2013

Interim Report

上海 600688 香港 00338 紐約 SHI

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

Contents

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

2013 Interim Report

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 the truthfulness, accuracy and completeness of the information contained in this interim report, and warrant that there are no false representations or misleading statements contained in, or material omissions from, the interim report of the Company, and severally and jointly accept responsibility.

(2) If any Director fails to attend the Board meeting for considering and approving the 2013 interim report of the Company, his name shall be set out separately:

Position of Director not Attending	Name	Reasons for the Absence	Name of Proxy
Director and Chief Financial Officer	Ye Guohua	Business engagement	Wang Zhiqing
Director	Lei Dianwu	Business engagement	Wang Zhiqing

(3) The financial report for the six months ended June 30 2013, prepared under the People's Republic of China (China)'s Accounting Standards (the "CAS") was audited by PricewaterhouseCoopers Zhong Tian LLP and has issued standard unqualified audit report; the financial report prepared under International Financial Reporting Standards ("IFRS") is unaudited.

(4) Mr. Wang Zhiqing, Chairman, President and the responsible person of the Company; Mr. Ye Guohua, Director and Chief Financial Officer overseeing the accounting operations; and Mr. Hua Xin, Deputy Chief Financial Officer, person-in-charge of Accounting Department (Accounting Chief) and Finance Manager, hereby warrant the truthfulness, accuracy and completeness of the financial report contained in the 2013 interim report.

(5) The fifteenth meeting of the Seventh Session of the Board of Directors has considered and approved the scheme for profit appropriation and capitalisation of capital fund: based on the total capital of 7,200,000,000 shares as of 30 June 2013, issuing 3.36 shares for every 10 shares to all shareholders by the premium of capital fund, and 1.64 shares for every 10 shares by surplus fund, as well as distributing cash dividend of RMB0.50 (VAT included) for every 10 shares to all shareholders.

The above-mentioned appropriation plan is optimised by the Company's controlling shareholder, China Petroleum & Chemical Corporation ("Sinopec Corp."), based on the proposing of Conversion of Capital Fund into share capital under the A-Share Reform Proposal (Revised draft) dated 20 June 2013 ("Optimised A-share Reform Proposal"). The implementation of the above-mentioned appropriation plan is subject to the approval of the Optimised A-share Reform Proposal at the A shareholders' meeting and the Extraordinary General Meeting held by the Company on the same date; as well as approval of the respective proposals on cash dividend payment for the first half of 2013 and on share capital increase from capital reserve and surplus reserve at both the A shareholders' meeting and H shareholders' meeting. Please refer to the announcement on the Optimised A-share Reform Proposal disclosed on the same date for respective details, and relevant notice of meeting to be issued by the Company recently.

(6) The statements regarding the Company's plans for future development and operation are forward-looking statements and do not constitute any commitments to investors. The Company has alerted investors on the relevant investment risks.

(7) There was no appropriation of funds by the controlling shareholder and its connected parties for non-operational purposes.

(8) The Company did not provide any external guarantees in violation of the required decision-making procedures.

DEFINITION

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

"Company"	Sinopec Shanghai Petrochemical Company Limited
"Board"	the Board of Directors of Sinopec Shanghai Petrochemical Company Limited
"Supervisory Committee"	the Supervisory Committee of Sinopec Shanghai Petrochemical Company Limited
"PRC"	the People's Republic of China
"Reporting Period"	the six months ended 30 June 2013
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Shanghai Stock Exchange"	The Shanghai Stock Exchange
"Group"	the Company and its subsidiaries
"Sinopec Group"	China Petrochemical Corporation
"Sinopec Corp."	China Petroleum & Chemical Corporation
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Shanghai Listing Rules"	The Rules Governing the Listing of Securities on the Shanghai Stock Exchange
"Model Code for Securities Transactions"	the Model Code for Securities Transactions by Directors of Listed Issuers
"Securities Law"	the PRC Securities Law
"Company Law"	the PRC Company Law
"CSRC"	China Securities Regulatory Commission
"Articles of Association"	the articles of association of the Company
"Hong Kong Stock Exchange website"	www.hkexnews.hk
"Shanghai Stock Exchange website"	www.sse.com.cn
"Website of the Company"	www.spc.com.cn
"HSE"	Health, Safety, and Environment
"HAZOP"	Hasard and Operability Analysis
"OSHA"	Occupational Safety and Health Administration
"SFO"	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
"Corporate Governance Code"	The Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules

MAJOR FINANCIAL DATA AND INDICATORS

Prepared under CAS

(1) Major Accounting Data

Amount: RMB'000

Major Accounting Data	**The Reporting Period (January to June)**	Corresponding period of the previous year	Increase/decrease as compared to the corresponding period of the previous year (%)
Operating Income	**57,110,922**	46,472,594	22.9
Net profit/(loss) attributable to equity shareholders of the Company	**438,020**	-1,194,489	N/A
Net profit/(loss) attributable to equity shareholders of the Company excluding non-recurring items	**463,678**	-1,298,177	N/A
Net cash inflow from/(used by) operating activities	**3,375,731**	-1,066,238	416.6
	As at the end of the Reporting Period	Corresponding period of the previous year	Increase/decrease at the end of the Reporting Period as compared to the end of the previous year (%)
Net assets attributable to equity shareholders of the Company	**16,654,384**	16,190,419	2.9
Total assets	**35,914,721**	36,805,799	-2.4

(2) Major Financial Indicators

Major Financial Indicators	**The Reporting Period (January to June)**	Corresponding period of the previous year	Increase/decrease as compared to the corresponding period of the previous year (%)
Basic earnings per share ("-" to indicate loss, RMB/Share)	**0.061**	-0.166	N/A
Diluted earnings per share ("-" to indicate loss, RMB/Share)	**0.061**	-0.166	N/A
Basic earnings per share excluding non-recurring items ("-" to indicate loss, RMB/Share)	**0.064**	-0.180	N/A
Return on net assets (weighted average) (%)*	**2.667**	-6.883	Increase 9.550
Return on net assets excluding non-recurring items (weighted average) (%)	**2.823**	-7.481	Increase 10.304

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

(3) Non-recurring Items

Amount: RMB'000

Non-recurring items	
Net loss from disposal of non-current assets	-19,508
Employee Reduction Expenses	-2,156
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)	6, 294
Income from external entrusted loans	1,045
Other non-operating income and expenses other than those mentioned above	-19,103
Income tax effect	8,357
Effect attributable to minority interests (after tax)	-587
Total	-25,658

(4) Differences between Interim Financial Report Prepared under CAS and IFRS

Amount: RMB'000

	Net profit attributable to equity shareholders of the Company("-" for net loss)		Total equity attributable to equity shareholders of the Company	
	The Reporting Period	Corresponding period of the previous year	At the end of the Reporting Period	At the beginning of the Reporting Period
Prepared under CAS	438,020	-1,194,489	16,654,384	16,190,419
Prepared under IFRS	473,212	-1,151,524	16,510,378	16,037,166

For detailed differences, please refer to the Supplementary Information of the interim financial statements prepared under CAS.

REPORTS 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 Group (the Company and its subsidiaries) and the notes in the interim report. The financial data involved hereinafter are extracted from the unaudited interim financial report prepared in accordance with IFRS.

Review and discussion on operating results

The world economy remained complicated in the first half of 2013, as marked by the relatively strong economic recovery in the U.S. and Japan, continued economic downturn in the euro zone, slackening economic growth in the emerging and developing economies as well as the overall slow recovery of the global economy. Facing a very complex domestic and international environment, China continued to focus on improving the quality and efficiency of economic growth and held firm to the overall keynote of seeking progress while maintaining stability such that the economy maintained steady growth. In the first half of the year, gross domestic product (GDP) grew by 7.6%, with GDP growth of 7.5% in the second quarter, suggesting that the economic growth continued to slow. In the first half, market demand from China's petrochemical industry remained sluggish, complicated by a deceleration in growth in the consumption of petroleum and petrochemical products and a slowdown in the development of the industry.

Facing of a challenging business environment in the first half of 2013, the Group fully utilised the superiority of its Refinery Revamping Expansion Project in a safe and smooth operation, market-oriented and higher economic return-focused approach to further improve its safe plant and environmental protection conditions and to maintain stable production and business operations such that the operating results recorded a significant year-on-year improvement. For the six months ended 30 June 2013, the Group's turnover amounted to RMB57,085.9 million, an increase of RMB10,643.8 million, or 22.92% year-on-year; profit before taxation amounted to RMB650.6 million (the profit before taxation recorded a loss of RMB1,507.2 million for the same period last year), an increase of RMB2,157.8 million year-on-year; and profit after taxation and non-controlling interests amounted to RMB473.2 million (the profit before taxation recorded a loss of RMB1,151.5 million for the same period last year), an increase of RMB1,624.7 million year-on-year.

During the first half of 2013, due to the putting into production of the Refinery Revamping Expansion Project, the output of refined oil products increased significantly, with the total volume of goods produced increasing by 29.45% year-on-year. From January to June, the Group processed 7,707,300 tons of crude oil (including 350,400 tons of crude oil processed on a sub-contract basis), representing an increase of 2,189,200 tons, or 39.67%, year-on-year. Total production of refined oil products reached 4,449,300 tons, representing an increase of 55.24% year-on-year. Of this, the output of gasoline was 1,381,600 tons, representing an increase of 215.79% year-on-year; the output of diesel was 2,514,800 tons, representing an increase of 22.29% year-on-year; and the output of jet fuel was 553,000 tons, representing an increase of 48.62% year-on-year. The Group produced 478,700 tons of ethylene and 456,900 tons of paraxylene, a decrease of 0.23% and an increase of 7.46% year-on-year, respectively. The Group also produced 550,100 tons of synthetic resins and plastic (excluding polyesters and polyvinyl alcohol), representing a decrease of 2.71%; 448,400 tons of synthetic fibre monomers, representing a decrease of 12.56%; 264,800 tons of synthetic fibre polymers, representing a decrease of 18.95%; and 127,600 tons of synthetic fibres, representing an increase of 2.16%. In the first half of 2013, the Group's output-to-sales ratio and receivable recovery ratio were 99.74% and 99.34%, respectively.

The Group placed high priority to HSE, leading to continuing improvements in the areas of safety and the environment protection. In the first half, the Group carried out a number of safety competitions, stepped up the assessment of safety- and environment-related accidents by using the OSHA statistical method and conducted an evaluation of HAZOP for major production plants. It thoroughly implemented the green and low-carbon development strategy by staging a "green and low-carbon, energy-saving and emission discharge reduction" campaign, and continued to make deodorizing efforts with an emphasis on carrying out control initiatives at tank fields as well as at loading and unloading areas. The revamp project at the wet oxidation plant was completed. The Company launched a project involving the "incineration of biochemical sludge in power plant". Upon the completion of the project, a total of approximately 1,700 tons of sludge were burnt away between late May and the end of June. The Group continued to aim towards achieving the annual "seven zeroes" target (deaths due to industrial accident, serious injuries, accidents involving major fires and explosions, accidents involving major environmental pollution, accidents involving major occupational disease hasards, major traffic accidents, major accidents involving production safety responsibility) in the areas of safety and environmental protection. The discharge volume of industrial wastewater declined by 7.32% year-on-year, the comprehensive drained wastewater discharge compliance rate reached 100%, the amount of solid waste for outsourced disposal decreased by 31.82% year-on-year.

The Group utilised the superiority of the Refinery Revamping Expansion Project and fully implemented optimisation and efficiency enhancement measures, which brought significant improvements to the Company's operating results. Upon the full operation of the project, the Group's crude oil processing capacity reached a new high. As a result, the Group gave a considerable boost to its high-sulfur crude oil processing capability; raised its refined oil production capacity by a substantial margin; enhanced the possibility for further optimisation; made significant improvements in ethylene and aromatic feedstocks; and made significant reductions in production costs. The refinery segment turned a loss into profit in one stroke, indicating that overall efforts to optimise efficiency have been effective. In the first half, after the full deployment of the new, more adaptable refinery plant, the sulfur content of processed crude oil increased to 2.34% from 1.71%, with the average API degree declining from 31.23 to 30.48. The costs of crude oil procurement per ton, unit processing cost and energy consumption fell substantially. All gasoline produced by the Group reaches the National V specification (equivalent to Euro V Standard), 50% of diesel fuel reaches the National V specification and the remaining reached the National IV specification, suggesting the overall improvement in the quality of refined oil. The diesel-gasoline sales ratio of refined oil was adjusted to 1.78:1 from 4.53:1 last year. There was a significant increase in the output of high-grade gasoline, demonstrating remarkable improvement in economic return. Ethylene cracking feedstocks and aromatic feedstocks were adjusted and optimised to make full use of the rich light hydrocarbon resources from the refinery plant. The composition of the feedstocks for ethylene cracker, aromatics plant and downstream plants were adjusted and optimised resulting in significant reduction in the percentage of straight-run naphtha in ethylene cracking feedstocks, making ethylene plant no. 2 one of the leading plants among other similar ethylene plants in China in terms of feedstock costs. Moreover, the advantages of refinery capacity expansion was fully utilised to reduce the outsourcing of propylene, mixed xylene and other materials, thus effectively reducing chemical production costs.

The Group actively carried out meticulous management, intensified the prediction of marginal benefits of each production plant and made timely adjustments of production schedules and plans to keep production and management decisions in line with changes in the market. Innovative ideas relating to financial management were proposed to optimise the Group's capital operation and to make dynamic adjustments to the composition of the Group's US dollar and RMB loans such that the average liquidity borrowing rates were significantly lower than the benchmark rates for one-year bank loans. Energy-savings and consumption reduction initiatives were also carried out. In the first half, overall energy consumption, for every RMB10,000 of products produced, fell 14.78% year-on-year, while comprehensive energy consumption, for every RMB10,000 of products produced, fell 9.72% year- on-year. The increase in fuel gas consumption was lower than the increase in production and sales volume. The Group's consumption of natural gas was reduced by the replacement of the self-produced dry gas and some other byproducts. High sulfur flare gas emissions were reduced and other measures were taken to increase efficiency by optimizing the operation of the flare gas recovery system. The analysis and process control of major costs were strengthened through contracted assessments of 12 departments involved in the control of major costs to exercise stringent control of expenses. Focus was placed on the integration of small warehouses so as to reduce inventory effectively. As at the end of June, the Company's total inventory (excluding raw materials and coal) fell 9.34%.

The Group accelerated the pace of technological innovation to create advantages in differentiated development. In the first half, a complete set of technologies, which were developed by the Group, was successfully applied to an isopentene plant with an annual output of 10,000 tons, which successfully passed an evaluation by experts. Jointly developed YS-8810 silver catalyst was successfully applied to ethylene glycol plant no. 2, thus achieving the target of domestically manufacturing high selective silver catalyst; and the continuous pressure drum filter ("PTA press filter"), which combines filtering, washing, pre-drying and unloading features, was put into use at the PTA plant. In the first half, a total of seven patent applications were submitted and 15 patent licences were awarded. After optimising its technology, improving its equipment, eliminating design defects and improving operations in stage 1 of the carbon fibre production plant, the production load and product quality were significantly improved, which in turn boosted sales. The SCF80 high-performance carbon fibre technology development project also proceeded as scheduled, as is the construction of the synthetic fibre treatment centre ("FTC"). Also, state-of-the-art technologies were successfully introduced to the 100,000 tons/year EVA project.

The Group was proactive in communicating with the non-circulating shareholder to carry out the tasks related to the A-share reform, which was successfully implemented. In the first half of the year, the Company continued to communicate with the non-circulating shareholder and pushed forward the progress of the A-share reform scheme. On 31 May, trading of the Group's A shares was suspended after being notified by the controlling shareholder, Sinopec Corp. which proposed the commencement of planning and preparation of the A-share reform scheme on 30 May. The Company disclosed the A-share reform scheme on 8 June and disclosed the adjusted share reform scheme on 20 June. The Company committed the best efforts to secure the support of the holders of A-share circulating shares through numerous methods, such as roadshows, online interaction, telephone discussion and other means to enhance communications. On 8 July, the shareholders approved the A-shares reform scheme in relevant shareholders' meeting. The consideration of implementation proposal in relation to the share reform was completed on 20 August. This issue of share reform, which has been an unresolved issue for the Company for many years, has finally been resolved in a satisfactory manner.

The Company was proactive in fulfilling its corporate social responsibilities. It was successful in ensuring the stable supply of refined oil product to the market in the first half by supplying 4.14 million tons of refined oil. Of this amount, the Company supplied 1.37 million tons of gasoline (340,000 tons of National IV specification gasoline was supplied to Jiangsu Province), 2.43 million tons of diesel and 340,000 tons of jet fuel. The Company continued to carry out energy conservation and emissions and discharge reductions as well as to boost the efficiency of energy utilisation. In the first half, the average thermal efficiency rate of furnaces reached 92.27%, 0.52 percentage points higher than in the previous year. It continued to engage in environmental protection by organizing an environment-themed event - “Public Open Day” - by inviting residents to visit the Company’s production plants and environmental protection treatment sites, and by hiring residents as environment supervisors. The Company safeguarded the vital interests of its employees and focused on completing a collaborative development project with the local government, thus maintaining a harmonious and stable internal and external environment for the Company.

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

	For the six months ended 30 June					
	2013			2012		
	Sales Volume ('000 tons)	**Net Sales (RMB Million)**	**% of Total**	Sales Volume ('000 tons)	Net Sales (RMB Million)	% of Total
Synthetic fibres	**124.3**	**1,626.9**	**3.1**	124.1	1,705.1	3.9
Resins and plastics	**732.0**	**6,818.0**	**13.1**	805.5	7,485.2	17.2
Intermediate petrochemicals	**1,287.8**	**9,667.5**	**18.5**	1,104.6	9,236.3	21.2
Petroleum products	**5,066.6**	**27,953.0**	**53.6**	3,446.9	19,455.5	44.6
Trading of petrochemical products	**-**	**5,645.7**	**10.8**	-	5,276.0	12.1
Others	**-**	**451.1**	**0.9**	-	446.7	1.0
Total	**7,210.7**	**52,162.2**	**100.0**	5,481.1	43,604.8	100.0

In the first half of 2013, net sales of the Group amounted to RMB52,162.2 million, representing an increase of 19.62% over the same period of the previous year. Of this, net sales of petroleum products, intermediate petrochemical products and trading of petrochemical products increased by 43.68%, 4.67% and 7.01%, respectively. Net sales of synthetic fibres, resins and plastics declined by 4.59% and 8.91%, respectively. The increase in net sales was mainly due to the increase in the Company’s total output and the increase in sales volume of the petroleum products and intermediate petrochemical products over the last year. The sales volume of petroleum products increased by 46.99% during the period, and the sales volume of intermediate petrochemical products and synthetic fibres increased by 16.59% and 0.16%, respectively. In the first half of the year, the Group’s net sales from trading of petrochemical products increased 7.01% year-on-year, which was mainly attributable to the increase in the business volume of the trading company held by the Group. In the first half of this year, the Group’s net sales of others increased 0.99% as compared to the previous year, which was mainly attributable to the sales of water, electric and gas, and an increase in the Group’s business of processing crude oil on a sub-contract basis.

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

In the first half of 2013, the Group's cost of sales rose 14.74% year-on-year to RMB51,330.1 million, representing 98.40% of total net sales.

The Group's main raw material is crude oil. In the first half of 2013, the trend of international crude oil prices was fluctuating within a relatively narrow range after hitting a high in early February and dropping to a low in mid-April, then fluctuating within a narrow price range thereafter. In the first half of the year, the peak and the bottom closing prices of Brent crude oil futures were US$117.01 / barrel and $96.83/barrel, respectively, and the average price during the past half year was US$107.07/barrel, representing a decrease of 5.76% year-on-year. The peak and the bottom closing prices of WTI crude oil were US$99.60/barrel and $87.06/barrel, respectively, and the average price during the past half year was US$94.05/barrel, representing a decrease of 4.29% year-on-year. The peak and the bottom closing prices of Dubai crude oil futures were US$113.65/barrel and $96.74/barrel, respectively, and the average price during the past half year was US$104.35/ barrel, representing a decrease of 6.24% year-on-year. In the first half of 2013, The average unit cost of crude oil (for the Group's own account) was RMB4,853.39 per ton, representing a decrease of RMB612.14 per ton, or 11.20%, year-on-year. The Group processed a total of 7,356,900 tons of crude oil (excluding crude oil processed on a subcontract basis), representing an increase of 2,070,700 tons over the previous year. Taken together, the total costs of crude oil processing increased by RMB6,813 million. Of this, the cost increased by RMB11,316 million due to the increase in crude oil processing volume. The decrease in average unit cost of crude oil processed brought costs down by RMB4,503 million. From January to June this year, crude oil processed on a subcontract basis reached 350,400 tons. During the first half of the year, the Group's cost of crude oil accounts for 69.56% of the total cost of sales.

In the first half of 2013, the Group's expenses for other auxiliary materials amounted to RMB5,116.4 million, a 22.05% decline from the corresponding period of the previous year. It was achieved as the Group fully utilised the advantages of refinery capacity expansion and reduced the outsourcing of raw materials including propylene and mixed xylene, which helped to lower the expenses for auxiliary materials. During the Reporting Period, the Group's depreciation and amortisation as well as maintenance expenses amounted to RMB1,285.7 million and RMB538.0 million, respectively, representing an increase in depreciation and amortisation expenses year-on-year, while maintenance expenses remained at a similar level. As there were increases in varying degrees in the quantities and prices of the Group's outsourced electricity over the corresponding period of the previous year, fuel and power expenses rose by RMB1 million year-on-year to RMB1,413.8 million during the Reporting Period.

In the first half of 2013, selling and administrative expenses of the Group amounted to RMB334.8 million, representing an increase of 1.52% as compared with RMB329.8 million last year. This was mainly due to the increase in transportation fees in line with the increase in sales volume during the Reporting Period.

In the first half of 2013, the other operating income of the Group amounted to RMB28 million, representing a decline of RMB138.8 million year-on- year. This was mainly due to the Group receiving refunds for local education surcharges of RMB114.3 million in the first half of 2012.

In the first half of 2013, the Group's net finance income amounted to RMB149.7 million, compared to RMB193.1 million in the same period of the previous year. This was mainly due to the appreciation of the RMB against the USD, resulting in an increase in net foreign exchange gain during the Reporting Period. Furthermore, the Group reduced its short-term borrowings and increased its long-term loans in US dollars at a relatively lower rate of interest during the Reporting Period, resulting in a decline in interest expenses.

In the first half of 2013, the Group realised after tax income attributable to non-controlling interests of RMB473.2 million, representing an increase of RMB1,624.7 million compared with loss in income amounting to RMB1,151.5 million last year.

Liquidity and capital resources

The Group's net cash inflow from operating activities amounted to RMB3,192.5 million in the first half of 2013 as compared to net cash outflow of RMB1,285.5 million for the corresponding period of the previous year, due to the following reasons: (1) the improvement in the Group's operating efficiency during the Reporting Period, with net cash inflow from profit before taxation (net of depreciation and share of profit of associates and jointly controlled entities) amounting to RMB1,705.7 million (as compared to net cash outflow of RMB680.5 million for the corresponding period of the previous year); (2) the decreased inventory balance at the end of the period led to an increase in operating cash flow of RMB282.2 million in the Reporting Period (as compared to a decrease in operating cash flow of RMB2,010.8 million due to increased inventory balance at the end of the corresponding period of the previous year); (3) During the Reporting Period, the increase in operating payables led to an increase in operating cash flow of RMB1,659.9 million in the Reporting Period (as compared to a decrease in operating cash flow of RMB293.6 million as a result of a decrease in operating payables in the corresponding period of the previous year).

In the first half of 2013, the Group's net cash outflow from investment activities amounted to RMB542.1 million as compared to a net cash outflow of RMB2,265.4 million in the corresponding period of the previous year. This was primarily attributable to the year-on-year decrease in the Group's capital expenditures during the Reporting Period, resulting in a decrease of RMB1,759.1 million in net cash outflow from investment activities.

In the first half of 2013, the Group's net cash outflow from financing activities amounted to RMB2,521.0 million compared to net cash inflow of RMB3,651.4 million in the corresponding period of the previous year, primarily attributable to the Group's repayment of a substantial amount of short-term borrowings during the Reporting Period.

Borrowings and debts

The Group's long-term borrowings are mainly applied to capital expansion projects. In general, the Group arranges long-term borrowings according to capital expenditure plans. On the whole, there are no seasonal borrowings. Short-term debts are used to replenish the Group's working capital requirements during the normal course of production. During the first half of 2013, the Group's total borrowings decreased by RMB2,775.0 million to RMB9,480.2 million as at the end of the Reporting Period as compared to the beginning of the Reporting Period. Of this, the main reason was short- term debts decreased by RMB2,791.1 million.

Risk from Exchange Rate Fluctuations

Since the majority of the Group's debt is denominated in foreign currency, changes in exchange rates will affect the Group's financial expenses and hence have an impact on the Group's profitability. As of 30 June 2013, the Group's borrowing in US dollars amounts to RMB6,382.7 million.

Capital expenditures

In the first half of 2013, the Group's capital expenditures amounted to RMB402 million, mainly for the commencement of a restructuring project to increase production of ethylene oxide at ethylene glycol plant no. 1. Upon the completion and operation of the project in June, the plant's production capacity for ethylene oxide increased from 56,000 tons/year to 202,500 tons/ year, thus laying a solid foundation for enhancing economic benefits to the Group. The 3,000 tons/year n-amylene plant project was launched, while the feasibility study report on a 100,000 tons/year EVA project has been approved.

In the second half, the Group will carry out the flue gas desulphurisation project for furnaces 5 and 6 at the thermoelectric unit as well as the denitration and dedusting project for furnaces 3 and 4 to ensure that these projects will be completed and launched operation within the year. It will focus efforts on the construction of the 3,000 ton/year n-amylene production plant, and will also seek to launch the EVA project within the year as it strives to accomplish a RMB1,500 million investment plan for the whole year. The Group plans to fund these capital expenditures with cash from operations and banking facilities.

Liability-to-asset ratio

As at 30 June 2013, the Group's liability-to-asset ratio was 52.89% (As at 31 December 2012: 55.29%). The ratio is calculated using the following formula: total liabilities/total assets.

The Group's employees

As at 30 June 2013, the total number of employees of the Company amounted to 14,584, among which the number of production personnel was 8,487; the number of sales staff, financial officers and others was 4,966; and the number of administrative staff was 1,131. 47.03% of the Group's employees were college or above graduates.

