266	-11,609
Add: Gains / (losses) from changes in fair value	5(40)	-	-10,372
Investment income	10(25)	385,028	78,229
Including: Income from investment in associates and jointly controlled enterprises		377,407	38,506
Operating profit		1,886,296	1,086,121
Add: Non-operating income	10(26)	12,944	98,519
Less: Non-operating expenses	10(27)	15,792	14,353
Including: Losses from disposal of non-current assets		3,650	1,985
Profit before income tax		1,883,448	1,170,287
Less: Income tax	10(28)	383,790	287,200
Net profit for the period		1,499,658	883,087
Other comprehensive loss for the period	10(29)	-	39,685
Total comprehensive income for the period		1,499,658	922,772

The notes on pages 66 to 167 form part of these financial statements.

Consolidated Cash Flow Statement *(Unaudited)*

For the six-month period ended 30 June 2010

Expressed in thousands of renminbi yuan

	Note	Six-month period ended 30 June	
		2010	2009
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		41,993,214	24,218,601
Refund of taxes		-	8,435
Other cash received relating to operating activities	5(47(1))	62,710	1,445
Sub-total of cash inflows		42,055,924	24,228,481
Cash paid for goods and services		-36,529,514	-18,689,286
Cash paid to and for employees		-868,974	-859,574
Cash paid for all types of taxes		-4,042,318	-1,770,842
Other cash paid relating to operating activities	5(47(2))	-248,383	-220,413
Sub-total of cash outflows		-41,689,189	-21,540,115
Net cash inflow from operating activities	5(48(1)1)	366,735	2,688,366
Cash flows from investing activities:			
Cash received from disposal of investments		770,000	301,560
Cash received from investment income		63,079	68,906
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		979	96,543
Other cash received relating to investing activities	5(47(3))	17,266	10,899
Sub-total of cash inflows		851,324	477,908
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		-278,946	-1,076,643
Cash paid for acquisition of investments		-	-132,000
Sub-total of cash outflows		-278,946	-1,208,643
Net cash inflow /(outflow) from investing activities		572,378	-730,735

The notes on pages 66 to 167 form part of these financial statements.

Consolidated Cash Flow Statement *(Unaudited) (continued)*

For the six-month period ended 30 June 2010

Expressed in thousands of renminbi yuan

	Note	Six-month period ended 30 June	
		2010	2009
Cash flows from financing activities:			
Cash received from issuance of corporate bonds		1,000,000	1,000,000
Cash received from borrowings		22,642,235	12,776,432
Sub-total of cash inflows		23,642,235	13,776,432
Repayments of corporate bonds		-1,000,000	-
Repayments of borrowings		-23,138,235	-15,678,546
Cash paid for dividends, profits distribution and interest		-169,000	-258,825
Sub-total of cash outflows		-24,307,235	-15,937,371
Net cash outflow from financing activities		-665,000	-2,160,939
Effect of foreign exchange rate changes on cash and cash equivalents		-182	-24
Net increase/(decrease) in cash and cash equivalents	5(48(2))	273,931	-203,332
Add: cash and cash equivalents at the beginning of the period		125,917	627,685
Cash and cash equivalents at the end of the period		399,848	424,353

The notes on pages 66 to 167 form part of these financial statements.

Cash Flow Statement (Unaudited)

For the six-month period ended 30 June 2010

Expressed in thousands of renminbi yuan

	Note	Six-month period ended 30 June	
		2010	2009
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		36,846,570	20,975,566
Other cash received relating to operating activities		64,881	981
Sub-total of cash inflows		36,911,451	20,976,547
Cash paid for goods and services		-31,481,854	-15,480,404
Cash paid to and for employees		-806,019	-762,682
Cash paid for all types of taxes		-3,963,519	-1,745,570
Other cash paid relating to operating activities		-219,272	-203,685
Sub-total of cash outflows		-36,470,664	-18,192,341
Net cash inflow from operating activities	10(30(1)1)	440,787	2,784,206
Cash flows from investing activities:			
Cash received from disposal of investments		700,000	41,041
Cash received from investment income		61,505	63,240
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		914	94,705
Other cash received relating to investing activities		12,870	7,470
Sub-total of cash inflows		775,289	206,456
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		-282,935	-1,075,509
Sub-total of cash outflows		-282,935	-1,075,509
Net cash inflow/(outflow) from investing activities		492,354	-869,053

The notes on pages 66 to 167 form part of these financial statements.

Cash Flow Statement *(Unaudited)* *(continued)*

For the six-month period ended 30 June 2010

Expressed in thousands of renminbi yuan

	Note	Six-month period ended 30 June	
		2010	2009
Cash flows from financing activities:			
Cash received from issuance of corporate bonds		1,000,000	1,000,000
Cash received from borrowings		22,580,835	12,715,302
Sub-total of cash inflows		23,580,835	13,715,302
Repayments of corporate bonds		-1,000,000	-
Repayments of borrowings		-23,202,420	-15,394,750
Cash paid for dividends, profits distribution and interest		-148,060	-221,717
Sub-total of cash outflows		-24,350,480	-15,616,467
Net cash outflow from financing activities		-769,645	-1,901,165
Effect of foreign exchange rate changes on cash and cash equivalents		-153	-24
Net increase in cash and cash equivalents	10(30(1)2)	163,343	13,964
Add: cash and cash equivalents at the beginning of the period		101,076	294,786
Cash and cash equivalents at the end of the period	10(30(2))	264,419	308,750

The notes on pages 66 to 167 form part of these financial statements.

Consolidated statement of changes in shareholders' equity *(Unaudited)*

For the six-month period ended 30 June 2010

Expressed in thousands of renminbi yuan

	Note	At 30 June 2010							At 31 December 2009					
		Attributable to equity shareholders of the Company					Minority interests	Total	Attributable to equity shareholders of the Company				Minority interests	Total
		Share capital	Specific reserve	Capital reserve	Surplus reserve	Retained earnings			Share capital	Capital reserve	Surplus reserve	Retained earnings		
Balance at 1 January		7,200,000	-	2,882,278	4,801,766	462,029	294,285	15,640,358	7,200,000	2,939,181	4,766,408	-1,064,218	264,353	14,105,724
Changes in equity for the period														
1. Net profit/(loss) for the period		-	-	-	-	1,493,930	-358	1,493,572	-	-	-	987,236	42,189	1,029,425
2. Other comprehensive income for the period	5(46)	-	-	-	-	-	-	-	-	30,916	-	-	-	30,916
Sub-total of 1&2		-	-	-	-	1,493,930	-358	1,493,572	-	30,916	-	987,236	42,189	1,060,341
3. Appropriation of profits														
-Distributions to shareholders	5(35)	-	-	-	-	-216,000	-58,345	-274,345	-	-	-	-	-31,272	-31,272
4. Specific reserve														
1. Provision made during the period		-	5,473	-	-	-	-	5,473	-	-	-	-	-	-
Balance at 30 June		7,200,000	5,473	2,882,278	4,801,766	1,739,959	235,582	16,865,058	7,200,000	2,970,097	4,766,408	-76,982	275,270	15,134,793

The notes on pages 66 to 167 form part of these financial statements.

Statement of changes in equity *(Unaudited)*

For the six-month period ended 30 June 2010

Expressed in thousands of renminbi yuan

	Note	At 30 June 2010						At 31 December 2009				
		Share capital	Specific reserve	Capital reserve	Surplus reserve	Retained earnings	Total	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total
Balance at 1 January		7,200,000	-	2,882,278	4,801,766	318,224	15,202,268	7,200,000	2,930,412	4,766,408	-1,022,598	13,874,222
Changes in equity for the period												
1. Net profit for the period		-	-	-	-	1,499,658	1,499,658	-	-	-	883,087	883,087
2. Other comprehensive income for the period	10(29)	-	-	-	-	-	-	-	39,685	-	-	39,685
Sub-total of 1&2		-	-	-	-	1,499,658	1,499,658	-	39,685	-	883,087	922,772
3. Appropriation of profits												
- Distributions to shareholders	5(35)	-	-	-	-	-216,000	-216,000	-	-	-	-	-
4. Specific reserve												
1. Provision made during the period		-	5,473	-	-	-	5,473	-	-	-	-	-
Balance at 30 June		7,200,000	5,473	2,882,278	4,801,766	1,601,882	16,491,399	7,200,000	2,970,097	4,766,408	-139,511	14,796,994

Notes to the Unaudited Interim Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)

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 an 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 4(1) “Business combination and consolidated financial statements”.

2. Significant accounting policies and accounting estimates

(1) Basis of preparation of the financial statements

The financial statements have been prepared on the basis that the Company will continue to operate as a going concern.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared in accordance with the requirements of “Accounting Standards for Business Enterprises - Basic Standard” and 38 Specific Standards issued by the Ministry of Finance (MOF) on 15 February 2006, and application guidance, bulletins and other relevant accounting regulations issued subsequently (collectively referred to as “Accounting Standards for Business Enterprises” or “CAS”). 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 Company.

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” as revised by the China Security Regulatory Commission (“CSRC”) in 2010.

2. Significant accounting policies and accounting estimates *(continued)*

(3) Accounting year

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

(4) Functional currency

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

(5) Accounting treatment of business combination involving entities under and not under common control

(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.

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.

2. Significant accounting policies and accounting estimates *(continued)*

(6) Preparation of 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 acquires a minority interest from a subsidiary's minority shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the minority interests are adjusted and the amount of the consideration paid or received 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.

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.

2. Significant accounting policies and accounting estimates *(continued)*

(6) Preparation of consolidated financial statements *(continued)*

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.

(7) 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.

(8) 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 those arising from the principals and interests on foreign currency borrowings specifically for the purpose of acquisition, construction of qualifying assets (see Note 2(16)). 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.

(9) Financial instruments

Financial instruments 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.

2. Significant accounting policies and accounting estimates *(continued)*

(9) Financial instruments *(continued)*

(a) Classification, 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.

2. Significant accounting policies and accounting estimates *(continued)*

(9) Financial instruments *(continued)*

(a) Classification, 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 2(21)(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 2(20)).

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.

2. Significant accounting policies and accounting estimates *(continued)*

(9) 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 entirety 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.

2. Significant accounting policies and accounting estimates *(continued)*

(9) Financial instruments *(continued)*

(d) 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. The impairment of accounts receivable and loans is described in Note 2(10), and the impairment of other financial assets is as follows:

- 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.

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.

(e) Equity instrument

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

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

2. Significant accounting policies and accounting estimates *(continued)*

(10) Impairment of 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 receivables 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 observable figures reflecting present economic conditions.

If, after an impairment loss has been recognised on receivables there is objective evidence of recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was 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.

(a) Recognition criteria and method of provision for bad and doubtful debts of individually significant receivables:

Individually significant receivables are assessed for impairment both on an individual basis and on a collective group basis.

Recognition criteria of provision for bad and doubtful debts for individually significant receivables	An impairment loss is provided if its carrying amount exceeds 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.
Method of provision for bad and doubtful debts for individually significant receivables	Where impairment is assessed on an individual basis, receivables with no impairment losses provided on an individual basis, are provided with other receivables on a collective group basis according to the credit risk characteristics.

(b) Recognition criteria and method of provision for bad and doubtful debts of individually insignificant receivables:

For individually insignificant receivables, impairment of uncollectible receivables due over one year and specific receivables is assessed first on an individual basis. Receivables with no impairment losses provided on an individual basis are provided with other receivables (inclusive of those receivables assessed on a collective group basis as described in (a) above) with reference to their ageing.

2. Significant accounting policies and accounting estimates *(continued)*

(11) Inventories

(a) Categories of inventories

Inventories comprise raw materials, work in progress, semi-finished goods, finished goods and reusable materials. Reusable materials include low-value consumables, packaging materials and other materials which can be used repeatedly but do not meet the definitions of fixed assets.

(b) Measurement of cost of inventories

Cost of inventories is calculated using the weighted average method.

(c) Determination of net realisable value and method of provision for diminution in the value of 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. 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.

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. Materials held for use in the production of inventories are measured at the net realisable value of the finished products, and the net realisable value of the quantity of inventory held to satisfy sales or service contracts is based on the contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by an enterprise, the net realisable value of the excess portion of inventories shall be based on general selling prices.

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.

(d) Inventory counting system

The Group maintains a perpetual inventory system.

(e) Amortisation of reusable materials (including low-value consumables and packaging materials, etc.)

Reusable materials (including low-value consumables, packaging materials, etc.) are amortised in full when in use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.

2. Significant accounting policies and accounting estimates *(continued)*

(12) Long-term equity investments

(a) Determination of initial investment cost

- Long-term equity investments acquired through a business combination

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 fair value of the assets acquired or the liability incurred or assumed to obtain the control over the acquiree determined at the acquisition date.

- Recognition of long-term equity investments otherwise than through a business combination

An investment in a subsidiary acquired otherwise than through a business combination is initially recognised at actual payment cost if the Company 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 shareholders.

(b) Subsequent measurement

- Investments in subsidiaries

In the Company's financial statements, investments in subsidiaries are accounted for using the cost method. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investee as investment income. The investments in subsidiaries are stated at cost less impairment losses in the balance sheet.

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(6).

2. Significant accounting policies and accounting estimates *(continued)*

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

(b) Subsequent measurement *(continued)*

- 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 (see Note 2(12) (c)).

An associate is an enterprise over which the Group has significant influence (see Note 2(12) (c)).

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 2(25)).

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 in a jointly controlled enterprise or an associate, 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. Once the investee declares any cash dividends or profits distributions, the carrying amount of the investment is reduced by that attributable to the Group.

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 unrealised gains but only to the extent that there is no evidence of impairment.

2. Significant accounting policies and accounting estimates *(continued)*

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

(b) Subsequent measurement *(continued)*

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

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the 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.

- 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.

The subsequent measurement to the initial costs is accounted for using the cost method. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investee as investment income.

(c) Basis for determination of joint control or significant influence over the investee

Joint control is the contractual agreed sharing of control over an investee, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Group often considers the following factors when determining whether the Group has joint control over the investee:

- Any investor alone cannot control the production and operating activities of the investee ;
- A decision related to basic operating activities of the investee needs the consent of all the investors;
- When all investors authorise one investor to exert management over the daily operation of the investee by contract or agreement, whether the right of management needs to be performed within the scope stipulated in the financial and operating policies agreed by all the investors;

2. Significant accounting policies and accounting estimates *(continued)*

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

(c) Basis for determination of joint control or significant influence over the investee *(continued)*

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. The Group often considers the following factors when determining whether the Group has significant influence over the investee:

- The Group has representative in the board of directors or similar authority of the investee;
- The Group participates in the policy-making process of the investee;
- The Group has significant transactions with the investee;
- The Group has sent management personnel to the investee;
- The Group provides key technical materials to the investee;

(d) Impairment of long-term equity investments

The Group makes provision for impairment loss of investments in jointly controlled enterprises and associates (see Note 2(19)).

The carrying amounts of other long-term equity investments are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, other long-term equity investments are assessed for impairment on an individual basis. 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. Other long-term equity investments are stated at cost less impairment losses in the balance sheet.

(13) Investment property

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

Investment property is accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 2(19)). Investment property is depreciated using the straight-line method over its estimated useful life after deducting the estimated residual value, unless the investment property is classified as held for sale. (see Note 2(25)). For method of impairment assessment and the basis on which the impairment is provided are described in Note 2(19).

2. Significant accounting policies and accounting estimates *(continued)*

(13) Investment property *(continued)*

Estimated useful life and residual value of investment property as following:

	Estimated useful life (year)	Estimated residual value (%)	Depreciation rate (%)
Property	40	3	2.43

(14) Fixed assets

(a) Recognition of fixed assets

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.

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 determination of initial cost of self-constructed assets is described in Note 2(15).

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.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 2(19)).

