Sinopec Shanghai Petrochemical Company Limited
中國石化上海石油化工股份有限公司
(A joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 00338)

2016 Interim Results Announcement
For the Six Months Ended 30 June 2016

1. IMPORTANT MESSAGE

1.1 This interim report summary of Sinopec Shanghai Petrochemical Company Limited (the "Company") for the six months ended 30 June 2016 (the "Reporting Period") is extracted from the full text of the 2016 interim report. For detailed content, investors are advised to read the full text of the 2016 interim report which is published on the websites of Shanghai Stock Exchange or other designated website of China Securities Regulatory Commission ("CSRC"), Hong Kong Exchange and Clearing Limited and the Company.

1.2 Corporate Information

A Shares:	Stock Exchange Listing	Shanghai Stock Exchange
	Stock Abbreviation	SHANGHAI PECHEM
	Stock Code	600688
H Shares:	Stock Exchange Listing	The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange")
	Stock Abbreviation	SHANGHAI PECHEM
	Stock Code	00338
ADR:	Stock Exchange Listing	New York Stock Exchange
	Stock Code	SHI

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2. MAJOR FINANCIAL DATA AND SHAREHOLDERS STATUS

2.1 Major Financial Data

Prepared under the People's Republic of China ("China") Accounting Standards for Business Enterprises ("CAS")

2.1 Major Accounting Data

Unit: 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 (%)
Revenue	36,993,191	42,152,450	–12.24
Net profit attributable to equity shareholders of the Company	3,096,675	1,731,166	78.88
Net profit attributable to equity shareholders of the Company excluding non-recurring items	3,117,585	1,736,231	79.56
Net cash generated from operating activities	4,645,024	1,924,239	141.40

	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease at the end of the Reporting Period as compared to the end of the previous year (%)
Net assets attributable to equity shareholders of the Company	21,906,328	19,838,862	10.42
Total assets	31,924,949	28,022,171	13.93

2.1.2 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 (RMB/Share)	0.287	0.160	79.38
Diluted earnings per share (RMB/Share)	0.287	0.160	79.38
Basic earnings per share excluding non-recurring items (RMB/Share)	0.289	0.161	79.50
Return on net assets (weighted average) (%)*	14.465	9.918	Increased by 4.547 percentage points
Return on net assets excluding non-recurring items (weighted average) (%)*	14.555	9.947	Increased by 4.608 percentage points

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

2.1.3 Non-recurring Items and Amount

Unit: RMB'000

Non-recurring items	Amount
Net loss from disposal of non-current assets	–23,977
Employee reduction expenses	–4,647
Government grants recorded in profit and loss (excluding government grants closely related to corporate business pursuant to the State's unified standard on quota and amount entitlements)	14,280
Income from external entrusted loans	1,002
Other non-operating income and expenses other than those mentioned above	–13,993
Income tax effect	6,853
Effect attributable to non-controlling interests	–428
Total	–20,910

2.1.4 Differences between Interim Financial Report Prepared under CAS and International Financial Reporting Standards ("IFRS")

Unit: RMB'000

	Net profit attributable to equity shareholders of the Company		Total equity attributable to equity shareholders of the Company	
	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	3,096,675	1,731,166	21,906,328	19,838,862
Prepared under IFRS	3,148,609	1,770,880	21,877,241	19,797,282

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

2.2 Shareholding of the Top Ten Shareholders at the end of the Reporting Period

Total number of shareholders at the end of the Reporting Period 144,417

Unit: Shares

Shareholding of the top ten shareholders

Name of Shareholder (full name)	Class of shares	Increase/decrease of number of shares during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage of total shareholding (%)	Number of trading restricted shares held	Status of pledged/frozen shares		Nature of shareholders
						Status of shares	Number of shares	
China Petroleum & Chemical Corporation	A Shares	0	5,460,000,000	50.56	4,380,000,000	Nil	–	State-owned enterprise legal person
HKSCC (Nominees) Limited	H Shares	1,096,000	3,454,462,321	31.99	0	Unknown	–	Foreign legal person
China Securities Finance Corporation Limited	A Shares	–6,873,533	287,911,746	2.67	0	Unknown	–	Others
Central Huijing Investment Ltd.	A Shares	0	67,655,800	0.63	0	Unknown	–	Others
NSSF Combination 414	A Shares	Unknown	24,999,948	0.23	0	Unknown	–	Others
Shanghai Kangli Industry and Trade Co., Ltd	A Shares	510,000	21,925,300	0.20	0	Unknown	–	Others
Bank of China Limited - China New Economy Flexible Allocation Securities Investment Fund	A Shares	Unknown	19,645,656	0.18	0	Unknown	–	Others
Agricultural Bank of China Limited-BOCOM Schroder Growth Mixed Securities Investment Fund	A Shares	Unknown	12,467,300	0.12	0	Unknown	–	Others
China Life Insurance Company Limited-Dividend-Individual-Dividend-005L-FH002 Shanghai	A Shares	Unknown	12,016,700	0.11	0	Unknown	–	Others
Beijing Fengshan Investment Ltd	A Shares	Unknown	10,994,720	0.10	0	Unknown	–	Others

Top ten shareholders of shares in circulation (without trading restrictions)

Unit: Shares

Name of shareholder	Number of circulating shares (without trading restrictions) held	Class of shares	Types of shares
HKSCC (Nominees) Limited	3,454,462,321	H Shares	Overseas listed foreign shares
China Petroleum & Chemical Corporation	1,080,000,000	A Shares	RMB-denominated ordinary shares
China Securities Finance Corporation Limited	287,911,746	A Shares	RMB-denominated ordinary shares
Central Huijin Investment Ltd.	67,655,800	A Shares	RMB-denominated ordinary shares
NSSF Combination 414	24,999,948	A Shares	RMB-denominated ordinary shares
Shanghai Kangli Industry and Trade Co., Ltd	21,925,300	A Shares	RMB-denominated ordinary shares
Bank of China Limited- China New Economy Flexible Allocation Securities Investment Fund	19,645,656	A Shares	RMB-denominated ordinary shares
Agricultural Bank of China Limited-BOCOM Schroder Growth Mixed Securities Investment Fund	12,467,300	A Shares	RMB-denominated ordinary shares
China Life Insurance Company Limited-Dividend-Individual-Dividend-005L-FH002 Shanghai	12,016,700	A Shares	RMB-denominated ordinary shares
Beijing Fengshan Investment Ltd	10,994,720	A Shares	RMB-denominated ordinary shares

Note on connected relationship or actions in concert of the above shareholders	Among the above-mentioned shareholders, China Petroleum & Chemical Corporation, a state-owned legal person, does not have any connected relationship 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 Acquisition of Listed Companies.

Numbers and trading restrictions of the shares held by the top ten shareholders holding trading restricted shares

Unit: Shares

Name of shareholder holding trading restricted shares	Class of shares	Number of trading restricted shares held	Circumstances under which restricted shares can be traded: Date on which the shares can be traded	Circumstances under which restricted shares can be traded: Number of additional shares that can be traded	Trading restrictions
China Petroleum & Chemical Corporation	A Shares	4,380,000,000	22/08/2016	4,380,000,000	1. Shall not be traded or transferred in the months commencing from the date of implementation of the Share Reform Proposal; 2. Upon the expiration of the first condition, original trading restricted shares sold through the Stock Exchange shall not exceed 5% of the total number of shares of the Company within twelve months, and shall not exceed 10% within twenty-four months.

2.3 Interests and short positions of the substantial shareholders of the Company in shares and underlying shares of the Company

As at 30 June 2016, so far as was known to the Directors of the Company, 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 but excluding the Directors, chief executive and Supervisors) who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) (the "SFO") in the shares and underlying shares of the Company or as recorded in the register required to be kept under Section 336 of the SFO were as set out below:

Interests in ordinary shares of the Company

Name of shareholder	Share interests held or deemed as held (shares)	*Note*	Percentage of total issued shares (%)	Percentage of total issued H shares (%)	Capacity
China Petroleum & Chemical Corporation	5,460,000,000 A shares (L) Promoter legal person shares		50.56	–	Beneficial owner
BlackRock, Inc.	217,237,625 H shares (L)	(1)	2.01	6.22	Interest of controlled corporation
Citigroup Inc.	1,221,664 H shares (L)	(2)	0.01	0.035	Interest of controlled corporation
	170,979,411 H shares (P)	(2)	1.58	4.89	Custodian corporation/ approved lending agent
	2,701,925 H shares (L)	(2)	0.03	0.08	Person having a security interest in shares
	1,001,950 H shares (S)	(2)	0.01	0.03	Interest of controlled corporation

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

Notes:

(1) Of the H Shares held by BlackRock, Inc., 3,376,000 H Shares (long position) were held through cash settled unlisted derivatives.

(2) Of the H Shares held by Citigroup Inc., 876,000 H Shares (long position) and 876,000 H Shares (short position) were held through physically settled unlisted derivatives.

