

SINOPEC SHANGHAI PETROCHEMICAL CO LTD

Form 6-K

September 17, 2015

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

**PURSUANT TO RULE 13a-16 OR 15d-16 UNDER**

**THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of September 2015**

**Commission File Number: 1-12158**

**Sinopec Shanghai Petrochemical Company Limited**

**(Translation of registrant's name into English)**

**Jinshanwei, Shanghai**

**The People's Republic of China**

**(Address of principal executive offices)**

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If  Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-1 Not Applicable

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SINOPEC SHANGHAI PETROCHEMICAL COMPANY  
LIMITED

Date: September 17, 2015

By: /s/ Wang Zhiqing

Name: Wang Zhiqing

Title: President

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**IMPORTANT MESSAGE**

(1) The Board of Directors (the Board), the Supervisory Committee of Sinopec Shanghai Petrochemical Company Limited (the Company or SPC) and 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) Absence of Director at Board meetings for Considering and Approving the 2015 Interim Report of the Company

Position of Director	Name	Reasons for the Absence	Name of Proxy
Director	Lei Dianwu	Business engagement	Wang Zhiqing

(3) The interim financial report for the six months ended 30 June 2015 (the Reporting Period) 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 2015 Interim Report.

(5) There was no plan for profit distribution or capital reserves capitalisation to be carried out during the Reporting Period.

(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. Investors should pay attention to the investment risks.

(7) There was no appropriation of funds by the controlling shareholder of the Company 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.

(9) The interim report is published in both Chinese and English. In the event of any discrepancy between the English and Chinese versions, the Chinese version will prevail.



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**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 2015
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 Company
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	<a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
Shanghai Stock Exchange website	<a href="http://www.sse.com.cn">www.sse.com.cn</a>
Website of the Company	<a href="http://www.spc.com.cn">www.spc.com.cn</a>
HSE	Health, Safety, and Environment
COD	Chemical Oxygen Demand
EVA	Ethylene Vinyl Acetate
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 to the Hong Kong Listing Rules

The Share Option Incentive Scheme

A Share Option Incentive Scheme of Sinopec Shanghai Petrochemical Company Limited

**Table of Contents****MAJOR FINANCIAL DATA AND INDICATORS**

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

**(1) Major Accounting Data**

Major Accounting Data	<b>The Reporting Period (January to June)</b>	Corresponding period of the previous year	Amount: RMB 000 Increase/decrease as compared to the corresponding period of the previous year (%)
Revenue	<b>42,152,450</b>	51,374,277	-18.0
Net profit attributable to equity shareholders of the Company ( - for loss)	<b>1,731,166</b>	-164,911	N/A
Net profit attributable to equity shareholders of the Company excluding non-recurring items ( - for loss)	<b>1,736,231</b>	-157,119	N/A
Net cash inflow from operating activities	<b>1,924,239</b>	836,448	130.0
	<b>As at the end of the Reporting Period</b>	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	<b>18,339,018</b>	16,570,623	10.7
Total assets	<b>30,341,257</b>	31,145,983	-2.6

**(2) Major Financial Indicators**

Major Financial Indicators	<b>The Reporting Period (January to June)</b>	Corresponding period of the previous year	Increase/decrease as compared to the corresponding period of the previous year (%)

Basic earnings per share ( - for loss, RMB/Share)	<b>0.160</b>	-0.015	N/A
Diluted earnings per share ( - for loss, RMB/Share)	<b>0.160</b>	-0.015	N/A
Basic earnings per share excluding non-recurring items ( - for loss, RMB/Share)	<b>0.161</b>	-0.015	N/A
Return on net assets (weighted average) (%)*	<b>9.918</b>	-0.943	Increased by 10.861 percentage points
Return on net assets excluding non-recurring items (weighted average) (%)*	<b>9.947</b>	-0.898	Increased by 10.845 percentage points

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

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	Unit: RMB 000
Non-recurring items	Amount
Net loss from disposal of non-current assets	-7,927
Employee reduction expenses	-10,264
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)	7,155
Income from external entrusted loans	1,449
Income from forward exchange contracts	6,931
Other non-operating income and expenses other than those mentioned above	-1,765
Income tax effect	-1,202
Effect attributable to minority interests (after tax)	558
<b>Total</b>	<b>-5,065</b>

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

	Unit: RMB 000			
	Net profit attributable to equity shareholders of the Company ( - for net loss)		Total equity attributable to equity shareholders of the Company	
	Corresponding period			
	The Reporting Period	of the previous year	At the end of the Reporting Period	At the beginning of the Reporting Period
Prepared under CAS	1,731,166	-164,911	18,339,018	16,570,623
Prepared under IFRS	1,770,880	-123,601	18,283,053	16,500,272

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

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**Table of Contents****REPORTS OF THE DIRECTORS****(1) 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 interim report. Unless otherwise specified, the financial data involved hereinafter is extracted from the unaudited interim financial report prepared in accordance with IFRS.*

**Review and discussion on operating results**

In the first half of 2015, the global economy experienced a tortuous and slow recovery. Amidst such a complicated domestic and foreign economic environment and facing growing downward pressure, the PRC economy managed to show a slow-yet-steady development trend with growth within a reasonable range as a result of macroeconomic regulation and control and innovative reforms. Gross domestic product (GDP) grew by 7.0% in the first half of the year, signaling a further slowdown in economic growth. In the first half of the year, the PRC petrochemical sector generally remained stable in spite of downward pressure on China's economy. The performance of the refining sector continued to improve, and the petrochemicals sector even witnessed relatively rapid profit growth. Nonetheless, the market demand was still rather weak with an overall slowdown in petroleum and petrochemical consumption growth. Overcapacity in the industry was overwhelming and market competition intensified further.