Income tax

The PRC Enterprise Income Tax Law took effect from 1 January 2008, after which the income tax rate for enterprises was uniformly adjusted to 25%. The income tax rate for the Group in 2013 is 25%.

Disclosure required by the Hong Kong Listing Rules

Save as disclosed herein, pursuant to paragraph 40 of Appendix 16 to the Hong Kong Listing Rules, the Company confirms that there were no material changes in the existing information of the Company relating to the matters as set out in paragraph 32 in Appendix 16 which are different from the information disclosed in the Company's 2012 annual report.

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

The international environment will remain complex in the second half of 2013 as seen in the deep restructuring of the world economy, the existence of downside risks and uncertainties over the economy as well as the possibility of a further slowdown in the global economic growth. China is currently at a promising stage of development with important strategic opportunities, and possesses the basic requirements for sustainable and healthy economic development. The Chinese economy will maintain steady growth momentum on the whole in the second half of the year. The Chinese government will set the boosting of domestic demand and the fostering of new economic growth drivers as the most essential initiatives to ensure that the economy continues to run smoothly. The overall domestic consumer market will continue to grow steadily, market demand for energy and bulk chemical products will accelerate and the industrial economy will likely remain stable with a slight improvement in the second half.

The trend of international crude oil prices for the second half will depend on various factors such as the seasonal increase in demand, the world economic recovery and the geo-political situation in the Middle East. As the international oil market enters into the conventional peak season for oil consumption in the second half, growth in international crude oil demand will be relatively strong, while crude oil supply will remain relatively abundant. Production of unconventional oil as represented by shale oil in the U.S., oil sands oil in Canada and deepwater oil in Brazil will continue to maintain rapid growth momentum. The trend of international crude oil prices will likely be relatively stable in the second half. Although the pricing mechanism for refined oil products launched by the Chinese government in the first half of the year reflected the changes in international markets, we cannot rule out the possibility of the Chinese government continuing to regulate the prices of domestic refined oil products if international crude oil prices remain high.

Facing a very complex domestic and international environment in the second half, we will focus on improving the quality and efficiency of our development and will continue to prove the strengths of the new Refinery Revamping Expansion plant by focusing on safety and environmental protection as well as stable production and by employing system optimisation and upgrade as a means to strive to accomplish the objectives and tasks for the whole year.

1. Continue to accomplish tasks for safety and environmental protection, with a focus on green, low-carbon development.

2. Continue to improve the optimisation of production and operation systems to maximise efficiency.

3. Further extrapolating the production potential of our plants and equipment and to push forward the construction of follow-on development projects.

4. Accelerate the push for a batch of key research projects as well as the pace of technological improvement and improvements in information technology.

5. Push forward follow-up work related to the A-share reform scheme to plan for future development as a platform for the development of related business of Sinopec Corp..

6. Further strengthen corporate management and capital operation to enhance the management standard and performance on an ongoing basis.

7. Strengthen the establishment of a staff team that will create a stable and harmonious environment for the Company's development.

(2) Analysis of the Company's Principal Operations and Performance (Part of the following financial data was extracted from the audited interim report prepared under the China Accounting Standards for Business Enterprises ("CAS"))

(i) Analysis of Changes in the Company's Major Financial Data

Amount: RMB'000

Item	For the six months period ended 30 June		Change (%)	Reason for change
	2013	2012 (unaudited)		
Operating Income	**57,110,922**	46,472,594	22.89	After the commencement of the Refinery Revamping Expansion Project, the volume of crude oil processed and total volume of goods increased, leading to an increase in operating income.
Operating costs	**50,019,472**	43,448,096	15.12	An increase in the volume of crude oil processed led to an increase in operating expenses.
Selling and distribution expenses	**334,802**	329,807	1.51	The total volume of goods increased, bringing up selling and distribution expenses.
General and administrative expenses	**1,325,241**	1,178,587	12.44	General and administrative expenses increased due to expansion of production and sales.
Financial expenses	**-149,729**	193,087	-177.54	Optimised capital utilisation, leading to increase in foreign exchange gain during the Reporting Period.
Net Cash generated from operating activities	**3,375,731**	-1,066,238	416.60	Group's profit for the Reporting Period; an increase in net cash inflows from operating activities.
Net Cash generated from investment activities	**-542,138**	-2,265,395	76.07	Capital expenditures decreased for the Reporting Period, leading to a decrease in net cash outflow from investment activities .
Net Cash generated from financing activities	**-2,704,263**	3,432,192	-178.79	Net cash outflow in financing activities increased due to repayment of portion of short-term loans during the Reporting Period.
Research and development expenditures	**20,701**	16,232	27.53	Increased efforts in research and development to improve economic efficiency.

(ii) Principal Operations by Segment, Product and Geographical Location

(a) Principal operations by segment or product

Segment or product	Operating income (RMB'000)	Operating costs (RMB'000)	Gross profit margin (%)	Increase/ decrease in operating income compared to corresponding period of the previous year (%)	Increase/ decrease in operating costs compared to corresponding period of the previous year (%)	Increase/ decrease in gross profit margin compared to corresponding period of the previous year (percentage points)
Synthetic fibres	1,648,861	1,745,312	-5.85	-4.11	-0.71	Decreased by 3.63 percentage points
Resins and plastics	6,899,190	7,035,801	-1.98	-8.52	-11.63	Increased by 3.60 percentage points
Intermediate petrochemicals	9,798,197	8,256,733	15.73	5.19	5.07	Increased by 0.09 percentage points
Petroleum products	32,634,478	27,097,432	16.97*	47.43	33.72	Increased by 8.51 percentage points
Trading of petrochemical products	5,646,046	5,572,275	1.31	6.96	6.95	Increased by 0.01 percentage points
Others	484,150	311,919	35.57	0.35	-21.20	Increased by 17.62 percentage points

* Gross profit margin is calculated according to the price of petroleum products which includes consumption tax. Gross profit margin of petroleum products after deducting consumption tax amounts to 3.95%.

(b) Principal operations by geographical location

Amount: RMB'000

Geographical location	Operating income	Increase/decrease in operating income compared to corresponding period of the previous year (%)
Eastern China	54,653,602	26.15
Other regions in the PRC	2,255,470	-11.05
Exports	201,850	-67.11

(3) Analysis of Investments

(i) Entrusted Wealth Management and Derivatives Investment by Non-Financial Companies

(a) Entrusted wealth management

The Company did not engage in entrusted wealth management during the Reporting Period.

(b) Entrusted loans

Project status of entrusted loans

Amount: RMB'000

Borrower	Amount of entrusted loan	Length of maturity	Interest rate of loan %	Whether it is overdue	Whether it is connected transaction	Whether it has been extended	Whether it is related to lawsuits	Whether the capital represents proceeds	Connected relationship	Expected income
Chevron Phillips Chemicals (Shanghai) Corporation	30,000	2013/4/26-2014/4/25	3.25	No	No	No	No	No	Nil	801
	12,000	2012/8/30-2013/8/29	3.25	No	No	No	No	No	Nil	65
	28,000	2012/11/28-2013/11/27	3.25	No	No	No	No	No	Nil	376

Note: Aforesaid entrusted loans are loans provided to shareholders according to the proportion of shareholding by Shanghai Golden Phillips Petrochemical Company Limited, a subsidiary of the Company.

(ii) Application of Capital Raised

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

(iii) Analysis of the Companies in which the Company has Controlling Interests or Investment Interests

Not applicable

(iv) Major Projects from Non-raised Capital

Amount: RMB'000

Major project	Total project investment RMB million	Project progress as at 30 June 2012
Reconstruction of No.1 ethylene glycol plant to increase ethylene oxide production	128.9	The main part is basically completed and under equipment testing
Pentene Project with a capacity of 3,000 tons/year	30.0	Preliminary stage
100,000 tons/year EVA Plant	1,131.5	Feasibility report approved
Energy-saving reconstruction of No.2 SL-II Ethylene cracker	114.9	The main part is basically completed and under equipment testing

(4) Plan for Profit Appropriation or Capital Reserve

(i) Implementation or Amendment of Profit Distribution Proposal for the Reporting Period

In view of the loss incurred by the Company in its 2012 Annual results, the Board of Directors recommended and the 2012 Annual General Meeting approved that the Company will not distribute its profit in 2012. No profit distribution proposal has been implemented during the Reporting Period.

(ii) Plan for Half-Yearly Profit Appropriation and Plan for Conversion of Capital Reserves to Increase Share Capital

The fifteenth meeting of the Seventh Session of the Board of Directors has considered and approved the scheme for profit appropriation and capitalisation of capital fund: based on the total capital of 7,200,000,000 shares as of 30 June 2013, issuing 3.36 shares for every 10 shares to all shareholders by the premium of capital fund, and 1.64 shares for every 10 shares by surplus fund, as well as distributing cash dividend of RMB0.50 (VAT included) for every 10 shares to all shareholders.

The above-mentioned appropriation plan is optimised by the Company's controlling shareholder, Sinopec Corp., based on the proposing of Conversion of Capital Fund into share capital under the A-Share Reform Proposal (Revised draft) dated 20 June 2013 ("Optimised A-share Reform Proposal"). The implementation of the above-mentioned appropriation plan is subject to the approval of the Optimised A-share Reform Proposal at the A shareholders' meeting and the Extraordinary General Meeting held by the Company on the same date; as well as approval of the respective proposals on cash dividend payment for the first half of 2013 and on share capital increase from capital reserve and surplus reserve at both the A shareholders' meeting and H shareholders' meeting. Please refer to the announcement on the Optimised A-share Reform Proposal disclosed on the same date for respective details, and relevant notice of meeting to be issued by the Company recently.

(5) Other Items for Disclosure

(i) Warning and Explanation of a Possible Loss or Significant Change in Aggregate Net Profit for the Period from the Beginning of the Year to the End of the Next Reporting Period compared with the Corresponding Period of the Previous Year

After the commencement of the Refinery Revamping Expansion Project, the Company enhanced its capability and flexibility in crude oil processing, improved the optimisation of resources and production and strengthened the profitability of the refinery business. Although an obvious uptrend was not been seen in the petrochemical market, the overall price of petrochemical products was more stable. For the nine months ended 30 September 2013, the operating results are expected to turn around to record profit against the same period last year.

(ii) Description of "Non-standard Audit Report" of Accounting Firm by The Board of Directors and the Supervisory Committee

Not applicable

MAJOR EVENT

(1) Material Litigation, Arbitration or Media Query

The Company was not involved in any material litigation, arbitration or media queries during the Reporting Period.

(2) Events Regarding Bankruptcy and Restructuring

The Company did not encounter events relating to bankruptcy or restructuring during the Reporting Period.

(3) Asset Trading and Corporate Mergers

Not applicable

(4) Stock Option Incentive Schemes and the Impact

Not applicable

(5) Major Connected Transactions

(i) Connected transactions in relation to daily 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 Group, the Company was provided construction and installation, project design, petrochemical industry insurance agency and financial services by Sinopec Group and its associates. The above-mentioned transactions under the Mutual Product Supply and Sales Services Framework Agreement and the Comprehensive Services Framework Agreement constituted continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules, and constituted on-going connected transactions under the Shanghai Listing Rules. The Company disclosed the two agreements and the respective connected transactions under the agreements in an announcement dated 11 November 2010 and a circular dated 26 November 2010. These two agreements and the respective connected transactions under the agreements, together with the respective annual caps from 2011 to 2013, were considered and approved at the 2010 Extraordinary General Meeting held on 28 December 2010.

During the Reporting Period, the relevant connected transactions were conducted in accordance with the terms of the Mutual Product Supply and 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 2010 Extraordinary General Meeting.

The prices of the continuing connected transactions conducted by the Company with Sinopec Group, 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 operational needs. Accordingly, the aforesaid connected transactions did not have a significant adverse impact on the Company's independence.

The table below sets out the amount of the continuing connected transactions of the Company with Sinopec Corp. and Sinopec Group during the Reporting Period:

Amount: RMB'000

Type of connected transaction	Connected parties	Annual cap for 2013	Transaction amount during the Reporting Period	Percentage of the total amount of the type of transaction (%)
Mutual Product Supply and Sale Services Framework Agreement				
Purchase of raw materials	Sinopec Corp. and its associates	81,000,000	32,049,158	66.56
Sale of petroleum products	Sinopec Corp. and its associates	75,000,000	30,153,151	52.80
Sale of petrochemical products	Sinopec Corp. and its associates	20,900,000	5,610,116	9.82
Property leasing	Sinopec Corp. and its associates	32,000	11,865	47.25
Agency sale of petrochemical products	Sinopec Corp. and its associates	390,000	83,795	100
Comprehensive Services Framework Agreement				
Construction, installation and project design services	Sinopec Group and its associates	420,000	132,312	34.14
Petrochemical industry insurance services	Sinopec Group and its associates	174,000	73,102	96.07
Financial services	Sinopec Group and its associates	308,000	11,989	7.71

(ii) Other connected transactions

The Company signed an Asset Leasing Agreement ("Leasing Agreement") with Sinopec Huadong Sales Company Limited ("Huadong Sales Company") on 31 January 2013. The Company leased the reservoir assets in Chenshan to Huadong Sales Company at a maximum rental of RMB78.2512 million/year (tax inclusive). The leasing Agreement was approved at the tenth meeting of the seventh session of the Board of Directors on 24 January 2013. The relevant announcement was uploaded on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company, and published on the Shanghai Securities News and China Securities Journal dated 25 January 2013. The Company received rent of RMB34 million during the Reporting Period.

(iii) Connected creditor's rights and liabilities

Amount: RMB'000

Connected party	Connected relationship	Funds provided to connected parties		Funds provided by connected parties to the listed company	
		Net transaction	Balance	Net transaction	Balance
Sinopec Corp. and its subsidiaries, jointly controlled entities, associates, and Sinopec Group and its subsidiaries	Controlling shareholder and its related parties	(4,544)	581 Note 1	4,419	19,300 Note 2

Note 1: The balance of the funds provided by the Group to connected parties at the end of the Reporting Period mainly included unsettled receivables arising from the provision of services and pipeline leasing by the Group to Sinopec Corp., its subsidiaries and associates.

Note 2: The balance of the funds provided by connected parties to the Group at the end of the Reporting Period mainly included unsettled payables arising from obtaining construction, installation and project design services from Sinopec Group and its subsidiaries.

(6) Material Contracts and the Fulfillment of Obligations

(i) Trust, sub-contract and lease arrangements

The Company had no trust, sub-contract or lease arrangements that produced 10% or more (including 10%) of the profit of the Company during the Reporting Period.

(ii) Guarantees

No guarantees were provided by the Company during the Reporting Period.

(iii) Other material contracts

There was no other material contract during the Reporting Period.

(7) Performance of Undertakings

The Company disclosed an explanatory memorandum on the A-Share Reform Proposal (Revised draft) on 20 June 2013, in which Sinopec Corp., the Company's controlling shareholder, has given the following undertakings:

1. Sinopec Corp. shall not, within 12 months from the date on which its non-circulating shares of the Company acquiring the right to circulate in the market (meaning the first trading day after the implementation of the A-share reform proposal), deal in or transfer such shares through the stock exchanges. Also, after the expiration of the aforesaid undertaking, the amount of existing non-circulating shares to be disposed by Sinopac Corp. through trading on the stock exchange shall not represent more than 5% of the total amount of shares held by Sinopec Corp. within 12 months, and not more than 10% within 24 months.

2. Sinopec Corp. shall, within 6 months from the date on which its non-circulating shares of Company acquiring the right to circulate in the market (meaning the first trading day after the implementation of the A-share reform proposal), convene a Board meeting of the Company accordance with the Articles of Association of Sinopec Shanghai Petrochemical Company Limited to review and consider a proposal of capitalising the capital fund into such number of shares that is needed to distribute four or more additional shares for every ten shares, and to correspondingly convene the relevant shareholders' meeting. Sinopec Corp. has also undertaken to vote in favour of such capitalisation proposal at the Company's shareholders' meeting.

3. Sinopec Corp. shall, within 12 months from the date on which its non-circulating shares of Company acquiring the right to circulate in the market (meaning the first trading day after the implementation of the A-share reform proposal), submit a stock option incentive scheme to the Board that complies with the relevant rules of SASAC and the China Securities Regulatory Commission, under which the initial exercise price for the stock options under the scheme shall not be lower than the closing price of the Company's shares on 30 May 2013 (being RMB6.43 per share) (in case of ex-rights or ex-dividends prior to the announcement of the draft of the stock option incentive scheme, the exercise price of the options shall be adjusted accordingly).

4. Sinopec Corp. shall continue to support the subsequent development of the Company upon the completion of the A-share reform scheme, and shall consider the Company as a platform for the development of related businesses in future.

For details, please refer to the full text of the explanatory memorandum on the A-share Reform Proposal (Revised draft) posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company, and published in Shanghai Securities News and China Securities Journal dated 20 June 2013.

The A-share reform proposal was considered and approved at the relevant shareholders' meeting in A-share market held on 8 July 2013. At present, the consideration arrangement for the A-share reform proposal has been completed; Sinopec Corp. transfers A-shares to holders of the Company's circulating A-shares whose equity interests are registered with the China Securities Depository and Clearing Co., Ltd., Shanghai Branch as of the record date (i.e. 16 August 2013) for implementing the A-share reform proposal, and for every ten circulating A-share that a shareholder holds, he receives five A-shares. The holders of non-circulating shares will in aggregate pay 360,000,000 A-shares of the Company to the circulating A-share shareholders. Since 20 August 2013 (meaning the first trading day after the implementation of the A-share reform proposal), the holders' non-circulating shares acquired the right to circulate in the market. For details about payment of the considerations mentioned above under the scheme, please refer to the Announcement of the Company Regarding the Implementation of the A-Share Reform Proposal published by the Company in China Securities Journal and Shanghai Securities News and posted on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 14 August 2013.

(8) Appointment and Dismissal of Accounting Firm

The terms of service of KPMG and KPMG Huazhen (Special General Partnership), the international and domestic auditors of the Company for 2012, expired on the date of the 2012 Annual General Meeting. As recommended by the Audit Committee, the Board considered and passed at the eleventh meeting of the seventh session of the Board held on 27 March 2013 the appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the international and domestic auditors of the Company for 2013, respectively, which was considered and approved at the 2012 Annual General Meeting, for the respective presentation to the Company of an audit report on the interim financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, and an audit report on the interim financial report prepared in accordance with the Interim Financial Reporting in International Accounting Standards No. 34.

During the Reporting Period, the remuneration paid by the Company to the accounting firms was as follows:

Project	Amount	Auditor
2013 Interim audit	RMB2 million	PricewaterhouseCoopers Zhong Tian LLP
2013 Interim review	RMB1 million	PricewaterhouseCoopers

(9) Punishment and Rectification of the Listed Entity and its Directors, Supervisors, Senior Management, shareholders owning more than 5% of the Company's shares, Controlling Shareholder and Acquirer

During the Reporting Period, the Company and its Directors, Supervisors, Senior Management, shareholders owning more than 5% of the Company's shares, the controlling shareholder, and acquirer had not been investigated, administratively punished, publicly criticised or publicly censured by the stock exchanges on which the Company is listed.

(10) Convertible Bonds

Not applicable

(11) Corporate Governance

The Company acted in strict compliance with regulatory documents such as the Company Law, the 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 Hong Kong Stock Exchange and the New York Stock Exchange to push forward the advancement of the Company's system and management, to improve the corporate legal person governance structure, and to strengthen the establishment of the Company's system in order to enhance the overall image of the Company.

(12) Other important events

During the Reporting Period, in accordance with the relevant laws and regulations of the jurisdictions in which the Company's shares are listed and in line with the actual situations upon approval by vote at the fourteenth meeting of the seventh session of the Board held on 7 June 2013, it has been agreed that the Company will accept the delegation of the Company's non-circulating shareholder to handle the related resolutions on the issue of the Company's share reform program. The "Sinopec Shanghai Petrochemical Company Limited A-Share Reform Scheme" was approved at the shareholders' meeting of the holders of A-shares of the A-Share Reform Scheme of the Company held on 8 July 2013.

There were no other important events during the Reporting Period.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

(1) Change in share capital

The total number of shares and the share capital structure did not change during the Reporting Period.

(2) Shareholders of the Company

(i) Total number of shareholders and shareholdings of the top ten shareholders

Unit: Share

Total number of shareholders as at the end of the Reporting Period	108,237

Shareholdings of top ten shareholders

Name of shareholder	Type of shareholder	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 frosen (shares)
China Petroleum & Chemical Corporation	State-owned enterprise legal person	55.56	4,000,000,000	0	Non-circulating	4,000,000,000	Nil
HKSCC (Nominees) Limited	Foreign legal person	31.87	2,294,330,101	+222,000	Circulating	-	Unknown
China Construction Bank - CIFM China Advantage Security Investment Fund	Others	0.51	37,000,000	-23,000,000	Circulating	-	Unknown
Shanghai Kangli Gong Mao Company	Others	0.23	16,730,000	0	Non-circulating	16,730,000	Unknown
Zhejiang Economic Construction Investment Co., Ltd	Others	0.17	12,000,000	0	Non-circulating	12,000,000	Unknown
Agricultural Bank of China Limited - New China Selected Growth Stock Fund	Others	0.11	7,999,992	+3,681,272	Circulating	-	Unknown
Shenyin & Wanguo Securities Co., Ltd	Others	0.08	5,838,800	Unknown	Circulating/ Non-circulating	650,000	Unknown
Shanghai Textile Development Corporation	Others	0.08	5,650,000	0	Non-circulating	5,650,000	Unknown
Shanghai Xiangshun Shiye Company Limited	Others	0.08	5,500,000	0	Non-circulating	5,500,000	Unknown
IP KOW	Others	0.08	5,432,000	0	Circulating	-	Unknown

Top ten shareholders of shares in circulation:

Name of shareholder	Number of circulating shares held	Type of shares
HKSCC (Nominees) Limited	2,294,330,101	Overseas listed foreign shares
China Construction Bank - CIFM China Advantage Security Investment Fund	37,000,000	RMB-denominated ordinary shares
Agricultural Bank of China Limited - New China Selected Growth Stock Fund	7,999,992	RMB-denominated ordinary shares
IP KOW	5,432,000	Overseas listed foreign shares
Shenyin & Wanguo Securities Co., Ltd	5,188,800	RMB-denominated ordinary shares
Xu Zhiying	4,969,516	RMB-denominated ordinary shares
Gu Jufang	3,652,543	RMB-denominated ordinary shares
YIP CHOK CHIU	3,150,000	Overseas listed foreign shares
ChangJiangWan Holdings Ltd	3,050,085	RMB-denominated ordinary shares
Industrial and Commerical Bank of China - Lion Stock Securities Investment Fund	3,001,068	RMB-denominated ordinary shares

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

(ii) Change in controlling shareholder and controlling company of the controlling shareholder

During the Reporting Period, there was no change in the controlling shareholder and its de facto controller.

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

As at 30 June 2013, the interests and short positions of the Company's substantial shareholders (including those who are entitled to exercise, or control the exercise of, 5% or more of the voting power at any general meeting of the Company) and other persons (excluding the Directors, Supervisors, and Senior Management) who are required to disclose their interests pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") in the shares, underlying shares of equity derivatives or debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO are set out below:

(i) Interests in ordinary shares of the Company

Name of shareholder	Number and type of shares held (shares)	% of total issued share capital	% of shareholding in the Company's total issued H shares	Capacity
China Petroleum & Chemical Corporation	4,000,000,000 Promoter legal person shares (L)	55.56	-	Beneficial owner
BlackRock, Inc.	139,196,694(L) 31,798,200(S)	1.93(L) 0.44(S)	5.97(L) 1.36(S)	Beneficial owner; Investment manager; Other (Available - for - lending shares)

Note: (L):Long Position; (S):Short Position

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

(ii) Short positions in shares, underlying shares or debentures of the Company

As at 30 June 2013, no short positions of substantial shareholders or other persons (excluding the Directors, Supervisors and Senior Management) who are required to disclose their interests pursuant to Part XV of the SFO in the shares, underlying shares of equity derivatives or debentures of the Company were recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND OTHERS

(1) Shareholdings of Directors, Supervisors and Senior Management

During the Reporting Period, there were no changes to the number of shares of the Company held by the Directors, Supervisors and Senior Management of the Company. The actual number of shares in the issued share capital of the Company held by the Directors, Supervisors and Senior Management as at the end of the Reporting Period are 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
Wang Zhiqing	Chairman and President	Nil	Nil	No Change
Wu Haijun	Vice Chairman	Nil	Nil	No Change
Gao Jinping	Director and Vice President	Nil	Nil	No Change
Li Honggen	Director and Vice President	Nil	Nil	No Change
Zhang Jianping	Director and Vice President	Nil	Nil	No Change
Ye Guohua	Director and Chief Financial Officer	Nil	Nil	No Change
Lei Dianwu	Director	Nil	Nil	No Change
Xiang Hanyin	Director	Nil	Nil	No Change
Shen Liqiang	Independent Non-executive Director	Nil	Nil	No Change
Jin Mingda	Independent Non-executive Director	Nil	Nil	No Change
Cai Tingji	Independent Non-executive Director	Nil	Nil	No Change
Zuo Qiang	Supervisor	Nil	Nil	No Change
Li Xiaoxia	Supervisor	Nil	Nil	No Change
Zhai Yalin	Supervisor	Nil	Nil	No Change
Wang Liqun	Supervisor	Nil	Nil	No Change
Chen Xinyuan	Independent Supervisor	Nil	Nil	No Change
Zhou Yunnong	Independent Supervisor	Nil	Nil	No Change
Zhang Zhiliang	Vice President	Nil	Nil	No Change
Shi Wei	Vice President	Nil	Nil	No Change
Jin Qiang	Vice President	Nil	Nil	No Change
Guo Xiaojun	Vice President	Nil	Nil	No Change
Zhang Jingming	Company Secretary and	Nil	Nil	No Change
	General Legal Counsel	3,600	3,600	No Change
Rong Guangdao	Ex-Chairman of the seventh session of the Board of Directors	3,600	3,600	No Change
Wang Yongshou	Ex-Independent Non-executive Director of the seventh session of the Board of Directors			

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

Interests and short positions of Directors, Supervisors and Senior Management in shares, underlying shares or debentures of the Company

Save as disclosed above, as at 30 June 2013, none of the Directors, Supervisors or Senior Management of the Company had any interests or short positions in any shares, underlying shares of equity derivatives or debentures of the Company or its associated corporations (within the meaning ascribed to it in Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

As at 30 June 2013, 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) Change of Directors, Supervisors and Senior Management

(i) Changes

Name	Position currently held	Change	Reason
Wang Zhiqing	Chairman and President	Elected as Chairman	Work allocation
Gao Jinping	Director and Vice President	Elected as Director; newly appointed as Vice President	Work allocation
Zhang Jianping	Director and Vice President	Elected as Director	Work allocation
Guo Xiaojun	Vice President	Newly appointed as Vice President	Work allocation
Rong Guangdao	-	Resigned as Director and Chairman	Work allocation
Shi Wei	Vice President	Resigned as Director	Work allocation
Wang Yongshou	-	Retired as Independent Non-executive Director	Deceased

(3) Audit Committee

On 27 August 2013, the Audit Committee of the seventh session of the Board held its third meeting, primarily to review the interim financial report of the Group for the Reporting Period.