Save as disclosed above, as at 30 June 2016, the Directors have not been notified by any person (other than the Directors, chief executive and Supervisors) who had interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

2.4 Interests and short positions of the Directors, chief executive and Supervisors in the shares, underlying shares or debentures of the Company or its associated corporations

As at 30 June 2016, the interests and short positions of the Directors, chief executive and Supervisors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or to be 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 ("Model Code for Securities Transactions") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Hong Kong Listing Rules") were as follows:

Interests in shares and underlying shares of the Company

Name	Position	Number of underlying shares held in respect of A share options under the Share Option Incentive Scheme	Percentage of total issued shares (%)	Percentage of total issued H shares (%)	Capacity
Wang Zhiqing	Executive Director, Chairman and President	500,000 (L)	0.005	–	Beneficial owner
Gao Jinping	Executive Director, Vice Chairman and Vice President	500,000 (L)	0.005	–	Beneficial owner
Ye Guohua	Executive Director and Chief Financial Officer	430,000 (L)	0.004	–	Beneficial owner
Jin Qiang	Executive Director and Vice President	430,000 (L)	0.004	–	Beneficial owner
Guo Xiaojun	Executive Director and Vice President	430,000 (L)	0.004	–	Beneficial owner

Note: (L): Long position

Save as disclosed above, as at 30 June 2016, so far as was known to the Directors, Chief Executive and Supervisors of the Company, none of the Directors, Chief Executive or Supervisors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations which were required to be disclosed or recorded pursuant to the SFO and the Hong Kong Listing Rules as mentioned above.

3. REPORTS OF THE DIRECTORS

3.1 Management Discussion and Analysis of the Overall Operations 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 2016 interim report. Unless otherwise specified, the financial data hereinafter are extracted from the unaudited interim financial report prepared in accordance with IFRS.

Review and Discussion of Operating Results

During the first half of 2016, the global economy had a tortuous progress. The volatility of the financial market increased, growth of investment in international trade declined and the recovery of economy slowed down in general. The United States economy experienced moderate growth but lacked sufficient drive. The Eurozone economy was not expected to turn the table in the foreseeable future despite the continuing recovery. As downward pressure persisted, the growth of developed economies was less than expected. Emerging economies faced more severe challenges as a result of a prolonged downturn in staple commodities, global financial fluctuation and difficulties in resolving structural economic problems.

The economy of China, faced with complicated domestic and international environment and the increased downward pressure on the economy, accelerated its supply-side structural reform and advocated business start-up and innovation which facilitated the economy to achieve an overall steady development and recorded a gross domestic products (GDP) growth of 6.7% for the first half of 2016, representing a decrease of 0.3 percentage points as compared to the same period of last year. The petrochemical industry in China in general was steady for the first half of 2016 as consumption of major products increased steadily, profitability of refined oil products improved while profit from the petrochemical business grew comparatively rapid. However, downward pressure affecting the development of the industry remains. While investment decreased and a new growth drive had yet to come, the industry was in the process of bottoming out and regaining confidence.

In the first half of 2016, the Group endeavoured to achieve progress in safety and environmental protection, operation optimization, market exploration as well as cost and expenses reduction while facing the adverse and intensive market competition. Benefited from the significant year-on-year decline in the global crude oil price, the Group's cost of crude oil processing dropped, which led to an increase of the products' gross profits and further boosted the profitability remarkably. In particular, the "floor price"[1] for domestic refined oil contributed to the results of the Company in the first quarter of 2016. As international crude oil prices began to rebound in February 2016, the cost of crude oil in transit and in stock was relatively low due to the long procurement cycle for imported crude oil of the Group, which led to an increase in profit in the second quarter. As of 30 June 2016, the Group recorded turnover of RMB36,968.5 million, decreased by RMB5,157 million, representing a decrease of 12.24% compared to the same period of last year. The profit before tax was RMB4,101.9 million (profit before tax for the same period of last year was RMB2,279.9 million), representing an increase of RMB1,822 million from last year. Profit after tax and non-controlling shareholder interests was RMB3,148.6 million (profit for the same period of last year was RMB1,770.9 million), representing an increase of RMB1,377.7 million from last year.

In the first half of 2016, the total production volume of the Group reached 6,510,500 tons, representing a year-on-year decrease of 8.53%. From January to June of 2016, the Group processed 7,354,000 tons of crude oil (including 1,316,800 tons of crude oil processed on a sub-contract basis), which remained at the same level as last year. The production volume of refined oil products reached 4,437,200 tons, representing a year-on-year increase of 0.56%. Among which, the output of gasoline was 1,562,600 tons, representing a year-on-year increase of 4.79%; the output of diesel was 2,038,800 tons, representing a year-on-year decrease of 4.79%; and the output of jet fuel was 835,800 tons, representing a year-on-year increase of 7.20%. The Group produced 414,800 tons of ethylene and 330,800 tons of paraxylene, representing a year-on-year decrease of 2.05% and 2.96%, respectively. The Group also produced 527,200 tons of synthetic resins and plastic (excluding polyesters and polyvinyl alcohol), representing a year-on-year decrease of 0.88%; 333,300 tons of synthetic fiber monomers, representing a year-on-year decrease of 21.52%; 217,500 tons of synthetic fiber polymers, representing a year-on-year decrease of 0.09%; and 110,400 tons of synthetic fibers, representing a year-on-year decrease of 4.66%. For the first half of the year, the output-to-sales ratio and receivable recovery ratio of the Group were 98.25% and 100.00%, respectively.

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1 On 13 January 2016, the National Development and Reform Commission of the PRC announced the "Notice of the National Development and Reform Commission on Further Improving the Pricing Mechanism of Refined Oil" (Fa Gai Jia Ge [2016] No.64) (the "Notice"), stating that when the price of crude oil in the international market — with which the domestic refined oil price is affiliated — is lower than US$40/barrel, the domestic refined oil price will not be adjusted downward further (the so-called "floor price"). The Notice states that "when the price of crude oil in the international market is lower than US$40/barrel, which is the regulatory lower limit, the amount of refined oil price that has not been adjusted will be put into a risk reserve fund. A dedicated account will be set up which requires the approval of the government before using. The fund will mainly be used for energy conservation, emission reduction, oil product quality upgrading and oil supply security." Specific management measures will be announced separately. As at the date of this announcement, the specific management measures have not been announced yet.

The Group maintained control of safety and environmental protection in general and stable operation of its equipment. For the first half of the year, the Group thoroughly took full responsibility on and implemented safe production, strengthened hidden hazard identification and investigation as well as risk identification, carried out pollution reduction and environmental treatment, and proactively implemented Leak Detection and Repair (LDAR) measures. During the first half of the year, the Group inspected a total of 740,000 sealed spots of oil refining and petrochemical devices and fixed leakages that were identified. The Company performed volatile organic compounds ("VOCs") emission checks on nine aspects, including storage tanks, loading and unloading, leakage and flue gas combustion, so as to advance the comprehensive VOCs treatment and keep reducing VOCs emission. The Group continued to meet its safety and environmental target of "Seven Zeros", (i.e. zero in work related deaths, serious injuries, major fires or explosions, major environmental pollution accidents, major occupational hazard accidents, major traffic accidents and major safe production responsibility accidents). The compliance rate of waste water, waste solid and waste gas disposal ("Three Wastes") reached 100%. The total emission of chemical oxygen demand ("COD"), ammonia nitrogen, sulfur dioxide and nitrogen oxides decreased by 4.05%, 16.88%, 14.50% and 11.11% respectively over the same period of last year. The Group maintained stable operation of production devices and strengthened the evaluation on production and operation performance with all technical and economic indicators improved effectively. During the first half of the year, out of the 83 major technical and economic indicators under assessment, 43 indicators improved over last year, representing a year-on-year improvement rate of 51.81%, while 20 were among the top of the industry. Industry advance ratio was 24.10%.

The Group further implemented production and operation optimization, cost and expenses reduction aiming at increasing profitability. The Group adhered to the dynamic optimization mechanism of "daily computation of gross profit margin and weekly exploration of plant potential" during the first half of 2016. Regarding the optimization of equipment workload, the Group adjusted the workload based on market changes and profitability forecast, suspended or limited the production of certain equipment, such as the 1# ethylene glycol, PTA, 1# polyester staple, polyester and acrylic plants to minimize the loss in profitability in the first half of 2016. At the same time, the Group optimized the raw material structure with a focus on raw material dry points and oil yield on hydrogen cracking devices, so as to ensure the quality of raw materials for ethylene. The Group streamlined the processing workflow by timely commencing the operation of the 1# coking devices to reduce production of asphalt, given the increasing gap in gross profit margin between coked products and asphalt products to reduce loss. In terms of product structure improvement, the Group adjusted the output of atmospheric vacuum equipment and ethylene cracker feed, reduced the output of diesel, as well as increased gasoline production and ratio of high-grade gasoline. During the first half of the year, the ratio of diesel to gasoline was 1.30:1 (ratio for 2015 was 1.38:1), while the proportion of high-grade gasoline reached 32%, representing a year-on-year increase of 6.82 percentage points. The Group further enhanced cost reduction and efficiency improvement. For the first half of 2016, it strived to procure crude oil types of high cost-effectiveness and centralized crude oil procurement to reduce cost. It also put more efforts in cost control over major areas on maintenance and costs on catalyst, additive and solvent. In terms of control over finance cost, the Group insisted on innovative management, which led to significant reduction in finance cost.