(b) Depreciation of fixed assets

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 2(25)). The estimated useful lives, residual values and depreciation rates of each class of fixed assets are as follows:

	Estimated useful life (year)	Estimated residual value (%)	Depreciation rate (%)
Buildings	15-40	3-5	2.4-6.5
Plants and machinery	10-20	3-5	4.8-9.7
Vehicles and other equipment	5-26	3-5	3.7-19.4

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

2. Significant accounting policies and accounting estimates *(continued)*

(14) Fixed assets *(continued)*

(c) Method of impairment assessment and the basis on which the impairment is provided are described in Note 2(19).

(d) Disposal of fixed assets

The carrying amount of a fixed asset shall be derecognised either:

- on disposal; or
- when no future economic benefits are expected to be generated from its use or disposal.

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 are recognised in profit or loss on the date of retirement or disposal.

(15) Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note 2(16)), and any other costs directly attributable to bringing the asset to working condition for its intended use.

Self-constructed asset is transferred to fixed assets when it is ready for its intended use. Otherwise, it is stated in construction in progress and no depreciation is provided against construction in progress. Construction in progress is stated in the balance sheet at cost less impairment losses (see Note 2(19)).

(16) 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.

2. Significant accounting policies and accounting estimates *(continued)*

(16) Borrowing costs *(continued)*

- 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.

(17) 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 2(19)). 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 2(25)). The respective amortisation periods for such intangible assets are as follows:

	Amortisation period (years)
Land use right	50
Other intangible assets (including industrial proprietary technology and software, etc.)	2-27.75

2. Significant accounting policies and accounting estimates *(continued)*

(18) Long-term deferred expenses

Long-term deferred expenses are amortised on a straight-line basis over its estimated useful lives. The respective amortisation periods for such expenses are as follows:

	Amortisation period (years)
Catalyst	1-3

(19) Impairment of assets other than inventories, financial assets and other long-term equity investments

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.

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 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.

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.

2. Significant accounting policies and accounting estimates *(continued)*

(19) Impairment of assets other than inventories, financial assets and other long-term equity investments *(continued)*

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.

(20) Provisions

A provision is 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.

(21) 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.

2. Significant accounting policies and accounting estimates *(continued)*

(21) Revenue recognition *(continued)*

(b) Rendering of services

Revenue from rendering of services is measured at the fair value of the considerations received or receivable under the contract or agreement.

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.

(22) 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 capital cost or 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.

2. Significant accounting policies and accounting estimates *(continued)*

(22) Employee benefits *(continued)*

(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.

(23) 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.

2. Significant accounting policies and accounting estimates *(continued)*

(24) Deferred tax assets and liabilities

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 recovery 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 recovered or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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 offset current tax liabilities and assets, 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 realise 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.

2. Significant accounting policies and accounting estimates *(continued)*

(25) 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.

(26) 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.

(27) 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.

2. Significant accounting policies and accounting estimates *(continued)*

(27) Related parties *(continued)*

Besides the related parties stated above determined in accordance with the requirements of CAS, 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 in 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.

(28) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following respective conditions:

- Engage in business activities from which it may earn revenues and incur expenses;
- Whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and
- For which financial information regarding financial position, results of operations and cash flows is available.

(29) 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.

2. Significant accounting policies and accounting estimates *(continued)*

(29) Significant accounting estimates and judgments *(continued)*

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of results to changes in conditions and assumptions are factors to be considered when financial statements are read. The principal accounting policies are set forth in Note 2. Management believes the following critical accounting estimates involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) 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 the market price of part of the assets cannot be obtained reliably, the fair value of the assets cannot 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.

(b) 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.

(c) 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 impairment losses would be higher than estimated.

2. Significant accounting policies and accounting estimates *(continued)*

(29) Significant accounting estimates and judgments *(continued)*

(d) 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.

(e) Recognition of deferred tax assets

Deferred tax assets are recognised in respect of from temporary deductible differences. Since deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against the assets which can be realised utilised, management's judgement 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.

3. Taxation

(1) The types of taxes and tax rate

The type of taxes	Tax base	Tax rate
Value added tax ("VAT")	Taxable VAT income(VAT payable is calculated at the applicable tax rate on taxable income deducted by input VAT)	13%,17%
Consumption tax	Income entitled to consumption tax	RMB 1,388 per ton and RMB 940.8 per ton for gasoline and diesel oil respectively
Business tax	Income entitled to business tax	5%
City maintenance and construction tax	Actual payments of VAT and business tax during the period	7%
Income tax	Taxable income	25%

The applicable income tax rate for the Company and its subsidiaries is 25% (2009:25%).

92 4. Business combination and consolidated financial statements

(1) Principal subsidiaries

At 30 June 2010, all principal subsidiaries of the Company included in the consolidated financial statements came into existence through establishment, details are as follows:

Expressed in thousands of RMB/USD

Names of enterprise	Company type	Registered place	Business nature	Registered capital	Principal activities	Closing amount of the Company's investment	Interest that in substance form part of the Company's net investment	Shareholding percentage direct/ indirect (%)	Voting rights direct/ indirect (%)	Within consolidation scope	Minority interest at the period end	Losses attributable to minority shareholders during the period	The excess amount of the losses attributable to the minority shareholders of a subsidiary compared with the minority shareholders' interest in the equity of the subsidiary
Shanghai Petrochemical Investment Development Company Ltd.	Limited company	Shanghai	Investment	RMB800,000	Investment management	1,338,456	-	100%	100%	Yes	-	-	-
China Jinshan Associated Trading Corporation	Limited company	Shanghai	Trading	RMB25,000	Import and export of petrochemical products and equipment	16,832	-	67.33%	67.33%	Yes	36,468	-	-
Shanghai Jinchang Engineering Plastics Company Ltd.	Limited company	Shanghai	Manufacturing	USD4,750	Production of polypropylene compound products	20,832	-	50.38%	50.38%	Yes	28,912	-	-
Shanghai Golden Phillips Petrochemical Company Ltd.	Limited company	Shanghai	Manufacturing	USD50,000	Production of polypropylene products	249,374	-	60%	60%	Yes	166,948	-	-
Zhejiang Jin Yong Acrylic Fibre Company Ltd.	Limited company	Ningbo, Zhejiang	Manufacturing	RMB250,000	Production of acrylic fibre products	227,500	-	75%	75%	Yes	-	-	201,459
Shanghai Golden Conti Petrochemical Company Ltd.	Limited company	Shanghai	Manufacturing	RMB545,776	Production of petrochemical products	545,776	-	100%	100%	Yes	-	-	-

5. Notes to the consolidated financial statements

(1) Cash at bank and on hand

Expressed in thousands of RMB/USD/HKD/CHF

Items	At 30 June 2010			At 31 December 2009		
	Original currency	Exchange rate	RMB/RMB equivalents	Original currency	Exchange rate	RMB/RMB equivalents
Cash on hand:						
Renminbi	—	—	111	—	—	93
Deposits with banks:						
Renminbi	—	—	376,638	—	—	112,655
USD	1,523	6.7909	10,343	37	6.8282	250
Other monetary funds:(Note)						
Renminbi	—	—	28	—	—	39
HKD	13,665	0.8724	11,921	13,674	0.8805	12,040
CHF	129	6.2736	807	127	6.5938	840
Total	—	—	399,848	—	—	125,917

Note: Other monetary funds represent deposits for credit cards.

(2) Bills receivable

(a) Bills receivable by category:

Expressed in thousands of renminbi yuan

Items	At 30 June 2010	At 31 December 2009
Bank acceptance bills	785,469	583,478
Commercial acceptance bills	16,149	20,223
Total	801,618	603,701

All of the above bills held are due within six months. No bills receivables, included in the above, were pledged or transferred to accounts receivable due to non-performance of the issuers at 30 June 2010.

Except for the balances disclosed in Note 6, no amount due from major shareholders who hold 5% or more of the voting rights of the Company is included in the balance of bills receivable.

5. Notes to the consolidated financial statements *(continued)*

(2) Bills receivable *(continued)*

(b) The five largest discounted bills receivable are as follows:

Expressed in thousands of renminbi yuan

Issuer	Date of issuance	Due date	Amount	Remarks
1. Xin Pu (Chemical) Taixing Co., Ltd.	2010.05.28	2010.08.24	30,000	Bank acceptance bills
2. Mitsubishi Corporation (Shanghai) Co., Ltd.	2010.05.11	2010.08.12	10,428	Bank acceptance bills
3. Jia Long Petrochemical Textiles Co., Ltd., Shishi City	2010.05.11	2010.07.11	10,000	Bank acceptance bills
3. Jia Long Petrochemical Textiles Co., Ltd., Shishi City	2010.05.11	2010.07.11	10,000	Bank acceptance bills
3. Jia Long Petrochemical Textiles Co., Ltd., Shishi City	2010.05.13	2010.07.11	10,000	Bank acceptance bills
Total			70,428	

At 30 June 2010, the Group's discounted bank bills (with recourse) amounted to RMB 952,537,000. (At 31 December 2009: RMB 554,388,000).

At 30 June 2010, the Group's discounted commercial bills amounted to RMB nil. (At 31 December 2009: RMB nil).

(c) Bills receivable that have been endorsed but still undue are as follows:

Expressed in thousands of renminbi yuan

Issuer	Date of issuance	Due date	Amount	Remarks
1. Tianjin Changcheng Jinyi Automobile Parts Co., Ltd.	2010.02.21	2010.08.20	637	Bank acceptance bills
2. Valeo Automotive Air Conditioning Hubei Co., Ltd.	2010.05.27	2010.10.20	500	Bank acceptance bills
3. Shanghai Yanxin Automotive Seat Parts Co., Ltd.	2010.04.27	2010.10.08	320	Bank acceptance bills
Total			1,457	

5. Notes to the consolidated financial statements *(continued)*

(3) Accounts receivable

(a) Accounts receivable by categories:

Expressed in thousands of renminbi yuan

Items	Note	At 30 June 2010				At 31 December 2009			
		Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
		Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant	(e)	601,867	78.01	-	-	427,395	78.05	-	-
Individually insignificant but with a material portfolio credit risk	(c)	13,014	1.69	11,667	89.65	12,668	2.31	12,634	99.73
Other immaterial item		156,605	20.30	-	-	107,519	19.64	-	-
Total		771,486	100.00	11,667	—	547,582	100.00	12,634	—

(b) The ageing of accounts receivable is analysed as follows:

Expressed in thousands of renminbi yuan

Ageing	At 30 June 2010				At 31 December 2009		
	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision	
	Amount	Percentage(%)		Amount	Percentage(%)		
Within one year	758,472	98.31	-	534,914	97.69	-	
Between one and two years	1,356	0.18	14	37	0.01	4	
Between two and three years	13	0.00	8	5	0.00	4	
Over three years	11,645	1.51	11,645	12,626	2.30	12,626	
Total	771,486	100.00	11,667	547,582	100.00	12,634	

The ageing is counted starting from the date accounts receivable are recognised.

(c) Individually insignificant but with a material portfolio credit risk:

Expressed in thousands of renminbi yuan

Ageing	At 30 June 2010				At 31 December 2009		
	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision	
	Amount	Percentage(%)		Amount	Percentage(%)		
Within one year	-	-	-	-	-	-	
Between one and two years	1,356	10.42	14	37	0.29	4	
Between two and three years	13	0.10	8	5	0.04	4	
Over three years	11,645	89.48	11,645	12,626	99.67	12,626	
Total	13,014	100.00	11,667	12,668	100.00	12,634	

The ageing is counted starting from the date accounts receivable are recognised.

5. Notes to the consolidated financial statements *(continued)*

(3) Accounts receivable *(continued)*

(d) During the period, the Group had no individually significant accounts receivable fully or substantially provided for; the Group had no individually significant write off or write back of bad debts which had been fully or substantially provided for in prior years. At 30 June 2010, the Group had no individually significant accounts receivable that aged over three years.

(e) Accounts receivable due from the five largest debtors of the Group are as follows:

Expressed in thousands of renminbi yuan

Company's name	Relationship with the Company	Amount	Ageing	Percentage of total accounts receivable(%)
1. Sinopec Huadong Sales Company	Subsidiary of the parent company	389,360	Due within one year	50.47
2. Sinopec Chemical Products Sales Company	Branch of the immediate parent company	87,502	Due within one year	11.34
3. Sinopec Yizheng Chemical Fibre Company Limited	Subsidiary of the parent company	51,049	Due within one year	6.62
4. Shanghai Secco Petrochemical Co., Ltd.	Associates	49,182	Due within one year	6.37
5. Shanghai Yali Industry Development Co., Ltd.	Third party customer	24,774	Due within one year	3.21
Total		601,867		78.01

(f) Except for the balances disclosed in Note 6, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of accounts receivable.

(g) At 30 June 2010, total amount of accounts receivable due from related parties of the group is RMB 606,018,000 (At 31 December 2009: RMB 414,803,000), which represents 78.55% (At 31 December 2009: 75.75%) of total accounts receivable. Details of accounts receivable from related parties are set forth in Note 6(6).

5. Notes to the consolidated financial statements *(continued)*

(4) Prepayments

(a) Prepayments by category:

Expressed in thousands of renminbi yuan

Items	At 30 June 2010	At 31 December 2009
Prepayment to related parties	144,865	124,571
Prepayment to third parties	25,607	2,997
Total	170,472	127,568

(b) All prepayments are aged within one year.

(c) Prepayments to the five largest suppliers are as follows:

Expressed in thousands of renminbi yuan

Company's name	Relation with the Company	Amount RMB	Percentage of total prepayment(%)	Ageing	Reason for unsettled account
1. China International United Petroleum and Chemical Co., Ltd.	Subsidiary of the parent company	68,606	40.25	Within one year	Prepayment for tariff of import goods
2. Sinopec Chemical Sales Company Limited	Branch of the immediate parent company	56,162	32.94	Within one year	Prepayment for goods
3. Shanghai Natural Gas Pipeline Networks Co., Ltd.	Third Party	11,070	6.49	Within one year	Prepayment for goods
4. Sinopec Qinhai Refining & Chemical Branch	Subsidiary of the parent company	6,880	4.04	Within one year	Prepayment for goods
5. Sinochem Xinzhong Oil Staging (Zhoushan) Co., Ltd.	Third Party	6,507	3.82	Within one year	Prepayment for goods
Total		149,225	87.54		

(d) Except for the balances disclosed in Note 6, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of prepayments.

5. Notes to the consolidated financial statements *(continued)*

(5) Dividends receivable

Expressed in thousands of renminbi yuan

Items	At 1 January	Increases	Paid	At 30 June	Any impairment loss?
Dividends receivable due within one year	-	41,239	-34,097	7,142	
- Shanghai Secco Petrochemical Company Limited	-	38,926	-33,884	5,042	None
- Shanghai Petrochemical Yangu Gas Development Company Limited	-	2,100	-	2,100	None

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.

(6) Other receivables

(a) Other receivables by category:

Expressed in thousands of renminbi yuan

Items	Note	At 30 June 2010				At 31 December 2009			
		Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
		Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant	(e)	25,265	34.16	-	-	40,317	44.46	-	-
Individually insignificant but with a material portfolio credit risk	(c)	5,321	7.19	4,207	79.06	6,917	7.63	5,225	75.54
Other immaterial item		43,371	58.65	-	-	43,448	47.91	-	-
Total		73,957	100.00	4,207	—	90,682	100.00	5,225	—

(b) The ageing of other receivables is analysed as follows:

Expressed in thousands of renminbi yuan

Ageing	At 30 June 2010			At 31 December 2009		
	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision
	Amount	Percentage(%)		Amount	Percentage(%)	
Within one year	68,636	92.81	-	83,765	92.37	-
Between one and two years	137	0.18	41	755	0.83	223
Between two and three years	42	0.06	1	124	0.14	-
Over three years	5,142	6.95	4,165	6,038	6.66	5,002
Total	73,957	100.00	4,207	90,682	100.00	5,225

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

5. Notes to the consolidated financial statements *(continued)*

(6) Other receivables *(continued)*

- (c) Individually insignificant but with a material portfolio credit risk:

Expressed in thousands of renminbi yuan

Ageing	At 30 June 2010			At 31 December 2009		
	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision
	Amount	Percentage(%)		Amount	Percentage(%)	
Within one year	-	-	-	-	-	-
Between one and two years	137	2.57	41	755	10.92	223
Between two and three years	42	0.79	1	124	1.79	-
Over three years	5,142	96.64	4,165	6,038	87.29	5,002
Total	5,321	100.00	4,207	6,917	100.00	5,225

The ageing is counted starting from the date accounts receivables are recognised.