(4) Purchase, Sale and Redemption of the Company's Securities

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

(5) Compliance with Corporate Governance Code

During the Reporting Period, the Company applied the principles and complied with all code provisions of the Corporate Governance Code, except for certain deviations from code provisions A.2.1 and A.5.1 of the Corporate Governance Code as set out below.

Corporate Governance Code provisions A.2.1: The roles of 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. Wang Zhiqing appointed as Chairman and President of the Company.

Reason: Mr. Wang Zhiqing has extensive experience in the management of petrochemical production. Mr. Wong is the most suitable candidate to serve the positions of Chairman and President of the Company. For the time being, the Company has been unable to identify another person who possesses better or similar abilities and talent as Mr. Wang to serve any of the positions listed above.

Corporate Governance Code provisions A.5.1: Issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

Deviation: Nomination Committee did not comprise a majority of independent non-executive directors from 25 April 2013 to 28 August 2013.

Reason: As announced in the Company's announcement dated 2 May 2013, Mr. Wang Yongshou, an independent non-executive director, and chairman of the Remuneration and Appraisal Committee and member of the Audit Committee and the Nomination Committee, passed away due to illness on 25 April 2013. On 28 August 2013, Mr. Shen Liqiang, an independent non-executive director, was appointed as a member of the Nomination Committee.

As an enhancement of the Company's corporate governance practices and for the purpose of complying with the amendments to the Corporate Governance Code regarding board diversity, the Nomination Committee adopted a board diversity policy on 27 August 2013.

(6) Implementation of Model Code for Securities Transaction

The Directors of the Company confirm that the Company has adopted the Model Code for Securities Transactions. After making specific enquiries with all of 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 did not act in compliance with the requirements of the Model Code for Securities Transactions during the Reporting Period.

DOCUMENTS FOR INSPECTION

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

1. 2013 interim report signed by the Chairman;

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

3. 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

4. The Company's Articles of Association.

(2) The Company has kept all of the documents listed above at 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 to the Hong Kong Listing Rules will be disclosed on the websites of the Hong Kong Stock Exchange and of the Company.

Wang Zhiqing, Chairman
Sinopec Shanghai Petrochemical Company Limited
28 August 2013

pwc 羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 33 to 58, which comprises the interim condensed consolidated balance sheet of Sinopec Shanghai Petrochemical Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information 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 of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information 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 information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2013

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

A. Condensed consolidated interim financial information
Sinopec Shanghai Petrochemical Company Limited - 30 June 2013

Interim consolidated income statement (Unaudited)

	Note	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Continuing operations			
Revenue	5	**57,085,913**	46,442,079
Sales taxes and surcharges		**(4,923,735)**	(2,837,286)
Net sales		**52,162,178**	43,604,793
Cost of sales		**(51,330,080)**	(44,737,873)
Gross profit / (loss)		**832,098**	(1,133,080)
Selling and administrative expenses		**(334,802)**	(329,807)
Other operating income		**27,952**	166,778
Other operating expenses		**(37,519)**	(27,758)
Operating profit / (loss)	5	**487,729**	(1,323,867)
Finance income		**349,202**	48,948
Finance costs		**(199,473)**	(242,035)
Investment income		**-**	6,446
Share of post-tax profits of associates and jointly controlled entities		**13,157**	3,272
Profit / (loss) before income tax	5	**650,615**	(1,507,236)
Income tax expense	7	**(173,116)**	369,079
Profit / (loss) for the period		**477,499**	(1,138,157)
Profit attributable to:			
- Owners of the Company		**473,212**	(1,151,524)
- Non-controlling interests		**4,287**	13,367
		477,499	(1,138,157)
Earnings per share attributable to owners of the Company			
Basic earnings / (loss) per share	8	**RMB 0.0657**	(RMB 0.1599)
Diluted earnings / (loss) per share	8	**RMB 0.0657**	(RMB 0.1599)

The notes on pages 39 to 58 form an integral part of condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 33 to 58 were approved by the Board of Directors on 28 August 2013 and were signed on its behalf.

Wang Zhiqing
Chairman

Ye Guohua
Director and Chief Financial Officer

Interim consolidated statement of comprehensive income (Unaudited)

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Profit / (loss) for the period	**477,499**	(1,138,157)
Other comprehensive income for the period, net of tax	**-**	-
Total comprehensive income / (loss) for the period	**477,499**	(1,138,157)
Attributable to:		
- Owners of the Company	**473,212**	(1,151,524)
- Non-controlling interests	**4,287**	13,367
Total comprehensive income / (loss) for the period	**477,499**	(1,138,157)

The notes on pages 39 to 58 form an integral part of condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 33 to 58 were approved by the Board of Directors on 28 August 2013 and were signed on its behalf.

Wang Zhiqing
Chairman

Ye Guohua
Director and Chief Financial Officer

Interim consolidated balance sheet (Unaudited)

	Note	30 June 2013 RMB'000	31 December 2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	16,756,974	17,468,748
Investment properties		432,515	439,137
Construction in progress	10	639,282	612,388
Interest in associates and jointly controlled entities		2,832,646	2,867,153
Lease prepayments and other assets		972,177	1,131,123
Deferred income tax assets		886,898	1,052,573
Total non-current assets		22,520,492	23,571,122
Current assets			
Inventories		8,631,992	8,938,077
Trade debtors	11	192,637	93,484
Bills receivable	11	1,905,141	2,046,657
Other debtors and prepayments		276,163	599,402
Amounts due from related parties	11,18(c)	1,766,584	1,052,842
Cash and cash equivalents	12	292,706	160,962
Total current assets		13,065,223	12,891,424
Total assets		35,585,715	36,462,546
EQUITY			
Equity attributable to owners of the Company			
Share capital		7,200,000	7,200,000
Other reserves	17	9,310,378	8,837,166
Non-controlling interests		253,176	266,783
Total equity		16,763,554	16,303,949

The notes on pages 39 to 58 form an integral part of condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 33 to 58 were approved by the Board of Directors on 28 August 2013 and were signed on its behalf.

Interim consolidated balance sheet (Unaudited) *(continued)*

	Note	**30 June 2013 RMB'000**	31 December 2012 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings and loans	13,14	**1,247,440**	1,231,340
Deferred income		**10,872**	-
Total non-current liabilities		**1,258,312**	1,231,340
Current liabilities			
Borrowings and loans	13,14	**8,232,758**	11,023,877
Trade creditors	15	**2,189,925**	2,886,616
Bills payable	15	**2,472**	-
Other creditors		**2,081,142**	1,603,022
Amounts due to related parties	15,18(c)	**5,053,943**	3,411,279
Income tax payable		**3,609**	2,463
Total current liabilities		**17,563,849**	18,927,257
Total liabilities		**18,822,161**	20,158,597
Total equity and liabilities		**35,585,715**	36,462,546
Net current liabilities		**(4,498,626)**	(6,035,833)
Total assets less current liabilities		**18,021,866**	17,535,289

The notes on pages 39 to 58 form an integral part of condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 33 to 58 were approved by the Board of Directors on 28 August 2013 and were signed on its behalf.

Wang Zhiqing
Chairman

Ye Guohua
Director and Chief Financial Officer

Interim consolidated statement of changes in equity (Unaudited)

	Note	Attributable to owners of the Company						
		Share capital	Share premium	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2012		7,200,000	2,420,841	5,164,129	1,252,196	16,037,166	266,783	16,303,949
Total comprehensive income for the period ended 30 June 2013		-	-	-	473,212	473,212	4,287	477,499
Dividends distributed by subsidiaries to non-controlling interests		-	-	-	-	-	(17,894)	(17,894)
Appropriation of safety production fund	17	-	-	25,945	(25,945)	-	-	-
Balance at 30 June 2013		7,200,000	2,420,841	5,190,074	1,699,463	16,510,378	253,176	16,763,554

	Note	Attributable to owners of the Company						
		Share capital	Share premium	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2011		7,200,000	2,420,841	5,177,727	3,126,995	17,925,563	270,101	18,195,664
Total comprehensive loss for the period ended 30 June 2012		-	-	-	(1,151,524)	(1,151,524)	13,367	(1,138,157)
Dividends approved in respect of the previous year	9	-	-	-	(360,000)	(360,000)	-	(360,000)
Dividends distributed by subsidiaries to non-controlling interests		-	-	-	-	-	(26,573)	(26,573)
Appropriation of safety production fund	17	-	-	36,620	(36,620)	-	-	-
Balance at 30 June 2012		7,200,000	2,420,841	5,214,347	1,578,851	16,414,039	256,895	16,670,934

The notes on pages 39 to 58 form an integral part of condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 33 to 58 were approved by the Board of Directors on 28 August 2013 and were signed on its behalf.

Wang Zhiqing
Chairman

Ye Guohua
Director and Chief Financial Officer

Interim consolidated statement of cash flows (Unaudited)

	Note	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Cash generated from / (used in) operations		**3,382,026**	(1,037,967)
Interest paid		**(183,245)**	(219,231)
Income tax paid		**(6,295)**	(28,271)
Cash flows from / (used in) operating activities - net		**3,192,486**	(1,285,469)
Cash flows from investing activities			
Cash received from loan receivables		**30,000**	46,000
Dividends received from associates		**37,664**	45,280
Proceeds on disposal of property, plant and equipment		**2,785**	2,812
Proceeds on disposal of a subsidiary		**-**	3,743
Interest income		**40,468**	48,948
Acquisition of fixed assets, intangible assets and other long-term assets		**(623,055)**	(2,382,178)
Cash repayment of loan receivables		**(30,000)**	(30,000)
Cash flows used in investing activities - net		**(542,138)**	(2,265,395)
Cash flows from financing activities			
Proceeds from borrowings		**30,622,173**	26,377,504
Repayment of borrowings		**(33,125,199)**	(22,676,988)
Distribution of dividends or profits		**(17,992)**	(49,093)
Cash flows (used in) / from financing activities - net		**(2,521,018)**	3,651,423
Net increase in cash and cash equivalents		**129,330**	100,559
Cash and cash equivalents at the beginning of the period		**160,962**	91,346
Exchange gains / (loss) on cash and cash equivalents		**2,414**	(9)
Cash and cash equivalents at end of the period	12	**292,706**	191,896

The notes on pages 39 to 58 form an integral part of condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 33 to 58 were approved by the Board of Directors on 28 August 2013 and were signed on its behalf.

Wang Zhiqing
Chairman

Ye Guohua
Director and Chief Financial Officer

Notes to the condensed consolidated interim financial statements

1 General information

Sinopec Shanghai Petrochemical Company Limited ("the Company"), located in Jinshan District of Shanghai, is one of the largest refining-chemical integrated petrochemical companies in China. It is one of the subsidiaries of China Petroleum & Chemical Corporation ("Sinopec Corp."). It is also currently one of the most important domestic producers of refined oil products, intermediate petrochemicals, synthetic resins and synthetic fibers.

This condensed consolidated interim financial information is presented in thousands of Renminbi Yuan (RMB), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 28 August 2013.

These condensed consolidated interim financial statements have been reviewed, not audited.

2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Accounting Standard 34 ("IAS 34"), 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

New standards, amendments and interpretations to existing standards which are effective for accounting periods beginning on or after 1 January 2013 and adopted by the Company.

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013 and have no material impact to the Company:

- IFRS 11 - Joint arrangements
- IFRS 13 - Fair value measurement
- IFRS 7 - Financial instruments: Disclosures - Offsetting financial assets and financial liabilities

(b) The following new standards, amendments and interpretations to existing standards are mandatory for the first time for the financial year beginning 1 January 2013, but are not currently relevant to the Company:

- IAS 19 (Amendment) - Employee benefits
- IFRS 10 - Consolidated financial statements

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

5 Segment information

The basis of segmentation and the basis of measurement of segment profit or loss, and assets and liabilities are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

	Six months ended 30 June 2013			Six months ended 30 June 2012		
	Total segment revenue	**Inter segment revenue**	**Revenue from external customers (note a)**	Total segment revenue	Inter segment revenue	Revenue from external customers (note a)
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Synthetic fibres	**1,648,861**	**-**	**1,648,861**	1,719,630	73	1,719,557
Resins and plastics	**7,029,230**	**130,040**	**6,899,190**	7,589,596	48,244	7,541,352
Intermediate petrochemicals	**19,487,264**	**9,689,067**	**9,798,197**	19,049,459	9,734,781	9,314,678
Petroleum products	**37,296,006**	**4,661,528**	**32,634,478**	26,022,420	3,886,484	22,135,936
Trading of petrochemical products	**7,328,146**	**1,682,100**	**5,646,046**	6,535,247	1,256,624	5,278,623
All others segments	**1,237,441**	**778,300**	**459,141**	859,309	407,376	451,933
Total	**74,026,948**	**16,941,035**	**57,085,913**	61,775,661	15,333,582	46,442,079

5 Segment information *(continued)*

	Six months ended 30 June 2013 RMB'000	Six months ended 30 June 2012 RMB'000
Profit/(loss)from operations		
Synthetic fibres	(277,569)	(165,655)
Resins and plastics	(624,393)	(865,462)
Intermediate petrochemicals	704,843	678,635
Petroleum products	612,208	(1,074,343)
Trading of petrochemical products	6,344	29,321
All others	66,296	73,637
Total Consolidated Profit/(loss) from operations	487,729	(1,323,867)
Net financing income/(costs)	149,729	(193,087)
Investment income	-	6,446
Share of profit of associates and jointly controlled entities	13,157	3,272
Profit/(loss)before taxation	650,615	(1,507,236)

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

	Six months ended 30 June 2013 RMB'000	Six months ended 30 June 2012 RMB'000
Intermediate petrochemicals	1,238,968	2,646,674
Petroleum products	30,153,151	18,885,862
Trading of petrochemical products	3,049,003	3,755,301
Others	227,326	242,239
Total	34,668,448	25,530,076

Notes to the condensed consolidated interim financial statements *(continued)*

5 Segment information *(continued)*

	30 June 2013 Total Assets RMB'000	31 Dec 2012 Total Assets RMBi¯000
Synthetic fibres	**1,979,499**	1,689,429
Resins and plastics	**1,989,653**	1,100,082
Intermediate petrochemicals	**6,633,308**	6,811,409
Petroleum products	**17,566,236**	18,661,951
Trading of petrochemical products	**557,765**	451,111
All others	**2,220,512**	2,715,605
Total segment assets	**30,946,973**	31,429,587
Unallocated		
Interest in associates and jointly controlled entities	**2,832,646**	2,867,153
Deferred tax assets	**886,898**	1,052,573
Investment property	**432,515**	439,137
Others	**486,683**	674,096
Total	**35,585,715**	36,462,546

Notes to the condensed consolidated interim financial statements *(continued)*

6 Profit/(loss) before taxation

(a) Net financing (income)/costs

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interest on bank loans and advances	**199,473**	233,356
Less: Amount capitalised into construction in progress	**-**	(50,504)
Interest expenses, net	**199,473**	182,852
Net foreign exchange loss	**-**	59,183
Total financing expenses	**199,473**	242,035
Net foreign exchange gain	**(308,734)**	-
Interest income	**(40,468)**	(48,948)
Total financing income	**(349,202)**	(48,948)

(b) Other items

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Amortisation of lease prepayments	**9,163**	9,162
Depreciation	**1,068,279**	829,987
Research and development costs	**21,293**	16,232
Write-down of inventories	**23,869**	235,350
Net loss on disposal of property, plant and equipment	**19,508**	11,827
Refund of education surcharges	**(274)**	(114,343)

The inventory write-downs of RMB 23,869,000 was mainly due to that the carrying amount of inventories were lower than the net realisable value (six months ended 30 June 2012: RMB 235,350,000).

7 Income tax expense

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Provision for PRC income tax for the period	**7,441**	12,425
Deferred taxation	**165,675**	(381,504)
	173,116	(369,079)

The provision for PRC income tax is calculated at the rate of 25% (six months ended 30 June 2012: 25%) on the estimated assessable income of the period ended 30 June 2013 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.

8 Earnings / (loss) per share

The calculation of basic profit per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2013 of RMB 473,212,000 (six months ended 30 June 2012: loss of RMB 1,151,524,000) and 7,200,000,000 (six months ended 30 June 2012: 7,200,000,000) shares in issue during the interim period.

The Group had no dilutive potential ordinary shares in existence during the six months ended 30 June 2013 and 2012.

9 Dividends

Pursuant to a resolution passed at the Annual General Meeting held on 27 June 2012, a final dividend of RMB 360,000,000 was declared and approved for the year ended 31 December 2011.

Pursuant to a resolution passed at the Annual General Meeting held on 6 June 2013, no dividend was declared and approved. The Board of Directors did not declare the payment of an interim dividend for the period ended 30 June 2013 (six months ended 30 June 2012: nil).

10 Property, plant and equipment, construction in progress

Acquisitions and disposals

The acquisitions and disposals of items of property, plant and equipment and construction in progress during the six months ended 30 June 2013 and 2012 are as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Cost of acquisition	**401,538**	2,256,505
Disposals (net carrying amount)	**(22,293)**	(47,103)

11 Trade receivables

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Trade debtors	**193,536**	94,366
Less: Impairment loss for bad and doubtful debts	**(899)**	(882)
	192,637	93,484
Bills receivable	**1,905,141**	2,046,657
Amounts due from related parties	**1,766,584**	1,052,842
	3,864,362	3,192,983

Amounts due from related parties represent trade-related balances.

11 Trade receivables *(continued)*

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

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Invoice date:		
Within one year	**3,864,328**	3,192,974
Between one and two years	**34**	9
	3,864,362	3,192,983

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

12 Cash and cash equivalents

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Cash deposits with a related party	**5,629**	1,933
Cash at bank and in hand	**287,077**	159,029
	292,706	160,962

13 Borrowings and loans

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Short term loans		
Long term loans	**8,232,758**	11,023,877
-Between one and two years	**617,870**	-
-Between four years and five years	**629,570**	1,231,340
Subtotal	**1,247,440**	1,231,340
Total	**9,480,198**	12,255,217

13 Borrowings and loans *(continued)*

The Group has the following undrawn borrowing facilities:

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Floating rate:		
- expiring within one year (bank loans)	**8,106,318**	8,826,802
- expiring beyond one year (bank loans)	**7,792,852**	4,511,171
	15,899,170	13,337,973

These facilities have been arranged to help finance the working capitals and also ongoing investments on long-term assets.

The Company does not have any exposure to collateralised debt obligations. The Company has sufficient headroom to enable it to conform to covenants on its existing borrowings. The Company has sufficient undrawn financing facilities to service its operating activities and ongoing investments.

14 Fair value of financial assets and liabilities measured at amortised cost

The fair value of borrowings are as follows:

	At 30 June 2013		At 31 December 2012	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Long-term bank loans	**1,247,440**	**1,244,672**	1,231,340	1,192,960

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade debtors
- Other debtors
- Cash and cash equivalents
- Bills receivable
- Amounts due from related parties
- Trade creditors
- Other creditors
- Amount due to related parties

15 Trade payables

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Trade creditors	**2,189,925**	2,886,616
Bills payable	**2,472**	-
Amounts due to related parties	**5,053,943**	3,411,279
	7,246,340	6,297,895

At 30 June 2013, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were as follows:

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Within one month	**6,610,492**	6,088,323
Over one month but within three months	**538,754**	209,572
Over three months	**97,094**	-
	7,246,340	6,297,895

16 Contingent liabilities

(a) Income tax differences

In June 2007, the State Administrative of Taxation issued a tax circular (Circular No.664) to the local tax authorities requesting the relevant local tax authorities to rectify the applicable enterprise income tax ("EIT") for nine listed companies, which included the Company. After the notice was issued, the Company was required by the relevant tax authority to settle the EIT for 2007 at a rate of 33 percent. To date, the Company has not been requested by the tax authorities 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 2013. No provision has been made in this interim financial report for this uncertainty because management believes it is not probable that the Group will be required to pay additional EIT for tax years prior to 2007.

(b) Except for the above, there are no contingent liabilities for which the possibility of any outflow of resources is other than remote.

17 Reserves

For the six months ended 30 June 2013, the Group transferred RMB 25,945,000 (six months ended 30 June 2012: RMB 36,620,000) from retained earnings to reserves for the safety production fund determined according to relevant PRC regulations.

For the six months ended 30 June 2013 and 2012, no transfers were made to the statutory surplus reserve or the discretionary surplus reserve.

18 Related-party transactions

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

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

(a) Most of the transactions undertaken by the Group during the six months ended 30 June 2013 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. Sinopec Corp. also owns a widespread petroleum products sales network and possesses a fairly high market share in domestic petroleum products market, which is subject to extensive regulation by the PRC government.

The Group has entered into a mutual product supply and sales services framework agreement with Sinopec Corp. Pursuant to the agreement, Sinopec Corp. provides the Company with crude oil, other petrochemical raw materials and agent services. On the other hand, the Group provides Sinopec Corp. with petroleum products, petrochemical products and property leasing services.

18 Related-party transactions *(continued)*

(a) *(continued)*

The pricing policy for these services and products provided under the agreement is as follows:

- if there are applicable State (central and local government) tariffs, the pricing shall follow the State tariffs;
- if there are no State tariffs, but there are applicable State's guidance prices, the pricing shall follow the State's guidance prices; or
- if there are no State tariffs or State's guidance prices, the pricing shall be determined in accordance with the prevailing market prices (including any bidding prices).

Transactions between the Group and Sinopec Corp, its subsidiaries and jointly controlled entities during the six months ended 30 June 2013 and 2012 were as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Sales of petroleum products	**30,153,151**	18,885,862
Sales other than petroleum products	**4,515,297**	6,644,214
Purchases of crude oil	**25,432,125**	21,228,750
Purchases other than crude oil	**5,067,771**	5,222,139
Sales commissions	**83,795**	99,763
Rental income	**11,865**	11,611

18 Related-party transactions *(continued)*

(b) Other transactions between the Group and Sinopec Group and its subsidiaries, associates and jointly controlled entities of the Group during the six months ended 30 June 2013 and 2012 were as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Sales of goods and service fee income		
- Sinopec Group and its subsidiaries	**191,585**	247,137
- Associates and jointly controlled entities of the Group	**1,451,258**	1,127,376
	1,642,843	1,374,513
Purchases		
- Sinopec Group and its subsidiaries	**4,935**	8,877
- Associates and jointly controlled entities of the Group	**1,723,155**	1,974,836
	1,728,090	1,983,713
Insurance premiums		
- Sinopec Group and its subsidiaries	**73,102**	65,657
Interest income		
- Sinopec Finance	**473**	260
Loans borrowed		
- Sinopec Finance	**3,308,935**	2,143,883
Loans repayment		
- Sinopec Finance	**2,700,000**	2,350,000
Interest expenses		
- Sinopec Finance	**12,462**	13,155
Construction and installation cost		
- Sinopec Group and its subsidiaries	**132,312**	244,816

The directors of the Company are of the opinion that the transactions with Sinopec Corp., its subsidiaries and jointly controlled entities, Sinopec Group and its subsidiaries, associates and jointly controlled entities of the Group as disclosed in notes 18(a) and 18(b) were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

18 Related-party transactions *(continued)*

(c) The relevant amounts due from/to Sinopec Corp., its subsidiaries and jointly controlled entities, Sinopec Group and its subsidiaries, associates and jointly controlled entities of the Group, arising from purchases, sales and other transactions as disclosed in notes 18(a) and 18(b), are summarised as follows:

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Amounts due from related parties		
- Sinopec Corp., its subsidiaries and jointly controlled entities	**1,593,276**	867,960
- Sinopec Group and its subsidiaries	**5,899**	3,884
- Associates and jointly controlled entities of the Group	**167,409**	180,998
Total	**1,766,584**	1,052,842
Amounts due to related parties		
- Sinopec Corp., its subsidiaries and jointly controlled entities	**4,715,293**	3,211,906
- Sinopec Group and its subsidiaries	**11,470**	5,894
- Associates and jointly controlled entities of the Group	**327,180**	193,479
Total	**5,053,943**	3,411,279
Cash deposits, maturing within three months		
- Sinopec Finance	**5,629**	1,933
Short-term loans		
- Sinopec Finance	**828,935**	220,000

18 Related-party transactions *(continued)*

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

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 months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Short-term employee benefits	**5,056**	5,494
Post-employment benefits	**98**	84
	5,154	5,578

Post-employment benefits are included in "contributions to defined contribution retirement plans" as disclosed in note 18(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 months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Municipal retirement scheme costs	**139,447**	128,042
Supplementary retirement scheme costs	**34,857**	34,245

At 30 June 2013 and 31 December 2012, there was no material outstanding contribution to the above defined contributions retirement plans.

18 Related-party transactions *(continued)*

(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.

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

- sales and purchases 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 ("Sinochem") and its subsidiaries, which are state-controlled entities.

During the six months ended 30 June 2013 and 2012, the aggregate amount of crude oil purchased by the Group from the above state-controlled energy and chemical companies are as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Purchase of crude oil	**5,327,608**	6,483,348

Prepayments for purchases of crude oil made to the above state-controlled energy and chemical companies were RMB 0 as at 30 June 2013 (31 December 2012: RMB 1,638,000).

18 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 months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interest income	**6,420**	8,828
Interest expenses	**166,286**	220,201

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

	As at 30 June 2013	As at 31 December 2012
	RMB'000	RMB'000
Cash and cash equivalents at state-controlled banks in PRC	**287,077**	159,029
Short-term loans	**7,403,823**	10,803,877
Long-term loans	**1,247,440**	1,231,340
Total loans from state-controlled banks in the PRC	**8,651,263**	12,035,217

18 Related-party transactions *(continued)*

(g) Commitments with related parties

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Construction and installation cost:		
- Sinopec Group and its subsidiaries	**58,223**	53,690

Except for the above, the Group had no other material commitments with related parties at 30 June 2013 and 31 December 2012, which are contracted, but not included in the interim financial report.