The Group facilitated the work of project construction and research and development ("R&D"). In the first half of the year, it steadily implemented major emission reduction projects, such as the desulfurization and denitrification of boilers in the Thermal Power Division and the start-up boiler renovation for the Olefins Division. It also completed the "Clear Water, Blue Sky" environmental protection project. In terms of technological development, on the foundation of developing high value-added new products and implementing marketing initiatives, the Group actively put in efforts to achieve an up-to-standard operation of carbon fiber equipment with a breakthrough in the industrial application of carbon fiber achieved. Currently, the carbon fiber products of the Company were widely used in a highway project in an overseas country and a high speed railway project in Northeastern China. The application of such products in an oilfield in China successfully replaced related overseas carbon fiber products in sucker rods. In the first half of the year, the Group developed and manufactured 117,300 tons of new products and 398,100 tons of new synthetic resins products and specialized polyolefin materials, with a differentiation rate for synthetic fibers reaching 73.44%. The Group also submitted 26 patent applications and obtained 28 patent rights.

In addition, the Group further enhanced corporate management. During the first half of the year, it actively optimized the management framework, adopted professional and centralized management of equipments while modified and improved the organization structure of certain workshops. It also advanced the digitalization of business operation when formulating strategic, core operation and supporting workflows on a systematic basis, so as to facilitate the transition from functional management to workflow management. The Group took initiatives in implementing the "three basics" (basic foundation-building, basic work and basic skill training), which resulted in better work performance, and established and optimized the "three basics" organizational structure and work standards.

The Group proactively fulfilled its corporate social responsibility. It actively addressed the issues raised in the "Notice Regarding Listed Supervision of Environmental Issue" by the Ministry of Environmental Protection through communicating and coordinating with the local government and environmental protection authorities. At the same time, the Group formulated the "Rectification Plan for Notice Regarding Listed Supervision of Environmental Issue of Sinopec Shanghai Petrochemical Company Limited by the Ministry of Environmental Protection", prepared the contingency plan for cross-region environmental incidents and upgraded the management of warehouses storing dangerous chemicals. In the first half of 2016, it organized eight 'Corporate Open Days' for over 200 visitors, including government officials of the Jinshan District, media representatives in Shanghai and neighboring residents, and arranged visits to the production plants and green waste treatment sites of the Company. The Group continued to seek mutual benefit with stakeholders of the supply chain. It endeavored to safeguard the interests of employees and cooperate with the local government to ensure a harmonious and stable development.

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

	For the six months ended 30 June					
	2016			2015		
	Sales Volume ('000 tons)	Net Sales (RMB Million)	%	Sales Volume ('000 tons)	Net Sales (RMB Million)	%
Synthetic fibers	105.1	966.1	3.1	114.4	1,241.3	3.5
Resins and plastics	664.7	4,609.8	15.0	659.9	5,244.1	15.0
Intermediate petrochemicals	1,016.7	4,105.7	13.3	1,083.5	4,905.1	14.0
Petroleum products	4,100.2	11,669.6	37.9	4,751.6	16,449.8	46.9
Trading of petrochemical products	–	9,003.3	29.2	–	6,820.9	19.4
Others	–	427.8	1.5	–	403.4	1.2
Total	5,886.7	30,782.3	100.0	6,609.4	35,064.6	100.0

In the first half of 2016, net sales of the Group amounted to RMB30,782.3 million, representing a decrease of 12.21% over the same period last year. Among which, net sales of synthetic fibers, resins and plastics, intermediate petrochemical products and petroleum products decreased by 22.17%, 12.10%, 16.30% and 29.06%, respectively. Net sales from the trading of petrochemical products increased by 32.00%. The decrease in net sales was mainly due to the decrease in the unit prices of products during the period as compared to the same period last year. The increase in the Group's net sales from the trading of petrochemical products was mainly attributable to the increase in the business volume of Shanghai Jinshan Trading Corporation, a subsidiary of the Group, during the Reporting Period. In the first half of the year, the Group's net sales of "Others" increased by 6.05% over the same period last year, which was mainly attributable to the increase in the Group's revenue from oil processed on a sub-contract basis, as compared to the same period last year.

Most of the Group's products are sold in Eastern China.

In the first half of 2016, the Group's cost of sales decreased by 17.97% year-on-year to RMB26,814.8 million, representing 87.11% of total net sales.

The Group's main raw material is crude oil. The global crude oil market gradually picked up in the first half of 2016. The global crude oil prices rebounded after touching the bottom in the beginning of the year and showed a rising trend with fluctuations. In the first half of the year, the highest and lowest closing prices of Brent crude oil futures were US$50.72/barrel and US$26.27/barrel, respectively, and the average price during the Reporting Period was approximately US$39.60/barrel, representing a year-on-year decrease of 31.56%. The highest and lowest closing prices of West Texas Intermediate crude oil were US$50.90/barrel and US$26.27/barrel, respectively, and the average price during the Reporting Period was approximately US$39.55/barrel, representing a year-on-year decrease of 25.59%. The highest and lowest closing prices of Dubai crude oil futures were US$48.81/barrel and US$22.80/barrel, respectively, and the average price during the Reporting Period was approximately US$37.06/barrel, representing a year-on-year decrease of 34.47%.

In the first half of 2016, the average unit cost of processed crude oil (on the Group's own account) was RMB1,745.24/ton, representing a decrease of RMB907.72/ton over the same period of last year, or a decrease of 34.22%. The Group processed a total of 6,037,200 tons of crude oil (excluding crude oil processed on a sub-contract basis), representing a decrease of 624,100 tons over the same period of last year. Taken together, the total costs of processed crude oil decreased by RMB7,136 million. Processing costs decreased by RMB1,656 million due to a decrease in the volume of crude oil processed. The decrease in unit cost of processed crude oil brought costs down by RMB5,480 million. From January to June this year, crude oil processed on a sub-contract basis reached 1,316,800 tons, representing an increase of 629,400 tons over the same period of last year. In the first half of the year, the Group's cost of crude oil accounted for 39.29% of the total cost of sales.

In the first half of 2016, the Group's expenses for other ancillary materials amounted to RMB4,084.5 million, which is basically the same as that of last year. During the Reporting Period, the Group's depreciation and maintenance expenses decreased by 12.31% year-on-year to RMB938.0 million, mainly due to the decrease in depreciation expenses during the Reporting Period as certain fixed assets were fully depreciated. Maintenance expenses grew by 8.25% year-on-year over the same period of last year to RMB625.0 million, mainly due to an increase in maintenance work during the Reporting Period, which led to the rise in maintenance costs. Fuel and power expenses declined by 16.05% year-on-year to RMB837 million during the Reporting Period, mainly due to the decrease in the unit purchase price of coal.

In the first half of 2016, selling and administrative expenses of the Group amounted to RMB254.2 million, representing a decrease of 8.53% as compared with RMB277.9 million over the same period of last year. This was mainly due to the decrease in transportation and loading fees during the Reporting Period.

In the first half of 2016, other operating income of the Group amounted to RMB34.5 million, representing a decrease of RMB7.0 million over the same period of last year. This was mainly due to a decrease in income from investment property and pipeline transportation Services during the Reporting Period.

In the first half of 2016, the Group's net finance income amounted to RMB7.0 million, compared to RMB137.2 million in net finance expenses over the same period last year. This was mainly due to a decrease in interest expenses during the period.

In the first half of 2016, the Group's profit after tax and profit attributable to non-controlling shareholders was RMB3,148.6 million, representing an increase of RMB1,377.7 million as compared with RMB1,770.9 million over the same period of last year.

Liquidity and Capital Resources

The Group's net cash generated from operating activities amounted to RMB4,613.4 million in the first half of 2016 as compared to net cash generated of RMB1,776.7 million over the same period of last year, which was primarily attributable to profit before tax during the Reporting Period which amounted to RMB4,101.9 million (profit before tax over the same period of last year was RMB2,279.9 million).

In the first half of 2016, the Group's net cash used in investment activities amounted to RMB5.9 million as compared to a net cash used of RMB258.9 million over the same period of last year. This was primarily attributable to a year-on-year increase in the dividends received by the Group from joint ventures and associated companies during the Reporting Period, resulting in a decrease of RMB162.1 million in net cash used in investment activities.

In the first half of 2016, the Group's net cash used in financing activities amounted to RMB1,235.9 million, compared to a net cash outflow of RMB1,496.0 million over the same period of last year, primarily attributable to a year-on-year increase in the Group's profit and a decline in demand for capital during the Reporting Period.

Borrowings and Debts

The Group's long-term borrowings are mainly used in capital expansion projects. In general, the Group arranges long-term borrowings according to its capital expenditure plans. On the whole, there are no seasonal borrowings. Short-term borrowings are used to replenish the Group's working capital requirements during the normal course of production. During the first half of 2016, the Group's short-term borrowings decreased by RMB1,210.3 million to RMB859.7 million as at the end of the Reporting Period as compared to the beginning of the Reporting Period.

Capital Expenditures

In the first half of 2016, the Group's capital expenditures amounted to RMB265 million, mainly on the desulfurization projects for furnaces No. 1 - No. 5 and No. 7 of the Thermal Power Division, the odor control project for the oil tanks of the Storage Division, the start-up boilers flue gas desulfurization and denitrification project in the Olefins Division, clean and waste water segregation system upgrading of water circulating plants, as well as latent hazard management of the petroleum coke yard of the Thermal Power Division in light of environmental protection.