- (d) During the period, the Group had no individually significant other receivables fully or substantially provided for; the Group had no individually significant write off or write back of bad debts which had been fully or substantially provided for in prior years. At 30 June 2010, the Group had no individually significant other receivables that aged over three years.
- (e) Other receivables due from the five largest debtors are as follows:

Expressed in thousands of renminbi yuan

Company's name	Relation with the Company	Amount	Ageing	Percentage of total accounts receivable(%)
1. BOC-SPC Gases Co., Ltd.	Jointly controlled enterprise	8,065	Within one year	10.90
2. Shanghai Jinshan Petrochemical Logistics Company Limited	Third Party	7,484	Within one year	10.12
3. Shanghai Yali Industry Development Co., Ltd.	Third Party	7,093	Within one year	9.59
4. Shanghai Bozhan industry Company Limited	Third Party	1,538	Within one year	2.08
5. Shanghai Jinsen Hydrocarbon Resins Company Limited	Associates	1,085	Within one year	1.47
Total		25,265		34.16

5. Notes to the consolidated financial statements *(continued)*

(6) Other receivables *(continued)*

- (f) Except for the balances disclosed in Note 6, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of other receivables.
- (g) As at 30 June 2010, total other receivables due from related parties of the Group is RMB 10,176,000 (At 31 December 2009: RMB 6,607,000), which represents 13.76% (At 31 December 2009: 7.29%) of the total other receivables. Details of other receivables from related parties are set forth in Note 6(6).

(7) Inventories

- (a) Inventories by category:

Expressed in thousands of renminbi yuan

Items	At 30 June 2010			At 31 December 2009		
	Cost	Provision for diminution in value	Carrying amount	Cost	Provision for diminution in value	Carrying amount
Raw materials	4,335,217	663	4,334,554	4,206,343	17,402	4,188,941
Work in progress	1,876,076	-	1,876,076	1,352,767	-	1,352,767
Finished goods	673,495	25,502	647,993	750,320	32,983	717,337
Spare parts and consumables	731,184	157,922	573,262	734,212	109,423	624,789
Total	7,615,972	184,087	7,431,885	7,043,642	159,808	6,883,834

All the above inventories are purchased or self-manufactured.

- (b) Provision for diminution in value of inventories:

Expressed in thousands of renminbi yuan

Items	At 1 January 2010	Provision for the period	Decrease during the period	At 30 June 2010
			Write-off	
Raw materials	17,402	-	16,739	663
Finished goods	32,983	-	7,481	25,502
Spare parts and consumables	109,423	48,499	-	157,922
Total	159,808	48,499	24,220	184,087

5. Notes to the consolidated financial statements *(continued)*

(8) Other current assets

Expressed in thousands of renminbi yuan

Items	Note	At 30 June 2010	At 31 December 2009
Deductible value added tax		24,366	-
Available-for-sale financial assets	(a)	-	700,000
Others		22,308	-
Total		46,674	700,000

- (a) The Group purchased an investment fund from a PRC state-owned bank with a carrying amount of RMB 700,000,000. The financial product mainly invested in debt and equity securities and was redeemed in January 2010.

(9) Long-term receivable

Expressed in thousands of renminbi yuan

Items	At 30 June 2010	At 31 December 2009
Entrusted loans	30,000	100,000

The entrusted loans are due in April 2012.

(10) Long-term equity investments

- (a) Long-term equity investments by category:

Expressed in thousands of renminbi yuan

	Interests in associates	Interests in jointly controlled enterprises	Other equity investment	Provision for impairment losses	Total
Balance at 1 January 2010	2,860,631	109,015	2,969,646	-	2,969,646
Share of profits from investments accounted for under equity method	367,957	17,676	385,633	-	385,633
Dividends receivable/ received	-50,006	-20,000	-70,006	-	-70,006
Balance at 30 June 2010	3,178,582	106,691	3,285,273	-	3,285,273

5. Notes to the consolidated financial statements *(continued)*

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

(b) Information about major associates and jointly controlled enterprises:

Expressed in thousands of renminbi yuan/USD

Name of investee	Company type	Registered place	Legal representative	Business Scope	Registered capital	Effective shareholding percentage (%)	Effective voting right (%)	Total assets at period end	Total liabilities at period end	Net assets at period end	Total revenue during the period	Net profit during the period
1. Jointly controlled enterprises												
BOC-SPC Gases Company Limited	Limited company	Shanghai	Xu Zhongwei	Production and sales of industrial gases	USD 32,000	50	50	636,920	345,065	291,855	210,740	31,988
2. Associates												
Shanghai Chemical Industry Park Development Company Limited*	Limited company	Shanghai	Rong Guangdao	Planning, development and operation of the Chemical Industry Park in Shanghai	RMB 2,372,439	38.26	38.26	6,996,499	3,453,599	3,542,900	3,190	78,015
Shanghai Secco Petrochemical Company Limited*	Limited company	Shanghai	Jeanne Marie Johns	Manufacturing and distribution of chemical products	USD 901,441	20	25	18,068,340	8,858,281	9,210,059	15,005,884	1,664,297
Shanghai Jinsen Hydrocarbon Resins Company Limited	Limited company	Shanghai	Tan Biqing	Production of resin products	USD 23,395	40	40	192,271	64,268	128,003	130,550	7,684
Shanghai Jinpu Plastic Packaging Material Company Limited	Limited company	Shanghai	Xu Zhongwei	Production of polypropylene film	USD 20,204	50	50	215,290	35,908	179,382	149,893	-8,365
Shanghai Yamatake Automation Company Limited	Limited company	Shanghai	Shen Tuxun	Service and maintenance of building automation systems and products	USD 3,000	40	40	186,816	54,732	132,084	86,804	11,813

* Represents associates / jointly controlled enterprises of the Company

5. Notes to the consolidated financial statements *(continued)*

(11) Investment property

Expressed in thousands of renminbi yuan

Items	At 1 January 2010	Additions	Disposals	At 30 June 2010
1. Original cost	546,630	-	-	546,630
2. Accumulated depreciation	67,383	6,629	-	74,012
3. Net book value	479,247			472,618
4. Provision for impairment	-	-	-	-
5. Carrying amount	479,247			472,618

The investment property of the Group comprises buildings.

Depreciation charged for the six-month period ended 30 June 2010 amounted to RMB 6,629,000 (Six-month period ended 30 June 2009: RMB 6,630,000).

5. Notes to the consolidated financial statements *(continued)*

(12) Fixed assets

(a) Fixed assets:

Expressed in thousands of renminbi yuan

Items	At 1 January 2010	Additions	Disposals	At 30 June 2010
1, Original cost:	38,808,903	237,508	-101,682	38,944,729
-Buildings	5,800,744	4,737	-3,363	5,802,118
-Plant and machinery	26,097,792	180,775	-57,358	26,221,209
-Vehicles and other equipment	6,910,367	51,996	-40,961	6,921,402
2, Accumulated depreciation:	22,830,147	846,807	-79,968	23,596,986
-Buildings	3,537,492	69,990	-2,526	3,604,956
-Plant and machinery	14,623,522	641,859	-38,945	15,226,436
-Vehicles and other equipment	4,669,133	134,958	-38,497	4,765,594
3, Net book value:	15,978,756			15,347,743
-Buildings	2,263,252			2,197,162
-Plant and machinery	11,474,270			10,994,773
-Vehicles and other equipment	2,241,234			2,155,808
4, Provision for impairment losses:	773,025	-	-16,842	756,183
-Buildings	102,652	-	-233	102,419
-Plant and machinery	614,644	-	-15,606	599,038
-Vehicles and other equipment	55,729	-	-1,003	54,726
5, Carrying amount:	15,205,731			14,591,560
-Buildings	2,160,600			2,094,743
-Plant and machinery	10,859,626			10,395,735
-Vehicles and other equipment	2,185,505			2,101,082

Depreciation charged for the six-month period ended 30 June 2010 amounted to RMB 846,807,000 (Six-month period ended 30 June 2009: RMB 780,917,000).

Construction in progress amounted to RMB 189,451,000 (Six-month period ended 30 June 2009: RMB 399,391,000) was transferred to fixed assets during the six-month period ended 30 June 2010.

(b) At 30 June 2010 and 31 December 2009, the Group had no pledged fixed assets.

5. Notes to the consolidated financial statements *(continued)*

(12) Fixed assets *(continued)*

- (c) At 30 June 2010, the operations of Zhejiang Jin Yong Acrylic Fibre Co., Ltd. ("Jin Yong"), a subsidiary of the Group, were suspended and its acrylic equipment was temporarily idle. Details are as follows:

Expressed in thousands of renminbi yuan

Items	Original Cost	Accumulated Depreciation	Provision for impairment losses	Carrying amount
-Buildings	422,066	358,211	52,200	11,655
-Plant and machinery	653,956	299,766	333,602	20,588
-Vehicles and other equipment	147,519	96,280	46,777	4,462
Total	1,223,541	754,257	432,579	36,705

(13) Construction in progress

- (a) Construction in progress:

Expressed in thousands of renminbi yuan

Project	At 30 June 2010		
	Original Cost	Provision for impairment	Carrying amount
1,500ton/year PAN-based Carbon Fibre Project	18,338	-	18,338
Energy Saving and Upgrading Reconstruction on 2# Oxidation Unit	39,924	-	39,924
Construction of PAN-based Carbon Fibre Performance Evaluation Laboratory	11,458	-	11,458
Technology Reconstruction on 1# Glycol Unit	11,760	-	11,760
Numerous small projects of Synthetic Fibres segment	44,293	-	44,293
Numerous small projects of Resins and Plastics segment	4,002	-	4,002
Numerous small projects of Intermediate Petrochemicals segment	51,835	-	51,835
Numerous small projects of Petroleum Products segment	29,305	-	29,305
Numerous small projects of all others	86,116	-	86,116
Total	297,031	-	297,031

5. Notes to the consolidated financial statements *(continued)*

(13) Construction in progress *(continued)*

(a) Construction in progress: *(continued)*

Expressed in thousands of renminbi yuan

Project	At 31 December 2009		
	Original Cost	Provision for impairment	Carrying amount
Shanghai Petrochemical Gas Utilization Project	63,048	-	63,048
Energy Saving and Upgrading Reconstruction on 2# Oxidation Unit	14,417	-	14,417
Construction of PAN-based Carbon Fibre Performance Evaluation Laboratory	11,327	-	11,327
Numerous small projects of Synthetic Fibres segment	54,406	-	54,406
Numerous small projects of Resins and Plastics segment	22,345	-	22,345
Numerous small projects of Intermediate Petrochemicals segment	65,467	-	65,467
Numerous small projects of Petroleum Products segment	38,536	-	38,536
Numerous small projects of all others	94,100	-	94,100
Total	363,646	-	363,646

5. Notes to the consolidated financial statements *(continued)*

(13) Construction in progress *(continued)*

(b) The movement of the Group's major construction in progress is listed as follows:

Expressed in thousands of renminbi yuan

Projects	Budget	Balance at 1 January 2010	Additions	Transferred to fixed assets	Percentage of input to budget (%)	Project progress (%)	Accumulated capitalised interests	Including: capitalised interests for the period	Interest capitalisation rate(%)	Source of capital	Balance at 30 June 2010
Shanghai Petrochemical Gas Utilization Project	195,090	63,048	71,973	135,021	69.21	69.21	1,000	811	2.00-3.07	equity fund and loans	-
Construction of PAN-based Carbon Fibre Performance Evaluation Laboratory	12,137	11,327	131	-	94.41	94.41	-	-	-	equity fund	11,458
Energy Saving and Upgrading Reconstruction on 2# Oxidation Unit	185,572	14,417	25,507	-	21.51	21.51	-	-	-	equity fund	39,924
1,500ton/year PAN-based Carbon Fibre Project	805,470	6,622	11,716	-	2.28	2.28	-	-	-	equity fund	18,338
Technology Reconstruction on 1# Glycol Unit	56,480	-	11,760	-	20.82	20.82	-	-	-	equity fund	11,760
Numerous small projects of Synthetic Fibres segment	119,262	47,784	37	3,528	40.10	40.10	-	-	-	equity fund	44,293
Numerous small projects of Resins and Plastics segment	55,732	22,345	339	18,682	40.70	40.70	-	-	-	equity fund	4,002
Numerous small projects of Intermediate Petrochemicals segment	465,928	65,466	416	14,047	14.14	14.14	107	-	-	equity fund and loans	51,835
Numerous small projects of Petroleum Products segment	681,361	38,536	21	9,252	5.66	5.66	374	-	-	equity fund and loans	29,305
Numerous small projects of all others	430,096	94,101	936	8,921	22.10	22.10	7	-	-	equity fund and loans	86,116
Total	3,007,128	363,646	122,836	189,451	-	-	1,488	811	-		297,031

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

The capitalised borrowing costs included in the balances of construction in progress were RMB 488,000 (At 31 December 2009: RMB 677,000). The interest rates per annum at which borrowing costs were capitalised for the period ended 30 June 2010 by the Group is 2.00%-3.07% (Six-month period ended 30 June 2009: 2.12%-5.04%).

5. Notes to the consolidated financial statements *(continued)*

(14) Intangible assets

Expressed in thousands of renminbi yuan

Items	At 1 January 2010	Additions	Disposals	At 30 June 2010
1, Cost	844,206	-	-	844,206
-Land use right	748,867	-	-	748,867
-Other intangible assets	95,339	-	-	95,339
2, Accumulated amortisation	287,034	9,786	-	296,820
-Land use right	239,683	7,743	-	247,426
-Other intangible assets	47,351	2,043	-	49,394
3, Net book value	557,172			547,386
-Land use right	509,184			501,441
-Other intangible assets	47,988			45,945

Amortisation charged for the six-month period ended 30 June 2010 amounted to RMB 9,786,000 (Six-month period ended 30 June 2009: RMB 9,823,000).

(15) Long-term deferred expenses

Long-term deferred expenses primarily represent catalysts expenditures with useful life over one year.

5. Notes to the consolidated financial statements *(continued)*

(16) Deferred tax assets

(a) Deferred tax assets and liabilities after offsetting each other are as follows:

Expressed in thousands of renminbi yuan

Items	At 30 June 2010		At 31 December 2009	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets:				
Provision for bad debt and inventories	148,496	37,124	124,700	31,175
Impairment losses on fixed assets	323,604	80,901	340,446	85,112
Contribution by fixed assets and sales of assets to a jointly controlled enterprise	38,528	9,632	40,280	10,070
Deductible tax losses	4,061,800	1,015,451	5,607,912	1,401,978
Other deferred tax assets	28,469	7,117	28,469	7,117
Capitalisation of borrowing cost	-99,535	-24,885	-105,288	-26,322
Total	4,501,362	1,125,340	6,036,519	1,509,130

(b) The movement of deferred tax assets are as follows:

Expressed in thousands of renminbi yuan

Items	At 1 January 2010	Increase/ decrease during the period recognized in profit or loss	Increase/ decrease during the period recognized in equity	At 30 June 2010
Deferred tax assets:				
Provision for bad debt and inventories	31,175	5,949	-	37,124
Impairment losses on fixed assets	85,112	-4,211	-	80,901
Contribution by fixed assets and sales of assets to a jointly controlled enterprise	10,070	-438	-	9,632
Deductible tax losses	1,401,978	-386,527	-	1,015,451
Other deferred tax assets	7,117	-	-	7,117
Capitalisation of borrowing cost	-26,322	1,437	-	-24,885
Total	1,509,130	-383,790	-	1,125,340

5. Notes to the consolidated financial statements *(continued)*

(16) Deferred tax assets *(continued)*

(c) Particulars about the offset of deferred tax assets and liabilities:

Expressed in thousands of renminbi yuan

Item	Offsetting amount
Deferred tax assets	-24,885
Deferred tax liabilities	24,885

(d) Deferred tax assets not recognised:

Expressed in thousands of renminbi yuan

Items	Note	At 30 June 2010	At 31 December 2009
Impairment losses on fixed assets	(i)	432,579	432,579
Deductible tax losses	(ii)	441,902	417,688
Total		874,481	850,267

(i) In accordance with the accounting policy set out in Note 2(24), the Group has not recognised deferred tax assets in respect of impairment loss on fixed assets of RMB 432,579,000 (At 31 December 2009: RMB 432,579,000) as it is not probable that future taxable income against which the losses can be utilised will be available in the Zhejiang Jin Yong Acrylic Fibre Co., Ltd.