19 Capital commitments

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Property, plant and equipment		
Contracted but not provided for	**444,930**	123,310
Authorised but not contracted for	**413,210**	1,362,263
	858,140	1,485,573

20 Events occurring after the balance sheet date

(a) Significant events occurring after the balance sheet date

(i) Under the Official 'Reply on matters relating to the Share Reform of Sinopec Shanghai Petrochemical Company Limited' issued by the State-owned Assets Supervision and Administration Commission of the State Council (State Owned Property [2013] No.443), the Company General Meeting held on 8 July 2013 passed the 'Share Reform Statement of Sinopec Shanghai Petrochemical Company Limited (Amendment)'(the "Share Reform Statement") which was published by the Company Board of Directors on Shanghai Stock Exchange ("SSE") website on 20 June 2013. Currently, price arrangement of the "Share Reform Statement" was completed. Pursuant to the resolution passed, all the floating A Shareholders with shares registered on 16 August 2013 received 5 shares for every 10 floating shares held, totally amounted 360,000,000 non-circulating A shares from controlling shareholder Sinopec Corp.. Since 20 August 2013, all the Company's non-circulating A shares have been granted listable circulating rights on Shanghai Stock Exchange. In addition, from the date that 3,640,000,000 non-circulating A shares held by controlling shareholder Sinopec Corp., were prohibited to be traded on the market or transferred within 12 months in accordance with the restriction condition made before. After the prohibited period, shareholders could only sell 5 percent non-floating shares within 12 months and 10 percent non-floating shares within 24 months through SSE.

(ii) Sinopec Corp. undertakes that, within six months after the non-floating shares held by it in the Company acquires the right to float on the market (which means the first trading day after the implementation of the Share Reform Proposal), propose to hold a board meeting of Sinopec Shanghai in accordance with the Articles of Association of Sinopec Shanghai Petrochemical Company Limited to review a proposal of converting reserves into such amount of shares as needed to distribute four or more additional shares for every ten shares and a proposal of holding a shareholder meeting, and vote for such proposal at the Company shareholder meeting.

Sinopec Corp. undertakes that, within 12 months from the date when its non-floating shares in the Company are granted the right to float on the market (which means the first trading day after the implementation of the Share Reform Proposal), it will request that, subject to compliance with the relevant policies of State-owned Assets Supervision and Administration Commission of the State Council and China Securities Regulatory Commission, the board of directors of the Company to propose a share option incentive scheme, with an exercise price of the first batch of share options granted not less than RMB6.43 per share, being the closing price of the shares on 30 May 2013 (such exercise price will be subject to adjustment if there is any exclusion of rights and dividends prior to the announcement of the proposal for the share option incentive scheme).

20 Events occurring after the balance sheet date *(continued)*

(b) Dividends distribution after the balance sheet date

The proposal of dividends distribution and converting reserves into shares was approved at the 15th Meeting of the 7th term of Board of Directors held on 28 August 2013. The proposal was to convert reserves into shares to distribute 5 shares for every ten shares, as well as cash dividends distribution of RMB 0.50(tax included) for every ten shares, based on total 7,200,000,000 shares on 30 June 2013. Among above 5 shares distributed, 3.36 shares and1.64 shares were from share premium part of capital reserves and surplus reserves, respectively. As at the reporting date on 28 August 2013, the dividends distribution proposal has not been approved by General Meeting.

普华永道

[English Translation for Reference Only]

Auditor's Report

PwC ZT Shen Zi (2013) No. 10088
(Page 1 of 2)

To the Shareholders of Sinopec Shanghai Petrochemical Company Limited,

We have audited the accompanying interim financial statements of Sinopec Shanghai Petrochemical Company Limited (hereinafter "the Company"), which comprise the consolidated and company balance sheets as at 30 June 2013, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the six months ended 30 June 2013, and the notes to the interim financial statements.

Management's Responsibility for the Interim Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these interim financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these interim financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

普華永道中天會計師事務所(特殊普通合伙)
PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com

pwc

普华永道

[English Translation for Reference Only]

Auditor's Report *(continued)*

PwC ZT Shen Zi (2013) No. 10088
(Page 2 of 2)

Opinion

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 30 June 2013, and their financial performance and cash flows for the period then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

Other Matter

The consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity, and the consolidated and company cash flow statements for the six months ended 30 June 2012, and the relevant notes to the financial statements of the Company have not been audited.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China
28 August 2013

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

CONSOLIDATED BALANCE SHEETS

As at 30 June 2013

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	Note	30 JUNE 2013	31 DECEMBER 2012
Current assets			
Cash at bank and on hand	5(1)	**292,706**	160,962
Notes receivable	5(2)	**2,058,841**	2,065,483
Accounts receivable	5(4)	**1,773,080**	1,082,742
Advances to suppliers	5(6)	**50,100**	90,261
Dividends receivable	5(3)	**10,000**	-
Other receivables	5(5)	**64,527**	40,765
Inventories	5(7)	**8,631,992**	8,938,077
Other current assets	5(8)	**183,977**	513,134
Total current assets		**13,065,223**	12,891,424
Non-current assets			
Long-term equity investment	5(9),(10)	**3,017,646**	3,057,153
Investment properties	5(11)	**432,515**	439,137
Fixed assets	5(12)	**16,894,879**	17,622,001
Construction in progress	5(13)	**639,282**	612,388
Intangible assets	5(14)	**488,412**	497,575
Long-term prepaid expenses	5(15)	**483,765**	633,548
Deferred tax assets	5(16)	**892,999**	1,052,573
Total non-current assets		**22,849,498**	23,914,375
TOTAL ASSETS		**35,914,721**	36,805,799

The accompanying notes on pages 73 to 163 form an integral part of these interim financial statements.

CONSOLIDATED BALANCE SHEETS *(continued)*

As at 30 June 2013

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

[English Translation for Reference Only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 JUNE 2013	31 DECEMBER 2012
Current liabilities			
Short-term borrowings	5(18)	**8,232,758**	11,023,877
Notes payable	5(19)	**6,472**	-
Accounts payable	5(20)	**6,808,978**	5,523,248
Advance from customers	5(21)	**411,590**	758,796
Employee benefits payable	5(22)	**49,659**	48,008
Taxes payable	5(23)	**1,315,781**	671,231
Interest payable	5(24)	**11,040**	20,987
Dividends payable	5(25)	**21,450**	21,548
Other payables	5(26)	**706,121**	859,562
Total current liabilities		**17,563,849**	18,927,257
Non-current liabilities			
Long-term borrowings	5(28)	**1,247,440**	1,231,340
Other non-current liabilities	5(27)	**195,872**	190,000
Total non-current liabilities		**1,443,312**	1,421,340
TOTAL LIABILITIES		**19,007,161**	20,348,597
Shareholders' equity			
Share capital	1,5(29)	**7,200,000**	7,200,000
Capital surplus	5(30)	**2,914,763**	2,914,763
Specific reserve	5(31)	**34,124**	8,179
Surplus reserve	5(32)	**5,151,770**	5,151,770
Undistributed profits	5(33)	**1,353,727**	915,707
Total equity attributable to equity shareholders of the Company		**16,654,384**	16,190,419
Minority interests	5(34)	**253,176**	266,783
TOTAL SHAREHOLDERS' EQUITY		**16,907,560**	16,457,202
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**35,914,721**	36,805,799

The accompanying notes on pages 73 to 163 form an integral part of these interim financial statements.

Chairman and President	Director and Chief Financial Officer	Deputy Chief Financial Officer and Accounting Chief
Wang Zhiqing	**Ye Guohua**	**Hua Xin**

BALANCE SHEETS

As at 30 June 2013

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	Note	30 JUNE 2013	31 DECEMBER 2012
Current assets			
Cash at bank and on hand		**222,128**	119,148
Notes receivable		**1,676,682**	1,914,007
Accounts receivable	13(1)	**1,235,199**	811,738
Advances to suppliers		**44,026**	82,426
Dividends receivable		**-**	-
Other receivables	13(2)	**23,214**	15,569
Inventories		**8,290,863**	8,615,644
Other current assets		**100,301**	419,523
Total current assets		**11,592,413**	11,978,055
Non-current assets			
Long-term equity investment	13(3)	**4,067,252**	4,069,891
Investment properties		**432,515**	439,137
Fixed assets	13(4)	**16,424,341**	17,105,599
Construction in progress	13(5)	**639,282**	604,866
Intangible assets		**399,839**	406,356
Long-term prepaid expenses		**467,372**	617,025
Deferred tax assets		**892,763**	1,052,338
Total non-current assets		**23,323,364**	24,295,212
TOTAL ASSETS		**34,915,777**	36,273,267

The accompanying notes on pages 73 to 163 form an integral part of these interim financial statements.

BALANCE SHEETS *(continued)*

As at 30 June 2013

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

[English Translation for Reference Only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 JUNE 2013	31 DECEMBER 2012
Current liabilities			
Short-term borrowings		**8,279,808**	11,092,877
Notes payable		**-**	-
Accounts payable		**5,961,588**	5,175,493
Advance from customers		**368,967**	675,446
Employee benefits payable		**44,210**	42,959
Taxes payable		**1,290,850**	663,603
Interest payable		**10,938**	20,987
Dividends payable		**21,450**	21,548
Other payables		**1,100,450**	1,246,286
Total current liabilities		**17,078,261**	18,939,199
Non-current liabilities			
Long-term borrowings		**1,217,870**	1,200,000
Other non-current liabilities		**195,872**	190,000
Total non-current liabilities		**1,413,742**	1,390,000
TOTAL LIABILITIES		**18,492,003**	20,329,199
Shareholders' equity			
Share capital		**7,200,000**	7,200,000
Capital surplus		**2,914,763**	2,914,763
Specific reserve		**24,404**	-
Surplus reserve		**5,151,770**	5,151,770
Undistributed profits		**1,132,837**	677,535
Total equity attributable to equity shareholders of the Company		**16,423,774**	15,944,068
Minority interests		**-**	-
TOTAL SHAREHOLDERS' EQUITY		**16,423,774**	15,944,068
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**34,915,777**	36,273,267

The accompanying notes on pages 73 to 163 form an integral part of these interim financial statements.

Chairman and President	Director and Chief Financial Officer	Deputy Chief Financial Officer and Accounting Chief
Wang Zhiqing	**Ye Guohua**	**Hua Xin**

CONSOLIDATED INCOME STATEMENTS

FOR THE SIX MONTHS ENDED 30 June 2013

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Note	Six months ended 30 June 2013	Six months ended 30 June 2012 (unaudited)
Revenue	5(35)	**57,110,922**	46,472,594
Less: Cost of sales	5(35)	**50,019,472**	43,448,096
Taxes and surcharges	5(36)	**4,923,735**	2,837,286
Selling and distribution expenses	5(37)	**334,802**	329,807
General and administrative expenses	5(38)	**1,325,241**	1,178,587
Financial (income)/expenses - net	5(39)	**(149,729)**	193,087
Asset impairment losses	5(41)	**23,919**	185,579
Add: Investment income	5(40)	**8,157**	4,718
Including: Share of profits/(loss) of associates and jointly controlled entities		**8,157**	(1,728)
Operating profit/(loss)		**641,639**	(1,695,130)
Add: Non-operating income	5(42)	**7,943**	161,263
Less: Non-operating expenses	5(43)	**40,260**	24,785
Including: Losses on disposal of non-current assets		**20,314**	12,357
Total profit/(loss)		**609,322**	(1,558,652)
Less: Income tax expenses	5(44)	**167,015**	(377,530)
Net profit/(loss)		**442,307**	(1,181,122)
Attributable to equity shareholders of the Company		**438,020**	(1,194,489)
Minority interests		**4,287**	13,367
Earnings/(Loss) per share			
Basic earnings/(loss) per share(RMB)	5(45)	**0.061**	(0.166)
Diluted earnings/(loss) per share(RMB)	5(45)	**0.061**	(0.166)
Other comprehensive income		**-**	-
Total comprehensive income/(loss)		**442,307**	(1,181,122)
Attributable to equity shareholders of the Company		**438,020**	(1,194,489)
Minority interests		**4,287**	13,367

The accompanying notes on pages 73 to 163 form an integral part of these interim financial statements.

Chairman and President	Director and Chief Financial Officer	Deputy Chief Financial Officer and Accounting Chief
Wang Zhiqing	**Ye Guohua**	**Hua Xin**

INCOME STATEMENTS

FOR THE SIX MONTHS ENDED 30 June 2013

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Note	Six months ended 30 June 2013	2012 (unaudited)
Revenue	13(6)	**50,369,127**	40,006,786
Less: Cost of sales	13(6)	**43,385,622**	37,121,742
Taxes and surcharges		**4,921,486**	2,834,292
Selling and distribution expenses		**260,476**	285,183
General and administrative expenses		**1,245,455**	1,109,755
Financial (income)/expenses - net		**(125,788)**	177,480
Asset impairment losses		**38,766**	201,948
Add: Investment income	13(7)	**5,441**	83,186
Including: Share of profits/(loss) of associates and jointly controlled entities		**(2,638)**	(14,894)
Operating profit/(loss)		**648,551**	(1,640,428)
Add: Non-operating income		**6,437**	160,417
Less: Non-operating expenses		**40,112**	24,785
Including: Losses on disposal of non-current assets		**20,306**	12,357
Total profit/(loss)		**614,876**	(1,504,796)
Less: Income tax expenses		**159,574**	(389,955)
Net profit/(loss)		**455,302**	(1,114,841)
Attributable to equity shareholders of the Company		**-**	-
Minority interests		**-**	-
Earnings/(Loss) per share			
Basic earnings/(loss) per share(RMB)		**-**	-
Diluted earnings/(loss) per share(RMB)		**-**	-
Other comprehensive income		**-**	-
Total comprehensive income/(loss)		**455,302**	(1,114,841)
Attributable to equity shareholders of the Company		**-**	-
Minority interests		**-**	-

The accompanying notes on pages 73 to 163 form an integral part of these interim financial statements.

Chairman and President	Director and Chief Financial Officer	Deputy Chief Financial Officer and Accounting Chief
Wang Zhiqing	**Ye Guohua**	**Hua Xin**

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED 30 June 2013

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Note	Six months ended 30 June	
		2013	2012 (unaudited)
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		**64,970,200**	56,031,060
Refund of taxes and surcharges		**17,405**	37,778
Cash received relating to other operating activities	5(46)	**13,696**	44,774
Sub-total of cash inflows		**65,001,301**	56,113,612
Cash paid for goods and services		**(54,298,982)**	(52,431,931)
Cash paid to and on behalf of employees		**(1,325,102)**	(1,226,888)
Payments of taxes and surcharges		**(5,707,812)**	(3,272,880)
Cash paid relating to other operating activities	5(46)	**(293,674)**	(248,151)
Sub-total of cash outflows		**(61,625,570)**	(57,179,850)
Net cash flows from/(used in) operating activities	5(47)	**3,375,731**	(1,066,238)
Cash flows from investing activities			
Cash received from disposal of investments		**30,000**	46,000
Cash received from returns on investments		**37,664**	45,280
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**2,785**	2,812
Net cash received from disposal of a subsidiary		**-**	3,743
Cash received relating to other investing activities	5(46)	**40,468**	48,948
Sub-total of cash inflows		**110,917**	146,783
Cash paid to acquire fixed assets and other long-term assets		**(623,055)**	(2,382,178)
Cash paid to acquire investments		**(30,000)**	(30,000)
Cash paid relating to other investing activities		**-**	-
Sub-total of cash outflows		**(653,055)**	(2,412,178)
Net cash flows used in investing activities		**(542,138)**	(2,265,395)

The accompanying notes on pages 73 to 163 form an integral part of these interim financial statements.

CONSOLIDATED CASH FLOW STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 June 2013

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Note	Six months ended 30 June	
		2013	2012 (unaudited)
Cash flows from financing activities			
Cash received from borrowings		**30,622,173**	26,377,504
Sub-total of cash inflows		**30,622,173**	26,377,504
Cash repayments of enterprise debt		**(33,125,198)**	(22,676,988)
Cash paid for interest expenses and distribution of dividends or profits		**(201,238)**	(268,324)
Including: Cash payments for dividends or profits to minority shareholders of subsidiaries		**(17,895)**	(26,494)
Cash payments relating to other financing activities		**-**	-
Sub-total of cash outflows		**(33,326,436)**	(22,945,312)
Net cash flows (used in)/from financing activities		**(2,704,263)**	3,432,192
Effect of foreign exchange rate changes on cash and cash equivalents		**2,414**	(9)
Net increase in cash and cash equivalents		**131,744**	100,550
Add: Cash and cash equivalents at beginning of year	5(1)	**160,962**	91,346
Cash and cash equivalents at end of the period	5(1)	**292,706**	191,896

The accompanying notes on pages 73 to 163 form an integral part of these interim financial statements.

Chairman and President	Director and Chief Financial Officer	Deputy Chief Financial Officer and Accounting Chief
Wang Zhiqing	**Ye Guohua**	**Hua Xin**

CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED 30 June 2013

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Note	Six months ended 30 June	
		2013	2012 (unaudited)
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		**58,176,748**	48,215,753
Refund of taxes and surcharges		**468**	-
Cash received relating to other operating activities		**30,751**	43,946
Sub-total of cash inflows		**58,207,967**	48,259,699
Cash paid for goods and services		**(47,639,895)**	(44,797,710)
Cash paid to and on behalf of employees		**(1,243,263)**	(1,150,851)
Payments of taxes and surcharges		**(5,690,114)**	(3,249,614)
Cash paid relating to other operating activities		**(254,333)**	(228,900)
Sub-total of cash outflows		**(54,827,605)**	(49,427,075)
Net cash flows from/(used in) operating activities	13(8)	**3,380,362**	(1,167,376)
Cash flows from investing activities			
Cash received from disposal of investments		**-**	-
Cash received from returns on investments		**8,079**	122,580
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**746**	2,793
Net cash received from disposal of a subsidiary		**-**	-
Cash received relating to other investing activities		**38,373**	43,979
Sub-total of cash inflows		**47,198**	169,352
Cash paid to acquire fixed assets and other long-term assets		**(618,950)**	(2,381,968)
Cash paid to acquire investments		**-**	-
Cash paid relating to other investing activities		**-**	-
Sub-total of cash outflows		**(618,950)**	(2,381,968)
Net cash flows used in investing activities		**(571,752)**	(2,212,616)

The accompanying notes on pages 73 to 163 form an integral part of these interim financial statements.

CASH FLOW STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 June 2013

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Note	Six months ended 30 June	
		2013	2012 (unaudited)
Cash flows from financing activities			
Cash received from borrowings		**30,575,163**	26,379,514
Sub-total of cash inflows		**30,575,163**	26,379,514
Cash repayments of enterprise debt		**(33,097,798)**	(22,688,894)
Cash paid for interest expenses and distribution of dividends or profits		**(182,969)**	(231,500)
Including: Cash payments for dividends or profits to minority shareholders of subsidiaries		**-**	-
Cash payments relating to other financing activities		**-**	-
Sub-total of cash outflows		**(33,280,767)**	(22,920,394)
Net cash flows (used in)/from financing activities		**(2,705,604)**	3,459,120
Effect of foreign exchange rate changes on cash and cash equivalents		**(26)**	(12)
Net increase in cash and cash equivalents		**102,980**	79,116
Add: Cash and cash equivalents at beginning of year		**119,148**	61,057
Cash and cash equivalents at end of the period		**222,128**	140,173

The accompanying notes on pages 73 to 163 form an integral part of these interim financial statements.

Chairman and President	Director and Chief Financial Officer	Deputy Chief Financial Officer and Accounting Chief
Wang Zhiqing	**Ye Guohua**	**Hua Xin**

CONSOLIDATED STEATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 June 2013

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Note	Attributable to equity shareholders of the Company					Minority interests	Total shareholders' equity
		Share capital	Capital surplus	Specific reserve	Surplus reserve	Undistributed profits		
Balance at 1 January 2012		7,200,000	2,914,763	21,777	5,151,770	2,824,173	270,101	18,382,584
Movements for the six months ended 30 June 2012								
Net loss for the period		-	-	-	-	(1,194,489)	13,367	(1,181,122)
Appropriation of profits								
Distributions to shareholders	5(33)	-	-	-	-	(360,000)	(26,573)	(386,573)
Specific reserve								
Accrued	5(31)	-	-	61,150	-	-	-	61,150
Utilised	5(31)	-	-	(24,530)	-	-	-	(24,530)
Balance at 30 June 2012 (unaudited)		7,200,000	2,914,763	58,397	5,151,770	1,269,684	256,895	16,851,509
Balance at 1 January 2013		7,200,000	2,914,763	8,179	5,151,770	915,707	266,783	16,457,202
Movements for the six months ended 30 June 2013								
Net profit for the period		-	-	-	-	438,020	4,287	442,307
Appropriation of profits								
Distributions to shareholders	5(33)	-	-	-	-	-	(17,894)	(17,894)
Specific reserve								
Accrued	5(31)	-	-	62,343	-	-	-	62,343
Utilised	5(31)	-	-	(36,398)	-	-	-	(36,398)
Balance at 30 June 2013		7,200,000	2,914,763	34,124	5,151,770	1,353,727	253,176	16,907,560

The accompanying notes on pages 73 to 163 form an integral part of these interim financial statements.

Chairman and President	Director and Chief Financial Officer	Deputy Chief Financial Officer and Accounting Chief
Wang Zhiqing	**Ye Guohua**	**Hua Xin**

STEATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 June 2013

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Note	Share capital	Capital surplus	Specific reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2012		7,200,000	2,914,763	14,272	5,151,770	2,532,261	17,813,066
Movements for the six months ended 30 June 2012							
Net loss for the period		-	-	-	-	(1,114,841)	(1,114,841)
Appropriation of profits							
Distributions to shareholders		-	-	-	-	(360,000)	(360,000)
Specific reserve							
Accrued		-	-	57,960	-	-	57,960
Utilised		-	-	(24,157)	-	-	(24,157)
Balance at 30 June 2012 (unaudited)		7,200,000	2,914,763	48,075	5,151,770	1,057,420	16,372,028
Balance at 1 January 2013		7,200,000	2,914,763	-	5,151,770	677,535	15,944,068
Movements for the six months ended 30 June 2013							
Net profit for the period		-	-	-	-	455,302	455,302
Specific reserve							
Accrued		-	-	59,200	-	-	59,200
Utilised		-	-	(34,796)	-	-	(34,796)
Balance at 30 June 2013		7,200,000	2,914,763	24,404	5,151,770	1,132,837	16,423,774

The accompanying notes on pages 73 to 163 form an integral part of these interim financial statements.

Chairman and President	Director and Chief Financial Officer	Deputy Chief Financial Officer and Accounting Chief
Wang Zhiqing	**Ye Guohua**	**Hua Xin**

1 General information

Sinopec Shanghai Petrochemical Company Limited ("the Company"), formerly named as 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. The Company was under the direct supervision of China Petrochemical Corporation ("Sinopec Group").

Sinopec Group completed its reorganisation on 25 February 2000. After the reorganisation, China Petroleum & Chemical Corporation ("Sinopec Corp.") was established. As part of the reorganisation, Sinopec Group 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.

The Company changed its name to Sinopec Shanghai Petrochemical Company Limited on 12 October 2000. Sinopec Corp. became the largest shareholder of the Company.

Under the official 'Reply on matters relating to the Share Reform of Sinopec Shanghai Petrochemical Company Limited' issued by the State-owned Assets Supervision and Administration Commission of the State Council (State Owned Property [2013] No.443), the Company General Meeting held on 8 July 2013 passed the 'Share Reform Statement of Sinopec Shanghai Petrochemical Company Limited (Amendment)' (the "Share Reform Statement") which was published by the Company Board of Directors on Shanghai Stock Exchange ("SSE") website on 20 June 2013. Currently, price arrangement of the "Share Reform Statement" was completed. Pursuant to the resolution passed, all the floating A Shareholders with shares registered before 16 August 2013 received 5 shares for every 10 floating shares held, totally amounted to 360,000,000 non-circulating A shares from controlling shareholder Sinopec Corp.. Since 20 August 2013, all the Company's non-circulating A shares have been granted listable circulating rights on SSE. In addition, from the date that 3,640,000,000 non-circulating A shares held by controlling shareholder Sinopec Corp., were prohibited to be traded on the market or transferred within 12 months in accordance with the restriction condition made before. After the prohibited period, shareholders could only sell 5 percent non-floating shares within 12 months and 10 percent non-floating shares within 24 months through SSE.

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

Details of the Company's principal subsidiaries are set out in Note 4 "Business combination and consolidated financial statements".

These financial statements were authorised for issue by the Board of Directors on 28 August 2013.

2 Summary of significant accounting policies and accounting estimates

(1) Basis of preparation

The financial statements have been prepared in accordance with the Basic Standard and 38 Specific Standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter referred to as "the Accounting Standard for Business Enterprises" or "CAS") and disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 - General Provisions on Financial Reporting (revised 2010) issued by the China Securities Regulatory Commission.

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

The financial statements of the Company for the six months ended 30 June 2013 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position as of 30 June 2013 and the operating results, cash flows and other information for the six months then ended of the Group and the Company.

(3) Accounting period

The Company's accounting year starts on 1 January and ends on 31 December. The financial statements cover period from 1 January 2013 to 30 June 2013.

(4) Recording currency

The recording currency is Renminbi (RMB).

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (capital premium). If the capital surplus (capital premium) is not sufficient to absorb the difference, the remaining balance is adjusted against undistributed profits. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(5) Business combinations *(continued)*

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity and the portion of subsidiaries' net profits and losses for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements under equity and net profits respectively.

(7) Cash and cash equivalents

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

2 Summary of significant accounting policies and accounting estimates *(continued)*

(8) Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated into RMB at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial Instruments

(a) Financial Assets

(i) Financial assets classification

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet.

Receivables

Receivables, including accounts receivable and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(9) Financial Instruments *(continued)*

(a) Financial Assets *(continued)*

(i) Financial assets classification *(continued)*

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities over 12 months when the investments were made but are due within 12 months at the balance sheet date are included in the current portion of non-current assets; held-to maturity investments with maturities no more than 12 months when the investments were made are included in other current assets.