In the second half of the year, the Group plans to complete the quality upgrading project for No. 2 diesel hydrogenation plant, long distance pipelines latent hazard management and the start-up boilers flue gas desulfurization and denitrification project in the Olefins Division, while projects such as the 100,000 tons/year EVA plant project will be continued. The Group endeavours to launch the cogeneration low emission and energy saving project and 300,000 tons/year alkylated project this year. The Group's planned capital expenditures can be appropriated from the cash generated from operation and from bank financing.

Liability-to-asset Ratio

As at 30 June 2016, the Group's liability-to-asset ratio was 30.20% (As at 31 December 2015: 27.77%). The ratio is calculated using the following formula: total liabilities/total assets.

The Group's Employees

As at 30 June 2016, the total number of enrolled employees of the Group was 11,490, among which the number of production staff was 6,781, the number of sales, financial and other staff was 3,157 and the number of administrative staff was 1,552. A total of 49.39% of the Group's employees were college graduates or above.

The Group's employees and Directors are remunerated with reference to their position, performance, experience and prevailing salary trends in the market. Other benefits include the Share Option Incentive Scheme and the state-managed retirement pension scheme. The Group also provides professional and vocational training to employees.

Income Tax

The PRC Enterprise Income Tax Law took effect from 1 January 2008, subsequent to which the income tax rate for enterprises was uniformly adjusted to 25%. The income tax rate for the Group in 2016 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 differences between the existing information of the Company relating to the matters as set out in paragraph 32 of Appendix 16 to the Hong Kong Listing Rules and the relevant information disclosed in the Company's 2015 annual report.

Market Outlook and Work Plans for the Second Half of the Year

In the second half of 2016, the global economy will face with more uncertainties. Given low prices for staple commodity, stagnant growth of developed countries, sluggish investment and trading, coupled with the impact of uncertainties such as geopolitics and Brexit (the United Kingdom leaving the European Union), the global economy will continue to be in a stage of profound adjustments and the challenges to economic recovery will still be severe. The fundamental long-term positive trend of China economic development remains unchanged. However, the downward pressure on the economy is still tremendous as the structural conflicts in China's economy is still prominent. New drives for economic growth are yet to emerge, and it will take time to come up with solutions to the overcapacity problem. Facing the serious structural overcapacity of the petrochemical industry in China, as well as the reform of resource tax in China and fees imposed on pollutants emissions, costs of petrochemical enterprises will definitely be increased. The increasingly stringent safety and environmental standards of the country and acceleration of oil products upgrade will also pose tremendous challenges to the industry.

In the second half of 2016, the prospect of global economy recovery does not look optimistic with the market's concern about the impact of Brexit on oil demand. Seasonal increase in oil demand in the third quarter, and the decreasing production of crude oil in the United States and Venezuela helps to bring a fundamental balance between demand and supply. Nevertheless, various negative factors in the crude oil market, such as the global inventory level which is still close to its record high, gradual resumption of production in Nigeria, possible slowing down of the growth rate of imported crude oil in China, strengthening of the US dollars boosted by a potential hiking of rates by the Federal Reserve, will alleviate the driving force of oil price increase. It is expected that the demand and supply of crude oil in general will strike a balance, and the price will remain at low level with fluctuations, but will be higher than the average price in the first half of the year.

In the second half of the year, the Group's approach will be more profit-oriented and market-oriented to ensure achievements in aspects including safety and environmental protection, optimization of system, reduction of cost and expenses, as well as corporate management, which in turn will bring a continuous improvement of effectiveness.

(i) Further efforts in safety and environmental protection. The Group will proactively implement its principal obligations in safety and environmental protection, proactively foster the rectification of the listing and supervision of environment issues implemented by the Ministry of Environmental Protection of the PRC, focus its efforts on fostering on-schedule completion of projects such as latent management of long-distance pipelines, continuously promote standard checks for environmental protection risks, commence identification and governance in different aspects such as "emission indicators for sewage and waste gases" and "VOCs governance sessions", and practically resolve the bottlenecks in the development of enterprises. The Group will firmly strengthen direct safety supervision and management of operations, reinforce the management of sub-contractors and continuously enhance corporate safety and environmental protection standards.

(ii) More profit-oriented system optimization works. The Group will strengthen its tracking on the marginal contribution of its plants, and adjust the respective workload at appropriate times based on changes in market and profitability as well as the inventory level. The Group will also strive to capture the consumption peak season for refined oil products in the third quarter, optimize and adjust the structure of refined oil products and continuously enhance the proportion of high-value-added products. The Group will further diversify its oil refining product structure, rationally arrange the production of oil refining products, optimize ethylene raw materials, enhance the recovery rate of olefins and reduce the production cost of ethylene.

(iii) Continuous efforts to reduce costs and expenses. The Group will further improve its cost control on every aspect from crude oil procurement to production and operate with an aim to lower its costs and expenses; enhance marketing efforts and strengthen the link between production and sales of products at high inventory level, vigorously advocate the "Boost Income and Cut Cost" group-wide enhancement campaign, continuously foster the reduction of flare gas emission, energy consumption level of production devices and enhance the stability of device operation, while keep on lowering energy and materials consumption as well as enhancing technological and economic indicators.

(iv) Implementation of investment projects and R&D projects as planned. The Group will focus on the implementation of projects such as the quality upgrading and modification project for No. 2 diesel and hydrogen devices; commence the construction project of ultra low discharge and energy conservation in cogeneration units as well as the project of 300,000 tons/year alkylation plant. The Group will also accelerate its progress on a number of key scientific research projects, and focus on projects such as the development of the integrated technology of PAN based carbon fiber as well as phase II technology optimization.

3.2 Analysis of the Company's Principal Operations and Performance (Part of the following financial data was extracted from the unaudited interim report of the Group prepared under the CAS)

3.2.1 Analysis of Changes in the Company's Related Financial Data

Amount in RMB'000

Item	As at 30 June 2016	As at 31 December 2015	Change (%)	Reason for change
Cash and cash equivalents	4,451,306	1,077,430	313.14	Increases in profit in the Reporting Period and net cash generated from operating activities
Accounts receivable	2,195,055	1,624,571	35.12	Increases in business and revenue of the segment of trading of petrochemical products leading to an increase in accounts receivable
Short-term borrowings	859,657	2,070,000	–58.47	Profit in the Reporting Period; decline in cash requirement
Accounts payable	4,063,719	3,017,878	34.65	Increase in business and purchase lending to an increase in account payable
Dividends payable	1,099,119	19,119	5,648.83	The declaration of the dividends for the year ended 31 December 2015 during the Reporting Period
Specific reserve	40,394	953	4,138.61	Increase in unutilised provisions for safety production costs
Undistributed profits	6,044,700	4,028,025	50.07	Profit for the Reporting Period

Amount in RMB'000

Item	For the six months ended 30 June 2016	2015	Change (%)	Reason for change
Revenue	36,993,191	42,152,450	–12.24	Decrease in unit prices of products
Cost of sales	25,177,628	31,233,864	–19.39	Decrease in cost of raw materials, leading to the decrease in unit costs of products
Finance expenses	1,983	140,537	–98.59	Decreases in interest on borrowing and foreign exchange losses
Asset impairment losses	150,004	61,411	144.26	Increase in provision of fixed asset impairment
Income tax expenses	948,241	491,686	92.85	Increase in profit in the Reporting Period
Operating profit attributable to shareholders of the Company	3,096,675	1,731,166	78.88	Substantial decrease in costs of raw materials and increase in gross profit of products
Net cash generated from operating activities	4,645,024	1,924,239	141.40	Increase in profit in the Reporting Period
Net cash used in investment activities	–5,941	–258,888	–97.71	Increase in dividends received from associated companies
Net cash used in financing activities	–1,267,427	–1,643,510	–22.88	Reduced demand for cash during the Reporting Period
Research and development costs	47,144	14,265	230.49	Increase in R&D projects

3.2.2 Analysis of Operations by Segment, Product and Geographical Location

(a) Principal business operations by segment or product

Amount in RMB'000

Business Segment/ Product Segment	Revenue	Cost of sales	Gross profit margin (%)	Increase/ decrease in revenue compared to last year (%)	Increase/ decrease in cost of sales compared to last year (%)	Increase/decrease in gross profit margin compared to last year (%)
Synthetic fibers	999,011	929,160	6.99	–21.82	–26.29	Increased by 5.64 percentage points
Resins and plastics	4,747,017	3,352,638	29.37	–11.68	–18.20	Increased by 5.63 percentage points
Intermediate petrochemicals	4,245,716	2,724,786	35.82	–15.91	–27.03	Increased by 9.77 percentage points
Petroleum products	17,535,794	8,921,854	49.12 (*)	–24.37	–41.04	Increased by 14.39 percentage points
Trading of petrochemical products	9,004,010	8,927,994	0.84	31.98	32.33	Decreased by 0.26 percentage points
Others	461,643	321,196	30.42	4.51	23.19	Decreased by 10.55 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 consumption tax was 18.78%.