(ii) In accordance with the accounting policy set out in Note 2(24), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB 441,902,000 (At 31 December 2009: RMB 417,688,000) as it is not probable that future taxable profits against which the losses can be utilised will be available at Zhejiang Jin Yong Acrylic Fibre Co., Ltd. The deductible tax losses will expire from 2011 to 2015 under current tax law.

(e) The expiration date of the deferred tax assets not recognised:

Expressed in thousands of renminbi yuan

Year	At 30 June 2010	At 31 December 2009
2010	14,539	14,539
2011	29,357	29,357
2012	68,548	68,548
2013	197,952	197,952
2014	107,292	107,292
2015	24,214	-
Total	441,902	417,688

5. Notes to the consolidated financial statements *(continued)*

(17) Movement of provision for impairment

Expressed in thousands of renminbi yuan

Items	Note	At 1 January 2010	Additions	Disposals		At 30 June 2010
				Reversal	Write-off	
1, Receivables	5(3),(6)	17,859	-	-1,145	-840	15,874
2, Inventories	5(7)	159,808	48,499	-	-24,220	184,087
3, Fixed assets	5(12)	773,025	-	-	-16,842	756,183
Total		950,692	48,499	-1,145	-41,902	956,144

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

(18) Short-term loans

(a) Short-term loans by category:

Expressed in thousands of renminbi yuan

Items	At 30 June 2010	At 31 December 2009
Credit loans		
-bank loans	5,823,995	6,460,398
-loans from related party	360,000	240,000
Total	6,183,995	6,700,398

At 30 June, 2010, the weighted average interest rate of the Group's short-term loans is 2.75% (At 31 December 2009: 3.32%).

(b) At 30 June 2010 and 31 December 2009, the Group had no overdue short-term loans.

(19) Bills payable

Expressed in thousands of renminbi yuan

Items	At 30 June 2010	At 31 December 2009
Commercial acceptance bills	-	6,048
Bank acceptance bills	776,218	716,223
Total	776,218	722,271

The above bills are due within one year.

5. Notes to the consolidated financial statements *(continued)*

(20)Accounts payable

- (a) Accounts payable by category:

Expressed in thousands of renminbi yuan

Items	At 30 June 2010	At 31 December 2009
Related parties	2,011,152	2,656,857
Third parties	803,354	1,008,139
Total	2,814,506	3,664,996

At 30 June 2010, there are no significant accounts payable aged over 1 year.

- (b) Except for the balances disclosed in Note 6, no amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of accounts payable.

(21)Advances from customers

- (a) Advances from customers by category:

Expressed in thousands of renminbi yuan

Items	At 30 June 2010	At 31 December 2009
Related parties	31,448	16,102
Third parties	404,198	513,180
Total	435,646	529,282

At 30 June 2010, there are no significant advances from customers aged over 1 year.

- (b) Except for the balances disclosed in Note 6, no amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of advances from customers.

5. Notes to the consolidated financial statements *(continued)*

(22) Employee benefits payable

Expressed in thousands of renminbi yuan

Items	At 1 January 2010	Additions	Disposals	At 30 June 2010
1, Salaries, bonuses and allowances	5,060	499,997	499,997	5,060
2, Staff welfare fees	-	21,427	21,427	-
3, Social insurances	17,035	208,222	196,062	29,195
Including:				
1) Medical insurance premium	286	63,942	54,758	9,470
2) Basic pension insurance premium	15,331	101,797	99,771	17,357
3) Unemployment insurance premium	1,394	9,326	9,142	1,578
4) Staff and workers' injury insurance premium	12	2,661	2,278	395
5) Maternity insurance premium	12	2,688	2,305	395
6) Supplementary medical insurance premium	-	124	124	-
7) Supplementary pension insurance premium	-	22,897	22,897	-
8) Other insurance premium	-	4,787	4,787	-
4, Housing fund	-	30,392	30,392	-
5, Termination benefits (including early retirement)	-	1,123	1,123	-
6, others	5,579	121,674	119,973	7,280
Total	27,674	882,835	868,974	41,535

At 30 June 2010, no amount in arrears is included in the balance of the employee benefits payable.

At 30 June 2010, labour union fee and staff and workers' education fee amounted to RMB 2,706,000 (At 31 December 2009: RMB 3,080,000) and non-monetary welfare amounted to RMB nil (At 31 December 2009: nil) are included in the above "others" balance.

The balance of employee benefits payable as at 30 June 2010 is expected to be fully distributed or utilised in the third quarter of 2010.

5. Notes to the consolidated financial statements *(continued)*

(22) Employee benefits payable *(continued)*

As stipulated by the relevant regulations, the Group participates 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% (2009: 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 have set up a supplementary defined contribution retirement plan for the benefit of employees. Employees who have served the Group for five years or more may participate in this plan. The Group 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 in an independent fund administered by a committee consisting of representatives from the employees and the Group. In April 2003, the Group revised certain terms of the plan and increased the amount of contributions. The Group has no other material obligations for the payment of pension benefit beyond the annual contributions described above and supplementary contributions. For the period ended 30 June 2010, the Group's contribution to the above plan amounted to RMB 22,897,000 (Six-month period ended 30 June 2009: RMB 22,115,000).

In accordance with the Group voluntary employee reduction plan, the Group recorded employee reduction expenses of RMB 1,123,000 (Six-month period ended 30 June 2009: RMB 3,717,000) during the period ended 30 June 2010, in respect of the voluntary resignation of approximately 34 employees (Six-month period ended 30 June 2009: 75 employees).

(23) Taxes payable

Expressed in thousands of renminbi yuan

Item	At 30 June 2010	At 31 December 2009
Value added tax	31,234	114,234
Business tax	953	2,822
Income tax	2,559	9,298
Consumption tax	360,805	439,973
Education surcharge	11,693	16,761
City maintenance and construction tax	27,283	39,126
Others	17,021	13,716
Total	451,548	635,930

(24) Interest payable

Expressed in thousands of renminbi yuan

Items	At 30 June 2010	At 31 December 2009
Interest payable of interest due instalments of long-term loans	458	576
Interest payable of corporate bonds	727	15,318
Interest payable of short-term loans	7,096	4,261
Total	8,281	20,155

5. Notes to the consolidated financial statements *(continued)*

(25) Dividends payable

Expressed in thousands of renminbi yuan

Company's name	At 30 June 2010	At 31 December 2009	Reasons for unpaid for over one year
China Petrochemical Corporation	120,000	-	—
Phillips Petroleum International Investment Company	48,530	-	—
Others	109,938	-	—
Total	278,468	-	—

Except for the balances disclosed in Note 6, no amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of dividends payable.

(26) Other payables

(a) Other payables by category:

Expressed in thousands of renminbi yuan

Items	At 30 June 2010	At 31 December 2009
Related parties	23,901	204,687
Third parties	660,034	699,257
Total	683,935	903,944

Other payables mainly represent construction fee payable.

(b) Except for the balances disclosed in Note 6, no amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of other payables.

(27) Short-term debentures payable

Expressed in thousands of renminbi yuan

Item	At 30 June 2010	At 31 December 2009
Short-term debentures payable	1,000,000	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 have been repaid on March 2010.

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

5. Notes to the consolidated financial statements *(continued)*

(28) Non-current liabilities due within one year

Non-current liabilities due within one year represents amount due to the minority interest of Jin Yong, a subsidiary of the Company.

(29) Long-term loans

(a) Long-term loans by category:

Expressed in thousands of renminbi yuan

Item	At 30 June 2010	At 31 December 2009
Credit loans	300,000	304,258

(b) As at 30 June 2010, details of long-term loans are as follows:

Expressed in thousands of renminbi yuan

Creditors	Starting date	Maturity date	Currency	Annual Interest rate (%)	At 30 June 2010		At 31 December 2009	
					Original Currency	RMB	Original Currency	RMB
Industry and Commercial Bank of China, Jinshan Branch	2008.11.27	2013.11.25	RMB	5.184	-	100,000	-	100,000
Industry and Commercial Bank of China, Jinshan Branch	2008.12.25	2013.11.25	RMB	5.184	-	100,000	-	100,000
China Construction Bank, Jinshan Branch	2008.11.27	2011.11.25	RMB	5.103	-	50,000	-	50,000
China Construction Bank, Jinshan Branch	2008.12.25	2011.11.25	RMB	5.103	-	50,000	-	50,000
Others					-	-	-	4,258
Total						300,000		304,258

5. Notes to the consolidated financial statements *(continued)*

(30) Other non-current liabilities

Expressed in thousands of renminbi yuan

Item	At 30 June 2010	At 31 December 2009
Deferred income	256,515	234,781

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. For the six-month period ended 30 June 2010, the Group received the government grants related to an asset amounting to RMB 26,734,000 (Six-month period ended 31 December 2009: 14,781,000), which mainly comprised of grants for research and development and environment protection.

(31) Share capital

Expressed in thousands of renminbi yuan

Items	At 1 January 2010	At 30 June 2010
(1) Non-circulating Shares:		
- Domestic legal persons shares	4,150,000	4,150,000
(2) Circulating Shares:		
- RMB ordinary A shares listed in PRC	720,000	720,000
- Foreign investment H shares listed overseas	2,330,000	2,330,000
Total	7,200,000	7,200,000

5. Notes to the consolidated financial statements *(continued)*

(31) Share capital *(continued)*

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.

During China National Petrochemical Corporation’s restructuring in 1998, its name was changed to Petrochemical Corporation(Sinopec Group).

China Petrochemical & Chemical Corporation (CPCC) was founded on 28 February 2000 based on the approved assets restructuring of Sinopec Group. As part of the restructuring, the shares of the Company held by the Sinopec Group were injected in CPCC; after the restructuring, the ownership of 4 billion state-owned shares of the Company held by the Sinopec Group were transferred to CPCC, 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.

5. Notes to the consolidated financial statements *(continued)*

(32) Specific reserve

Specific reserve represents safety production fund which is provided in accordance with government regulations.

(33) Capital reserve

The capital reserve of the Group is analysed as follows:

Expressed in thousands of renminbi yuan

Items	Note	At 1 January 2010	Additions	Disposals	At 30 June 2010
Share premium		2,420,841	-	-	2,420,841
Government grants	(a)	412,370	-	-	412,370
Others		49,067	-	-	49,067
Total		2,882,278	-	-	2,882,278

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

(34) Surplus reserve

Expressed in thousands of renminbi yuan

Items	At 1 January 2010	Addition	At 30 June 2010
Statutory surplus reserve	3,521,252	-	3,521,252
Discretionary surplus reserve	1,280,514	-	1,280,514
Total	4,801,766	-	4,801,766

5. Notes to the consolidated financial statements *(continued)*

(35) Retained earnings

Expressed in thousands of renminbi yuan

Items	Note	At 30 June 2010
Retained earnings at 1 January 2010		462,029
Add: Net profit attributable to equity shareholders of the Company		1,493,930
Less: Appropriation to statutory surplus reserve		-
Dividends payable to ordinary shares	(a)	-216,000
Retained earnings at 30 June 2010	(b)	1,739,959

(a) Dividends of ordinary shares attributed during the period.

As at 30 June 2010, the company approved and declared the final dividend of RMB 0.03 per share totalling RMB 216,000,000 in respect of financial year 2009. (At 31 December 2009: nil).

(b) Notes on the ending balance of retained earnings

As at 30 June 2010, the consolidated retained earnings attributable to the Company included an appropriation of RMB 107,415,000 to surplus reserve made by the subsidiaries. (At 31 December 2009: RMB 97,748,000).

(36) Operating income, operating costs

(a) Operating income, operating costs:

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
Income from principal operations	35,973,454	21,031,344
Income from other operations	177,976	173,336
Subtotal	36,151,430	21,204,680
Operating costs	30,821,820	16,678,661

Operating income represents sales of products after deduction of VAT.

(b) The Group mainly operates in petrochemical industry.

(c) For operating income and operating costs by product, see note 9(1).

5. Notes to the consolidated financial statements *(continued)*

(36) Operating income, operating costs *(continued)*

(d) Revenue from sales to the five largest customers for 2010 is set out as follows:

Expressed in thousands of renminbi yuan

Customer	Operating income	Percentage of total operating income(%)
1. Sinopec Huadong Sales Company	13,030,243	36.04
2. China Petroleum & Chemical Corporation	4,483,443	12.40
3. Sinopec Yizheng Chemical Fibre Company Limited	523,330	1.45
4. Shanghai Yadong Petrochemical Company Limited	421,383	1.17
5. Shanghai Lujian Petrochemical Company Limited	387,370	1.07
Total	18,845,769	52.13

(37) Business taxes and surcharges

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June		Tax base
	2010	2009	
Consumption tax	2,107,283	1,858,549	In accordance with the relevant tax regulation, with effect from 1 January 2009, consumption tax rate for sale of gasoline and diesel oil have been adjusted to RMB 1,388 per ton and RMB 940.8 per ton respectively.
Business tax	2,427	3,266	5% of income entitled to business tax
City maintenance and construction tax	238,225	162,836	7% of VAT and business tax paid
Education surcharge and others	102,152	70,062	3% of VAT and business tax paid
Total	2,450,087	2,094,713	—

(38) Financial expenses

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
Interest expenses from loans and payables	147,130	228,186
Less: Borrowing costs capitalised	-811	-23,491
Interest income from deposits and receivables	-17,266	-10,899
Net foreign exchange (gain)/ loss	-20,403	2,441
Others	8,062	8,570
Total	116,712	204,807

5. Notes to the consolidated financial statements *(continued)*

(39) Provision/(reversal) of Impairment loss

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	At 30 June 2010	At 31 December 2009
Receivables	-1,145	-
Inventories	48,499	-16,836
Total	47,354	-16,836

(40) Gain/(loss) from changes in fair value

Expressed in thousands of renminbi yuan

Items resulting in changes in fair value	Six-month period ended 30 June	
	2010	2009
Financial assets held for trading		
- Changes in fair value	-	-10,372

(41) Investment income

(a) Investment income by category:

Expressed in thousands of renminbi yuan

Items	Note	Six-month period ended 30 June	
		2010	2009
Long-term equity investments income accounted for under the equity method	(b)	385,633	47,189
Gain on disposal of long-term equity investments		-	77,870
Gain on disposal of available-for-sale financial assets	5(46)	215	55,734
Total		385,848	180,793

5. Notes to the consolidated financial statements *(continued)*

(41) Investment income *(continued)*

- (b) Among long-term equity investment income accounted for under the equity method, the investment income accounted for more than 5% of operating profit, or less than 5% but top 5 investment income is as follows:

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
Shanghai Secco Petrochemical Company Limited	326,463	24,265
Shanghai Chemical Industrial Park Development Company Limited	33,483	5,797
BOC-SPC Gases Co., Ltd	17,461	8,444
Shanghai Yamatake Automation Company Limited	4,500	6,033
Shanghai Jinseng Petrochemical Co., Ltd.	3,235	-10
Total	385,142	44,529

There are no severe restrictions on the investee's ability to transfer investment income to the Group.