(ii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised directly into equity are recycled into profit or loss for the current period. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(9) Financial Instruments *(continued)*

(a) Financial Assets *(continued)*

(iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

The objective evidence to show the impairment of available-for-sale investments in equity instruments includes the significant or prolonged decline of the fair value of investment in equity instruments. The Group assesses all kinds of available-for-sale investments in equity instruments individually at balance sheet date. If the fair value of investments in equity instruments at balance sheet date is less than 50% or below of its initial investment cost, or less than its initial investment costs for more than one year (including one year) period, the investment in equity instruments is impaired. If the fair value of investments in equity instruments at balance sheet date is less than 20% or above but under 50% of its initial investment costs, the Group will assesses the impairment of the investment in equity instruments, by taking into account other relevant factors such as price volatility.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

If there is objective evidence that an impairment loss on available-for-sale financial assets incurred, the cumulative losses arising from the decline in fair value that had been recognised directly in equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised directly in equity.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(9) Financial Instruments *(continued)*

(a) Financial Assets *(continued)*

(iv) Derecognition of financial assets

A financial asset is derecognised when it meets one of the following conditions:

- 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;
- Or if the Group has neither transferred nor retained substantially all of the risks and rewards of the asset, but the Group has ceased the control over the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the aggregate consideration received and the accumulative amount of the changes of fair value originally recorded in the shareholders' equity is recognised in profit or loss.

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. Financial liabilities of the Group mainly comprise of other financial liabilities, including payables, borrowings and bonds payable.

Payables include accounts payable and other payables, etc, which are initially recorded at fair value and measured subsequently at amortised cost using the effective interest method subsequently.

Borrowings and bonds payable are recorded initially at fair value, net of transaction costs incurred, and subsequently carried at amortised cost using the effective interest method.

Other financial liabilities with maturities no more than one year (including one year) are classified as current liabilities. Other financial liabilities with maturity over one year (including one year) but are due within one year at balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability shall be derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised portion of the financial liability and the consideration paid shall be recognised in profit or loss.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(9) Financial Instruments *(continued)*

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis, etc. When a valuation technique is used to establish the fair value of a financial instrument, it makes the maximum use of market inputs and relies as little as possible on specific inputs related to the Group.

(10) Receivables

Receivables comprise accounts receivable and other receivables, etc. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

(a) Receivables that are individually significant and subject to separate provision

Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made.

Judgement basis or criteria for receivables that are individually significant is over RMB 10,000 thousand.

Provision for bad debts for receivables that are individually significant and assessed individually is made at the difference between its carrying amount and the present value of its estimated future cash flows.

(b) Receivables that are individually insignificant but subject to separate provision

If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(10) Receivables *(continued)*

(c) Receivables that are combined into certain groups and subject to provision by groups

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

Ratios of provision for bad debts used in the aging analysis method for groups are as follows:

	Provisions as a percentage of accounts receivable	Provisions as a percentage of other receivables
Within one year	-	-
Over one year but within two years	30%	30%
Over two years but within three years	60%	60%
Over three years	100%	100%

(d) When the Group transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(11) Inventories

(a) Categories of inventories

Inventories include raw materials, work in progress, finished goods, spare parts and consumables, and are measured at the lower of cost and net realisable value.

(b) Measurement of cost of inventories

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) Basis for determining net realisable value of inventories and method of provision for impairment of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Amortisation methods for low-value consumables and packaging materials

Turnover materials include low value consumables and packaging materials, which are expensed upon issuance.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(12) Long-term equity investment

Long-term equity investment comprise the Company's long-term equity investment in its subsidiaries, the Group's long-term equity investment in its joint ventures and associates, as well as the long-term equity investment where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured.

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are the investees over which the Group is able to exercise joint control together with other venturers. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method. Other long-term equity investment, where the Group does not have control, joint control or significant influence over the investee and which are not quoted in an active market and whose fair value cannot be reliably measured, are accounted for using the cost method.

(a) Initial recognition

For long-term equity investment acquired through a business combination: The initial investment cost of a long-term equity investment obtained through a business combination involving enterprises under common control is the Company's share of the carrying amount of the subsidiary's equity at the combination date. For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial investment cost is the combined cost issued by the Company, in exchange for control of the acquire.

For long-term equity investment acquired other than through a business combination, the initial investment cost is recognised at the actual consideration paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

2 Summary of significant accounting policies and accounting estimates *(continued)*

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

(b) Subsequent measurement

Under the cost method of accounting, investment income is recognised in profit or loss for the cash dividends or profit distribution declared by the investee.

For long-term equity investment accounted for using the equity method, where the initial investment cost exceeds the fair value of the Group's share of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost; Where the initial investment cost is less than the fair value of the Group's share of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gain or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, and the related unrealised loss is not eliminated.

(c) Definition of control, joint control or significant influence over the investees

Control refers to the power to govern the financial and operating policies of an investee, so as to obtain benefits from their operating activities. In determining whether the Company is able to exercise control over the investee, the effect of potential voting rights of the investee shall be considered, such as convertible debts and warrants currently exercisable.

2 Summary of significant accounting policies and accounting estimates *(continued)*

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

(c) Definition of control, joint control or significant influence over the investees (continued)

Joint control is the contractually agreed sharing of control over an investee's economic activities, and exists only when the strategic financial and operating decisions relating to the activities require the unanimous consent of the parties sharing the control.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties.

(d) Impairment of Long-term equity investment

The carrying amount of long-term equity investment in subsidiaries, jointly controlled entities and associates shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2 (19)). For other long-term equity investment which are not quoted in an active market and whose fair value cannot be reliably measured, the excess of its carrying amount over the present value of future cash flows discounted at the prevailing market yield rate for similar financial assets shall be recognised as impairment loss. The impairment of long-term equity investment cannot be reversed once recognised.

(13) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that is being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation (amortisation) rates of investment properties are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation (amortisation) rates
Buildings	40 years	3%	2.43%

2 Summary of significant accounting policies and accounting estimates *(continued)*

(13) Investment properties *(continued)*

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer.

The investment property's estimated useful life, net residual value and depreciation (amortisation) method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

When the recoverable amount of investment properties is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (Note 2 (19)).

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, plant and machinery, vehicles and other equipment, etc.

Fixed asset is recognized when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. The fixed assets injected by the state-owned shareholder during the Restructuring were initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates *(continued)*

(14) Fixed assets (continued)

(b) Depreciation of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated residual values	Annual depreciation rates
Buildings	12-40 years	0% to 5%	2.4% to 8.3%
Plant and machinery	5-20 years	0% to 5%	4.8% to 20.0%
Vehicles and other equipment	4-20 years	0% to 5%	4.8% to 25.0%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) When the recoverable amount of fixed assets is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (Note 2 (19)).

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. When the recoverable amount of construction in progress is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (Note 2 (19)).

(16) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a qualifying fixed asset, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowing during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of a qualifying fixed asset, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings used, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which estimated future cash flows during the period of expected duration or shorter period applied discounted to the initial amount of the borrowings.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(17) Intangible assets

Intangible assets include land use rights, patents and etc, and are measured at cost. The intangible assets injected by the state-owned shareholder during the Restructuring were initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period of 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Patents

Patents are amortised on a straight-line basis over the patent protection period of 10 to 28 years as stipulated by the laws.

(c) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(d) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(17) Intangible assets *(continued)*

(d) Research and development *(continued)*

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(e) Impairment of intangible assets

When the recoverable amount of an intangible asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (Note 2 (19)).

(18) Long-term prepaid expenses

Long-term prepaid expenses mainly include the catalyst expenditures that have been incurred but should be recgonised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

Catalyst expenditures are amortized on a straight-line method within 2 to 5 years.

(19) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, long-term prepaid expenses, investment properties measured using the cost model and long-term equity investment in subsidiaries, joint ventures and associates,etc are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(20) Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

When the Group terminates the employment relationship with employees before the employment contracts expire, 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 are 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.

Except for the compensation to employees for termination of the employment relationship, the employee benefits are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.

(21) Profit distribution

Proposed profit distribution is recognised as a liability in the period in which it is approved by the shareholders' meeting.

(22) Provisions

Provisions for contingent liabilities etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows; The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(23) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) Sale of goods

Revenue from sale is recognised when all of the general conditions stated above and the following conditions are satisfied: the significant risks and rewards of ownership of goods have been transferred to the buyer, as well as the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. The Group recognizes revenue when goods are sent to designated place and confirmed receipt by customers according to the terms of contract.

(b) Rendering of services

Revenue from the rendering of services is recognised using the percentage of completion method, with the stage of completion being determined based on proportion of costs incurred to date to the estimated total costs.

(c) Transfer of asset use rights

Interest income is recognised on a time-proportion basis using the effective interest method.

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(24) Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration, including tax refund and financial subsidies etc.

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, or nominal amount when fair value not reliably measured.

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 government grant measured at nominal amount is recognised in profit or loss for the period immediately.

A government grant related to income 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 incurred. A gevernment grant that compensates the Group for expenses incurred is recognised in profit or loss immediately.

(25) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(25) Deferred tax assets and deferred tax liabilities *(continued)*

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(26) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease. Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

(27) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or where two or more parties are subject to common control or joint control 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 or joint control over both the enterprises or individuals and the Group;
f. joint controlled enterprises of the Group, including subsidiaries of joint controlled enterprises;
g. associates of the Group, including subsidiaries of associates;
h. principal individual investors of the Group 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 parents; and
l. other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group or close family members of such individuals.

2 Summary of significant accounting policies and accounting estimates *(continued)*

(28) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

(29) Critical accounting estimates and judgments

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Estimated useful life and residual value of fixed assets

The Company assessed the reasonableness of estimated useful life of fixed assets in line with the historical experience on the basis of similar function or characteristic for the assets. If there are significant changes in estimated useful lives and residual value from previous years, the depreciation expenses for future periods are adjusted.

The Group reviews and adjusts the useful lives and estimated residual value of the assets regularly at the end of each year end.

(ii) Impairment of long-term assets

If circumstances indicate that the net book value of a long-term asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with "CAS 8 Impairment of Assets". Long-term assets are reviewed for impairment at each balance sheet date when events or changes in circumstance have indicated that their carrying amounts may not be recoverable. If any such indication exists, impairment loss is recognized.

2 Summary of significant accounting policies and accounting estimates *(continued)*

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

(ii) Impairment of long-term assets *(continued)*

The recoverable amount of an asset (or an asset group) 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 Group's assets (or the asset group) cannot be obtained reliably, the fair value of the assets (or the asset group) cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the assets' (or the asset group's) production and sales, selling price, related operating expenses and discount 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 assumptions.

(iii) Impairment for bad debts

Management estimates impairment losses for bad debts resulting from the inability of the customers to make the required payments. Management bases the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If a change in the estimated recoverable amount, impairment losses would be adjusted.

(iv) Inventory provision

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 cost of sales. 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.

(v) Income taxes

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates *(continued)*

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

(v) Income taxes (continued)

In addition, the Group recognises deferred tax assets only to the extent that it is probable that future taxable profit will be available against the assets which can be realised or utilized. If profit forecasts deviate from original estimates, the deferred tax assets will need to be adjusted in future, which has significant impact on profit.

In making the assessment of whether it is probable the Group will realise or utilise the deferred tax assets, management primarily relies on the generation of future taxable income to support the recognition of deferred tax assets. In order to fully utilise the deferred tax assets recognised at 30 June 2013, the Group would need to generate future taxable income with amout of at least RMB 3,572 million, in which RMB 735 million is required to be generated by 2013, prior to the expiration of the unused tax losses generated in 2008, and RMB 2,371 million is required to be generated by 2017, prior to the expiration of the unused tax losses generated in 2012. Based on estimated forecast and historical experience, management believes that it is probable that the Group will generate sufficient taxable income before the unused tax losses expire.

3 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax base	Tax rate
Enterprise income tax	Taxable income	25%
Value added tax ("VAT") (a)	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of current period)	6%, 13% and 17%
Business tax (a)	Taxable turnover amount	5%
Consumption tax	Taxable sales amount	Gasoline: RMB 1,388 per ton; Diesel oil: RMB 940.8 per ton
City maintenance and construction tax	Actual payments of VAT, business tax and consumption tax	7%

(a) Pursuant to the Circular on the Pilot Plan for Levying VAT in Place of Business Tax (Caishui No.110, 2011) and the Circular on the Pilot Practice of Levying VAT in Place of Business Tax for the Transportation Industry and Some Modern Service Industries in Shanghai (Caishui No.111, 2011) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenue from Transportation Industry and Modern Service Industries is subject to VAT since 1 January 2012, the applicable tax rate of tangible assets' rental income is 17%, port service and warehousing service income is 6%.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

4 Business combination and consolidated financial statements

(1) Principal subsidiaries

Principal subsidiaries of the Company acquired from establishment or investment are listed as follows:

	Type of subsidiary	Registrated place	Nature of business	Registered capital	Principal activities	Entity type	Legal representative	Organization code
Shanghai Petrochemical Investment Development Company Limited.	Wholly-owned	Shanghai	Investment	RMB 1,000,000	Investment management	Limited company	Xu Zhongwei	13470098-9
China Jinshan Associated Trading Corporation	Holding	Shanghai	Trading	RMB 25,000	Import and export of petrochemical products and equipments	Limited company	Rong Guangdao	13220602-7
Shanghai Jinchang Engineering Plastics Company Limited.	Holding	Shanghai	Manufacturing	USD 9,153.8	Production of polypropylene compound products	Limited company	Xu Zhongwei	60725706-4
Shanghai Golden Philips Petrochemical Company Limited.	Holding	Shanghai	Manufacturing	USD 50,000	Production of Polyethylene products	Limited company	Xu Zhongwei	60734004-4
Zhejiang Jinyong Acrylic Fibre Company Limited.	Holding	Ningbo, Zhejiang	Manufacturing	RMB 250,000	Production of acrylic fibre products	Limited company	Xu Zhongwei	25603829-9
Shanghai Golden Conti Petrochemical Company Limited.	Wholly-owned	Shanghai	Manufacturing	RMB 545,776	Production of petrochemical products	Limited company	Xie Tie	60732552-2

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(1) Principal subsidiaries *(continued)*

	Actual investment at the end of the period	Other assets constitute investment in substance	Share-holding percentage (%)	Voting rights percentage (%)	Consolidated or not	Minority interests	Explanation for the difference between share-holding percentage and voting rights percentage	Amount of minority interests adjusted against minority interests in the profit or loss
Shanghai Petrochemical Investment Development Company Limited.	RMB 1,338,456	Nil	100	100	Yes	-	No difference	-
China Jinshan Associated Trading Corporation	RMB 16,832	Nil	67.33	67.33	Yes	53,735	No difference	-
Shanghai Jinchang Engineering Plastics Company Limited.	RMB 75,832	Nil	74.25	71.43	Yes	29,385	The Company's supreme authority is the Board of Directors, which is composed of seven directors, five seats held by the Group	-
Shanghai Golden Philips Petrochemical Company Limited.	RMB 249,374	Nil	60	60	Yes	170,056	No difference	2,799
Zhejiang Jin Yong Acrylic Fibre Company Limited	RMB 227,500	Nil	75	75	Yes	-	No difference	-
Shanghai Golden Conti Petrochemical Company Limited.	RMB 545,776	Nil	100	100	Yes	-	No difference	-

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

5 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	30 June 2013			31 December 2012		
	Original currency	**Exchange rate**	**RMB/RMB equivalents**	Original currency	Exchange rate	RMB/RMB equivalents
Cash on hand -						
RMB	–	-	**45**	-	-	47
Cash at bank -						
RMB	–	-	**282,773**	-	-	159,382
USD	1, 370	**6.1787**	**8,464**	24	6.2855	148
HKD	954	**0.7966**	**760**	962	0.8108	780
			291,997			160,310
Other monetary funds -						
RMB	-	-	**664**	-	-	605
			292,706			160,962

(2) Notes receivable

	30 June 2013	31 December 2012
Trade acceptance notes	**7,334**	11,105
Bank acceptance notes	**2,051,507**	2,054,378
	2,058,841	2,065,483

All of the above notes held are short-term acceptance notes due within six months. No notes receivables, included in the above, were pledged or transferred to accounts receivable due to non-performance of the issuers for the six months ended 30 June 2013.

Except for the balances disclosed in Note 7(5), no amount due from major shareholders who hold 5% or more of the voting rights of the Company is included in the balance of notes receivable.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(2) Notes receivable *(continued)*

As at 30 June 2013, the Group's discounted bank notes (with recourse) which are still undue amounted to RMB967, 860 thousand (31 December 2012: RMB1,143,093 thousand), the top five of which are summarised as follows:

Company of issuance	Date of issuance	Due date	Amount
Xinpu Chemical (Taixing) Company Limited	23/04/2013	22/07/2013	34,000
Hanwha Chemical (Ningbo) Company Limited	18/04/2013	04/07/2013	20,030
Zhejiang Unifull Industrial Fibre Company Limited	13/05/2013	09/08/2013	15,000
Fujian PengXiang Industry Company Limited	17/04/2013	17/10/2013	12,000
Zhejiang Unifull Industrial Fibre Company Limited	02/04/2013	01/07/2013	11,000

As at 30 June 2013, the Group has no discounted trade notes which are still undue(31 December 2012: RMB Nil).

As at 30 June 2013, the Group's endorsed bank notes which are still undue amounted to RMB 249,987 thousand (31 December 2012: RMB 532,090 thousand), the top five of which are summarised as follows:

Company of issuance	Date of issuance	Due date	Amount
Tongkun Group Zhejiang Hengtong Chemical Fibre Company Limited	08/05/2013	06/08/2013	10,000
Jiangsu Challen Fiber S&T Company Limited	03/04/2013	03/07/2013	8,000
Taicang City Industrial Investment Development Company Limited	23/05/2013	23/08/2013	5,730
Tongkun Group Zhejiang Hengtong Chemical Fibre Company Limited	08/05/2013	06/08/2013	5,000
Zhejiang Huaxin Advanced Materials Company Limited	03/04/2013	03/07/2013	4,000

As at 30 June 2013, the Group has no endorsed trade notes which are still undue (31 December 2012: Nil).

(3) Dividends receivable

	31 December 2012	Current period increase	Current period decrease	30 June 2013	Reason f or not received	Impairment or not
Dividends receivable within 1 year						
Including: Shanghai Azbil Automation Company Limited	-	10,000	-	10,000	Bank reconciliation	Not provided for

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(4) Accounts receivable

	30 June 2013	31 December 2012
Amounts due from related parties (Note 7(5))	1,580,443	989,258
Amounts due from third parties	193,536	94,366
	1,773,979	1,083,624
Less: provision for bad debts	(899)	(882)
	1,773,080	1,082,742

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

	30 June 2013	31 December 2012
Within one year	1,773,046	1,082,733
Over one year but within two years	43	9
Over two years but within three years	12	7
Over three years	878	875
	1,773,979	1,083,624

(b) Accounts receivable by categories are analysed as follows:

	30 June 2013				31 December 2012			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percent-age (%)
Subject to provisions by groups								
Within one year	1,773,046	99.95	-	-	1,082,733	99.92	-	-
Over one year but within two years	43	0.00	14	30.00	9	0.00	3	30.00
Over two years but within three years	12	0.00	7	60.00	7	0.00	4	60.00
Over three years	878	0.05	878	100.00	875	0.08	875	100.00
	1,773,979	100.00	899	-	1,083,624	100.00	882	-

There are no collateral over the above accounts receivable with provision for bad debts.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(4) Accounts receivable *(continued)*

(b) *(continued)*

During the six months ended 30 June 2013, the Group assessed the impairment on an individual basis in accordance with the accounting policy as described in Note 2(10), and there were no provision for accounts receivable that are individually significant or insignificant but assessed for impairment individually.

(c) During the six months ended 30 June 2013, the Group had no accounts receivable with fully or substantially write-off or write-back of bad debts which had been fully or substantially provided for in prior years.

(d) As at 30 June 2013, the top five of accounts receivable are as follows:

	Relationship with the Group	Amount	Ageing	Percentage of total accounts receivable
Sinopec Huadong Sales Company Limited	Subsidiary of Sinopec Corp.	906,464	Within one year	51%
Sinopec Huadong Chemical Product Sales Company Limited	Subsidiary of Sinopec Corp.	331,505	Within one year	19%
Shanghai Secco Petrochemical Company Limited	Associates of the Company	124,657	Within one year	7%
Sinopec Refinery Product Sales Company Limited	Subsidiary of Sinopec Corp.	71,618	Within one year	4%
Sinopec Fuel Oil Sales Company Limited	Subsidiary of Sinopec Corp.	22,026	Within one year	1%
		1,456,270		82%

(e) Except for the balances disclosed in Note 7(5), no amount due from major shareholders who hold 5% or more of the voting rights of the Company is included in the balance of accounts receivable.

(f) Accounts receivable derecognized due to the transfer of financial assets in this period is amounted to RMB 350,079 thousand (for the six months ended 30 June 2012: RMB 195,884 thousand (unaudited)), the relating loss is amounted to RMB 1,673 thousand (for the six months ended 30 June 2012: RMB 976 thousand (unaudited)).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(5) Other receivables

	30 June 2013	31 December 2012
Amounts due from related parties(Note7(5))	10,729	3,388
Amounts due from third parties	56,616	40,162
	67,345	43,550
Less: provision for bad debts	(2,818)	(2,785)
	64,527	40,765

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

	30 June 2013	31 December 2012
Within one year	62,859	40,453
Over one year but within two years	2,219	243
Over two years but within three years	2	12
Over three years	2,265	2,842
	67,345	43,550

(b) Other receivables by categories are analysed as follows:

	30 June 2013				31 December 2012			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percent-age (%)
Subject to provisions by groups								
Within one year	62,859	93.34	-	-	40,453	92.89	-	-
Over one year but within two years	2,219	3.30	666	30.00	243	0.56	73	30.00
Over two years but within three years	2	0.00	1	60.00	12	0.03	7	60.00
Over three years	2,265	3.36	2,151	95.00	2,842	6.52	2,705	95.00
	67,345	100.00	2,818	-	43,550	100.00	2,785	-

During the six months ended 30 June 2013, the Group assessed the impairment on an individual basis in accordance with the accounting policy as described in Note 2(10), and there were no provision for other receivables that are individually significant or insignificant but assessed for impairment individually.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(5) Other receivables *(continued)*

(c) During the six months ended 30 June 2013, the Group had no other receivables with fully or substantially write-off or write-back of bad debts which had been fully or substantially provided for in prior years.

(d) As at 30 June 2013, the top five of other receivables are as follows:

	Relationship with the Group	Amount	Ageing	Percentage of total other receivables
Jinshan Customs, PRC	Third party	19,189	Within one year	30%
Shanghai Yali Development Company Limited	Third party	8,196	Within one year	13%
BOC-SPC Gases Company Limited	Jointly controlled entity of the Company	7,097	Within one year	11%
Shanghai Railway Station HangZhou Depot (North)	Third party	3,054	Within one year	5%
Shanghai Petrochemical Asphalt Company Limited	Associates of the Company	2,260	Within one year	4%
		39,796		63%

(e) Except for the balances disclosed in Note 7(5), no amount due from major shareholders who hold 5% or more of the voting rights of the Company is included in the balance of other receivables.

(f) As at 30 June 2013 and 31 December 2012, no other receivables are denominated in foreign currencies.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(6) Advances to suppliers

	30 June 2013	31 December 2012
Amounts advance to related parties (Note 7(5))	**21,712**	41,370
Amounts advance to third parties	**28,388**	48,891
	50,100	90,261

(a) The ageing of advances to suppliers is analysed as follows:

	30 June 2013		31 December 2012	
	Amount	**% of total balance**	Amount	% of total balance
Within one year	**50,100**	**100%**	90,261	100%

As at 30 June 2013 and 31 December 2012, all advances to suppliers are aged within one year.