(b) Operating segment by geographical location

Geographical location segment	Revenue	Amount in RMB'000 Increase/decrease in revenue compared to last year (%)
Eastern China	29,945,408	-21.68%
Other regions in the PRC	1,951,503	8.29%
Exports	5,096,280	140.67%

3.2.3 Analysis of Core Competitiveness

As one of the largest integrated petrochemical enterprises in China with highly integrated refining and petrochemical business operations, the Company possesses competitive strength in scale of operation, which has made it a major manufacturer of refined oil, intermediate petrochemical products, synthetic resins and synthetic fibers in the PRC. The Company also has its own utilities and environmental protection systems, as well as handling and transportation facilities for marine and inland waterways, railways and highways.

The Company's major competitive advantages include quality, branding, geographical location and vertically-integrated production. The Company has over 40 years of experience in petrochemical production and management, and has accumulated extensive resources in the petrochemical industry. The Company has won several quality product awards from the central and local governments. The Company is located in the core region of the Yangtze River Delta, the most economically active region in China with strong demand for petrochemical products, and has a comprehensive logistics system and supporting facilities with the close geographic proximity with most of its clients and the Company enjoys the advantage of its location for coastal and inland shipping. This gives it a competitive edge in terms of transportation costs and timely delivery. The Company has leveraged its advantages in integrated refining and petrochemical business operation to proactively enhance strengthen its product structure, while also continuously improving products quality and variety. It has also improved its production technology and boosted the capacity of its key upstream facilities to maximize the in-depth use and comprehensive efficiency of its corporate resources, and is therefore able to achieve strong and sustainable growth.

3.3 Analysis of Investments

3.3.1 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

Amount in RMB'000

Borrower	Amount of entrusted loan	Loan period	Interest rate of loan %	Whether it is overdue	Whether it is a connected transaction	Whether it has been renewed	Whether it is under litigation	Source of funds and whether the funds are from fund-raising	Connected relationship	Expected income
Chevron Phillips Chemicals (Shanghai) Corporation	12,000	2015/8/28-2016/8/26	2.25	No	No	No	No	No	Nil	42
	12,000	2015/09/30-2016/09/26	2.00	No	No	No	No	No	Nil	60
	28,000	2015/11/27-2016/11/25	1.75	No	No	No	No	No	Nil	199
	12,000	2015/12/25-2016/12/23	1.75	No	No	No	No	No	Nil	101
	12,000	2016/1/29-2017/1/27	1.75	No	No	No	No	No	Nil	121
	12,000	2016/4/27-2017/4/27	1.75	No	No	No	No	No	Nil	173

Note: The aforementioned 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.

3.3.2 Application of Fund Raised

During the Reporting Period, the Company did not raise fund, nor has it used the capital fund from the previous reporting periods.

3.3.3 Analysis of the Companies in which the Company has Controlling Interests or Investment Interests

Due to the decrease in the cost of raw materials and increase in gross profit of products, Shanghai Secco Petrochemical Company Limited, an associated company of the Group, recorded a net profit of RMB1,680 million during the Reporting Period, profit attributable to the Group is RMB336 million, representing 10.85% of net profit attributable to equity shareholders of the Company.

3.3.4 Major Projects from Non-raised Capital

Major Project	**Estimated total project investment** *(RMB million)*	**Status as at 30 June 2016**
The EVA production device with a capacity of 100,000 tons/year	1,132	Preliminary work
Desulfurization revamps for furnaces No. 1, No. 5 and No. 7 of the Thermal Power Division	167	Completed
Quality enhancement and transformation of the No. 2 diesel hydrogenation plant	100	Under construction

3.4 Plan for Profit Distribution or Capital Reserves Capitalization

3.4.1 Implementation or Amendment of Profit Appropriation Proposal during the Reporting Period

The 2015 Profit Distribution Proposal was considered and approved at the 2015 Annual General Meeting held on 15 June 2016: to distribute a dividend of RMB1.00 per 10 shares (including tax) totalling RMB1,080,000,000 based on the total issued share capital of RMB10.8 billion as at 31 December 2015. The relevant announcement was published in the Shanghai Securities News, China Securities Journal and Securities Times on 16 June 2016 and was uploaded to the websites of the Hong Kong Stock Exchange, Shanghai Stock Exchange and the Company. On 8 July 2016, the Company published an announcement on the implementation of profit distribution for A shares for the year 2015. The record date for A shares dividend payment is 14 July 2016 and the ex-dividend date is 15 July 2016. The dividend payment date for both A shares and H shares is 15 July 2016. The Profit Distribution Proposal was implemented as scheduled.

3.4.2 Plan for Half-Yearly Profit Distribution and Plan for Conversion of Capital Reserves to Increase Share Capital

The Company will not distribute profit for the first half of 2016 and will not implement a plan for using capital reserves to increase share capital.

4. OTHER MATTERS

4.1 Corporate Governance

The Company acted in strict compliance with regulatory legislations such as the Company Law, the Securities Law, the Corporate Governance Principles for Listed Companies and the Guidelines for Establishing the Independent Directors System for Listed Companies issued by the 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.

4.2 Audit Committee

On 22 August 2016, the Audit Committee of the Eighth Session of the Board held its fifth meeting, primarily to review the interim financial report of the Group for the Reporting Period.

4.3 Purchase, Sale and Redemption of the Company's Securities

During the Reporting Period, the Group did not purchase, sell or redeem 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).

4.4 Compliance with Corporate Governance Code

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

Corporate Governance Code provision 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 was appointed as the Chairman and the President of the Company.

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

4.5 Implementation of Model Code for Securities Transactions

The Directors 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, no incident of non-compliance with the Model Code for Securities Transactions by the Directors and Supervisors of the Company during the Reporting Period was noted by the Company.

4.6 Event after the Reporting Period

The trading restrictions on the 4.38 billion trading restricted A shares of the Company held by China Petroleum & Chemical Corporation ("Sinopec Corp"), were uplifted and those shares were listed on 22 August 2016. For details, please refer to the "Announcement on the Listing of Trading Restricted Shares under the Sinopec Shanghai Petrochemical Company Limited Share Reform Proposal", which was published in the Shanghai Securities News, China Securities Journal and Securities Times on 13 August 2016 and uploaded to the websites of the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the Company.

5. INTERIM FINANCIAL REPORT

5.1 Interim financial statements prepared under China Accounting Standard for Business Enterprise

CONSOLIDATED AND COMPANY BALANCE SHEETS
AS AT 30 JUNE 2016
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

ASSETS	30 JUNE 2016 (UNAUDITED) Consolidated	31 DECEMBER 2015 Consolidated	30 JUNE 2016 (UNAUDITED) Company	31 DECEMBER 2015 Company
Current assets				
Cash at bank and on hand	4,451,306	1,077,430	3,881,881	942,264
Notes receivable	1,178,053	1,007,373	935,457	679,084
Accounts receivable	2,195,055	1,624,571	1,000,699	1,034,286
Advances to suppliers	38,475	15,131	33,108	10,377
Interests receivable	45	2,491	–	2,420
Dividends receivable	27,500	–	–	–
Other receivables	41,764	29,050	25,833	10,968
Inventories	4,631,888	4,178,188	4,298,548	3,955,550
Other current assets	169,410	209,746	59,240	86,481
Total current assets	12,733,496	8,143,980	10,234,766	6,721,430
Non-current assets				
Long-term equity investments	3,619,789	3,471,139	4,769,337	4,550,126
Investment properties	398,794	405,572	395,905	402,581
Fixed assets	13,779,169	14,424,899	13,483,019	14,080,657
Construction in progress	570,733	722,520	570,733	722,520
Intangible assets	414,823	423,529	342,035	348,193
Long-term prepaid expenses	320,472	359,487	307,759	345,978
Deferred tax assets	87,673	71,045	79,933	62,867
Total non-current assets	19,191,453	19,878,191	19,948,721	20,512,922
Total assets	31,924,949	28,022,171	30,183,487	27,234,352

CONSOLIDATED AND COMPANY BALANCE SHEETS (CONTINUED)
AS AT 30 JUNE 2016
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	30 JUNE 2016 (UNAUDITED) Consolidated	31 DECEMBER 2015 Consolidated	30 JUNE 2016 (UNAUDITED) Company	31 DECEMBER 2015 Company
Current liabilities				
Short-term borrowings	859,657	2,070,000	1,332,000	2,499,000
Notes payable	40,000	–	40,000	–
Accounts payable	4,063,719	3,017,878	2,575,675	2,275,922
Advances from customers	416,654	579,887	291,361	446,318
Employee benefits payable	167,512	39,999	156,943	34,264
Taxes payable	2,131,456	1,368,418	2,102,894	1,330,067
Interest payable	507	1,890	902	2,370
Dividends payable	1,099,119	19,119	1,099,119	19,119
Other payables	808,379	629,080	703,200	843,724
Total current liabilities	9,587,003	7,726,271	8,302,094	7,450,784
Non-current liabilities				
Deferred income	155,000	160,000	155,000	160,000
Total liabilities	9,742,003	7,886,271	8,457,094	7,610,784
Shareholders' equity				
Share capital	10,800,000	10,800,000	10,800,000	10,800,000
Capital surplus	527,974	516,624	527,974	516,624
Specific reserve	40,394	953	37,366	–
Surplus reserve	4,493,260	4,493,260	4,493,260	4,493,260
Unappropriated profits	6,044,700	4,028,025	5,867,793	3,813,684
Total equity attributable to equity shareholders of the Company	21,906,328	19,838,862	21,726,393	19,623,568
Non-controlling interests	276,618	297,038	–	–
Total shareholders' equity	22,182,946	20,135,900	21,726,393	19,623,568
Total liabilities and shareholders' equity	31,924,949	28,022,171	30,183,487	27,234,352

CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

	Six Months Ended 30 June		Six Months Ended 30 June	
Items	2016 (UNAUDITED) Consolidated	2015 (UNAUDITED) Consolidated	2016 (UNAUDITED) Company	2015 (UNAUDITED) Company
Revenue	36,993,191	42,152,450	27,195,559	34,274,347
Less: Cost of sales	25,177,628	31,233,864	15,516,828	23,525,573
Taxes and surcharges	6,186,162	7,060,938	6,183,034	7,056,655
Selling and distribution expenses	235,672	261,581	184,934	198,924
General and administrative expenses	1,544,793	1,490,220	1,468,342	1,416,884
Financial expenses – net	1,983	140,537	5,359	150,364
Asset impairment losses	150,004	61,411	139,940	65,601
Add: Investment income	376,745	338,784	397,411	325,776
Including: Share of profit/(loss) of associates and joint ventures	376,745	331,853	397,411	312,112
Operating profit	4,073,694	2,242,683	4,094,533	2,186,122
Add: Non-operating income	17,364	18,408	15,993	17,081
Including: Profits on disposal of non-current assets	2,548	986	1,894	877
Less: Non-operating expenses	41,054	20,945	40,927	20,908
Including: Losses on disposal of non-current assets	26,525	8,913	26,398	8,879
Total profit	4,050,004	2,240,146	4,069,599	2,182,295
Less: Income tax expenses	948,241	491,686	935,490	477,348
Net profit	3,101,763	1,748,460	3,134,109	1,704,947
Attributable to shareholders of the Company	3,096,675	1,731,166	–	–
Non-controlling interests	5,088	17,294	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	3,101,763	1,748,460	3,134,109	1,704,947
Attributable to shareholders of the Company	3,096,675	1,731,166	–	–
Non-controlling interests	5,088	17,294	–	–
Earnings per share				
Basic earnings per share (RMB)	0.287	0.160	–	–
Diluted earnings per share (RMB)	0.287	0.160	–	–

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

Items	Six Months Ended 30 June 2016 (UNAUDITED) Consolidated	Six Months Ended 30 June 2015 (UNAUDITED) Consolidated	Six Months Ended 30 June 2016 (UNAUDITED) Company	Six Months Ended 30 June 2015 (UNAUDITED) Company
Cash flows from operating activities				
Cash received from sale of goods or rendering of services	40,959,820	46,893,886	30,642,588	38,627,647
Refund of taxes and surcharges	19,829	26,203	–	–
Cash received relating to other operating activities	9,662	6,713	9,099	5,495
Sub-total of cash inflows	40,989,311	46,926,802	30,651,687	38,633,142
Cash paid for goods and services	(26,427,676)	(34,564,026)	(16,365,281)	(26,437,199)
Cash paid to and on behalf of employees	(1,191,300)	(1,221,286)	(1,108,144)	(1,143,494)
Payments of taxes and surcharges	(8,467,073)	(8,942,004)	(8,415,782)	(8,884,167)
Cash paid relating to other operating activities	(258,238)	(275,247)	(562,958)	(186,347)
Sub-total of cash outflows	(36,344,287)	(45,002,563)	(26,452,165)	(36,651,207)
Net cash flows generated from operating activities	4,645,024	1,924,239	4,199,522	1,981,935
Cash flows from investing activities				
Cash received from entrusted lendings	42,000	30,000	–	–
Cash received from returns on investments	200,595	38,487	178,200	19,372
Net cash received from disposal of fixed assets	–	4,417	–	4,294
Cash received relating to other investing activities	42,435	23,454	27,952	16,592
Sub-total of cash inflows	285,030	96,358	206,152	40,258
Cash paid to acquire fixed assets and other long-term assets	(265,241)	(313,246)	(264,844)	(314,223)
Net cash paid in disposal of fixed assets	(1,730)	–	(2,407)	–
Investment in an associate	(24,000)	(42,000)	–	–
Sub-total of cash outflows	(290,971)	(355,246)	(267,251)	(314,223)
Net cash flows used in investing activities	(5,941)	(258,888)	(61,099)	(273,965)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

Items	Six Months Ended 30 June 2016 (UNAUDITED) Consolidated	Six Months Ended 30 June 2015 (UNAUDITED) Consolidated	Six Months Ended 30 June 2016 (UNAUDITED) Company	Six Months Ended 30 June 2015 (UNAUDITED) Company
Cash flows from financing activities				
Cash received from borrowings	1,864,657	20,725,975	2,276,000	21,081,005
Sub-total of cash inflows	1,864,657	20,725,975	2,276,000	21,081,005
Cash repayments of borrowings	(3,075,000)	(22,214,676)	(3,443,000)	(22,583,166)
Cash paid for distribution of dividends or profits and interest expenses	(57,084)	(154,809)	(31,806)	(152,665)
Including: Cash payments for dividends or profit to non-controlling shareholders of subsidiaries	(25,508)	(7,192)	–	–
Sub-total of cash outflows	(3,132,084)	(22,369,485)	(3,474,806)	(22,735,831)
Net cash flows used in from financing activities	(1,267,427)	(1,643,510)	(1,198,806)	(1,654,826)
Effect of foreign exchange rate changes on cash and cash equivalents	2,220	22	–	6
Net increase in cash and cash equivalents	3,373,876	21,863	2,939,617	53,150
Add: Cash and cash equivalents at the beginning of the period	1,077,430	279,198	942,264	186,348
Cash and cash equivalents at the end of the period	4,451,306	301,061	3,881,881	239,498

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

	Attributable to equity shareholders of the Company						
Items	**Share capital**	**Capital surplus**	**Specific reserve**	**Surplus reserve**	**Undistributed profits**	**Non-controlling interests**	**Total shareholders' equity**
Balance at 1 January 2015	10,800,000	493,922	1,265	4,173,831	1,101,605	271,395	16,842,018
Movements for the six months ended 30 June 2015 (unaudited)							
Total comprehensive income							
Net profit for the period	–	–	–	–	1,731,166	17,294	1,748,460
Employees share option scheme	–	11,901	–	–	–	–	11,901
Appropriation of profits							
Distribution to the shareholders	–	–	–	–	–	(10,459)	(10,459)
Specific reserve							
Accrued	–	–	72,925	–	–	–	72,925
Utilised	–	–	(47,597)	–	–	–	(47,597)
Balance at 30 June 2015 (unaudited)	10,800,000	505,823	26,593	4,173,831	2,832,771	278,230	18,617,248
Balance at 1 January 2016	10,800,000	516,624	953	4,493,260	4,028,025	297,038	20,135,900
Movements for the six months ended 30 June 2016 (unaudited)							
Total comprehensive income							
Net profit for the period	–	–	–	–	3,096,675	5,088	3,101,763
Employees share option scheme	–	11,350	–	–	–	–	11,350
Appropriation of profits							
Distribution to the shareholders	–	–	–	–	(1,080,000)	(25,508)	(1,105,508)
Specific reserve							
Accrued	–	–	53,343	–	–	–	53,343
Utilised	–	–	(13,902)	–	–	–	(13,902)
Balance at 30 June 2016 (unaudited)	10,800,000	527,974	40,394	4,493,260	6,044,700	276,618	22,182,946

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

Items	Share capital	Capital surplus	Specific reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2015	10,800,000	493,922	–	4,173,831	938,823	16,406,576
Movements for the six months ended 30 June 2015 (unaudited)						
Total comprehensive income						
Net loss for the period	–	–	–	–	1,704,947	1,704,947
Employees share option scheme	–	11,901	–	–	–	11,901
Specific reserve						
Accrued	–	–	69,960	–	–	69,960
Utilised	–	–	(46,108)	–	–	(46,108)
Balance at 30 June 2015 (unaudited)	10,800,000	505,823	23,852	4,173,831	2,643,770	18,147,276
Balance at 1 January 2016	10,800,000	516,624	–	4,493,260	3,813,684	19,623,568
Movements for the six months ended 30 June 2016 (unaudited)						
Total comprehensive income						
Net profit for the period	–	–	–	–	3,134,109	3,134,109
Employees share option scheme	–	11,350	–	–	–	11,350
Appropriation of profits						
Distribution to the shareholders	–	–	–	–	(1,080,000)	(1,080,000)
Specific reserve						
Accrued	–	–	50,340	–	–	50,340
Utilised	–	–	(12,974)	–	–	(12,974)
Balance at 30 June 2016 (unaudited)	10,800,000	527,974	37,366	4,493,260	5,867,793	21,726,393

5.2 Interim financial information prepared under International Financial Reporting Standard (Unaudited)

This interim financial information for the six-month period ended 30 June 2016 is unaudited, but has been reviewed by PricewaterhouseCoopers 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, whose unmodified review report is included in the interim report to be sent to shareholders.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
(Prepared under IFRS)