5. Notes to the consolidated financial statements *(continued)*

(42) Non-operating income

(a) Non-operating income by category:

Expressed in thousands of renminbi yuan

Items	Note	Six-month period ended 30 June	
		2010	2009
Gain on disposal of non-current assets		785	92,636
Include: Net gain on disposal of fixed assets		785	834
Net gain on disposal of intangible assets		-	91,802
Government grants	(b)	5,000	5,000
Penalty income		2,084	22
Others		5,489	1,423
Total		13,358	99,081

(b) Government grants by category:

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
Amortisation of deferred income	5,000	5,000

(43) Non-operating expenses

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
Loss on disposal of fixed assets	4,678	2,575
Others	13,781	12,663
Total	18,459	15,238

5. Notes to the consolidated financial statements *(continued)*

(44) Income tax expenses

Expressed in thousands of renminbi yuan

Items	Note	Six-month period ended 30 June	
		2010	2009
Income tax expenses for the period, calculated in accordance with tax laws and related regulations		5,303	36,706
Deferred taxation		383,790	287,231
(Over)/under provision for income tax expenses in prior years		-139	200
Total	(a)	388,954	324,137

(a) Reconciliation between income tax expenses and accounting profits is as follows:

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
Profits before taxation	1,882,526	1,353,562
Expected income tax expenses at a rate of 25% (2009: 25%)	470,632	338,391
Add: Tax effect of non-deductible expenses	3,098	4,480
Tax effect of non-taxable income	-225	-20,718
(Over)/under provision for income tax expenses in prior years	-139	200
Tax effect of share of profits recognised under the equity method	-96,408	-11,797
Tax effect of unused tax losses not recognised for deferred tax	6,053	13,581
Change in unrecognised deductible temporary differences	5,943	-
Income tax expenses	388,954	324,137

(45) Calculation of basic and diluted earnings per share

(a) Basic earnings per share:

Basic earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company to the weighted average number of ordinary shares outstanding:

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
Net profit attributable to ordinary equity shareholders of the Company	1,493,930	987,236
Weighted average number of the Company's ordinary shares issued ('000)	7,200,000	7,200,000
Basic earnings per share (RMB/Share)	0.207	0.137

(b) Diluted earnings per share:

As there are no diluted ordinary shares outstanding, the diluted earnings per share equals the basic earnings per share.

5. Notes to the consolidated financial statements *(continued)*

(46) Other comprehensive income

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
Unrealised income of available-for-sale financial assets	215	96,956
Reclassification adjustment for amounts transferred to profit or loss on disposal of available-for-sale financial assets	-215	-55,734
Tax effect of other comprehensive income	-	-10,306
Total	-	30,916

(47) Notes to cash flow statement

(a) Other cash received relating to operating activities:

Expressed in thousands of renminbi yuan

Items	Amount
Government grants received	26,734
Revenue from investment property	17,694
Others	18,282
Total	62,710

(b) Other cash paid relating to operating activities:

Expressed in thousands of renminbi yuan

Items	Amount
Sales commission	-86,096
Administrative fees	-34,143
Research and development expenses	-7,014
Rental expenses	-24,988
Environment protection fees	-20,000
Others	-76,142
Total	-248,383

(c) Other cash received relating to investing activities:

Expressed in thousands of renminbi yuan

Item	Amount
Interest income	17,266

5. Notes to the consolidated financial statements *(continued)*

(48) Supplemental information to the cash flow statement

(a) Supplemental information to the cash flow statement:

Expressed in thousands of renminbi yuan

Supplemental information	Six-month period ended 30 June	
	2010	2009
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,493,572	1,029,425
Add: Provision/(reversal) of impairment losses	47,354	-16,836
Depreciation of investment property	6,629	6,630
Depreciation of fixed assets	846,807	780,917
Amortisation of intangible assets	9,786	9,823
Losses/(gains) on disposal of fixed assets, intangible assets and other long-term assets	3,893	-90,061
(Gains)/ losses on changes in fair value	-	10,372
Financial expenses	108,650	196,237
Investment income	-385,848	-180,793
Decrease in deferred tax assets	383,790	287,231
(Increase) / decrease in inventories	-596,550	188,761
Increase in operating receivables	-396,645	-821,657
(Decrease)/ increase in operating payables	-1,160,176	1,288,317
Specific reserve	5,473	-
Net cash inflows from operating activities	366,735	2,688,366
2. Net change in cash and cash equivalents:		
Cash balance at the end of the period	399,848	424,353
Less: cash balance at the beginning of the period	125,917	627,685
Net increase/(decrease) in cash and cash equivalents	273,931	-203,332

(b) Cash and cash equivalents held by the Group are as follows:

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
1. Cash		
- Cash on hand	111	123
- Bank deposits available on demand	386,981	411,367
- Other monetary fund available on demand	12,756	12,863
2. Closing balance of cash and cash equivalents available on demand	399,848	424,353

6. Related party relationships and transactions

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

Name of company	Relationship with the Company	Economic nature	Registered address	Authorised representative	Scope of operations	Registered capital	Shareholding percentage (%)	Proportion of voting rights (%)	The ultimate parent company	Organisation code
China Petroleum & Chemical Corporation ("Sinopec Corp")	The immediate parent company	Joint stock limited company	No.22 Chao yang men North Street, Chaoyang District, Beijing	Su Shulin	Exploring for, extracting and selling crude oil and natural gas; oil refining; production, sale and transport of petrochemical, chemical fibres and other chemical products; pipe transport of crude oil and natural gas; research and development and application of new technologies and information.	RMB 86.7 billion	55.56	55.56	China Petrochemical Corporation	71092609-4

The above registered capital did not change during the period ended 30 June, 2010.

At 30 June 2010, Sinopec Corp held 4 billion shares of the Company. There are no changes during the period.

(2) Information on the Company's subsidiaries

See Note4(1) for details of the Company's subsidiaries .

(3) Information on the Company's jointly controlled enterprises and associates

See Note5(10) for details of the Company's jointly controlled enterprises and associates .

6. Related party relationships and transactions *(continued)*

(4) Information of other related parties

Names of other related parties	Relationship with the Company	Organisation code
China Petrochemical Corporation ("Sinopec Group")	The ultimate parent company	10169286-X
Sinopec Zhenhai Refining & Chemical Branch	Branch of the immediate parent company	79301742-6
Sinopec Pipeline Storage & Transport Company	Branch of the immediate parent company	71853333-2
Sinopec Chemical Products Sales Company	Branch of the immediate parent company	77405580-6
Sinopec Yizheng Chemical Fibre Company Limited	Subsidiary of the ultimate parent company	62590829-7
Sinopec Huadong Sales Company	Subsidiary of the immediate parent company	74491218-4
China International United Petroleum and Chemical Company Limited	Subsidiary of the immediate parent company	10001343-1
China Petrochemical International Company Limited	Subsidiary of the immediate parent company	10169063-7
Sinopec Finance Company Limited	Subsidiary of the ultimate parent company	10169290-7
Sinopec Storage and Transportation Branch	Subsidiary of the ultimate parent company	70356548-9

6. Related party relationships and transactions *(continued)*

(5) Related party transactions

(a) Sales and purchase of goods, rendering and receiving of services:

The Group

Expressed in thousands of renminbi yuan

Related Parties	Transaction type	Category	For the six-month period 30 June			
			2010		2009	
			Amount	Percentage on deals of the same category(%)	Amount	Percentage on deals of the same category (%)
Sinopec Corp and its subsidiaries	Trade	Sales/service	18,043,373	49.91	9,909,580	46.73
Sinopec Corp and its subsidiaries	Trade	Purchase	14,663,840	52.15	6,322,031	44.67
Sinopec Group and its subsidiaries	Trade	Sales/service	174,929	0.48	71,340	0.34
Sinopec Group and its subsidiaries	Trade	Purchase	1,321,899	4.70	81,845	0.58
Associates of the Group	Trade	Sales	552,365	1.53	426,269	2.01
Associates of the Group	Trade	Purchase	2,118,840	7.54	290,319	2.05
Jointly controlled enterprise of the Group	Trade	Sales	136,399	0.38	126,731	0.60
Jointly controlled enterprise of the Group	Trade	Purchase	193,906	0.69	171,812	1.21
Key management personnel	Compensation for services	Short-term employee benefits	4,059	0.73	3,746	0.61
Key management personnel	Compensation for services	Retirement scheme contributions	53	0.04	50	0.04

6. Related party relationships and transactions *(continued)*

(5) Related party transactions *(continued)*

(a) Sales and purchase of goods, rendering and receiving of services: *(continued)*

The Company

Expressed in thousands of renminbi yuan

Related Parties	Type	Category	For the six-month period 30 June			
			At 30 June 2010		At 31 December 2009	
			Amount	Percentage on deals of the same category(%)	Amount	Percentage on deals of the same category (%)
Sinopec Corp and its subsidiaries	Trade	Sales/service	15,551,475	48.73	9,239,747	50.11
Sinopec Corp and its subsidiaries	Trade	Purchase	14,596,875	60.59	6,281,563	59.43
Sinopec Group and its subsidiaries	Trade	Sales/service	100,032	0.31	55,103	0.30
Sinopec Group and its subsidiaries	Trade	Purchase	1,321,061	5.48	81,845	0.77
Subsidiaries of the Company	Trade	Sales	1,057,128	3.31	282,121	1.53
Subsidiaries of the Company	Trade	Purchase	195,118	0.81	706,468	6.68
Associates of the Company	Trade	Sales	538,446	1.69	300,153	1.63
Associates of the Company	Trade	Purchase	1,777,107	7.38	159,193	1.51
Jointly controlled enterprise of the Company	Trade	Sales	136,399	0.43	126,481	0.69
Jointly controlled enterprise of the Company	Trade	Purchase	193,905	0.80	171,812	1.63
Key management personnel	compensation for services	Short-term employee benefits	4,059	0.73	3,746	0.61
Key management personnel	compensation for services	Retirement scheme contributions	53	0.04	50	0.04

Most of the transactions undertaken by the Group with those counterparties and their terms during the period ended 30 June 2010 have been determined by Sinopec Corp and the relevant government authorities.

The above transactions with related parties were entered into the normal course of business and on normal commercial terms in accordance with the agreements governing such transactions.

6. Related party relationships and transactions *(continued)*

(5) Related party transactions *(continued)*

(b) Related party guarantees:

The Company

Expressed in thousands of renminbi yuan

Guarantor	Guarantee	Amount	Starting from	Ending on	Guarantees ended or not
The Company	Zhejiang Jin Yong Acrylic Fibre Company Limited	200,000	2009.5.26	2011.05.26	No

(c) Related party borrowing and lending

For the six-month period ended 30 June 2010, the Group and the Company borrowed loans from Sinopec Finance Company Limited amounting to RMB 3,220,000,000 (Six-month period ended 30 June 2009: RMB 1,460,000,000).

For the six-month period ended 30 June 2010, the Group and the Company repaid loans to Sinopec Finance Company Limited amounting to RMB 3,100,000,000 (Six-month period ended 30 June 2009: RMB 1,640,000,000).

6. Related party relationships and transactions *(continued)*

(5) Related party transactions *(continued)*

(d) Other related party transactions:

The Group

Expressed in thousands of renminbi yuan

Transaction	Related Parties	Six-month period ended 30 June	
		2010	2009
Insurance premiums paid	Sinopec Corp	55,655	54,715
Interest received and receivable	Sinopec Finance Company Limited	277	208
Interest paid and payable	Sinopec Finance Company Limited	14,811	17,746
Construction and installation fees	Sinopec Corp	35,851	101,508
Agency fee	Sinopec Huadong Sales Company	84,096	50,470
Rental income	Sinopec Corp	9,425	9,510

The Company

Expressed in thousands of renminbi yuan

Transaction	Related Parties	Six-month period ended 30 June	
		2010	2009
Insurance premiums paid	Sinopec Corp	55,655	54,715
Interest received and receivable	Sinopec Finance Company Limited	276	207
Interest paid and payable	Sinopec Finance Company Limited	9,968	12,110
Construction and installation fees	Sinopec Corp	35,851	101,508
Agency fee	Sinopec Huadong Sales Company	84,096	50,470
Rental income	Sinopec Corp	9,425	9,510
Rental income	Subsidiaries of the Company	3,749	2,805

6. Related party relationships and transactions *(continued)*

(6) Balances with related parties

The Group

Expressed in thousands of renminbi yuan

Items	Related Parties	At 30 June 2010	At 31 December 2009
Bills receivable	Sinopec Corp and its subsidiaries	14,226	2,000
Bills receivable	Associates of the Group	24,000	28,418
Accounts receivable	Sinopec Corp and its subsidiaries	545,757	395,253
Accounts receivable	Sinopec Group and its subsidiaries	2,144	134
Accounts receivable	Associates of the Group	58,026	16,685
Accounts receivable	Jointly controlled enterprise of the Group	91	2,731
Dividends receivable	Associates of the Group	7,142	-
Other receivables	Sinopec Corp and its subsidiaries	365	3,138
Other receivables	Sinopec Group and its subsidiaries	-	422
Other receivables	Associates of the Group	1,746	206
Other receivables	Jointly controlled enterprise of the Group	8,065	2,841
Prepayments	Sinopec Corp and its subsidiaries	143,557	122,845
Prepayments	Sinopec Group and its subsidiaries	1,308	1,618
Prepayments	Associates of the Group	-	108
Bills payable	Sinopec Corp and its subsidiaries	770,000	610,000
Accounts payable	Sinopec Corp and its subsidiaries	1,771,210	2,435,094
Accounts payable	Sinopec Group and its subsidiaries	4,098	24,485
Accounts payable	Associates of the Group	219,462	197,278
Accounts payable	Jointly controlled enterprise of the Group	16,382	-
Other payables	Sinopec Corp and its subsidiaries	16,836	190,092
Other payables	Sinopec Group and its subsidiaries	7,057	14,587
Other payables	Associates of the Group	8	8
Advances from customers	Sinopec Corp and its subsidiaries	29,573	10,961
Advances from customers	Sinopec Group and its subsidiaries	810	2,138
Advances from customers	Associates of the Group	1,065	3,003
Dividends payable	Sinopec Corp	120,000	-
Short-term loans	Subsidiary of the ultimate parent company	360,000	240,000

6. Related party relationships and transactions *(continued)*

(6) Balance with related parties *(continued)*

The Company

Expressed in thousands of renminbi yuan

Items	Related Parties	At 30 June 2010	At 31 December 2009
Bills receivable	Sinopec Corp and its subsidiaries	1,000	2,000
Bills receivable	Subsidiaries of the Company	11,142	15,834
Bills receivable	Associates of the Company	24,000	28,418
Accounts receivable	Sinopec Corp and its subsidiaries	452,662	354,937
Accounts receivable	Sinopec Corp and its subsidiaries	2,144	134
Accounts receivable	Subsidiaries of the Company	16,056	10,815
Accounts receivable	Associates of the Company	57,106	16,582
Accounts receivable	Jointly controlled enterprise of the Company	91	2,731
Dividends receivable	Associates of the Company	5,042	-
Other receivables	Sinopec Corp and its subsidiaries	365	3,138
Other receivables	Sinopec Corp and its subsidiaries	-	422
Other receivables	Subsidiaries of the Company(Note a)	47,858	-
Other receivables	Associates of the Company	1,746	206
Other receivables	Jointly controlled enterprise of the Company	8,065	2,841
Prepayments	Sinopec Corp and its subsidiaries	142,410	121,444
Prepayments	Sinopec Corp and its subsidiaries	1,308	1,618
Bills payable	Sinopec Corp and its subsidiaries	770,000	610,000
Bills payable	Subsidiaries of the Company	-	242,057
Accounts payable	Sinopec Corp and its subsidiaries	1,763,869	2,435,090
Accounts payable	Sinopec Corp and its subsidiaries	4,098	24,485
Accounts payable	Subsidiaries of the Company	98,152	112,923
Accounts payable	Associates of the Company	179,894	129,635
Accounts payable	Jointly controlled enterprise of the Company	16,382	-
Other payables	Sinopec Corp and its subsidiaries	16,836	190,091
Other payables	Sinopec Corp and its subsidiaries	7,057	14,587
Other payables	Subsidiaries of the Company	701,985	649,865
Other payables	Associates of the Company	8	8

6. Related party relationships and transactions *(continued)*

(6) Balance with related parties *(continued)*

The Company *(continued)*

Expressed in thousands of renminbi yuan

Items	Related Parties	At 30 June 2010	At 31 December 2009
Advances from customers	Sinopec Corp and its subsidiaries	29,413	10,963
Advances from customers	Sinopec Corp and its subsidiaries	810	2,138
Advances from customers	Subsidiaries of the Company	2,740	5,215
Advances from customers	Associates of the Company	1,041	2,978
Dividends payable	Sinopec Corp	120,000	-
Short-term loans	Subsidiary of the ultimate parent company	160,000	40,000

- (a) For the period ended 30 June 2010, an accumulated bad debt provision for other receivables due from the Company's subsidiary Jin Yong, which amounted to RMB 408,800,000, was included in the above other receivables from subsidiaries (Six-month period ended 30 June 2009: RMB 383,550,000). The Company provided a full bad debt provision based on the reasons stated in Note 10 (4)(d).