(b) As at 30 June 2013, the top five of advances to suppliers are as follows:

	Relationship with the Group	Amount	Percentage of total advances to suppliers	Ageing	Reason for unsettled account
Shanghai Gas Pipeline Network Company Limited	Third party	20,960	42%	Within one year	Prepayments for goods
China International United Petroleum & Chemicals Company Limited Ningbo Branch	Subsidiary of Sinopec Corp.	17,328	35%	Within one year	Prepayments for goods
Sinopec Chemical Product Sales Company Limited Huanan Branch	Subsidiary of Sinopec Corp.	3,300	7%	Within one year	Prepayments for goods
Taizhou Customs, PRC	Third party	1,507	3%	Within one year	Prepayments for duties and VAT
Jiangsu SUNCO Boiler Company Limited	Third party	1,252	2%	Within one year	Prepayments for goods
		44,347	89%		

(c) Except for the balances disclosed in Note 7(5), no amount due from major shareholders who hold 5% or more of the voting rights of the Company is included in the balance of advances to suppliers.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(7) Inventories

(a) Inventories by categories are as follows:

	30 June 2013			31 December 2012		
	Book value	**Provision for declines in the value of inventories**	**Carrying amount**	Book value	Provision for declines in the value of inventories	Carrying amount
Raw materials	**5,379,759**	**1,141**	**5,378,618**	5,492,795	1,141	5,491,654
Work in progress	**1,786,301**	**9,539**	**1,776,762**	2,004,536	9,235	1,995,301
Finished goods	**1,180,043**	**61,106**	**1,118,937**	1,110,940	54,450	1,056,490
Spare parts and consumables	**404,230**	**46,555**	**357,675**	441,244	46,612	394,632
	8,750,333	**118,341**	**8,631,992**	9,049,515	111,438	8,938,077

(b) Provision for declines in the value of inventories is analysed as follows:

	31 December 2012	Increases	Decreases		30 June 2013
			Reversal	Write-off	
Raw materials	1,141	-	-	-	1,141
Work in progress	9,235	3,230	-	(2,926)	9,539
Finished goods	54,450	20,696	-	(14,040)	61,106
Spare parts and consumables	46,612	-	(57)	-	46,555
	111,438	23,926	(57)	(16,966)	118,341

(c) Reason for provision for decline in the value of inventories:

	Reason for Provision	Reason for reversal/ write-off	% of amount of reversal/ write-off vs. invertory balance
Raw materials	Nil	Nil	Nil
Work in progress	Net realizable amount lower than carrying amount	Sold in current period	0.16%
Finished goods	Net realizable amount lower than carrying amount	Sold in current period	1.25%
Spare parts and consumables	Nil	Increase in market price	0.02%

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(8) Other current assets

	30 June 2013	31 December 2012
VAT deductible	**13,676**	396,991
Catalyst - the current part	**100,301**	46,143
Entrusted Loan due within one year	**70,000**	70,000
	183,977	513,134

(9) Long-term equity investment

	30 June 2013	31 December 2012
Jointly controlled entities (a)	**256,526**	250,679
Associates (b)	**2,761,120**	2,806,474
	3,017,646	3,057,153
Less: provision for impairment of long-term equity investment	**-**	-
	3,017,646	3,057,153

There are no significant restrictions over the realization of Group's long-term equity investment.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(9) Long-term equity investment *(continued)*

(a) Jointly controlled entities

	Accounting method	Investment cost	31 December 2012	Current period movement				30 June 2013	Share holding (%)	Voting rights (%)	Explanation of the difference between share holding and voting rights	Impairment provision	Impairment provided in the current period
				Additional/ negative investment	Net profit/(loss) adjusted by equity method	Cash dividends declared in current period	Other changes in equity						
BOC-SPC Gases Company Limited	Equity method	RMB 127,992	122,905	-	10,031	-	-	132,936	50%	50%	Nil	-	-
Shanghai Jinpu Plastic Packing Materials Company Limited	Equity method	RMB 83,879	75,864	-	(4,645)	-	-	71,219	50%	50%	Nil	-	-
Shanghai Petrochemical Yangu Gas Development Company Limited	Equity method	RMB 37,957	51,910	-	461	-	-	52,371	50%	50%	Nil	-	-
			250,679	-	5,847	-	-	256,526				-	-

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(9) Long-term equity investment *(continued)*

(b) Associates

	Accounting method	Investment cost	31 December 2012	Current period movement				30 June 2013	Share holding (%)	Voting rights (%)	Explanation of the difference between share holding and voting rights	Impairment provision	Impairment provided in the current period
				Additional/ negative investment	Net profit/(loss) adjusted by equity method	Cash dividends declared in current period	Other changes in equity						
Shanghai Secco Petrochemical Company Limited	Equity method	RMB1,488,718	1,454,091	-	(27,756)	-	-	1,426,335	20%	25%	The Company's supreme authority is the Board of Directors, which is composed of eight directors, two seats held by the Group	-	-
Shanghai Chemical Industry Park Development Company Limited	Equity method	RMB907,770	1,137,607	-	15,087	-	-	1,152,694	38.26%	25%	The Company's supreme authority is the Board of Directors, which is composed of eight directors, two seats held by the Group	-	-
Shanghai Jinsen Hydrocarbon Resins Company Limited	Equity method	RMB77,503	83,021	-	4,804	(5,035)	-	82,790	40%	40%	Nil	-	-
Shanghai Azbil Automation Company Limited	Equity method	RMB9,776	72,643	-	4,713	(36,000)	-	41,356	40%	40%	Nil	-	-
Others	Equity method		59,112	-	5,462	(6,629)		57,945			Nil	-	-
			2,806,474	-	2,310	(47,664)		2,761,120				-	-

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(10) Investment in jointly controlled entities and associates

	Share holding (%)	Voting rights (%)	30 June 2013			For the six months ended 30 June 2013	
			Total assets	Total liabilities	Net assets	Revenue	Net profit/(loss)
Jointly controlled entities							
BOC-SPC Gases Company Limited	50%	50%	493,682	167,185	326,497	183,718	12,948
Shanghai Jinpu Plastic Packing Materials Company Limited	50%	50%	183,689	41,263	142,426	119,413	(6,650)
Shanghai Petrochemical Yangu Gas Development Company Limited	50%	50%	140,144	38,800	101,344	33,438	536
Associates							
Shanghai Secco Petrochemical Company Limited	20%	25%	14,419,692	7,289,980	7,129,712	14,342,012	(140,570)
Shanghai Chemical Industry Park Development Company Limited	38.26%	25%	6,400,212	2,536,825	3,863,387	657	41,805
Shanghai Jinsen Hydrocarbon Resins Company Limited	40%	40%	223,130	16,950	206,180	158,947	9,509
Shanghai Azbil Automation Company Limited	40%	40%	220,907	116,666	104,241	120,705	13,891

(11) Investment properties

	Buildings
Cost	
31 December 2012 and 30 June 2013	546,204
Accumulated depreciation	
31 December 2012	107,067
Depreciation charged in current period	6,622
30 June 2013	113,689
Carrying amount	
30 June 2013	432,515
31 December 2012	439,137

Depreciation charges for the six months ended 30 June 2013 amounted to RMB 6,622 thousand (for the six months ended 30 June 2012: RMB 6,625 thousand (unaudited)), without impairment provided (for the six months ended 30 June 2012: Nil (unaudited)).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(12) Fixed assets

	Buildings	Plant and machinery	Vehicles and other equipment	Total
Cost				
31 December 2012	3,741,696	39,762,961	1,934,603	45,439,260
Reclassification in current period	64,716	(58,713)	(6,003)	-
Other increase in current period	-	11,100	2,892	13,992
Transfer from construction in progress(Note5 (13))	5,500	352,265	419	358,184
Decrease in current period	(4,275)	(142,970)	(15,606)	(162,851)
30 June 2013	3,807,637	39,924,643	1,916,305	45,648,585
Accumulated depreciation				
31 December 2012	2,020,285	23,323,388	1,487,730	26,831,403
Reclassification in current period	26,349	(20,616)	(5,733)	-
Current period charges	50,123	994,251	32,631	1,077,005
Decrease in current period	(3,865)	(120,074)	(13,264)	(137,203)
30 June 2013	2,092,892	24,176,949	1,501,364	27,771,205
Provision for impairment				
31 December 2012	279,099	652,589	54,168	985,856
Reclassification in current period	-	-	-	-
Current period charges	-	-	-	-
Decrease in current period	-	(3,355)	-	(3,355)
30 June 2013	279,099	649,234	54,168	982,501
Carrying amount				
30 June 2013	1,435,646	15,098,460	360,773	16,894,879
31 December 2012	1,619,436	15,608,722	393,843	17,622,001

For the six months ended 30 June 2013, the depreciation expenses amounted to RMB 1,077,005 thousand (for the six months ended 30 June 2012: RMB 838,158 thousand (unaudited)). The depreciation expenses charged to cost of sales, selling and distribution expenses, general and administrative expenses were RMB 1,041,461 thousand, RMB 92 thousand, and RMB 35,452 thousand, respectively (for the six months ended 30 June 2012: RMB 795,568 thousand (unaudited), RMB 225 thousand (unaudited), and RMB 42,365 thousand (unaudited), respectively).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(12) Fixed assets *(continued)*

The amount of fixed assets transferred from construction in progress was RMB 358,184 thousand (for the six months ended 30 June 2012: RMB 697,328 thousand (unaudited)).

As at 30 June 2013 and 31 December 2012, the Group had no pledged fixed assets.

(13) Construction in progress

	30 June 2013			31 December 2012		
	Original cost	**Provision for impairment**	**Carrying amount**	Original cost	Provision for impairment	Carrying amount
Construction in progres	**639,282**	**-**	**639,282**	612,388	-	612,388

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(13) Construction in progress *(continued)*

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

Projects name	Budget	31 December 2012	Increase in current period	Transferred to fixed assets in current period (Note5(12))	Other decrease in current period	30 June 2013	Percentage of actual cost to budget (%)	Project progress	Source of funds
Energy-saving reconstruction of No.2 SL-II Ethylene cracker	114,950	79,992	1,318	-	-	81,310	71%	71%	Self-funding
Energy-saving reconstruction of No.2 and No.3 Aromatics combination plant	954,240	29,791	6,282	-	-	36,073	4%	4%	Self-funding
Reconstruction of No.1 Ethylene glycol plant to increase ethylene oxide production	128,870	29,277	64,093	(92,739)	-	631	72%	72%	Self-funding
Efficiency improvement project of No.2 boiler of Thermoelectricity Department	33,640	19,957	5,270	-	-	25,227	75%	75%	Self-funding
Odor Pollution Prevention Project	53,557	-	34,609	-	-	34,609	65%	65%	Self-funding
Other Business Unit Minor Project	35,952,259	453,371	275,974	(265,445)	(2,468)	461,432			Self-funding
		612,388	387,546	(358,184)	(2,468)	639,282			

For the six months ended 30 June 2013, there are no borrowing costs eligible for capitalization (for the six months ended 30 June 2012: RMB 50,504 thousand (unaudited)).

(b) As at 30 June 2013, the process of significant construction in process is analysed as follows:

Project	Process	Note
Energy-saving reconstruction of No.2 SL-II Ethylene cracker	71%	the main part is basically completed and under equipment testing
Energy-saving reconstruction of No.2 and No.3 Aromatics combination plant	4%	the subject has not yet started, under initial phase
Reconstruction of No.1 Ethylene glycol plant to increase ethylene oxide production	72%	the main part is completed and under equipment testing
Efficiency improvement project of No.2 boiler of Thermoelectricity Department	75%	the main part is completed and under equipment testing
Odor pollution prevention project	65%	the main part is basically completed and is waiting for equipment testing

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(14) Intangible assets

	Land use rights	Other Intangible assets	Total
Cost			
30 June 2013 and 31 December 2012	744,867	95,339	840,206
Accumulated amortization			
31 December 2012	285,357	57,274	342,631
Increase in current period	7,704	1,459	9,163
30 June 2013	293,061	58,733	351,794
Carrying amount			
30 June 2013	451,806	36,606	488,412
31 December 2012	459,510	38,065	497,575

For the six months ended 30 June 2013, amortization expenses of intangible assets amounted to RMB 9,163 thousand (for the six months ended 30 June 2012: RMB 9,162 thousand (unaudited)).

(15) Long-term prepaid expenses

	31 December 2012	Increase in current period	Amortisation in current period	Other decrease in current period	**30 June 2013**	Reason for other decrease
Catalysts	614,617	158,242	(207,288)	(100,301)	**465,270**	Reclassified to other current assets
Expenditure for improvements to fixed assets held under operating leases	17,484	559	(853)	-	**17,190**	-
Others	1,447	-	(142)	-	**1,305**	-
Total	633,548	158,801	(208,283)	(100,301)	**483,765**	

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(16) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	30 June 2013		31 December 2012	
	Deferred tax assets	**Deductible temporary differences**	Deferred tax assets	Deductible temporary differences
Provision for bad debts and inventory provision	**18,280**	**73,119**	16,526	66,104
Provision for impairment of fixed assets and depreciation difference	**84,632**	**338,526**	95,796	383,183
Investment with fixed assets and sales of fixed assets to a jointly controlled entity	**7,006**	**28,025**	7,442	29,768
Employee benefits payable	**11,052**	**44,208**	10,740	42,959
Accrued expenses	**5,294**	**21,176**	-	-
Other deferred tax assets	**6,240**	**24,960**	141	566
Deductible tax losses	**776,445**	**3,105,780**	939,359	3,757,434
	908,949	**3,635,794**	1,070,004	4,280,014

(b) Deferred tax liabilities before offsetting

	30 June 2013		31 December 2012	
	Deferre Tax liabilities	**Taxable temporary differences**	Deferre Tax liabilities	Taxable temporary differences
Capitalized borrowing costs	**(15,950)**	**(63,800)**	(17,431)	(69,724)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(16) Deferred tax assets and deferred tax liabilities *(continued)*

(c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	30 June 2013	31 December 2012
Deductible temporary differences	**482,414**	482,414
Deductible losses	**2,918,637**	2,866,035
	3,401,051	3,348,449

As accounting policies stated in Note 2(25), as it is not probable that future taxable income against which the losses can be utilised will be available in a subsidiary of the Company, Zhejiang Jinyong Acrylic Fibre Company Limited ("Jinyong"). The Group has not recognised deferred tax assets in respect of Jinyong's impairment loss on fixed assets of RMB 432,579 thousand (31 December 2012: RMB 432,579 thousand), and provision for decline in value of inventories of RMB 46,190 thousand (31 December 2012: RMB 46,190 thousand).

As accounting policies stated in Note 2(25), the Group has not mainly recognised deferred tax assets in respect of the Company's deductible losses of RMB 2,304,370 thousand in Year 2008, which will expire on 31 December 2013. Also, the Group has not recognised deferred tax assets in respect of Jinyong's accumulated losses of RMB 441,855 thousand (31 December 2012: RMB 426,685 thousand). As it is not probable that future taxable profit against which the losses can be utilised will be available for the Group Pursuant to latest tax laws, these accumulated losses will expire from Year 2013 to Year 2018.

(d) Deductible losses that are not recognised as deferred tax assets will expire in the following years:

	30 June 2013	31 December 2012
2013	**2,527,630**	2,527,630
2014	**116,764**	116,764
2015	**73,904**	73,904
2016	**79,526**	79,526
2017	**68,211**	68,211
2018	**52,602**	-
	2,918,637	2,866,035

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(16) Deferred tax assets and deferred tax liabilities *(continued)*

(e) Offsetting amount of deferred tax assets and deferred tax liabilities:

	30 June 2013	31 December 2012
Deferred tax assets	**(15,950)**	(17,431)
Deferred tax liabilities	**15,950**	17,431

The net balance of deferred tax assets and liabilities after offsetting is as follows:

	30 June 2013		31 December 2012	
	Deferred tax assets/deferred tax liabilities - net	**Deductable or taxable temporary differences and deductible losses after offsetting**	Deferred tax assets/deferred tax liabilities - net	Deductable or taxable temporary differences and deductible losses after offsetting
Deferred tax assets	**892,999**	**3,571,994**	1,052,573	4,210,290
Deferred tax liabilities	**-**	**-**	-	-

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(17) Provision for assets impairment

	31 December 2012	Increase in current period	Decrease in current period		30 June 2013
			Reversal	Write-off	
Bad debt provision					
Including: Accounts receivable bad debts (Note5(4))	882	17	-	-	**899**
Other receivable bad debts (Note5(5))	2,785	33	-	-	**2,818**
Provision for declines in value of inventories (Note5(7))	111,438	23,926	(57)	(16,966)	**118,341**
Impairment provision for fixed assets (Note5(12))	985,856	-	-	(3,355)	**982,501**
	1,100,961	23,976	(57)	(20,321)	**1,104,559**

(18) Short-term borrowings

Short-term borrowings

	Currency	30 June 2013	31 December 2012
Unsecured			
-bank loans	RMB	**1,947,950**	2,964,000
	USD	**5,455,873**	7,839,877
-loans from related party	RMB	**520,000**	220,000
	USD	**308,935**	-
		8,232,758	11,023,877

As at 30 June 2013, the weighted average interest rate of short-term borrowings is 2.70% per annum (31 December 2012: 3.62%).

As at 30 June 2013 and 31 December 2012, there are no short-term borrowings which are due but have not been repaid.

(19) Notes payable

	30 June 2013	31 December 2012
Bank acceptance notes	**6,472**	-

As at 30 June 2013, the amount due within one year is RMB 6,472 thousand (31 December 2012: Nil).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(20) Accounts payable

	30 June 2013	31 December 2012
Related parties (Note 7(5))	5,025,727	3,374,912
Third parties	1,783,251	2,148,336
	6,808,978	5,523,248

As at 30 June 2013, there are no individually significant accounts payable aged over one year.

Except for the balances disclosed in Note 7(5), 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.

(a) Accounts payable denominated in foreign currency are summarised as follows:

	30 June 2013			31 December 2012		
	Amount	Exchange rate	RMB equivalents	Amount	Exchange rate	RMB equivalents
USD	141,049	6.179	871,541	177,017	6.286	1,112,730
YEN	-	-	-	2,986	0.073	218
			871,541			1,112,948

(21) Advance from customers

	30 June 2013	31 December 2012
Related parties (Note 7(5))	4,915	20,516
Third parties	406,675	738,280
	411,590	758,796

Advance from customers are mainly advances on sales.

As at 30 June 2013 and 31 December 2012, there are no advances from customers that are individually significant aged over one year.

Except for the balances disclosed in Note 7(5), no amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of advance from customers.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(22) Employee benefits payable

	31 December 2012	Increase in current period	Decrease in current period	**30 June 2013**
Wages and salaries, bonuses, allowances and subsidies	5,060	722,895	722,895	**5,060**
Staff welfare	-	147,761	147,761	**-**
Social insurances	36,348	289,182	286,822	**38,708**
Including: Medical insurance	11,570	76,203	75,437	**12,336**
Basic pensions	21,804	139,447	138,043	**23,208**
Unemployment insurance	1,683	10,851	10,743	**1,791**
Work injury insurance	496	3,226	3,195	**527**
Maternity insurance	795	5,086	5,035	**846**
Supplementary medical insurance	-	19,489	19,489	**-**
Supplementary pensions	-	34,857	34,857	**-**
Other insurance	-	23	23	**-**
Housing funds	-	73,572	73,572	**-**
Compensation for lay-off	-	2,156	2,156	**-**
Others	6,600	91,186	91,895	**5,891**
	48,008	1,326,752	1,325,101	**49,659**

As at 30 June 2013, no defaulted payables are included in the balance of the employee benefits payable.

As stipulated by the regulations of the PRC, the Group participates in a defined contribution retirement plan organised by the Shanghai Municipal Government for its staff. From 1 August 2004, pursuant to a document "Hu Fu Ban Fa [2004] No. 45", the Group is required to make contributions to the retirement plan at a rate of 22% (2012: 22%).

In addition, pursuant to a document "Order of the Ministry of Labour and Social Security No.20" dated 6 January 2004 issued by the Ministry of Labour of the PRC, the Group has set up a supplementary defined contribution retirement plan for the benefit of employees. Employees who have served the Group for more than one year may participate in this plan. The Group and participating employees make defined contributions to their pension saving accounts 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.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(22) Employee benefits payable *(continued)*

The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. For the six months ended 30 June 2013, the Group's contribution to the above two plans amounted to RMB 139,447 thousand and RMB 34,857 thousand, respectively (for the six months ended 30 June 2012: RMB 128,042 thousand (unaudited) and RMB 34,245 thousand (unaudited), respectively).

In accordance with the Group voluntary employee reduction plan, employee reduction expenses amounted to RMB 2,156 thousand (for the six months ended 30 June 2012: RMB 7,153 thousand (unaudited)) for the six months ended 30 June 2013.

(23) Taxes payable

	30 June 2013	31 December 2012
VAT payable	**409,446**	289
Consumption tax payable	**731,443**	578,959
Business tax payable	**1,015**	1,486
Enterprise income tax payable	**3,609**	2,463
Individual income tax payable	**2,538**	7,270
City maintenance and construction tax payable	**79,377**	40,637
Educational surcharge payable	**56,733**	29,026
Others	**31,620**	11,101
	1,315,781	671,231

(24) Interest payable

	30 June 2013	31 December 2012
Interest payable for long-term loans with interest paid in installments	**3.232**	2,200
Interest payable for short-term loans	**7,808**	18,787
	11,040	20,987

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(25) Dividends payable

	30 June 2013	31 December 2012
Social legal persons share dividends	20,782	20,880
H share dividends	668	668
	21,450	21,548

(26) Other payables

	30 June 2013	31 December 2012
Related parties (Note 7(5))	19,300	15,851
Third parties	686,821	843,711
	706,121	859,562

As at 30 June 2013, there are no other payables that are individually significant aged over 1 year.

Except for the balances disclosed in Note 7(5), 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) Other non-current liabilities

	30 June 2013	31 December 2012
Deferred income	195,872	190,000

As at 30 June 2013, deferred income mainly includes government grants related to assets, which is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(28) Long-term borrowings

	Currency	30 June 2013	31 December 2012
Unsecured	RMB	629,570	1,231,340
Unsecured	USD	617,870	-
		1,247,440	1,231,340

As at 30 June 2013, the weighted average interest rate of long-term borrowings is 4.88% per annum (31 December 2012: 5.86%).

(a) The top five of long-term borrowings are as follows:

	Inception date	Maturity date	Currency	Annual Interest rate(%)	30 June 2013		31 December 2012	
					Original currency	RMB	Original currency	RMB
Sumitomo Mitsui Banking Corporation (China) Limited	2013.04.02	2014.09.30	USD	1.484	100,000	617,870	-	-
Construction Bank of China, Jinshan Branch	2012.09.14	2017.02.10	RMB	5.760	-	200,000	-	200,000
Industry and Commercial Bank of China, Jinshan Branch	2012.07.18	2016.12.14	RMB	5.760	-	100,000	-	100,000
Industry and Commercial Bank of China, Jinshan Branch	2012.08.16	2016.12.14	RMB	5.760	-	100,000	-	100,000
Construction Bank of China, Jinshan Branch	2012.07.30	2017.02.10	RMB	5.760	-	100,000	-	100,000

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(29) Share capital

	31 December 2012	Increase in current period	Decrease in current period	**30 June 2013**
Non-circulation Shares:				
Domestic legal persons shares	4,150,000	-	-	**4,150,000**
Circulating Shares				
RMB ordinary A shares listed in PRC	720,000	-	-	**720,000**
Foreign investment H shared listed overseas	2,330,000	-	-	**2,330,000**
	7,200,000	-	-	**7,200,000**

The Company was founded in Shanghai, PRC on 29 June 1993 with registered capital of RMB 4,000,000,000 yuan invested by its 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 Offering ("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 and 550 million A shares. The 550 million A shares included 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 Stock Exchange on 26 July 1993, and listed on the New York Stock Exchange in the form of American Depositary Shares at the same time; the A shares were listed on the Shanghai Stock Exchange on 8 November 1993.

After the IPO, the total quantity of shares issued by the Company was 6.23 billion, including 4 billion state-owned shares, 150 million legal persons 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 yuan each at an issuing price of RMB 2.4 yuan each during the period from 5 April to 10 June 1994. These shares were listed on the SSE on 4 July 1994. By then, the total quantity of shares issued was expanded from 6.23 billion to 6.55 billion.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(29) Share capital *(continued)*

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 Sinopec Group.

China Petrochemical & Chemical Corporation 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 Sinopec Corp.; after the restructuring, the ownership of 4 billion state-owned shares of the Company held by the Sinopec Group were transferred to Sinopec Corp., and therefore the shares were changed to state-owned legal persons shares in nature.

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

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

	31 December 2011	Increase in current period	Decrease in current period	30 June 2012 (unaudited)
Non-circulation Shares:				
Domestic legal persons shares	4,150,000	-	-	4,150,000
Circulating Shares:				
RMB ordinary A shares listed in PRC	720,000	-	-	720,000
Foreign investment H shared listed overseas	2,330,000	-	-	2,330,000
	7,200,000	-	-	7,200,000

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(30) Capital surplus

	31 December 2012	Increase in current period	Decrease in current period	**30 June 2013**
Capital premium	2,420,841	-	-	**2,420,841**
Government grants	412,370	-	-	**412,370**
Refund of harbour construction charge	32,485	-	-	**32,485**
Others	49,067	-	-	**49,067**
	2,914,763	-	-	**2,914,763**

	31 December 2011	Increase in current period	Decrease in current period	30 June 2012 (unaudited)
Capital premium	2,420,841	-	-	2,420,841
Government grants	412,370	-	-	412,370
Refund of harbour construction charge	32,485	-	-	32,485
Others	49,067	-	-	49,067
	2,914,763	-	-	2,914,763

(31) Specific reserve

	31 December 2012	Accrued during the period	Utilised during the period	**30 June 2013**
Safety production costs	8,179	62,343	(36,398)	**34,124**

	31 December 2011	Accrued during the period	Utilised during the period	30 June 2012 (unaudited)
Safety production costs	21,777	61,150	(24,530)	58,397

Specific reserve represents unutilised safety production costs accrued in accordance with state regulations.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(32) Surplus reserve

	31 December 2012	Increase in current period	Decrease in current period	**30 June 2013**
Statutory surplus reserve	3,871,256	-	-	**3,871,256**
Discretionary surplus reserve	1,280,514	-	-	**1,280,514**
	5,151,770	-	-	**5,151,770**

	31 December 2011	Increase in current period	Decrease in current period	30 June 2012 (unaudited)
Statutory surplus reserve	3,871,256	-	-	3,871,256
Discretionary surplus reserve	1,280,514	-	-	1,280,514
	5,151,770	-	-	5,151,770

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. No statutory surplus reserve was provided in this period (for the six months ended 30 June 2012: Nil (unaudited)).

The Company appropriates for the discretionary surplus reserve should be proposed by the board of directors and approved by the General Meeting of Shareholders. The discretionary surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. No discretionary surplus reserve was provided in this period (for the six months ended 30 June 2012: Nil (unaudited)).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(33) Undistributed profits

	Six months ended 30 June 2013		Six months ended 30 June 2012 (unaudited)	
	Amount	**Percentage%**	Amount	Percentage%
Undistributed profits at the beginning of the period	**915,707**	**-**	2,824,173	-
Add: Net profit/(loss) attributable to equity shareholders of the Company	**438,020**	**-**	(1,194,489)	-
Less: Ordinary shares dividend payable	**-**	**-**	(360,000)	-
Undistributed profits at the end of the period	**1,353,727**		1,269,684	

As at 30 June 2013, surplus reserves of the Company's subsidiaries amounting to RMB 129,003 thousand is included in undistributed profits (as at 31 December 2012: RMB 128,791 thousand). Surplus reserve attributable to the Company which is made by the subsidiaries during the period is RMB 212 thousand (for the six months ended 30 June 2012: RMB 10,285 thousand (unaudited)).

Pursuant to the Company General Meeting held on 6 June 2013, no cash dividend was declared to shareholders of the Company.

No dividend is declared by the Company after the balance sheet date.

(34) Minority interests

Attributable to the minority shareholders of subsidiaries:

	30 June 2013	31 December 2012
Shanghai Golden Phillips Petrochemical Company Limited	**170,056**	186,829
China Jinshan Associated Trading Corporation	**53,735**	50,614
Shanghai Jinchang Engineering Plastics Company Limited	**29,385**	29,340
	253,176	266,783

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(35) Revenue and cost of sales

	Six months ended 30 June 2013	
	Revenue	**Cost of sales**
Main operations	**56,873,601**	49,874,381
Other operations	**237,321**	145,091
	57,110,922	50,019,472

	Six months ended 30 June 2012(unaudited)	
	Revenue	Cost of sales
Main operations	49,874,381	43,320,383
Other operations	145,091	127,713
	50,019,472	43,448,096

(a) Main operations revenue and main operations cost:

The Group mainly operates in petrochemical industry.