		Unaudited Six-month period ended 30 June	
	Note	**2016 RMB'000**	**2015 RMB'000**
Revenue	2	36,968,510	42,125,505
Sales taxes and surcharges		(6,186,162)	(7,060,938)
Net sales		30,782,348	35,064,567
Cost of sales		(26,814,760)	(32,687,731)
Gross profit		3,967,588	2,376,836
Selling and administrative expenses		(254,238)	(277,890)
Other operating income		34,497	41,461
Other operating expenses		(8,909)	(67,094)
Other (losses)/gains – net	3	(25,696)	6,931
Operating profit	2	3,713,242	2,080,244
Finance income	3	41,500	23,457
Finance expenses	3	(34,549)	(160,694)
Share of profit of investments accounted for using the equity method		381,745	336,853
Profit before income tax		4,101,938	2,279,860
Income tax expense	4	(948,241)	(491,686)
Profit for the period		3,153,697	1,788,174
Profit attributable to:			
– Owners of the Company		3,148,609	1,770,880
– Non-controlling interests		5,088	17,294
		3,153,697	1,788,174
Earnings per share attributable to owners of the Company for the period (expressed in RMB per share)			
Basic earnings per share	5	RMB 0.292	RMB 0.164
Diluted earnings per share	5	RMB 0.291	RMB 0.164

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Prepared under IFRS)

	Unaudited Six-month period ended 30 June	
	2016	**2015**
	RMB'000	**RMB'000**
Profit for the period	3,153,697	1,788,174
Other comprehensive income for the period – net of tax	–	–
Total comprehensive income for the period	3,153,697	1,788,174
Profit attributable to:		
– Owners of the Company	3,148,609	1,770,880
– Non-controlling interests	5,088	17,294
Total comprehensive income for the period	3,153,697	1,788,174

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
(Prepared under IFRS)
As at 30 June 2016

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Assets			
Non-current assets			
Lease prepayment and other assets		735,295	783,016
Property, plant and equipment		13,750,082	14,383,319
Investment properties		398,794	405,572
Construction in progress		570,733	722,520
Investments accounted for using the equity method		3,464,789	3,311,139
Deferred income tax assets		87,673	71,045
		19,007,366	19,676,611
Current assets			
Inventories		4,631,888	4,178,188
Trade receivables	7	1,086,626	488,560
Bills receivable	7	1,158,953	991,273
Other receivables and prepayments	7	228,770	245,401
Amounts due from related parties	7	1,175,953	1,163,128
Cash and cash equivalents		4,451,306	1,077,430
		12,733,496	8,143,980
Total assets		31,740,862	27,820,591
Equity			
Equity attributable to owners of the Company			
Share capital		10,800,000	10,800,000
Reserves	10	11,077,241	8,997,282
		21,877,241	19,797,282
Non-controlling interests		276,618	297,038
Total equity		22,153,859	20,094,320

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

(Prepared under IFRS)

As at 30 June 2016

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Liabilities			
Current liabilities			
Borrowings	8	859,657	2,070,000
Trade payables	9	2,024,730	1,562,232
Advance from customers		405,159	561,721
Bills payable	9	40,000	–
Other payables	9	3,546,609	1,898,754
Amounts due to related parties	9	2,087,419	1,573,967
Income tax payable		623,429	59,597
		9,587,003	7,726,271
Total liabilities		9,587,003	7,726,271
Total equity and liabilities		31,740,862	27,820,591

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015 as described in those annual financial statements.

(a) New standards, amendments and interpretations to existing standards which are effective for accounting periods beginning on or after 1 January 2016 and adopted by the Group.

The following new and amended standards and interpretations are effective for the financial year beginning on 1 January 2016. None of them have a material impact on the Group.

- Amendment from annual improvements – 2012 – 2014 cycle, on IFRS 7, 'Financial instruments: Disclosures' and IAS 34, 'Interim financial reporting';

- Amendment to IAS 1 – 'Disclosure initiative'

- Amendment to IAS 27 – 'Equity method in separate financial statements'

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. Those applicable to the Group are listed below.

IFRS 9, 'Financial Instruments' on classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. It is expected to have no significant impact on the consolidated financial statement of the Group.

IFRS 15, 'Revenue from contracts with customers' will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts, based on the principle that revenue is recognised when control of a good or service transfers to a customer.The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption. The Group is assessing IFRS 15's full impact.

IFRS 16, 'Lease' provides updated guidance on the definition of leases, and the guidance on the combination and separation of contracts and requires lessees to recognise lease liability reflecting future lease payments and a 'right-of-use-asset' for almost all lease contracts, with an exemption for certain short-term leases and leases of low-value assets. This standard is effective for annual periods beginning on or after 1 January 2019. The Group is assessing the impact of IFRS 16.

2. 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 2015.

	Six-month period ended 30 June 2016			Six-month period ended 30 June 2015		
	Total segment revenue RMB'000	**Inter segment revenue RMB '000**	**Revenue from external customers RMB '000**	**Total segment revenue RMB '000**	**Inter segment revenue RMB '000**	**Revenue from external customers RMB '000**
Synthetic fibres	999,011	–	999,011	1,277,780	–	1,277,780
Resins and plastics	4,787,639	40,622	4,747,017	5,424,043	49,134	5,374,909
Intermediate petrochemicals	8,939,032	4,693,316	4,245,716	9,855,653	4,806,577	5,049,076
Petroleum products	19,059,944	1,524,150	17,535,794	24,857,847	1,670,932	23,186,915
Trading of petrochemical products	9,710,137	706,127	9,004,010	7,754,411	932,368	6,822,043
All others segments	701,252	264,290	436,962	802,051	387,269	414,782
Total	**44,197,015**	**7,228,505**	**36,968,510**	**49,971,785**	**7,846,280**	**42,125,505**

	Six-month period ended 30 June 2016 RMB'000	**Six-month period ended 30 June 2015 RMB'000**
Profit/(loss) from operations		
Synthetic fibres	(227,203)	(198,708)
Resins and plastics	719,346	671,713
Intermediate petrochemicals	751,989	491,756
Petroleum products	2,457,516	1,038,809
Trading of petrochemical products	26,765	7,509
Others	(15,171)	69,165
Total consolidated profit from operations	**3,713,242**	**2,080,244**
Net finance income/(expense)	6,951	(137,237)
Share of profit of investments accounted for using the equity method	381,745	336,853
Profit before taxation	**4,101,938**	**2,279,860**

2. Segment information (continued)

	30 June 2016 Total assets RMB'000	31 December 2015 Total assets RMB'000
Allocated assets		
Synthetic fibres	1,565,924	1,624,351
Resins and plastics	1,624,808	1,578,493
Intermediate petrochemicals	4,379,081	4,557,760
Petroleum products	12,257,753	12,164,426
Trading of petrochemical products	1,455,364	924,622
All others	2,257,207	2,299,088
Allocated assets	**23,540,137**	**23,148,740**
Unallocated assets		
Investments accounted for using the equity method	3,464,789	3,311,139
Cash and cash equivalents	4,451,306	1,077,430
Deferred tax assets	87,673	71,045
Others	196,957	212,237
Unallocated assets	**8,200,725**	**4,671,851**
Total assets	**31,740,862**	**27,820,591**

	30 June 2016 Total liabilities RMB'000	31 December 2015 Total liabilities RMB'000
Allocated liabilities		
Synthetic fibres	316,374	272,717
Resins and plastics	867,937	646,347
Intermediate petrochemicals	901,151	675,470
Petroleum products	3,770,122	3,059,334
Trading of petrochemical products	1,571,094	948,775
Others	201,549	53,628
Allocated liabilities	**7,628,227**	**5,656,271**
Unallocated liabilities		
Borrowings	859,657	2,070,000
Dividend payable	1,099,119	–
Unallocated liabilities	1,958,776	2,070,000
Total liabilities	**9,587,003**	**7,726,271**

3. **Profit before income tax**

(a) **Finance income/(expenses) – net**

	Six-month period ended 30 June	
	2016	**2015**
	RMB'000	**RMB'000**
Interest income	39,989	23,457
Net foreign exchange gain	1,511	–
Finance income	**41,500**	**23,457**
Interest on bank and other borrowings	(34,549)	(141,005)
Net foreign exchange loss	–	(19,689)
Finance expenses	**(34,549)**	**(160,694)**
Finance income/(expenses) – net	**6,951**	**(137,237)**

(b) **Other (losses)/gains – net**

	Six-month period ended 30 June	
	2016	**2015**
	RMB'000	**RMB'000**
Loss on disposal of property, plant and equipment	(23,977)	–
Others	(1,719)	6,931
	(25,696)	6,931

3. **Profit before income tax (continued)**

(c) **Operating items**

	Six-month period ended 30 June	
	2016	**2015**
	RMB'000	**RMB'000**
Amortisation of lease prepayments	8,706	8,804
Depreciation	820,141	895,110
Research and development costs	47,144	14,265
Write-down of inventories	37,944	10,700
Impairment of property, plant and equipment	112,063	50,001
Net loss on disposal of property, plant and equipment	23,977	7,927

During the six-month period ended 30 June 2016, as a result of increasing market competition and low profit margin of the relevant products, the Company made impairment provisions of RMB 112,063 thousands to reduce the carrying amounts of polyester and filament production lines to their estimated net realizable values (six-month period ended 30 June 2015: RMB 50,001 thousands).