7. Contingencies

(1) Contingent liabilities resulted from the guarantees provided to others and their financial impact

The Company

Expressed in thousands of renminbi yuan

Items	At 30 June 2010	At 31 December 2009
Guarantees issued to banks in favour of:		
- Subsidiaries	200,000	200,000
Total	200,000	200,000

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 can be reliably estimated. At 30 June 2010, 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.

7. Contingencies *(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. There is no further development of this matter during the period ended 30 June 2010. No provision has been made in the financial statements for this uncertainty for tax years prior to 2007 because management believes it cannot reliably estimate the amount of the obligation, if any, that might exist.

8. Commitments

(1) Significant commitments

(a) Capital commitments:

Expressed in thousands of renminbi yuan

Item	At 30 June 2010	At 31 December 2009
Contracted but not provided for	823,008	35,745
Authorised by the Board but not contracted for	6,609,344	7,754,320
Total	7,432,352	7,790,065

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 2010, the Group did not have material operating lease commitment.

9. Other important matters

(1) Segment reporting

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

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 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, investment income, non-operating income and non-operating expense.

Operating cost includes cost of sales, sales taxes and surcharges, selling expenses, general 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 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.
- (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.

9. Other important matters *(continued)*

(1) Segment reporting *(continued)*

(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.

(a) Segment results, assets and liabilities:

Expressed in thousands of renminbi yuan

	Six-month period ended 30 June	
	2010	2009
Operating income		
Synthetic fibres		
External sales	1,891,401	1,309,486
Inter-segment sales	56	39
Sub-total	1,891,457	1,309,525
Resins and plastics		
External sales	7,597,388	5,804,333
Inter-segment sales	44,053	26,784
Sub-total	7,641,441	5,831,117
Intermediate petrochemicals		
External sales*	7,936,403	2,347,290
Inter-segment sales	9,728,886	4,505,179
Sub-total	17,665,289	6,852,469
Petroleum products		
External sales*	15,142,333	9,651,287
Inter-segment sales	1,347,563	372,144
Sub-total	16,489,896	10,023,431
All others		
External sales*	3,583,905	2,092,284
Inter-segment sales	1,125,455	878,646
Sub-total	4,709,360	2,970,930
Eliminations of inter-segment sales	-12,246,013	-5,782,792
Total	36,151,430	21,204,680

* Among the revenue from the segments of intermediate petrochemicals, petroleum products and all others, one customer contributed 50% of the Group's operating income. (Six-month period ended 30 June 2009: 47%)

9. Other important matters *(continued)*

(1) Segment reporting *(continued)*

(a) Segment results, assets and liabilities: *(continued)*

Expressed in thousands of renminbi yuan

	Six-month period ended 30 June	
	2010	2009
Operating cost		
Synthetic fibres	1,577,030	1,283,547
Resins and plastics	7,515,963	4,852,710
Intermediate petrochemicals	7,675,604	1,979,687
Petroleum products	14,213,066	9,712,596
All others	3,551,276	2,072,035
Total	34,532,939	19,900,575
Operating profit		
Synthetic fibres	314,371	25,939
Resins and plastics	81,425	951,623
Intermediate petrochemicals	260,799	367,604
Petroleum products	929,267	-61,309
All others	32,629	20,248
Total segment profit	1,618,491	1,304,105
Financial expenses	-116,712	-204,807
Add: Gains/(losses) from changes in fair value	-	-10,372
Investment income	385,848	180,793
Operating profit	1,887,627	1,269,719
	At 30 June 2010	At 31 December 2009
Assets		
Synthetic fibres	1,525,606	1,548,519
Resins and plastics	1,526,658	1,729,735
Intermediate petrochemicals	6,878,136	7,091,910
Petroleum products	12,850,053	12,107,543
All others	2,056,339	2,096,675
Total segment assets	24,836,792	24,574,382
Long-term equity investments	3,285,273	2,969,646
Unallocated	2,052,173	2,914,294
Total assets	30,174,238	30,458,322

9. Other important matters *(continued)*

(1) Segment reporting *(continued)*

(a) Segment results, assets and liabilities: *(continued)*

Expressed in thousands of renminbi yuan

	At 30 June 2010	At 31 December 2009
Liabilities		
Synthetic fibres	217,900	262,766
Resins and plastics	945,050	1,139,638
Intermediate petrochemicals	648,277	781,758
Petroleum products	2,920,099	3,644,145
All others	381,319	459,833
Total segment liabilities	5,112,645	6,288,140
Short-term loans	6,183,995	6,700,398
short-term debentures payable	1,000,000	1,000,000
Current portion of non-current liabilities	78,533	74,275
Long-term loans	300,000	304,258
Unallocated	634,007	450,893
Total liabilities	13,309,180	14,817,964
	Six-month period ended 30 June	
	2010	2009
Depreciation and amortisation of intangible assets		
Synthetic fibres	112,586	109,393
Resins and plastics	169,247	168,729
Intermediate petrochemicals	303,444	264,404
Petroleum products	183,153	168,321
All others	88,163	79,893
Total segment depreciation and amortisation of intangible assets	856,593	790,740
Unallocated	6,629	6,630
Total Depreciation and amortisation of intangible assets	863,222	797,370

9. Other important matters *(continued)*

(1) Segment reporting *(continued)*

(a) Segment results, assets and liabilities: *(continued)*

Expressed in thousands of renminbi yuan

	At 30 June 2010	At 31 December 2009
Total capital expenditures for segment long-lived assets		
Synthetic fibres	17,688	16,015
Resins and plastics	1,941	5,462
Intermediate petrochemicals	98,283	977,855
Petroleum products	142,908	45,833
All others	18,126	31,478
Total	278,946	1,076,643

(b) Geographic information

In view of the fact that the Company and its subsidiaries operate mainly in the PRC, no geographical segment information is presented.

(2) Financial Risk Management

Overview

The Group 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.

9. Other important matters *(continued)*

(2) Financial Risk Management *(continued)*

(a) 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 majority of the Group's accounts receivable 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 accounts receivable. The Group maintains an impairment loss for doubtful accounts and actual losses have been within management's expectations.

The carrying amount of accounts receivable, bills receivable, other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

(b) 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.

At 30 June 2010, Group's current liabilities exceeded its current assets by RMB 3,065,457,000. In 2010, 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 2010, the Group has standby credit facilities with several PRC financial institutions which provide the Group to borrow up to RMB 15,890,900,000 (At 31 December 2009: RMB 9,100,000,000) on an unsecured basis. At 30 June 2010, the Group's outstanding borrowings under these facilities were RMB 5,488,262,000 (At 31 December 2009: RMB 4,458,044,000) and were included in short-term loans.

Management has carried out a detailed review of the cash flow forecast of the Group for the twelve month ended 30 June 2010. Based on such forecast, 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. In preparing the cash flow forecast, 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. Management is of the opinion that the assumptions used in the cash flow forecast are reasonable.

9. Other important matters *(continued)*

(2) Financial Risk Management *(continued)*

(b) Liquidity risk *(continued)*

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

Expressed in thousands of renminbi yuan

Item	At 30 June 2010				Carrying amount
	Total contractual undiscounted cash flow				
	Within one year or real-time repayment	More than one year but less than two years	More than two years but less than five years	Total	
Short-term loans	-6,271,134	-	-	-6,271,134	6,183,995
Short-term debentures payable	-1,032,700	-	-	-1,032,700	1,000,000
Long-term loans due within one year	-78,533	-	-	-78,533	78,533
Long-term loans	-15,471	-115,471	-220,736	-351,678	300,000
Total	-7,397,838	-115,471	-220,736	-7,734,045	7,562,528

Expressed in thousands of renminbi yuan

Item	At 31 December 2009				Carrying amount
	Total contractual undiscounted cash flow				
	Within one year or real-time repayment	More than one year but less than two years	More than two years but less than five years	Total	
Short-term loans	-6,789,420	-	-	-6,789,420	6,700,398
Short-term debentures payable	-1,020,500	-	-	-1,020,500	1,000,000
Long-term loans due within one year	-74,275	-	-	-74,275	74,275
Long-term loans	-15,471	-119,729	-220,736	-355,936	304,258
Total	-7,899,666	-119,729	-220,736	-8,240,131	8,078,931

9. Other important matters *(continued)*

(2) Financial Risk Management *(continued)*

(c) Market risk

(i) 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.

Other than the amounts as disclosed in Note 5(1), the amounts of other financial assets and liabilities of the Group are substantially denominated in the functional currency of respective entity of the Group.

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

Expressed in thousands of USD

Items	At 30 June 2010	At 31 December 2009
United States Dollars	782,271	886,007

The analysis on the major applicable foreign exchange rates is as follows:

Item	Weighted average exchange rate		Middle exchange rate at the balance sheet date	
	At 30 June 2010	At 31 December 2009	At 30 June 2010	At 31 December 2009
USD	6.8314	7.0696	6.8282	6.8346

A 5 percent strengthening / decreasing of USD against Renminbi at 30 June would have decreased / increased net profit for the period and retained earnings of the Group by approximately RMB 199,212,000 (At 31 December 2009: RMB 226,869,000). 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 2009.

9. Other important matters *(continued)*

(2) Financial Risk Management *(continued)*

(c) Market risk *(continued)*

(ii) 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 5(18), (28) and (29).

As at 30 June 2010, it is estimated that a general increase / decrease of 100 basis points in interest rates, with all other variables held constant, would decrease / increase the Group's net profit for the period and retained earnings by approximately RMB 39,170,000 (At 31 December 2009: RMB 43,444,000). 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 2009.

(d) 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 loans and debentures payable, including short-term loans, short-term debentures payable, non-current liabilities due within one year and long-term loans by the total of equity attributable to equity shareholders of the Company, 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 30 June 2010, the debt-to-equity ratio and the liability-to-asset ratio of the Group were 45.48% (At 31 December 2009: 52.64%) and 44.11% (At 31 December 2009: 48.65%) respectively.

The schedule of the contractual maturities of loans and commitments are disclosed in Note 5(18), (28), (29) and Note 8, respectively.

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

9. Other important matters *(continued)*

(2) Financial Risk Management *(continued)*

(e) Fair value

The following table presents the carrying amounts and fair values of the Group's long term bank loans at 30 June 2010 and 31 December 2009.

Expressed in thousands of renminbi yuan

Item	At 30 June 2010		At 31 December 2009	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Liabilities				
Long term bank loans	300,000	300,437	378,533	375,233

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 5.31% to 5.94% (At 31 December 2009: 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 at bank and on hand, accounts receivable, bills receivable, prepayments, other receivables, accounts payable, advances from customers and other payables are not materially different from their carrying amounts.

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

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

9. Other important matters *(continued)*

(3) Assets calculated at fair value

Expressed in thousands of renminbi yuan

Items	Balance at 1 January 2010	Disposal	Balance at 30 June 2010
Financial assets			
1.Available-for-sale financial assets	700,000	-700,000	-
-other current assets			
Total	700,000	-700,000	-

10. Notes to major items of the Company's financial statements

(1) Cash at bank and on hand

Expressed in thousands of RMB/USD/HKD/CHF

Items	At 30 June 2010			At 31 December 2009		
	Original currency	Exchange rate	RMB/RMB equivalents	Original currency	Exchange rate	RMB/RMB equivalents
Cash on hand:						
Renminbi	—	—	60	—	—	57
Deposits with banks:						
Renminbi	—	—	251,486	—	—	87,910
USD	21	6.7909	145	34	6.8282	229
Other monetary funds:(Note)						
HKD	13,665	0.8724	11,921	13,674	0.8805	12,040
CHF	129	6.2736	807	127	6.5938	840
Total	—	—	264,419	—	—	101,076

Note: Other monetary funds represent deposit in credit cards.

10. Notes to major items of the Company's financial statements *(continued)*

(2) Bills receivable

(a) Bills receivable by category:

Expressed in thousands of renminbi yuan

Items	At 30 June 2010	At 31 December 2009
Bank acceptance bills	706,723	528,739
Commercial acceptance bills	10,000	14,000
Total	716,723	542,739

All of the above bills held are due within six months. No bills receivables, included in the above, were pledged or transferred to accounts receivable due to non-performance of the issuers in the six-month period ended 30 June 2010.

Except for the balances disclosed in Note 6, no amount due from major shareholders who hold 5% or more of the voting rights of the Company is included in the balance of bills receivable.

At 30 June 2010, the Company's discounted Bank bills (with recourse) amounted to RMB 786,619,000. (At 31 December 2009: RMB 503,748,000).

At 30 June 2010, the Company's discounted commercial bills amounted to RMB nil. (At 31 December 2009: RMB nil).

(3) Accounts receivable

(a) Accounts receivable by category:

Expressed in thousands of renminbi yuan

Items	Note	At 30 June 2010				At 31 December 2009			
		Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
		Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant	(e)	530,977	89.44	-	-	387,079	87.53	-	-
Individually insignificant but with a material portfolio credit risk	(b)	8,592	1.45	8,563	99.66	9,565	2.16	9,530	99.63
Other immaterial item		54,106	9.11	-	-	45,572	10.31	-	-
Total		593,675	100.00	8,563	—	442,216	100.00	9,530	—

10. Notes to major items of the Company's financial statements *(continued)*

(3) Accounts receivable *(continued)*

(b) The ageing of accounts receivable is analysed as follows:

Expressed in thousands of renminbi yuan

Ageing	At 30 June 2010			At 31 December 2009		
	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision
	Amount	Percentage(%)		Amount	Percentage(%)	
Within one year	585,083	98.55	-	432,651	97.84	-
Between one and two years	33	0.01	9	37	0.01	4
Between two and three years	13	0.00	8	5	0.00	3
Over three years	8,546	1.44	8,546	9,523	2.15	9,523
Total	593,675	100.00	8,563	442,216	100.00	9,530

The ageing is counted starting from the date accounts receivable are recognised.

(c) Individually insignificant but with a material portfolio credit risk:

Expressed in thousands of renminbi yuan

Ageing	At 30 June 2010			At 31 December 2009		
	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision
	Amount	Percentage(%)		Amount	Percentage(%)	
Within one year	-	-	-	-	-	-
Between one and two years	33	0.38	9	37	0.39	4
Between two and three years	13	0.15	8	5	0.05	3
Over three years	8,546	99.47	8,546	9,523	99.56	9,523
Total	8,592	100.00	8,563	9,565	100.00	9,530

The ageing is counted starting from the date accounts receivable are recognised.