Analysis by product is as follows:

	Six months ended 30 June 2013		Six months ended 30 June 2012 (unaudited)	
	Main operations revenue	**Main operations cost**	Main operations revenue	Main operations cost
Synthetic fibres	**1,648,861**	**1,745,312**	1,719,557	1,757,757
Resins and plastics	**6,899,190**	**7,035,801**	7,541,352	7,962,017
Intermediate petrochemicals	**9,798,197**	**8,256,733**	9,314,678	7,858,285
Petroleum products	**32,634,478**	**27,097,432**	22,135,936	20,264,188
Trading of petrochemical products	**5,646,046**	**5,572,275**	5,278,623	5,210,015
All others	**246,829**	**166,828**	276,562	268,121
	56,873,601	**49,874,381**	46,266,708	43,320,383

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(35) Revenue and cost of sales *(continued)*

(b) Revenue from sales to the top five customers

For the six months ended 30 June 2013, the revenue from the top five customers of the Group amounted to RMB 35,811,860 thousand (for the six months ended 30 June 2012: RMB 26,344,489 thousand (unaudited)), which accounted for 62.71% of total revenue (for the six months ended 30 June 2012: 56.69% (unaudited)), details are set out as follows:

	Revenue	Percentage of total revenue (%)
Sinopec Huadong Sales Company Limited	29,006,174	50.79%
Sinopec Chemical Product Sales Company Limited	2,925,092	5.12%
Jiaxing Petrochemical Company Limited	1,482,531	2.60%
China Petroleum & Chemical Corporation	1,321,934	2.31%
Shanghai Secco Petrochemical Company Limited	1,076,129	1.88%
	35,811,860	62.71%

(36) Taxes and surcharges

	Six months ended 30 June		Tax base and rate
	2013	2012 (unaudited)	
Consumption tax	**4,249,201**	2,497,763	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.
City maintenance and construction tax	**391,054**	196,447	7% of actual payments of consumption, business tax and VAT
Educational surcharge and others	**279,512**	140,387	5% of actual payments of consumption, business tax and VAT
Business tax	**3,968**	2,689	5% of taxable turnover amount
	4,923,735	2,837,286	

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(37) Selling and distribution expenses

	Six months ended 30 June	
	2013	2012 (unaudited)
Transportation fee	**173,516**	155,790
Sales commission	**83,795**	99,763
Storage and logistics expenses	**37,693**	25,270
Staff costs	**26,042**	24,599
Others	**13,756**	24,385
	334,802	329,807

(38) General and administrative expenses

	Six months ended 30 June	
	2013	2012 (unaudited)
Repair and maintenance fee	**538,033**	479,973
Staff costs	**474,249**	447,555
Taxation charges	**71,651**	49,460
Administrative expenses	**55,876**	28,011
Depreciation and amortisation	**45,610**	52,016
Security and fire extinguishment expenses	**29,686**	27,979
Research and development costs	**20,701**	16,232
Others	**89,435**	77,361
	1,325,241	1,178,587

(39) Financial (income)/expenses - net

	Six months ended 30 June	
	2013	2012 (unaudited)
Interest expenses	**199,473**	233,356
Less: Borrowing costs capitalised	**-**	(50,504)
Less: Interest income	**(40,468)**	(48,948)
Exchange (gains)/losses-net	**(314,687)**	53,690
Others	**5,953**	5,493
	(149,729)	193,087

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(40) Investment income

	Six months ended 30 June	
	2013	2012 (unaudited)
Income/(Loss) from long-term equity investment accounted for using the equity method (a)	**8,157**	(1,728)
Investment income on disposal of long-term equity investment	**-**	6,446
	8,157	4,718

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

(a) Income from long-term equity investment accounted for using the equity method

The amount of investment income/(losses) from an investee accounts for more than 5% of total profits or included in the top five investment income of total profits, are as follows:

	Six months ended 30 June	
	2013	2012 (unaudited)
Shanghai Secco Petrochemical Company Limited	**(27,756)**	(50,879)
Shanghai Chemical Industrial Park Development Company Limited	**15,087**	23,451
BOC-SPC Gases Company Limited	**10,031**	12,534
Shanghai Azbil Automation Company Limited	**4,713**	8,410
Shanghai Jinsen Hydrocarbon Resins Company Limited	**4,804**	3,079
	6,879	(3,405)

(41) Asset impairment losses

	Six months ended 30 June	
	2013	2012 (unaudited)
Declines in value of inventories	**23,869**	185,726
Provision for bad debts	**50**	(147)
	23,919	185,579

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(42) Non-operating income

	Six months ended 30 June		Recognized as extraordinary profit and loss of this period
	2013	2012 (unaudited)	
Government grants (a)	**6,294**	138,064	6,294
Gains on disposal of fixed assets	**806**	530	806
Others	**843**	22,669	843
	7,943	161,263	7,943

(a) Government grants mainly include:

	Six months ended 30 June	
	2013	2012 (unaudited)
Local education surcharges refund	**274**	114,343
Amortization of deferred income	**5,000**	5,000
Fiscal subsidy for incurred scientific research expenditure	**-**	18,721
Others	**1,020**	-
	6,294	138,064

(43) Non-operating expenses

	Six months ended 30 June		Recognized as extraordinary profit and loss of this period
	2013	2012 (unaudited)	
Loss on disposal of fixed assets	**20,314**	12,357	20,314
Settlement expense	**11,520**	10,378	11,520
Others	**8,426**	2,050	8,426
	40,260	24,785	40,260

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(44) Income tax expenses

	Six months ended 30 June	
	2013	2012 (unaudited)
Current tax expense for the period based	**7,441**	12,425
on tax law and regulations	**159,574**	(389,955)
Deferred income tax	**167,015**	(377,530)

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	Six months ended 30 June	
	2013	2012 (unaudited)
Total profit/(loss)	**609,322**	(1,558,652)
Income tax expenses calculated at applicable tax rates	**152,331**	(389,663)
Tax effect of share of (profit)/loss recognised using the equity method	**(2,039)**	432
Tax effect of non-deductible expenses	**680**	864
Under provision for income tax expense in respect of preceding years	**2,892**	2,581
Tax effect of unused tax losses not recognised	**13,151**	8,256
Income tax expenses	**167,015**	(377,530)

(45) Earnings/(loss) per share

(a) Basic earnings/(loss) per share:

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

	Six months ended 30 June	
	2013	2012 (unaudited)
Consolidated net profit/(loss) attributable to ordinary shareholders of the Company	**438,020**	(1,194,489)
Weighted average number of the Company's ordinary shares outstanding	**7,200,000**	7,200,000
Basic earnings/(loss) per share	**0.061**	(0.166)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(45) Earnings per share *(continued)*

(b) Diluted earnings per share:

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

(46) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities:

	Six months ended 30 June	
	2013	2012 (unaudited)
Subsidy income	**12,116**	42,105
Others	**1,580**	2,669
	13,696	44,774

(b) Cash paid relating to other operating activities:

	Six months ended 30 June	
	2013	2012 (unaudited)
Sales commission	**83,795**	99,763
Administrative expenses	**55,943**	28,011
Storage and logistics expenses	**31,338**	25,270
Security and fire extinguishment expenses	**29,716**	27,979
Research and development costs	**21,293**	16,232
Others	**71,589**	50,896
	293,674	248,151

(c) Cash received relating to other investment activities:

	Six months ended 30 June	
	2013	2012 (unaudited)
Interest income	**40,468**	48,948

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(47) Supplementary materials to consolidated cash flow statement

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

	Six months ended 30 June	
	2013	2012 (unaudited)
Net profit/(loss)	**442,307**	(1,181,122)
Add: Provisions for assets impairment	**23,919**	185,579
Depreciation of investment properties	**6,622**	6,625
Depreciation of fixed assets	**1,077,005**	838,158
Amortisation of intangible assets	**9,163**	9,162
Amortisation of long-term prepaid expenses	**208,283**	75,790
Losses on disposal of fixed assets	**19,508**	11,827
Financial (income)/expenses - net	**(138,765)**	187,594
Investment income	**(8,157)**	(4,718)
Decrease/(increase) in deferred tax assets	**159,574**	(389,955)
Decrease/(increase) in inventories	**282,216**	(2,196,568)
(Increase)/decrease in operating receivables	**(396,689)**	1,602,029
Increase/(decrease) in operating payables	**1,664,800**	(247,259)
Increase in specific reserve	**25,945**	36,620
Net cash flows from/(used in) operating activities	**3,375,731**	(1,066,238)

(b) Net increase in cash and cash equivalents

	Six months ended 30 June	
	2013	2012 (unaudited)
Cash and cash equivalents at the end of the period	**292,706**	191,896
Less: cash and cash equivalents at the beginning of the period	**160,962**	91,346
Net increase in cash and cash equivalents	**131,744**	100,550

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(47) Supplementary materials to consolidated cash flow statement *(continued)*

(c) Cash and cash equivalents *(continued)*

	30 June 2013	31 December 2012
Cash		
Including: Cash at bank and on hand	**45**	47
Bank deposits available on demand	**291,997**	160,310
Other monetary fund available on demand	**664**	605
Cash and cash equivalents at the end of the period	**292,706**	160,962

6 Segment information

Segment information is presented in respect of the Group's business segments, the format of which is based on the structure of the Group's internal organisation, management requirement, and internal reporting system.

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 five 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 expenses, investment income, non-operating income and non-operating expenses. The accounting policies adopted by the operating segments are the same with the policies in Note 2(28). The transfer price of intersegment is recognised with cost plus profit method.

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

6 Segment information *(continued)*

(i) The Group's petroleum products segment is equipped with 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 co-products of the crude oil distillation process. Part of the residual oil is further processed into qualified refined gasoline and diesel oil. In addition, the Group produces a variety of fuels for transportation, industry and household heating usage, such as diesel oil, jet fuel, heavy oil and liquefied petroleum gas.

(ii) The intermediate petrochemicals segment primarily produces p-xylene, benzene and butadiene. 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.

(iii) The synthetic fibres segment produces primarily polyester and acrylic fibres, which are mainly used in the textile and apparel industries.

(iv) 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 to produce polyester fibres, coating and containers. Polyethylene resins and plastics are used to produce insulated cable, mulching films and moulded products such as housewares and toys. Polypropylene resins are used for films, sheets and moulded products such as housewares, toys, consumer electronics and automobile parts.

(v) The Group's trading of petrochemical products segment primarily engages in importing and exporting of petrochemical products.

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

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 long-term equity investment, deferred tax assets, cash and cash equivalents and its related interest income, investment properties and related depreciation expense, interest-bearing loans, interest expenses, and corporate assets and related expenses.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

6 Segment information *(continued)*

(a) Segment information as at and for the six months ended 30 June 2013 is as follows

	Synthetic fibres	Resins and plastics	Intermediate petrochemicals	Petroleum products	Trading of petrochemical products	Others	Unallocated	Elimination	Total
Revenue from external customers	1,648,861	6,899,190	9,798,197	32,634,478	5,646,046	484,150	-	-	57,110,922
Inter-segment revenue	-	130,040	9,689,067	4,661,528	1,682,100	778,300	-	(16,914,035)	-
Interest income	-	-	-	-	-	-	40,468	-	40,468
Interest expenses	-	-	-	-	-	-	(199,473)	-	(199,473)
Investment income from associates and jointly controlled entities	-	-	-	-	-	-	8,157	-	8,157
Asset impairment losses	(18,647)	(2,970)	(2,302)	-	-	-	-	-	(23,919)
Depreciation and amortisation	(85,422)	(128,433)	(345,158)	(402,301)	(234)	(124,619)	(6,623)	-	(1,092,790)
Total (loss)/profit	(278,572)	(624,393)	708,429	611,243	6,344	67,324	118,947	-	609,322
Income tax expenses	-	-	-	-	-	-	(167,015)	-	(167,015)
Net (loss)/profit	(278,572)	(624,393)	708,429	611,243	6,344	67,324	(48,068)	-	442,307
Total assets	2,003,267	2,153,348	6,725,011	17,433,918	558,754	2,220,581	4,819,842	-	35,914,721
Total liabilities	283,126	1,156,291	1,622,043	5,509,696	677,807	82,127	9,676,071	-	19,007,161

(b) Segment information as at 31 December 2012 and for the six months ended 30 June 2012 (unaudited) is as follows:

	Synthetic fibres	Resins and plastics	Intermediate petrochemicals	Petroleum products	Trading of petrochemical products	Others	Unallocated	Elimination	Total
Revenue from external customers	1,719,557	7,541,352	9,314,678	22,135,936	5,278,623	482,448	-	-	46,472,594
Inter-segment revenue	73	48,244	9,734,781	3,886,484	1,256,624	407,376	-	(15,333,582)	-
Interest income	-	-	-	-	-	-	48,948	-	48,948
Interest expenses	-	-	-	-	-	-	(182,852)	-	(182,852)
Investment income from associates and jointly controlled entities	-	-	-	-	-	-	4,718	-	4,718
Asset impairment losses	(16,887)	-	(36,856)	(131,836)	-	-	-	-	(185,579)
Depreciation and amortisation	(63,346)	(82,420)	(300,639)	(307,188)	(248)	(93,479)	(6,625)	-	(853,945)
Total (loss)/profit	(171,875)	(892,742)	640,777	(1,162,605)	29,321	50,363	(51,891)	-	(1,558,652)
Income tax expenses	-	-	-	-	-	-	(377,530)	-	(377,530)
Net (loss)/profit	(171,875)	(892,742)	640,777	(1,162,605)	29,321	50,363	325,639	-	(1,181,122)
Total assets	1,719,229	1,123,660	6,840,287	18,731,525	451,111	2,717,028	5,222,959	-	36,805,799
Total liabilities	228,469	1,013,045	1,240,755	4,964,372	388,810	65,466	12,447,680	-	20,348,597

In view of the fact that the Group operates mainly in the PRC, no geographical segment information is presented.

For the six months ended 30 June 2013, revenue from the same customer accounted for 61% of total Group revenue (for the six months ended 30 June 2012: 55% (unaudited)). The revenue from the customer derived from the following segments: intermediate petrochemicals, petroleum products, trading of petrochemical products and other segment.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

7 Related parties and related party transactions

(1) Information on the parent company

(a) General information of the parent company:

	Nature of business	Place of registration	Legal representative	Business nature	Organization code
China Petroleum & Chemical Corporation	Joint stock limited company	No.22 Chaoyangmen North Street, Chaoyang District, Beijing	Fu Chengyu	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.	71092609-4

The Company's ultimate controlling party is China Petrochemical Corporation.

(b) Registered capital and changes in registered capital of the parent company:

	31 December 2012	Increase in current period	Decrease in current period	**30 June 2013**
China Petroleum & Chemical Corporation	RMB 86.8 billion	RMB 2.9 billion	-	**RMB 89.7 billion**

(c) The percentages of share holding and voting rights in the Company held by the parent company:

	30 June 2013		31 December 2012	
	Share holding	**Voting rights**	Share holding	Voting rights
China Petroleum & Chemical Corporation	**55.56%**	**55.56%**	55.56%	55.56%

(2) Information on the Company's subsidiaries

The general information and other related information of the subsidiaries is set out in Note 4.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

7 Related parties and related party transactions *(continued)*

(3) Information on other related parties

Names of other related parties	Relationship with the Company	Organisation code
China Petrochemical Corporation	The ultimate parent company	10169286-X
BOC-SPC Gases Company Limited	Jointly controlled entity of the Group	71786630-3
Shanghai Jinpu Plastic Packing Materials Company Limited	Jointly controlled entity of the Group	60733617-6
Shanghai Petrochemical Yangu Gas Development Company Limited	Jointly controlled entity of the Group	60727178-X
Shanghai Secco Petrochemical Company Limited	Associates of the Group	71093847-4
Shanghai Chemical Industry Park Development Company Limited	Associates of the Group	13227550-8
Shanghai Jinsen Hydrocarbon Resins Company Limited	Associates of the Group	60739533-6
Shanghai Azbil Automation Company Limited	Associates of the Group	60733503-4
Shanghai Petrochemical Asphalt Company Limited	Associates of the Group	76720551-1
Shanghai Nam Kwong Petro-Chemical Company Limited	Associates of the Group	70329225-7
Shanghai Jinhuan Petroleum Naphthalene Development Company Limited	Associates of the Group	60721604-3
Shanghai Chemical Industry Park Logistics Company Limited	Associates of the Group	70328158-2
Sinopec Chemical Product Sales Company Limited	Subsidiary of the immediate parent company	68435353-5
Sinopec Huadong Sales Company Limited	Subsidiary of the immediate parent company	74491218-4
Sinopec Huanan Sales Company Limited	Subsidiary of the immediate parent company	79552488-6
Sinopec Huabei Sales Company Limited	Subsidiary of the immediate parent company	74912509-1
Sinopec Yizheng Chemical Fibre Company Limited	Subsidiary of the immediate parent company	62590829-7
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 Refinery Product Sales Company Limited	Subsidiary of the immediate parent company	55290897-3
Sinopec Yangzi Petrochemical Company Limited	Subsidiary of the immediate parent company	79710604-7
China Petrochemical International Beijing Company Limited	Subsidiary of the immediate parent company	56745949-6
China Petrochemical International Ningbo Company Limited	Subsidiary of the immediate parent company	55797773-2
China Petrochemical International Tianjin Company Limited	Subsidiary of the immediate parent company	55948374-4
Sinopec Huadong Supplies and Equipment Company Limited	Subsidiary of the immediate parent company	13220850-8
Petro-CyberWorks Information Technology Company Limited	Subsidiary of the immediate parent company	73513011-3
Sinopec Qingdao Refining and Chemical Company Limited	Subsidiary of the immediate parent company	76672017-5
Sinopec Fuel Oil Sales Corporation Limited	Subsidiary of the immediate parent company	55481307-0
BASF-YPC Company Limited	Joint venture of the immediate parent company	71093957-3
Zhejiang Baling Hengyi Caprolactam Limited Company	Joint venture of the immediate parent company	67060494-6
Sinopec Petroleum Storage and Reserve Limited	Subsidiary of the ultimate parent company	71093486-0
Sinopec Assets Management Corporation	Subsidiary of the ultimate parent company	71093386-8
Shanghai Petrochemical Machine Manufacturing Company Limited	Subsidiary of the ultimate parent company	13229578-7
Sinopec International Petroleum Exploration and Production Limited	Subsidiary of the ultimate parent company	71092780-4
Sinopec Shanghai Engineering Company Limited	Subsidiary of the ultimate parent company	42500745-1
The Fourth Construction Company of Sinopec	Subsidiary of the ultimate parent company	10370137-9
The Fifth Construction Company of Sinopec	Subsidiary of the ultimate parent company	71021776-5
The Tenth Construction Company of Sinopec	Subsidiary of the ultimate parent company	16410269-5
Sinopec Engineering Incorporation	Subsidiary of the ultimate parent company	10169282-7
Sinopec Ningbo Engineering Company Limited	Subsidiary of the ultimate parent company	22433440-5
Sinopec Tending Company Limited	Subsidiary of the ultimate parent company	71093173-1
Sinopec Finance Company Limited	Subsidiary of the ultimate parent company	10169290-7

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

7 Related parties and related party transactions *(continued)*

(4) Related party transactions

(a) Purchases and sales of goods, rendering and receiving services

Purchases of goods and receiving services

The Group

Name of Related Parties	Category	Transaction type	Six months ended 30 June 2013 Amount	2013 Percentage of the same category(%)	2012 (unaudited) Amount	2012 (unaudited) Percentage of the same category(%)
Sinopec Corp., its subsidiaries and jointly controlled entities	Purchases	Trade	**30,499,896**	**63.34**	26,450,899	59.81
Sinopec Group and its subsidiaries	Purchases	Trade	**4,935**	**0.01**	8,877	0.02
Associates of the Group	Purchases	Trade	**1,549,589**	**3.29**	1,790,999	4.05
Jointly controlled entity of the Group	Purchases	Trade	**173,566**	**0.37**	183,837	0.42
Key management personnel	Short-term employee benefits	Compensa-tion for services	**5,056**	**0.52**	5,494	0.57
Key management personnel	Retirement scheme contributions	Compensa-tion for services	**98**	**0.03**	84	0.03

Sales of goods, rendering services

The Group

Name of Related Parties	Category	Transaction type	Six months ended 30 June 2013 Amount	2013 Percentage of the same category(%)	2012 (unaudited) Amount	2012 (unaudited) Percentage of the same category(%)
Sinopec Corp., its subsidiaries and jointly controlled entities	Sales/ Service income	Trade	**34,668,448**	**60.70**	25,530,076	54.94
Sinopec Group and its subsidiaries	Sales/ Service income	Trade	**191,585**	**0.34**	247,137	0.53
Associates of the Group	Sales	Trade	**1,249,004**	**2.19**	1,067,117	2.30
Jointly controlled entity of the Group	Sales	Trade	**202,254**	**0.35**	60,259	0.13

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

7 Related parties and related party transactions *(continued)*

(4) Related party transactions *(continued)*

(b) Related party funding

For the six months ended 30 June 2013, the Group and the Company borrowed from Sinopec Finance Company Limited amounting to RMB 3,308,935 thousand (for the six months ended 30 June 2012: RMB 2,143,883 thousand (unaudited)).

For the six months ended 30 June 2013, the Group and the Company repaid Sinopec Finance Company Limited amounting to RMB 2,700,000 thousand (for the six months ended 30 June 2012: RMB 2,350,000 thousand (unaudited)).

(c) Other related transactions

The Group

	Transaction Type	Six months ended 30 June	
		2013	2012 (unaudited)
Sinopec Group	Insurance premiums	**73,102**	65,657
Sinopec Finance Company Limited	Interests received and receivable	**473**	260
Sinopec Finance Company Limited	Interests paid and payable	**12,462**	13,155
Sinopec Group	Construction and installation cost	**132,312**	244,816
Sinopec Chemical Product Sales Company Limited	Sales commission	**83,795**	99,763
Sinopec Corp.	Rental income	**11,865**	11,611

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

7 Related parties and related party transactions *(continued)*

(5) Receivables from and payables to related parties

Receivables from related parties:

The Group

		30 June 2013		31 December 2012	
		Amount	Bad debt provision	Amount	Bad debt provision
Cash at bank and on hand	Sinopec Group and its subsidiaries	5,629	-	1,933	-
Notes receivable	Sinopec Corp., its subsidiaries and jointly controlled entities	142,700	-	18,826	-
	Jointly controlled entities of the Group	11,000	-	17,740	-
		153,700	-	36,566	-
Accounts receivable	Sinopec Corp., its subsidiaries and jointly controlled entities	1,428,864	-	807,267	-
	Sinopec Group and its subsidiaries	5,897	-	3,884	-
	Associates of the Group	125,304	-	155,486	-
	Jointly controlled entities of the Group	20,378	-	22,621	-
		1,580,443	-	989,258	-
Other receivables	Sinopec Corp., its subsidiaries and jointly controlled entities	-	-	497	-
	Sinopec Group and its subsidiaries	2	-	-	-
	Associates of the Group	3,508	-	1,009	-
	Jointly controlled entities of the Group	7,219	-	1,882	-
		10,729	-	3,388	-
Advances to suppliers	Sinopec Corp., its subsidiaries and jointly controlled entities	21,712	-	41,370	-

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

7 Related parties and related party transactions *(continued)*

(5) Receivables from and payables to related parties *(continued)*

Payables to related parties:

The Group

		30 June 2013	31 December 2012
Short-term borrowings	Sinopec Group and its subsidiaries	**828,935**	220,000
Notes payable	Sinopec Corp., its subsidiaries and jointly controlled entities	**4,000**	-
Accounts payable	Sinopec Corp., its subsidiaries and jointly controlled entities	**4,701,067**	3,186,049
	Sinopec Group and its subsidiaries	**2,003**	-
	Associates of the Group	**292,221**	152,032
	Jointly controlled entities of the Group	**30,436**	36,831
		5,025,727	3,374,912
Other payables	Sinopec Corp., its subsidiaries and jointly controlled entities	**9,882**	10,124
	Sinopec Group and its subsidiaries	**9,418**	5,727
		19,300	15,851
Advances from customers	Sinopec Corp., its subsidiaries and jointly controlled entities	**344**	15,733
	Sinopec Group and its subsidiaries	**48**	167
	Associates of the Group	**4,461**	4,616
	Jointly controlled entities of the Group	**62**	-
		4,915	20,516

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

7 Related parties and related party transactions *(continued)*

(6) Commitments with related parties

Commitments with related parties contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

Receiving services

	30 June 2013	31 December 2012
Sinopec Group and its subsidiaries	**58,223**	53,690

Except for the above construction and installation cost, the Group and the Company had no other material commitments with related parties at 30 June 2013, which are contracted, but not included in the financial statements.

8 Contingent liabilities

In June 2007, the State Administrative of Taxation issued a tax circular (Circular No.664) to the local tax authorities requesting the relevant local tax authorities to rectify the applicable enterprise income tax ("EIT") for nine listed companies, which included the Company. After the notice was issued, the Company was required by the relevant tax authority to settle the EIT for 2007 at a rate of 33 percent. To date, the Company has not been requested by the tax authorities 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 2013. No provision has been made in this interim financial report for this uncertainty because management believes it is not probable that the Group will be required to pay additional EIT for tax years prior to 2007.

9 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

	30 June 2013	31 December 2012
Purchase of fixed assets contracted but not provided for	**444,930**	123,310
Purchase of fixed assets authorised but not contracted for	**413,210**	1,362,263
	858,140	1,485,573

(2) Operating lease commitments

The Group had no material commitments under operating leases at 30 June 2013, which are contracted, but not included in the financial statements.

10 Events occurring after the balance sheet date

(1) Explanation of material events occurring after the balance sheet date

Under the official 'Reply on matters relating to the Share Reform of Sinopec Shanghai Petrochemical Company Limited' issued by the State-owned Assets Supervision and Administration Commission of the State Council (State Owned Property [2013] No.443), the Company General Meeting held on 8 July 2013 passed the 'Share Reform Statement of Sinopec Shanghai Petrochemical Company Limited (Amendment)' (the "Share Reform Statement") which was published by the Company Board of Directors on Shanghai Stock Exchange ("SSE") website on 20 June 2013. Currently, price arrangement of the "Share Reform Statement" was completed. Pursuant to the resolution passed, all the floating A Shareholders with shares registered before 16 August 2013 received 5 shares for every 10 floating shares held, totally amounted to 360,000,000 non-circulating A shares from controlling shareholder Sinopec Corp.. Since 20 August 2013, all the Company's non-circulating A shares have been granted listable circulating rights on SSE. In addition, from the date that 3,640,000,000 non-circulating A shares held by controlling shareholder Sinopec Corp., were prohibited to be traded on the market or transferred within 12 months in accordance with the restriction condition made before. After the prohibited period, shareholders could only sell 5 percent non-floating shares within 12 months and 10 percent non-floating shares within 24 months through SSE.