4. **Income tax expense**

	Six-month period ended 30 June	
	2016	**2015**
	RMB'000	**RMB'000**
Provision for PRC income tax for the period	964,869	14,773
Deferred taxation	(16,628)	476,913
	948,241	491,686

The provision for PRC income tax is calculated at the rate of 25% (six-month period ended 30 June 2015: 25%) on the estimated taxable income of the six-month period ended 30 June 2016 determined in accordance with relevant income tax rules and regulations. The Group did not carry out overseas business and therefore does not incur overseas income taxes.

5. Earnings per share

(a) Basic

The calculation of basic profit per share is based on the profit attributable to equity shareholders of the Company for the six-month period ended 30 June 2016 of RMB3,148,609 thousands (six-month period ended 30 June 2015: profit of RMB1,770,880 thousands) and 10,800,000,000 shares (six-month period ended 30 June 2015: 10,800,000,000 shares) in issue during the interim period.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has dilutive potential ordinary shares from share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's A shares for the six-month period ended 30 June 2016) based on the monetary value of the subscription rights attached to outstanding share options. The number of ordinary shares in issue is compared with the number of shares that would have been issued assuming the exercise of the share options. The calculation of the diluted earnings per share for the six-month period ended 30 June 2016 and the six-month period ended 30 June 2015 was shown as:

	Six-month period ended 30 June	
	2016	**2015**
	RMB'000	**RMB'000**
Earnings		
Profit attributable to owners of the Company	3,148,609	1,770,880
Weighted average number of ordinary shares in issue (thousands of shares)	10,800,000	10,800,000
Adjustments for share options granted (thousands of shares)	6,961	6,954
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	10,806,961	10,806,954
Diluted earnings per share (RMB)	0.291	0.164

6. Dividends

Pursuant to a resolution passed at the annual general meeting held on 15 June 2016, a total dividend of RMB1,080,000 thousands was declared for the year ended 31 December 2015 and subsequently paid in July 2016. The Board of Directors did not propose any dividend in respect of the six-month period ended 30 June 2016.

Pursuant to a resolution passed at the annual general meeting held on 18 June 2015, no dividend was declared for the year ended 31 December 2014. The Board of Directors did not propose any dividend in respect of the six-month period ended 30 June 2015.

7. Trade and other receivables

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Trade receivables	1,086,643	488,584
Less: allowance for doubtful debts	(17)	(24)
	1,086,626	488,560
Bills receivable	1,158,953	991,273
Amounts due from related parties	1,175,953	1,163,128
	3,421,532	2,642,961
Other receivables and prepayments (i)	228,770	245,401
	3,650,302	2,888,362

(i) For the six-month period ended 30 June 2016, the associates and joint ventures of the Group declared dividends with total amount of RMB228,095 thousands to the Group (six-month period ended 30 June 2015: RMB19,115 thousands). As at 30 June 2016, RMB27,500 thousands among the aforementioned dividends were not yet received and therefore were recorded in other receivables and prepayments(31 December 2015: all the aforementioned dividends were received).

As at 30 June 2016, entrusted lendings of RMB 88,000 thousands included in other receivables and prepayments was made by the Group at interest rates ranged from 1.75% to 2.25% per annum, which will be due within twelve months from 30 June 2016 (31 December 2015: RMB 106,000 thousands at interest rates ranged from 1.75% to 3.00% per annum).

As at 30 June 2016, the Group didn't have any trade receivable which was past due but not impaired (31 December 2015: Nil).

7. Trade and other receivables (continued)

Amounts due from related parties represent trade-related balances.

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

	As at 30 June 2016 RMB'000	**As at 31 December 2015 RMB'000**
Within one year	3,421,512	2,642,921
Above one year	20	40
	3,421,532	2,642,961

Bills receivable represent short-term bank acceptance receivables that entitle the Group to receive the full face amount of the receivables from the banks at maturity, which generally range from one to six months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable.

As at 30 June 2016, no trade receivables or bills receivable was pledged as collateral (31 December 2015: nil).

Sales to third parties are generally on cash basis and letter of credit against payment. Subject to negotiation, credit is generally only available for major customers with well-established trading records.

8. Borrowings

	As at 30 June 2016 RMB'000	**As at 31 December 2015 RMB'000**
Short term loans		
– Short term bank loans	789,657	1,700,000
– Short term loans from related parties	70,000	370,000
	859,657	2,070,000

At 30 June 2016, no borrowings were secured by property, plant and equipment (31 December 2015: nil).

8. **Borrowings (continued)**

The Group has the following undrawn facilities:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Expiring within one year	15,797,202	18,235,372
Expiring beyond one year	6,800,000	7,300,000
	22,597,202	25,535,372

These facilities have been arranged to finance the working capitals as well as 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.

9. **Trade and other payables**

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Trade payables	2,024,730	1,562,232
Bills payable	40,000	–
Amounts due to related parties	2,087,419	1,573,967
Subtotal	4,152,149	3,136,199
Staff salaries and welfares payable	167,512	39,999
Taxes payable (exclude income tax payable)	1,508,207	1,308,821
Interest payable	430	1,642
Dividends payable	1,099,119	19,119
Construction and maintenance payable	356,804	205,714
Other liabilities	414,717	323,459
Subtotal of other payables	3,546,609	1,898,754
	7,698,758	5,034,953

9. Trade and other payables (continued)

As at 30 June 2016 and 31 December 2015, all trade and other payables of the Group were non-interest bearing, and their fair value, which are not financial liabilities, approximated their carrying amounts due to their short maturities.

As at 30 June 2016 and 31 December 2015, 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 2016 RMB'000	**As at 31 December 2015 RMB'000**
Within one year	4,119,881	3,110,638
Between one and two years	9,696	3,240
Over two years	22,572	22,321
	4,152,149	3,136,199

10. Reserves

(a) Share option reserve

Pursuant to the resolution of the fifth meeting of the eighth session of the Board of Directors of the Company on 6 January 2015, the proposal regarding the list of participants and the number of share options under the share option incentive scheme was approved.

According to the Company's share option incentive scheme, the grant date of share options was 6 January 2015, and there were a total of 38,760 thousand share options granted to 214 participants (0.359% of the total ordinary share capital issued). Each share option has a right to purchase an ordinary A share listed in PRC on vesting date at an exercise price of RMB4.20 under vesting conditions. The options are exercisable starting two years from the grant date, subject to the following vesting conditions:

- RoE of the Group should be no less than 9% for 2015, 9.5% for 2016 and 10% for 2017 in respect to the three vesting periods;

- achieving the target compound annual growth rate of 5% in net profit for 2015, 2016 and 2017, respectively based on the net profit of 2013;

- proportion of the main business revenue in the total revenue should be no less than 99%;

- each of the above three conditions should be no lower than the 75% level of peer companies; and

- achieving the target budget set by the Sinopec Corp..

10. Reserves (continued)

The fair value of the employee services received in exchange for the grant of this equity-settled, share-based compensation plan is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted excluding the impact of any service and non-market performance vesting conditions. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium. As at 30 June 2016, no share option had been exercised yet.

The share options outstanding as at 30 June 2016 have the following vesting dates and exercise prices:

Vesting date	Exercise price (per share in RMB)	Outstanding shares
6 January 2017	4.20	15,504,000
6 January 2018	4.20	11,628,000
6 January 2019	4.20	11,628,000

The total fair value of share options at the grant date was RMB65,412 thousands, which has been valued by an external valuation expert using Black-Scholes valuation model.

The significant inputs into the model were as follows:

	Granting date
Spot share price	RMB4.51
Exercise price	RMB4.20
Expected volatility	41.20%
Maturity (years)	5.00
Risk-free interest rate	3.39%~3.67%
Dividend yield	1.00%

Share option expenses of RMB 11,350 thousands have been recognised in the condensed interim income statement for the six-month period ended 30 June 2016(six-month period ended 30 June 2015: RMB 11,901 thousands).

(b) For the six-month period ended 30 June 2016, the Group transferred RMB 39,441 thousands (six-month period ended 30 June 2015: RMB 25,328 thousands) from retained earnings to reserves for the safety production fund determined according to relevant PRC regulations.

(c) For the six-month period ended 30 June 2016 and six-month period ended 30 June 2015, no transfers were made to the statutory surplus reserve or the discretionary surplus reserve.

5.3 Reconciliation between financial statements prepared under CAS and IFRS

Amounts in RMB'000

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 reconciliation items and the amount are listed as follows:

	Net profit attributable to shareholders of parent company (Consolidated)		Equity attributable to shareholders of parent company (Consolidated)	
	Six months ended 30 June		30 June	31 December
	2016	2015	2016	2015
	(unaudited)	(unaudited)	(unaudited)	
Under CAS	3,096,675	1,731,166	21,906,328	19,838,862
Adjustments under IFRS –				
Government grants (a)	12,493	14,386	(29,087)	(41,580)
Safety production costs (b)	39,441	25,328	–	–
Under IFRS	3,148,609	1,770,880	21,877,241	19,797,282

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 reserve.

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.

By order of the Board
Sinopec Shanghai Petrochemical Company Limited
Wang Zhiqing
Chairman

Shanghai, the PRC, 23 August 2016

As at the date of this announcement, the executive Directors are Wang Zhiqing, Wu Haijun, Gao Jinping, Ye Guohua, Jin Qiang and Guo Xiaojun; the non-executive Directors are Lei Dianwu and Mo Zhenglin; and the independent non-executive Directors are Cai Tingji, Zhang Yimin, Liu Yunhong and Du Weifeng.