(d) During the period, the Company had no individually significant accounts receivable fully or substantially provided for; 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 2010, the Company had no individually significant accounts receivable that aged over three years.

10. Notes to major items of the Company's financial statements *(continued)*

(3) Accounts receivable *(continued)*

(e) Accounts receivable due from the five largest debtors of the Company are as follows:

Expressed in thousands of renminbi yuan

Company's name	Relation with the Company	Amount	Ageing	Percentage of total accounts receivable
1. Sinopec Huadong Sales Company	Subsidiary of the parent company	389,360	Within one year	65.58
2. Sinopec Yizheng Chemical Fibre Company Limited	Subsidiary of the parent company	51,049	Within one year	8.60
3. Shanghai Secco Petrochemical Company Limited	Associate company	48,263	Within one year	8.13
4. Shanghai Petrochemical Yali Industry Development Co., Ltd	Third Party	24,774	Within one year	4.17
5. Bayer Material Science (China) Company Ltd.	Third Party	17,531	Within one year	2.95
Total		530,977		89.43

Except for the balances disclosed in Note 6, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of accounts receivable.

(f) At 30 June 2010, the total amount of accounts receivable due from related parties of the Company is RMB 528,059,000 (At 31 December 2009: 385,199,000), represents 88.95% (At 31 December 2009: 87.11%). Details of accounts receivable from related parties are set forth in Note 6(6).

(4) Other receivables

(a) Other receivables by category:

Expressed in thousands of renminbi yuan

Items	Note	At 30 June 2010				At 31 December 2009			
		Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
		Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
- Individually significant	(e)	473,745	97.15	408,800	86.29	422,341	96.82	383,550	90.82
- Individually insignificant but with a material portfolio credit risk	(c)	10,897	2.23	2,368	21.73	4,852	1.11	3,385	69.77
- Other immaterial item		3,007	0.62	-	-	9,012	2.07	-	-
Total		487,649	100.00	411,168	—	436,205	100.00	386,935	—

10. Notes to major items of the Company's financial statements *(continued)*

(4) Other receivables *(continued)*

(b) The ageing of other receivables is analysed as follows:

Expressed in thousands of renminbi yuan

Ageing	At 30 June 2010			At 31 December 2009		
	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision
	Amount	Percentage(%)		Amount	Percentage(%)	
Within one year	197,997	40.61	126,100	148,653	34.08	100,850
Between one and two years	262,864	53.90	260,641	263,365	60.38	262,896
Between two and three years	23,459	4.81	22,075	20,022	4.59	20,000
Over three years	3,329	0.68	2,352	4,165	0.95	3,189
Total	487,649	100.00	411,168	436,205	100.00	386,935

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

(c) Individually insignificant but with a material portfolio credit risk:

Expressed in thousands of renminbi yuan

Ageing	At 30 June 2010			At 31 December 2009		
	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision
	Amount	Percentage(%)		Amount	Percentage(%)	
Within one year	-	-	-	-	-	-
Between one and two years	7,013	64.36	14	665	13.71	196
Between two and three years	555	5.09	2	22	0.45	-
Over three years	3,329	30.55	2,352	4,165	85.84	3,189
Total	10,897	100.00	2,368	4,852	100.00	3,385

The ageing is counted starting from the date accounts receivable is recognised.

(d) For the period ended 30 June 2010, the Company made a full bad debt provision of RMB 408,800,000 for the other receivables due from its subsidiary, Jin Yong (At 31 December 2009: RMB 383,550,000). Jin Yong has suspended its operations since August 2008. The Company has made an estimate on recoverability of the other receivables due from Jin Yong and has made a full provision.

The Company had no individually significant write off or write back of bad debts which had been fully or substantially provided for in prior years. At 30 June 2010, the Company had no individually significant other receivables that aged over three years.

10. Notes to major items of the Company's financial statements *(continued)*

(4) Other receivables *(continued)*

(e) Other receivables due from the five largest debtors of the Company are as follows:

Expressed in thousands of renminbi yuan

Company's name	Relation with the Company	Amount	Ageing	Percentage of total accounts receivable
1. Zhe Jiang Jin Yong Acrylic Fibre Company Ltd	Subsidiary	408,800	Within three year	83.83
2. Shanghai Golden Conti Petrochemical Company Ltd	Subsidiary	47,858	Within one year	9.81
3. BOC-SPC Gases Company Ltd	Jointly controlled enterprise	8,065	Within one year	1.65
4. Shanghai Jinshan Petrochemical Logistics Company Ltd	Third Party	7,484	Within one year	1.54
5. Shanghai Bozhan Industry Company Ltd	Third Party	1,538	Within one year	0.32
Total		473,745		97.15

(f) Except for the balances disclosed in Note 6, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of other receivables.

(g) As at 30 June 2010, the total other receivables due from related parties of the company is RMB 466,834,000 (2009: RMB 390,157,000), represents 95.73%(2009: 89.44%) of total other receivables. Details of other receivables of related parties are set forth in Note 6(6).

(5) Inventories

(a) Inventories by category:

Expressed in thousands of renminbi yuan

Items	At 30 June 2010			At 31 December 2009		
	Cost	Provision for diminution in value	Carrying amount	Cost	Provision for diminution in value	Carrying amount
Raw materials	4,164,791	-	4,164,791	4,100,888	16,739	4,084,149
Work in progress	1,867,803	-	1,867,803	1,325,669	-	1,325,669
Finished goods	562,264	25,502	536,762	684,383	32,983	651,400
Spare parts and consumables	654,428	111,651	542,777	658,883	61,651	597,232
Total	7,249,286	137,153	7,112,133	6,769,823	111,373	6,658,450

All the above inventories are purchased or self-manufactured.

10. Notes to major items of the Company's financial statements *(continued)*

(5) Inventories *(continued)*

(b) Provision for diminution in value of inventories:

Expressed in thousands of renminbi yuan

Items	At 1 January 2010	Provision for the period	Decrease during the period	At 30 June 2010
			Write-off	
Raw materials	16,739	-	16,739	-
Finished goods	32,983	-	7,481	25,502
Spare parts and consumables	61,651	50,000	-	111,651
Total	111,373	50,000	24,220	137,153

(6) Other current assets

Expressed in thousands of renminbi yuan

Items	Note	At 30 June 2010	At 31 December 2009
Available-for-sale financial assets	(a)	-	700,000
Others		22,308	-
Total		22,308	700,000

(a) The Company purchased an investment fund from a PRC state-owned bank with a carrying amount of RMB 700,000,000. The financial product mainly invested in debt and equity securities and was redeemed in January 2010.

10. Notes to major items of the Company's financial statements *(continued)*

(7) Long-term equity investments

(a) Long-term equity investments by category:

Expressed in thousands of renminbi yuan

	Interests in associates	Interests in jointly controlled enterprises	Interests in subsidiaries	Total before provision	Provision for impairment losses note(i)	Total
Balance at 1 January 2010	2,571,069	109,015	1,582,788	4,262,872	-227,500	4,035,372
Share of profits from investments accounted for under equity method	359,731	17,676	-	377,407	-	377,407
Cash dividends received	-38,926	-20,000	-	-58,926	-	-58,926
Disposals during the period	-	-	-	-	-	-
Balance at 30 June 2010	2,891,874	106,691	1,582,788	4,581,353	-227,500	4,353,853

(i) For the period ended 30 June 2010, the Company made an impairment loss provision of RMB 227,500,000 for the long-term equity investment in its subsidiary, Jin Yong (2009: RMB 227,500,000). The Company provided a full provision for impairment loss based on the reasons disclosed in Note 10(4(4)).

(b) The Company's major jointly controlled enterprise and associates

For the information of the Company's major jointly controlled enterprises and associates, see note 5(10)(b).

(8) Investment property

Expressed in thousands of renminbi yuan

Items	At 1 January 2010	Additions	Disposals	At 30 June 2010
1, Cost:	615,334	-	-	615,334
2, Accumulated Depreciation	75,852	7,462	-	83,314
3, Net book value	539,482			532,020
4, provision for impairment	-	-	-	-
5, Net book value	539,482			532,020

The investment property of the Company are all buildings.

Depreciation charged for the period for investment property amounted to RMB7,462,000 (Six-month period ended 30 June 2009: RMB 7,462,000).

10. Notes to major items of the Company's financial statements *(continued)*

(9) Fixed assets

(a) Fixed assets:

Expressed in thousands of renminbi yuan

Items	Balance at 1 January	Additions	Disposals	Balance at 30 June
1, Original cost:	35,892,165	231,706	-98,108	36,025,763
-Buildings	4,822,343	278	-2,450	4,820,171
-Plant and machinery	24,443,698	177,161	-56,459	24,564,400
-Vehicles and other equipment	6,626,124	54,267	-39,199	6,641,192
2, Accumulated depreciation:	21,010,600	824,502	-77,487	21,757,615
-Buildings	3,177,322	65,211	-2,113	3,240,420
-Plant and machinery	13,365,374	623,874	-38,487	13,950,761
-Vehicles and other equipment	4,467,904	135,417	-36,887	4,566,434
3, Net book value:	14,881,565			14,268,148
-Buildings	1,645,021			1,579,751
-Plant and machinery	11,078,324			10,613,639
-Vehicles and other equipment	2,158,220			2,074,758
4, Provision for impairment losses:	340,446	-	-16,842	323,604
-Buildings	51,462	-	-233	51,229
-Plant and machinery	280,031	-	-15,606	264,425
-Vehicles and other equipment	8,953	-	-1,003	7,950
5, Carrying amount:	14,541,119			13,944,544
-Buildings	1,593,559			1,528,522
-Plant and machinery	10,798,293			10,349,214
-Vehicles and other equipment	2,149,267			2,066,808

Depreciation charged for the period amounted to RMB 824,502,000 (Six-month period ended 30 June 2009: RMB 723,379,000).

Construction in progress amounting to RMB 179,649,000 (Six-month period ended 30 June 2009: RMB 397,635,000) were transferred to fixed assets during the period.

(b) At 30 June 2010 and 31 December 2009, the Company had no pledged fixed assets.

10. Notes to major items of the Company's financial statements *(continued)*

(10) Construction in progress

Expressed in thousands of renminbi yuan

Project	At 30 June 2010		
	Original Cost	Provision for impairment	Carrying amount
1,500ton/year PAN-based Carbon Fibre Project	18,338	-	18,338
Energy saving and Upgrading Reconstruction on 2# Oxidation Unit	39,924	-	39,924
Construction of PAN-based Carbon Fibre Performance Evaluation Laboratory	11,458	-	11,458
Technology Reconstruction on 1# Glycol Unit	11,760	-	11,760
Numerous small projects of Synthetic Fibres segment	44,293	-	44,293
Numerous small projects of Resins and Plastics segment	4,002	-	4,002
Numerous small projects of Intermediate Petrochemicals segment	51,835	-	51,835
Numerous small projects of Petroleum Products segment	29,305	-	29,305
Numerous small projects of all others	85,898	-	85,898
Total	296,813	-	296,813

Expressed in thousands of renminbi yuan

Project	At 31 December 2009		
	Original Cost	Provision for impairment	Carrying amount
Shanghai Petrochemical Gas Utilization Project	63,048	-	63,048
Energy saving and Upgrading Reconstruction on 2# Oxidation Unit	14,417	-	14,417
Construction of PAN-based Carbon Fibre Performance Evaluation Laboratory	11,327	-	11,327
Numerous small projects of Synthetic Fibres segment	54,406	-	54,406
Numerous small projects of Resins and Plastics segment	22,345	-	22,345
Numerous small projects of Intermediate Petrochemicals segment	65,466	-	65,466
Numerous small projects of Petroleum Products segment	38,536	-	38,536
Numerous small projects of all others	84,092	-	84,092
Total	353,637	-	353,637

10. Notes to major items of the Company's financial statements *(continued)*

(11) Intangible assets

Expressed in thousands of renminbi yuan

Items	At 1 January 2010	Additions	Disposals	At 30 June 2010
1. Cost	650,642	-	-	650,642
2. Accumulated amortisation	205,192	6,516	-	211,708
3. Net book value	445,450			438,934

The intangible assets of the Company are all land use rights.

Amortisation charged for the period amounted to RMB6,516,000 (Six-month period ended 30 June 2009: RMB 6,518,000).

(12) Long-term deferred expenses

Long-term deferred expenses primarily represent catalysts expenditures with useful life over one year.

(13) Deferred tax assets

(a) Deferred tax assets and liabilities after offsetting each other are as follows:

Expressed in thousands of renminbi yuan

Items	At 30 June 2010		At 31 December 2009	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets:				
Provision for bad debt and inventories	148,084	37,021	124,288	31,072
Impairment losses on fixed assets	323,604	80,901	340,448	85,112
Contribution by fixed assets and sales of assets to a jointly controlled enterprise	38,528	9,632	40,280	10,070
Deductible tax losses	4,061,804	1,015,451	5,607,912	1,401,978
Other deferred tax assets	27,437	6,859	27,437	6,859
Capitalisation of borrowing cost	-99,535	-24,885	-105,288	-26,322
Total	4,499,922	1,124,979	6,035,077	1,508,769

10. Notes to major items of the Company's financial statements *(continued)*

(13) Deferred tax assets *(continued)*

(b) Movements of deferred tax assets are as follows:

Expressed in thousands of renminbi yuan

Items	At 1 January 2010	Increase/ decrease during the period recognized in profit or loss	Increase/ decrease during the period recognized in equity	At 30 June 2010
Deferred tax assets:				
Provision for bad debt and inventories	31,072	5,949	-	37,021
Impairment losses on fixed assets	85,112	-4,211	-	80,901
Contribution by fixed assets and sales of assets to a jointly controlled enterprise	10,070	-438	-	9,632
Deductible tax losses	1,401,978	-386,527	-	1,015,451
Other deferred tax assets	6,859	-	-	6,859
Capitalisation of borrowing cost	-26,322	1,437	-	-24,885
Total	1,508,769	-383,790	-	1,124,979

(c) Particulars about the offset of deferred tax assets and liabilities:

Expressed in thousands of renminbi yuan

Item	Offsetting amount
Deferred tax assets	-24,885
Deferred tax liabilities	24,885

(d) Deferred tax assets not recognised:

Expressed in thousands of renminbi yuan

Items	Note	At 30 June 2010	At 31 December 2009
Impairment losses for long-term equity investment	(i)	227,500	227,500

(i) As stated Note 10 (7)(a)(i), the Company has made full provision for the long-term equity investment in Zhejiang Jin Yong Acrylic Fibre Co., Ltd. As it is not probable that future taxable income against which the losses can be utilised, the Company has not recognised deferred tax assets in respect of impairment loss on long-term investment of RMB 227,500,000 (At 31 December 2009: RMB 227,500,000).

10. Notes to major items of the Company's financial statements *(continued)*

(14) Movement of provision for impairment

Expressed in thousands of renminbi yuan

Items	Note	At 1 January 2010	Additions	Disposals		At 30 June 2010
				Reversal	Write-off	
1, Receivables	10(3),(4)	396,465	23,266	-	-	419,731
2, Inventories	10(5)	111,373	50,000	-	-24,220	137,153
3, Long-term equity investments	10(7)	227,500	-	-	-	227,500
4, Fixed assets	10(9)	340,446	-	-	-16,842	323,604
Total		1,075,784	73,266	-	-41,062	1,107,988

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

(15) Short-term loans

(a) Short-term loans by category:

Expressed in thousands of renminbi yuan

Items	At 30 June 2010	At 31 December 2009
Credit loans		
- Bank loans	5,727,595	6,384,998
- Loans from related party	160,000	40,000
Total	5,887,595	6,424,998

At 30 June 2010, the weighted average interest rate of the Company's short-term loans is 2.60% (At 31 December 2009: 3.16%).

(b) At 30 June 2010 and 31 December 2009, the Company had no overdue short-term loans.