As stated in Share Reform Statement, Sinopec Corp. undertakes that, within six months after the non-floating shares held by it in the Company acquires the right to float on the market (which means the first trading day after the implementation of the Share Reform Proposal), propose to hold a board meeting of Sinopec Shanghai in accordance with the Articles of Association of Sinopec Shanghai Petrochemical Company Limited to review a proposal of converting capital reserves into such amount of shares as needed to distribute four or more additional shares for every ten shares and a proposal of holding a shareholder meeting, and vote for such proposal at the Company shareholder meeting.

In addition, Sinopec Corp. undertakes that, within 12 months from the date when its non-floating shares in the Company are granted the right to float on the market (which means the first trading day after the implementation of the Share Reform Proposal), it will request that, subject to compliance with the relevant policies of State-owned Assets Supervision and Administration Commission of the State Council and China Securities Regulatory Commission, the board of directors of the Company to propose a share option incentive scheme, with an exercise price of the first batch of share options granted not less than RMB6.43 per share, being the closing price of the shares on 30 May 2013 (such exercise price will be subject to adjustment if there is any exclusion of rights and dividends prior to the announcement of the proposal for the share option incentive scheme).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

10 Events occurring after the balance sheet date *(continued)*

(2) Explanation of dividends distribution after the balance sheet date

The proposal of dividends distribution and converting reserves into shares was approved at the 15th Meeting of the 7th term of Board of Directors held on 28 August 2013. The proposal was to convert reserves into shares to distribute 5 shares for every ten shares, as well as cash dividends distribution of RMB 0.50(tax included) for every ten shares, based on total 7,200,000,000 shares on 30 June 2013. Among above 5 shares distributed, 3.36 shares and 1.64 shares were from share premium part of capital reserves and surplus reserves, respectively.

As at the reporting date on 28 August 2013, the dividends distribution proposal was not approved by General Meeting.

11 Financial instrument and risk

The Group's activities expose it to a variety of financial risks: market risk (primarily currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Neverthless the Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk.

As at 30 June 2013 and 31 December 2012, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	30 June 2013		
	USD	Others	Total
Financial liabilities in foreign currencies-			
Short-term borrowings	5,764,808	-	5,764,808
Accounts payable	871,541	-	871,541
Long-term borrowings	617,870	-	617,870
	7,254,219	-	7,254,219

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

11 Financial instrument and risk *(continued)*

(1) Market risk *(continued)*

(a) Foreign exchange risk *(continued)*

	31 December 2012		
	USD	Others¿	Total
Financial liabilities in foreign currencies-			
Accounts payable	1,112,730	218	1,112,948
Short-term borrowings	7,839,879	-	7,839,879
	8,952,609	218	8,952,827

As at 30 June 2013, if the currency had strengthened/weakened by 5% against USD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB 272,033 thousand (31 December 2012: RMB 335,723 thousand) higher/lower for various financial assets and liabilities denominated in USD.

(b) Interest rate risk

The Group's interest rate risk arises from short-term and long-term interest bearing borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2013, the Group's long-term interest bearing borrowings were mainly RMB and USD denominated with floating rates, amounting to RMB 9,480,198 thousand (31 December 2012: 12,255,217 thousand) (Note 5 (18), Note 5 (28)).

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During the six months ended 30 June 2013 and 2012, the Group did not enter into any interest rate swap agreements.

As at 30 June 2013, if interest rates on the floating rate borrowings had risen/fallen by 50 basis points while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately RMB 35,551 thousand (31 December 2012: RMB 45,957 thousand).

11 Financial instrument and risk (continued)

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank, accounts receivable, other receivables, notes receivable etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

11 Financial instrument and risk (continued)

(3) Liquidity risk *(continued)*

The financial assets and liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2013				
	Within 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
Financial assets -					
Cash at bank and on hand	**292,706**	**-**	**-**	**-**	**292,706**
Notes receivable	**2,058,841**	**-**	**-**	**-**	**2,058,841**
Dividends receivable	**10,000**	**-**	**-**	**-**	**10,000**
Accounts receivable and other receivables	**1,837,607**	**-**	**-**	**-**	**1,837,607**
Entrusted Loans due within one year	**71,238**	**-**	**-**	**-**	**71,238**
	4,270,392	**-**	**-**	**-**	**4,270,392**
Financial liabilities -					
Short-term borrowings	**8,331,630**	**-**	**-**	**-**	**8,331,630**
Notes payable	**6,472**	**-**	**-**	**-**	**6,472**
Accounts payable and other payables	**7,515,099**	**-**	**-**	**-**	**7,515,099**
Interest payable	**11,040**	**-**	**-**	**-**	**11,040**
Dividends payable	**21,450**	**-**	**-**	**-**	**21,450**
Long-term borrowings	**45,619**	**656,633**	**684,966**	**-**	**1,387,218**
	15,931,310	**656,633**	**684,966**	**-**	**17,272,909**

	31 December 2012				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets -					
Cash at bank and on hand	160,962	-	-	-	160,962
Notes receivable	2,065,483	-	-	-	2,065,483
Accounts receivable and other receivables	1,123,507	-	-	-	1,123,507
Entrusted Loans due within one year	71,017	-	-	-	71,017
	3,420,969	-	-	-	3,420,969
Financial liabilities -					
Short-term borrowings	11,110,694	-	-		11,110,694
Accounts payable and other payables	6,382,810	-	-	-	6,382,810
Interest payable	20,987	-	-	-	20,987
Dividends payable	21,548	-	-	-	21,548
Long-term borrowings	74,037	428,298	900,739	-	1,403,074
	17,610,076	428,298	900,739	-	18,939,113

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

11 Financial instrument and risk *(continued)*

(4) Fair value

Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly represent notes receivable, entrusted loans due within one year, short-term borrowings, payables, long-term borrowings.

Except for financial assets and liabilities listed below, the carrying amount of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	30 June 2013		31 December 2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial liabilities -				
Long-term borrowings	**1,247,440**	**1,244,672**	1,231,340	1,192,960

The fair value of long-term borrowings and long-term payables not quoted in an active market is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms. As at 30 June 2013, loan in RMB and USD adopted market interest rate of 5.76% and 1.48%, respectively (as at 31 December 2012, market interest rate of RMB loan: 6.08%, without US dollar loan).

12 Financial assets and financial liabilities in foreign currencies

	31 December 2012	Current period changes in fair value gains and losses	Current period accumulated changes in fair value through equity	Provision accrued current period	**30 June 2013**
Financial assets -					
Cash at bank and on hand	928	-	-	-	**9,224**
Financial liabilities					
Short-term borrowings	7,839,879	-	-	-	**5,764,808**
Accounts payable	1,112,948	-	-	-	**871,541**
Long-term borrowings	-	-	-	-	**617,870**
Total	8,952,827	-	-	-	**7,254,219**

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

13 Notes to major items of the Company's financial statements

(1) Accounts receivable

	30 June 2013	31 December 2012
Amounts due from related parties	1,187,809	801,893
Amounts due from third parties	48,289	10,727
Less: provision for bad debts	(899)	(882)
	1,235,199	811,738

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

	30 June 2013	31 December 2012
Within one year	1,235,164	811,729
Over one year but within two years	43	9
Over two years but within three years	12	7
Over three years	879	875
	1,236,098	812,620

(b) Accounts receivable by categories are analysed as follows:

	30 June 2013				31 December 2012			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Subject to provisions by groups								
Within one year	1,235,164	99.92	-	-	811,729	99.89	-	-
Over one year but within two years	43	0.00	13	30.00	9	0.00	3	30.00
Over two years but within three years	12	0.00	7	60.00	7	0.00	4	60.00
Over three years	879	0.08	879	100.00	875	0.11	875	100.00
	1,236,098	100.00	899	-	812,620	100.00	882	-

There are no collateral over the above accounts receivable with provision for bad debts.

During the six months ended 30 June 2013, the Company assessed the impairment on an individual basis in accordance with the accounting policy as described in Note 2(10), and there were no provision for accounts receivable that are individually significant or insignificant but assessed for impairment individually.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(1) Accounts receivable *(continued)*

(c) During the six months ended 30 June 2013, the Group had no accounts receivable with fully or substantially write-off or write-back of bad debts which had been fully or substantially provided for in prior years.

(d) As at 30 June 2013, the top five of accounts receivable are as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total accounts receivable
Sinopec Huadong Sales Company Limited	Subsidiary of Sinopec Corp.	906,464	Within 1 year	73%
Shanghai Secco Petrochemical Company Limited	Associates of the Group	123,482	Within 1 year	10%
Sinopec Refinery Product Sales Company Limited	Subsidiary of Sinopec Corp.	71,618	Within 1 year	6%
Sinopec Fuel Oil Sales Company Limited	Subsidiary of Sinopec Corp.	22,026	Within 1 year	2%
BOC-SPC Gases Company Limited	Jointly controlled entity of the Company	19,489	Within 1 year	2%
		1,143,079		93%

(e) Accounts receivable from related parties are analysed as below:

	30 June 2013			31 December 2012		
	Amount	Percentage of total accounts receivable	Provision for bad debts	Amount	Percentage of total accounts receivable	Provision for bad debts
Sinopec Corp., its subsidiaries and jointly controlled entities	1,031,457	83.44	-	605,109	74.46	-
Sinopec Group and its subsidiaries	5,897	0.48	-	3,884	0.48	-
Subsidiaries of the Company	5,948	0.48	-	14,793	1.82	-
Associates of the Company	124,130	10.04	-	155,486	19.13	-
Jointly controlled entities of the Company	20,378	1.65	-	22,621	2.78	-

Except for the balances disclosed above, as at 30 June 2013 and 31 December 2012, no amount due from major shareholders who hold 5% or more of the voting rights of the Company is included in the balance of accounts receivable.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(2) Other receivables

	30 June 2013	31 December 2012
Amounts due from related parties	729,630	708,070
Amounts due from third parties	13,876	12,968
Less: provision for bad debts	(720,292)	(705,469)
	23,214	15,569

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

	30 June 2013	31 December 2012
Within one year	53,119	45,800
Over one year but within two years	35,917	243,546
Over two years but within three years	245,332	50,604
Over three years	409,138	381,088
Less: provision for bad debts	(720,292)	(705,469)
	23,214	15,569

(b) Other receivables by categories are analysed as follows:

	30 June 2013				31 December 2012			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Receivables with amounts individually significant are subject to separate assessment for impairment								
Sub-total	719,472	96.77	719,472	100.00	704,682	97.73	704,682	100.00
Subject to provisions by groups								
Within one year	21,989	2.96	-	-	14,650	2.03	-	-
Over one year but within two years	1,607	0.22	482	30.00	1,168	0.16	350	30.00
Over two years but within three years	-	-	-	-	-	-	-	-
Over three years	438	0.05	338	77.17	538	0.08	437	81.00
Sub-total	24,034	3.23	820	3.41	16,356	2.27	787	5.00
Total	743,506	100.00	720,292	-	721,038	100.00	705,469	-

As accounting policies stated in Note 2(10), the following amounts individually significant were subject to bad debt provision in this period, an accumulated bad debt provision for other receivables from the Company's consolidated subsidiary Jinyong was RMB 719,472 thousand (31 December 2012: RMB 704,682 thousand). Jinyong stopped production periodically till now since August 2008. The Company provided a full bad debt provision based on the assessment on the possibility of recovery of other receivables. No provision was recognised for other receivables which were not individually significant but subject to bad debt provision.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(2) Other receivables *(continued)*

(c) During the six months ended 30 June 2013, the Group had no accounts receivable with fully or substantially write-off or write-back of bad debts which had been fully or substantially provided for in prior years.

(d) As at 30 June 2013, the top five of other receivables are as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
BOC-SPC Gases Company Limited	Jointly controlled entitiy of the Company	7,097	Within 1 year	31%
Shanghai Railway Station HangZhou Depot (North)	Third party	3,054	Within 1 year	12%
Shanghai Petrochemical Asphalt Company Limited	Associates of the Company	2,260	Within 1 year	10%
Shanghai Yali Development Company Limited	Third party	2,246	Within 1 year	10%
Shanghai Gulf Petrochemical Company Limited	Third party	945	Within 1 year	4%
		15,602		67%

(e) Other receivables from related parties are analysed as below:

	30 June 2013			31 December 2012		
	Amount	Percentage of total other receivables	Provision for bad debts	Amount	Percentage of total other receivables	Provision for bad debts
Sinopec Corp., its subsidiaries and jointly controlled entities	-	-	-	497	0.07	-
Sinopec Group and its subsidiaries	2	0.00	-	-	-	-
Subsidiaries of the Company	719,472	96.77	719,472	704,682	97.73	704,682
Associates of the Company	2,992	0.40	-	1,009	0.14	-
Jointly controlled entities of the Company	7,164	0.96	-	1,883	0.26	-

Except for the balances disclosed above, as at 30 June 2013 and 31 December 2012, no amount due from major shareholders who hold 5% or more of the voting rights of the Company is included in the balance of other receivables.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(3) Long-term equity investment

	30 June 2013	31 December 2012
Subsidiaries (a)	1,582,788	1,582,788
Jointly controlled entities (b)	132,936	122,905
Associates (b)	2,579,028	2,591,698
	4,294,752	4,297,391
Less: Provision for impairment of long-term equity investment	(227,500)	(227,500)
	4,067,252	4,069,891

There are no significant restrictions on the realization of long-term equity investment to the Company.

For the six months ended 30 June 2013, the Company has made full provision for the long-term equity investment in its subsidiary Jinyong amounted to RMB 227,500 thousand (twelve-month ended 31 December 2012: RMB 227,500 thousand). As the reason stated in Note 13(2)(b), the Company has made full provision.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(3) Long-term equity investment *(continued)*

(a) Subsidiaries

	Accounting method	Investment cost	31 December 2012	Additional/ negative investment	30 June 2013	Share holding	Voting rights	Explanation for the difference between share holding and voting rights	Impairment provision	Impairment provided in current period	Cash dividends declared in current period
Shanghai Petrochemical Investment Development Company Limited	Cost method	RMB1,338,456	1,338,456	-	1,338,456	100.00%	100.00%	No difference	-	-	-
Zhejiang Jinyong Acrylic Fibre Company Limited	Cost method	RMB227,500	227,500	-	227,500	75.00%	75.00%	No difference	(227,500)	-	-
China Jinshan Associated Trading Corporation	Cost method	RMB16,832	16,832	-	16,832	67.33%	67.33%	No difference	-	-	12,000
			1,582,788	-	1,582,788				(227,500)	-	12,000

(b) Jointly controlled entities and associates

The information relating to the material Jointly controlled entities and associates of the Company is disclosed in Note 5(9)(b).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(4) Fixed assets

	Buildings	Plant and machinery	Vehicles and other equipment	Total
Cost				
31 December 2012	3,203,671	37,724,986	1,696,758	42,625,415
Reclassification in current period	15,593	(9,704)	(5,889)	-
Other increase in current period	-	11,087	2,885	13,972
Transfer from construction in progress (Note13(5))	5,500	344,705	419	350,624
Decrease in current period	(4,275)	(142,461)	(13,749)	(160,485)
30 June 2013	3,220,489	37,928,613	1,680,424	42,829,526
Accumulated depreciation				
31 December 2012	1,787,778	21,848,492	1,330,269	24,966,539
Reclassification in current period	2,868	2,844	(5,712)	-
Current period charges	47,641	948,323	29,644	1,025,608
Decrease in current period	(3,865)	(120,032)	(12,987)	(136,884)
30 June 2013	1,834,422	22,679,627	1,341,214	25,855,263
Provision for impairment				
31 December 2012	50,785	496,230	6,262	553,277
Reclassification in current period	-	-	-	-
Current period charges	-	-	-	-
Decrease in current period	-	(3,355)	-	(3,355)
30 June 2013	50,785	492,875	6,262	549,922
Carrying amount				
30 June 2013	1,335,282	14,756,111	332,948	16,424,341
31 December 2012	1,365,108	15,380,264	360,227	17,105,599

At 30 June 2013 and 31 December 2012, the Company had no pledged fixed assets.

For the six months ended 30 June 2013, the depreciation expenses amounted to RMB 1,025,608 thousand (for the six months ended 30 June 2012: RMB 815,812 thousand (unaudited)). The amount of depreciation expense charged to cost of sales, selling and distribution expenses, general and administrative expenses were RMB 993,485 thousand, RMB 32,088 thousand and RMB 35 thousand, respectively (for the six months ended 30 June 2012: RMB 775,980 thousand (unaudited), RMB 39,797 thousand (unaudited), RMB 35 thousand (unaudited), respectively).

For the six months ended 30 June 2013, the fixed assets with a carrying amount of RMB 350,624 thousand (for the six months ended 30 June 2012: RMB 626,418 thousand (unaudited)) was transferred from construction in progress.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(5) Construction in progress

	30 June 2013			31 December 2012		
	Original cost	Provision for impairment	Carrying amount	Original cost	Provision for impairment	Carrying amount
Construction in progress	639,282	-	639,282	604,866	-	604,866

(6) Revenue and cost of sales

	Six months ended 30 June	
	2013	2012 (unaudited)
	Revenue	Revenue
Main operations	50,154,247	39,811,184
Other operations	214,880	195,602
	50,369,127	40,006,786

	Six months ended 30 June	
	2013	2012 (unaudited)
	Cost of Sales	Cost of Sales
Main operations	43,242,438	36,999,160
Other operations	143,184	122,582
	43,385,622	37,121,742

(a) Main operations revenue and cost of sales

The Company mainly operates in petrochemical industry.

(b) Revenue from sales to top five customers for the six months ended 30 June 2013 is set out as follows:

For the six months ended 30 June 2013, top five of the revenue of the Company amounted to RMB 33,518,579 thousand (for the six months ended 30 June 2012: RMB 23,101,498 thousand (unaudited)), which accounted for 66.55% of the Company total revenue (for the six months ended 30 June 2012: 57.74% (unaudited)), details are set out as follows:

	Revenue	Percentage of total revenue (%)
Sinopec Huadong Sales Company Limited	29,006,174	57.59
Jiaxing Petrochemical Company Limited	1,482,531	2.94
China Petroleum & Chemical Corporation	1,154,832	2.29
Shishi Jialong Petrifaction Company Limited	984,700	1.95
Shanghai Secco Petrochemical Company Limited	890,342	1.78
	33,518,579	66.55

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(7) Investment income

	Six months ended 30 June	
	2013	2012 (unaudited)
Loss from long-term equity investment accounted for using the equity method (a)	**(2,638)**	(14,894)
Income from long-term equity investment accounted for using the cost method (b)	**8,079**	98,080
	5,441	83,186

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

(a) Income/(losses) from long-term equity investment accounted for using the equity method is as follow:

	Six months ended 30 June	
	2013	2012 (unaudited)
Shanghai Secco Petrochemical Company Limited	**(27,756)**	(50,879)
Shanghai Chemical Industrial Park Development Company Limited	**15,087**	23,451
BOC-SPC Gases Company Limited	**10,031**	12,534
	(2,638)	(14,894)

(b) Income/(losses) from long-term equity investment accounted for using the cost method is as follow:

	Six months ended 30 June	
	2013	2012 (unaudited)
Shanghai Petrochemical Investment Development Company Limited	**-**	90,000
China Jinshan Associated Trading Corporation	**8,079**	8,080
	8,079	98,080

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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

(8) Supplementary information on cash flow statements

(a) Reconciliation from net profit/(loss) to cash flow from operating activities

	Six months ended 30 June	
	2013	2012 (unaudited)
Net profit/(loss)	**455,302**	(1,114,841)
Add: Impairment losses	**38,766**	201,948
Depreciation of investment properties	**6,622**	6,625
Depreciation of fixed assets	**1,025,608**	815,812
Amortisation of intangible assets	**6,517**	6,516
Amortization of long-term deferred expense	**207,595**	75,630
Losses on disposal of fixed assets	**19,500**	11,845
Financial (income)/expenses - net	**(134,731)**	176,112
Investment income	**(5,441)**	(83,186)
Decrease/(Increase) in deferred tax assets	**159,574**	(389,955)
Decrease/(Increase) in inventories	**300,856**	(2,236,040)
Decrease in operating receivables	**91,061**	1,522,017
Increase/(Decrease) in operating payables	**1,184,729**	(193,662)
Increase in specific reserve	**24,404**	33,803
Net cash inflow from/(used in) operating activities	**3,380,362**	(1,167,376)

(b) Change in cash and cash equivalents:

	Six months ended 30 June	
	2013	2012 (unaudited)
Cash and cash equivalents at the end of the period		
Less: cash and cash equivalents at the beginning of the period	**222,128**	140,173
Net increase in cash and cash equivalenst	**119,148**	61,057
	102,980	79,116

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

1 Non-recurring items

	Six months ended 30 June	
	2013	2012 (unaudited)
Net losses on disposal of non-current assets	**(19,508)**	(5,381)
Government grants recognised through profit or loss	**6,294**	138,064
Employee reduction expenses	**(2,156)**	(7,153)
Income from external entrusted loans	**1,045**	1,059
Other non-operating income and expenses other than those mentioned above	**(19,103)**	10,241
Tax effect for the above items	**8,357**	(32,630)
Effect on minority interests after tax	**(587)**	(512)
	(25,658)	103,688

Basis of preparation for extraordinary profit and loss

Pursuant to Announcement [2008] Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public issued by China Securities regulatory commission (CSRC), extraordinary profit and loss arises in various trading and issues that have no direct relation with the normal operations of a company, or that are related with normal operations but affect the users of the statement to make reasonable judgment of the Company's operation performance and profitability due to the special and occasional nature of such trading and issues.

2 Reconciliation between financial statements prepared under CAS and IFRS

The Company is listed on the Stoke Exchange of Hong Kong. The Group prepared financial statements under International Financial Reporting Standards ("IFRS") which is reviewed by PricewaterhouseCoopers. There are reconciliation items in the consolidated financial report prepared under CAS and IFRS, the main items and the amount are listed as follows:

	Net profit (Consolidated)		Net assets (Consolidated)	
	Six months ended 30 June			
	2013	2012 (unaudited)	**30 June 2013**	31 December 2012
Under CAS	**438,020**	(1,194,489)	**16,654,384**	16,190,419
Adjustments under IFRS:				
Government grants	**15,348**	14,796	**(137,905)**	(153,253)
Safety production costs	**25,945**	36,620	**-**	-
Effects of the above adjustments on deferred tax	**(6,101)**	(8,451)	**(6,101)**	-
Under IFRS	**473,212**	(1,151,524)	**16,510,378**	16,037,166

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

2 Reconciliation between financial statements prepared under CAS and IFRS *(continued)*

Notes:

(a) Government grants

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

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

(b) Safety production costs

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

3 Return on net assets and earnings per share

	Weighted average return on net assets (%)		Earnings/(Loss) per share			
			Basic (RMB)		Diluted(RMB)	
	Six months ended 30 June		Six months ended 30 June			
	2013	2012 (unaudited)	**2013**	2012 (unaudited)	**2013**	2012 (unaudited)
Net profit/(Loss) attributable to shareholders of the Company	**2.667**	(6.883)	**0.061**	(0.166)	**0.061**	(0.166)
Net profit/(Loss) attributable to shareholders of the Company excluding non-recurring items	**2.823**	(7.481)	**0.064**	(0.180)	**0.064**	(0.180)

Written Confirmation Issued by Directors, Supervisors and Senior Management

Pursuant to the relevant requirements of Article 68 of the Securities Law and Standards No.3 Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public - Contents and Formats of Semi-Annual Reports(Revised in 2013), we, being Directors, Supervisors and the Senior Management of the Company, having carefully studied and reviewed the Company's 2013 Interim report, are in the opinion that: the Company was in strict compliance with the standardised operation of financial system operation of joint stock companies and the 2013 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 2013 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:

Wang Zhiqing　Wu Haijun　Gao Jinping　Li Honggen

Zhang Jianping　Ye Guohua　Lei Dianwu　Xiang Hanyin

Shen Liqiang　Jin Mingda　Cai Tingji

Supervisors:

Zhuo Qiang　Li Xiaoxia　Zhai Yalin　Wang Liqun

Chen Xinyuan　Zhou Yunnong

Senior Management:

Zhang Zhiliang　Shi Wei　Jin Qiang　Guo Xiaojun

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:	Wang Zhiqing

(2) Contact Persons and Contact Methods

	Company Secretary	Securities Affairs 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	8621-57943143/52377880
Fax:	8621-57940050/52375091	8621-57940050/52375091
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 annual reports:

www.sse.com.cn, www.hkex.com.hk and www.spc.com.cn

Place for access to the Company's annual reports:

Board Secretariat Office, 48 Jinyi Road, Jinshan District, Shanghai, PRC

Other:

Both the Chinese and English versions of this interim report are available. In the event of any discrepancies in interpretations between the English version and Chinese version, 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	-	-

*On 20 August 2013, the first trading day after the Company's completion of A-share reform scheme, the stock abbreviation of the Company's A-share was changed to "上海石化".

Corporate Information *(continued)*

(6) Other Information

Date of the Company's initial registration:	29 June 1993
Initial registered address of the Company:	Jinshan Wei, Shanghai,PRC
First time:	
Date of change of the Company's registration:	12 October 2000
Change of the registered address of the Company:	48 Jinyi Road, Jinshan District, Shanghai, PRC
SAIC registration number of the Company:	310000000021453
Tax registration number of the Company:	310228132212291
Company and Organization Code:	13221229-1
Auditor engaged by the Company (domestic):	PricewaterhouseCoopers Zhong Tian LLP
Address:	11/F., PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
Auditor engaged by the Company (international):	PricewaterhouseCoopers
Address:	22/F Prince's Building, 10 Chater Road, Central, Hong Kong

Legal advisors:

PRC Law: Haiwen & Partners
21st Floor, Beijing Silver Tower
No.2 Dong San Huan North Road
Chaoyang District, Beijing, PRC
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, PRC
Postal Code: 200120

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

Registrars:

Hong Kong Registrars Limited
17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Depositary:

The Bank of New York Mellon
Shareowner Services
P.O. Box 358516
Pittsburgh, PA 15252-8516
Toll Free Number for Domestic Calls: 1-888-BNY-ADRS
umber for International Calls: 201-680-6825
Email: shareowners@bankofny.com
Website: www.stockbny.com