(16) Bills payable

Expressed in thousands of renminbi yuan

Items	At 30 June 2010	At 31 December 2009
Commercial acceptance bills	-	146,048
Bank acceptance bills	776,218	732,057
Total	776,218	878,105

The above bills are due within one year.

10. Notes to major items of the Company's financial statements *(continued)*

(17) Taxes payable

Expressed in thousands of renminbi yuan

Items	At 30 June 2010	At 31 December 2009
Value added tax	28,428	117,443
Business tax	603	2,328
Consumption tax	360,805	439,973
Education surcharge	11,693	16,755
City maintenance and construction tax	27,263	39,096
Others	10,863	12,369
Total	439,655	627,964

(18) Dividends Payable

Expressed in thousands of renminbi yuan

Company's name	At 30 June 2010	At 31 December 2009	Reasons for unpaid for over one year
Sinopec Corp	120,000	-	—
Others	109,938	-	—
Total	229,938	-	—

(19) Long-term loans

Expressed in thousands of renminbi yuan

Item	At 30 June 2010	At 31 December 2009
Credit loans	345,000	345,000

10. Notes to major items of the Company's financial statements *(continued)*

(20) Capital reserve

The capital reserve of the Company is analysed as follows:

Expressed in thousands of renminbi yuan

Items	Note	At 1 January 2010	Additions	Disposals	At 30 June 2010
Share premium		2,420,841	-	-	2,420,841
Government grants	(i)	412,370	-	-	412,370
Others		49,067	-	-	49,067
Total		2,882,278	-	-	2,882,278

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

(21) Operating income, operating costs

(a) Operating income, operating costs:

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
Operating income from principal activities	31,737,974	18,252,312
Other operating income	177,336	186,466
Subtotal	31,915,310	18,438,778
Operating costs	26,674,152	14,152,342

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

(b) The Company mainly operates in the petrochemical industry.

10. Notes to major items of the Company's financial statements *(continued)*

(21) Operating income, operating costs *(continued)*

(c) Revenue from sales to the top five customers for 2010 is set out as follows:

Expressed in thousands of renminbi yuan

Customer	Operating income	Percentage of total operating income(%)
1. Sinopec Huadong Sales Company	13,030,243	40.83%
2. China Petroleum & Chemical Corporation	1,993,343	6.25%
3. China Jinshan Associated Trading Corporation	952,079	2.98%
4. Sinopec Yizheng Chemical Fibre Company Limited	523,330	1.64%
5. Oriental Petrochemical (Shanghai) Corporation	421,383	1.32%
Total	16,920,378	53.02%

(22) Business taxes and surcharges

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June		Tax base
	2010	2009	
Consumption tax	2,107,283	1,858,549	In accordance with the relevant tax regulation, with effect from 1 January 2009, consumption tax rate for sale of gasoline and diesel oil have been adjusted to RMB1,388 per ton and 940.8 per ton respectively.
Business tax	1,843	2,123	5% of income entitled to business tax
City maintenance and construction tax	237,995	161,114	7% of VAT and business tax
Education surcharge and others	101,998	69,049	3% of VAT and business tax
Total	2,449,119	2,090,835	

(23) Financial expenses

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
Interest expenses from loans and payables	136,005	218,464
Less: borrowing costs capitalised	-811	-23,491
Interest income from deposits and receivables	-12,870	-7,470
Net foreign exchange loss/(gain)	-20,818	1,655
Others	5,279	5,824
Total	106,785	194,982

10. Notes to major items of the Company's financial statements *(continued)*

(24) Provision/(reversal) of impairment loss

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	At 30 June 2010	At 31 December 2009
Receivables	23,266	-
Inventories	50,000	-11,609
Total	73,266	-11,609

(25) Investment income

(a) Investment income by category:

Expressed in thousands of renminbi yuan

Items	Note	Six-month period ended 30 June	
		2010	2009
Long-term equity investments income accounted for under the cost method	(2)	7,406	-
Long-term equity investments income accounted for under the equity method		377,407	38,506
Gain on disposal of available-for-sale financial assets	10(29)	215	39,723
Total		385,028	78,229

(b) Among long-term equity investment income accounted for under equity method for more than 5% of operating profit or less than 5% but top three investment income is as follows:

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
Shanghai Secco Petrochemical Company Limited	326,463	24,265
Shanghai Chemical Industrial Park Development Company Limited	33,483	5,797
BOC-SPC Gases Co., Ltd	17,461	8,444
Total	377,407	38,506

10. Notes to major items of the Company's financial statements *(continued)*

(26) Non-operating income

(a) Non-operating income by category:

Expressed in thousands of renminbi yuan

Items	Note	Six-month period ended 30 June	
		2010	2009
Gain on disposal of non-current assets		785	92,538
Include: Net gain on disposal of fixed assets		785	736
Net gain on disposal of intangible assets		-	91,802
Government grants	5(42(b))	5,000	5,000
Penalty income		2,081	21
Others		5,078	960
Total		12,944	98,519

(27) Non-operating expense

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
Loss on disposal of fixed assets	3,650	1,985
Others	12,142	12,368
Total	15,792	14,353

(28) Income tax expenses

Expressed in thousands of renminbi yuan

Items	Note	Six-month period ended 30 June	
		2010	2009
Tax expenses for the period, calculated in accordance with tax laws and related regulations		-	-
Deferred taxation	(a)	383,790	287,200
Total		383,790	287,200

10. Notes to major items of the Company's financial statements *(continued)*

(28) Income tax expenses *(continued)*

(a) Reconciliation between income tax expenses and accounting profits is as follows:

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
Profits before taxation	1,883,448	1,170,287
Expected income tax expense at a rate of 25% (2009: 25%)	470,862	292,572
Add: Tax effect of non-deductible expenses	7,505	4,480
Tax effect of non-taxable income	-225	-225
Tax effect of share of profits recognised under the equity method	-94,352	-9,627
Income tax expenses	383,790	287,200

(29) Other comprehensive income

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
Unrealisable income of available-for-sale financial assets	215	92,636
Reclassification adjustment for amounts transferred to profit or loss on disposal of available-for-sale financial assets	-215	-39,723
Tax effect of other comprehensive income	-	-13,228
Total	-	39,685

10. Notes to major items of the Company's financial statements *(continued)*

(30) Supplemental information to the cash flow statements

(a) Supplemental information to cash flow statements:

Expressed in thousands of renminbi yuan

Supplemental information	Six-month period ended 30 June	
	2010	2009
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,499,658	883,087
Add: Provision / (reversal) of impairment losses	73,266	-11,609
Depreciation of investment property	7,462	7,462
Depreciation of fixed assets	824,502	723,379
Amortisation of intangible assets	6,516	6,518
Losses / (gains) on disposal of fixed assets, intangible assets and other long-term assets	2,865	-90,553
(Gains) / losses on changes in fair value	-	10,372
Financial expenses	101,506	189,158
Investment income	-385,028	-78,229
Decrease in deferred tax assets	383,790	287,200
(Increase) / decrease in inventories	-503,683	196,996
Increase in operating receivables	-367,497	-836,044
(Decrease) / increase in operating payables	-1,208,043	1,496,469
Specific reserve	5,473	-
Net cash inflows from operating activities	440,787	2,784,206
2. Net change in cash and cash equivalents:		
Cash balance at the end of the period	264,419	308,750
Less: cash balance at the beginning of the period	101,076	294,786
Net increase in cash and cash equivalents	163,343	13,964

(b) Cash and cash equivalents held by the Company are as follows:

Expressed in thousands of renminbi yuan

Items	Six-month period ended 30 June	
	2010	2009
1. Cash		
- Cash on hand	60	60
- Bank deposits available on demand	251,631	295,876
- Other monetary fund available on demand	12,728	12,814
2. Closing balance of cash and cash equivalents available on demand	264,419	308,750

Supplements

(1) Non-recurring items for the six-month period ended 30 June 2010 is as follows:

Expressed in thousands of renminbi yuan

Non-recurring items	Amount	Note
Net loss on the disposal of non-current assets	-3,893	Net loss on the disposal of fixed assets, intangible assets and long-term investment
Employee reduction expenses	-1,123	Employment reduction fees incurred according to the reduction plan, varying from year to year.
Government grants recorded in profit or loss (except for government grants under the State's unified standards or quota and amount entitlements and closely related to corporate business)	5,000	Government grants on energy-saving projects, etc.
Investment income on the disposal of available-for-sale financial assets	215	Gain on the disposal of financial assets available-for-sale
Gains from entrusted loans	1,005	Interest income from entrusted loans
Net expenses of non-operating income/(expense) other than those mentioned above	-6,208	Environment protection fees, etc.
Tax effect for the above items	1,251	
Effect attributable to minority interests (after tax)	-129	
Total	-3,882	

Note: The non-recurring items are presented in the amount before tax.

(2) Differences between financial report prepared under the China Accounting Standards for Business Enterprises ("CAS") and International Financial Reporting Standards ("IFRS")

(a) The differences in the net profit and net assets of the consolidated financial report prepared under the CAS and the IFRS:

Expressed in thousands of renminbi yuan

	Note	Net profit attributable to the shareholders of the Company		Net assets attributable to equity shareholders of the Company	
		Six-month period ended 30 June			
		2010	2009	2010	2009
Under CAS		1,493,930	987,236	16,629,476	15,346,073
Adjustment for the IFRS:					
Government grants	(i)	13,380	13,380	-196,259	-209,639
Revaluation of land use rights	(ii)	1,749	1,749	-158,509	-160,258
Others		6,429	-	6,429	-
Effects of the above adjustments on the deferred tax		-437	-437	28,405	28,842
Under IFRS		1,515,051	1,001,928	16,309,542	15,005,018

Supplements *(continued)*

(2) Differences between financial report prepared under the China Accounting Standards for Business Enterprises (“CAS”) and International Financial Reporting Standards (“IFRS”)

(continued)

(1) The differences in the net profit and net assets of the consolidated financial report prepared under the CAS and the IFRS
(continued)

(i) Government grants

Under CAS, government subsidies, which are required to be dealt with in “capital reserves” according to relevant directive issued by the PRC government, are treated as capital contributions.

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 CAS, 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.

(3) Return on net asset and earnings per share

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” (2010 Revised) issued by China Security Regulation Committee, earning per share and return on net assets are calculated as follows:

Expressed in thousands of renminbi yuan

Net profit during the period	Weighted average return on net assets (%)	Earnings per share	
		Basic (RMB)	Diluted (RMB)
Net profit attributable to equity shareholders of the Company (RMB'000)	9.344	0.207	0.207
Net profit attributable to equity shareholders of the Company excluding non-recurring items	9.368	0.208	0.208

Written Confirmation Issued by Directors, Supervisors and Senior Management

Pursuant to the requirements of No.68 of the PRC 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 2010 interim report, are in the opinion that: the Company was in strict compliance with the financial system operation of listed companies and the 2010 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 2010 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



Wu Haijun



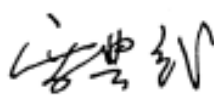
Li Honggen



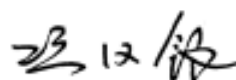
Shi wei



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

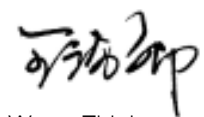


Liu Xiangdong

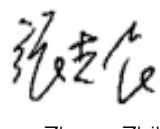


Yin Yongli

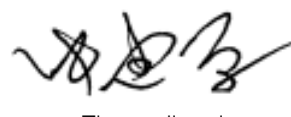
Senior Management:



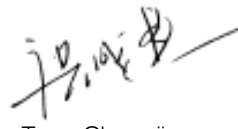
Wang Zhiqing



Zhang Zhiliang



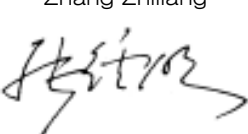
Zhang Jianping



Tang Chengjian



Ye Guohua



Zhang Jingming

Corporate information

(1) Company Information

Legal Chinese Name of the Company: 中國石化上海石油化工股份有限公司
Abbreviation for Legal Chinese Name of the Company: 上海石化
Legal English Name of the Company : Sinopec Shanghai Petrochemical Company Limited
Abbreviation for Legal English Name of the Company: SPC
Legal Representative of the Company: Rong Guangdao

(2) Contact Persons and Contact Methods

	Secretary to the Board	Securities Representative
Name:	Zhang Jingming	Tang Weizhong
Address:	48 Jinyi Road, Jinshan District Shanghai, PRC	Suite B, 28/F, Huamin Empire Plaza, 728 West Yan'an Road, Shanghai, PRC
Postal Code:	200540	200050
Tel:	8621-57943143/52377880	8621-52377880
Fax:	8621-57940050/52375091	8621-52375091
E-mail:	spc@spc.com.cn	tom@spc.com.cn

(3) Basic Information

Registered address: 48 Jinyi Road, Jinshan District, Shanghai, PRC
Postal Code: 200540
Business address: 48 Jinyi Road, Jinshan District, Shanghai, PRC
Postal Code: 200540
Website of the Company: www.spc.com.cn
E-mail address: spc@spc.com.cn

(4) Information Disclosure and Place for Access to Information

Newspapers designated for publication of announcements of the Company:
"Shanghai Securities News" and "China Securities Journal"
Websites for the publication of the Company's interim report:
www.sse.com.cn, www.hkex.com.hk and www.spc.com.cn
Place for access to the Company's interim report:
Secretariat Office to the Board, 48 Jinyi Road, Jinshan District,
Shanghai, the PRC
Others: This interim report is published in both Chinese and English.
Should any conflict regarding meaning arises, the Chinese
version shall prevail.

(5) Shares Profile of the Company

Share Type	Place of listing of the shares	Stock abbreviation	Stock Code	Stock abbreviation before change
A Shares	Shanghai Stock Exchange	S 上石化	600688	-
H Shares	Hong Kong Stock Exchange	Shanghai Pechem	00338	-
ADR	New York Stock Exchange	SHI	-	-

(6) Other Information

Date of the Company's initial registration: 29 June 1993
Initial registration address of the Company: Jinshan Wei, Shanghai, the People's Republic of China
First time: Date of change of the Company's registration: 12 October 2000
Change of the registration address of the Company: 48 Jinyi Road, Jinshan District, Shanghai,
the People's Republic of China
SAIC registration number of the Company: 31000000021453
Tax registration number of the Company: 310043132212291
Company and Organization Code: 13221229-1

Name of domestic auditors engaged by the Company: KPMG Huazhen
Address of the domestic auditors engaged by the Company: 8th floor, Office Tower 2, Oriental Plaza,
No. 1, East Chang An Avenue, Beijing,
People's Republic of China,
Postal Code: 100738

Name of international auditors engaged by the Company: KPMG
Address of the international auditors engaged by the Company: 8th floor, Prince's Building, Central, Hong Kong

Legal advisors:

PRC Law: Haiwen & Partners
21st Floor, Beijing Silver Tower
No.2 Dong San Huan Road
Chaoyang District Beijing, People's Republic of China
Postal Code:100027

Hong Kong Law: Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square, Central, Hong Kong

United States law: Morrison & Foerster
425 Market Street
San Francisco, California 94105-2482
U.S.A

Principal Bankers:

China Construction Bank, Shanghai Branch
900 Lujiazui Ring Road, Pudong New Area, Shanghai, People's Republic of China
Postal Code: 200120

Industrial & Commercial Bank of China, Shanghai Branch
No.9 Pudong Avenue Pudong New Area
Shanghai, People's Republic of China
Postal Code: 200120

Registrars:

HKSCC Registrars Limited
2nd Floor, Vicwood Plaza, 199 Des Voeux Road, Centra, Hong Kong

Depository:

The Bank of New York Mellon
Investor Services
P.O. Box 11258
Church Street Station
New York, NY 10286-1258
Toll Free Number for Domestic Calls: 1-888-BNY-ADRS
Number for International Calls: 1-201-680-6825
E-mail: shareowners@bankofny.com
Website: www.stockbny.com