Amidst complicated and severe market conditions in the first half of 2015, the Group strived to maintain steady operations in terms of safety, environmental protection and production, while ramping up efforts in structure optimization, cost-saving and profit-increasing. Against the backdrop of a bottoming out and the gradual stabilization of international crude oil prices, the Group's costs of processing crude oil plunged significantly, thereby leading to a surge in gross profit and a turnaround year on year. For the six months ended 30 June 2015, the Group registered a turnover of RMB42,125.5 million, representing a decrease of RMB9,219.5 million, or 17.96% year-on-year. Profit before income tax amounted to RMB2,279.9 million (loss before income tax amounted to RMB127.5 million for the same period last year), representing an increase of RMB2,407.4 million year-on-year. Profit after income tax and non-controlling shareholder interests amounted to RMB1,770.9 million (loss after income tax and non-controlling shareholder interests amounted to RMB123.6 million for the same period last year), representing an increase of RMB1,894.5 million year-on-year.

In the first half of 2015, the total volume of goods produced by the Group amounted to 7,117,700 tons, representing an increase of 6.85% year-on-year. From January to June, the Group processed 7,348,700 tons of crude oil (including 687,400 tons of crude oil processed on a sub-contract basis), representing an increase of 123,000 tons, or 1.70% year-on-year. Total production of refined oil products reached 4,412,300 tons, representing an increase of 3.79% year-on-year. Of this, the output of gasoline was 1,491,200 tons, representing a decrease of 1.55% year-on-year; the output of diesel was 2,141,400 tons, representing an increase of 5.32% year-on-year; and the output of jet fuel was 779,700 tons, representing an increase of 10.88% year-on-year. The Group produced 423,500 tons of ethylene and 340,900 tons of paraxylene, representing an increase of 4.65% and a decrease of 6.50% year-on-year, respectively. The Group also produced 531,900 tons of synthetic resins and plastic (excluding polyesters and polyvinyl alcohol), representing an increase of 9.02% year-on-year; 424,700 tons of synthetic fibre monomers, representing an increase of 17.42% year-on-year; 217,700 tons of synthetic fibre polymers, representing an increase of 6.35% year-on-year; and 115,800 tons of synthetic fibres, representing a decrease of 0.94% year-on-year. During the Reporting Period, the Group's output-to-sales ratio and receivable recovery ratio were 99.03% and 100.01%, respectively.



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The Group maintained stable performance in terms of safety and environmental protection as well as facilities operation. In the first half of the year, the Group thoroughly implemented and revised its HSE accountability system, optimizing its hazard investigation practices and rectification of oil and gas transmission pipelines and tank farms, in addition to ramping up inspection efforts for the sake of safety and environmental protection. With the full commencement of leakage detection and repair (LDAR) work and the continuous development of comprehensive treatment of volatile organic compounds (VOC) and clean production, the Group successfully passed the clean production check and acceptance conducted by the Shanghai Clean Production Center. The Group continued to work towards achieving its seven zeroes target (no staff dead or serious injured in industrial accidents, no big fire and explosion, no major environmental pollution accident, no major occupational hazard accident, no major traffic accident in working area, no major accident of negligence) with regard to safety and environmental protection. The comprehensive compliance rate of discharged waste water reached 100%, and total COD, sulfur dioxide and nitrogen oxides emissions were brought down by 15.69%, 33.45% and 16.28% year-on-year, respectively. Production, operations and management were strengthened while evaluation of production and operations were also reinforced. Both the number and durations of unscheduled shutdowns were significantly reduced, while various technical and economic indicators were effectively improved. During the Reporting Period, among 113 major technical and economic indicators listed for assessment, there were improvements over the previous year in 72 of them, representing an improvement rate of 63.72%. Of those, 23 indicators reached advanced levels in the industry, representing a ratio of 20.35%. On top of enhancing its facilities management, the Group further advanced quantitative patrols and checks on equipment, thereby eliminating facilities hazards and realizing the stable and long-term operation of production devices.

The Group continued to make advanced progress both in optimizing production and operations and implementing cost-saving and expenses-reduction. In the first half of the year, the Group integrated the optimization model for the full process flow of oil refining, placed emphasis on estimating the cost-performance of different kinds of crude oil and optimized its crude oil structure. It also reinforced the tracking of marginal contribution from petrochemical facilities and adherence to dynamic optimization mechanisms. On the other hand, the Group also continued to optimize its fuel structure, hydrogen production and feedstock structure for ethylene cracker and residual oil processing flow with the aim of boosting efforts in further optimization to its integrated refining and petrochemical system. By closely monitoring changes in the market, in the first half of the year, the Group shut down some facilities short of marginal effectiveness such as No. 1 Coker and reduced the workload of facilities such as polyethylene and acrylonitrile when the market prices of their products were on the decline. Such flexible adjustments involving stop-start up and workload reduction of such facilities had significantly diminished losses. The Group also made advancements in the structural optimization of refined products so as to enhance production of high octane number gasoline and the effectiveness of the refining segment. In respect of the implementation of key scientific research projects such as carbon fibre and needle coke, the Group continued to make progress and facilitated industrial development and market exploration for its new products. During the Reporting Period, the Group developed and produced 150,900 tons of new products. A total of 375,200 tons of new synthetic resins products and specialized polyolefin materials were produced, with the differentiation rate for synthetic fibres reaching 68.82%. The Group also submitted 22 patent applications, with nine patent authorizations granted. With the in-depth development of an e-commerce sales model for its products, the Group gradually increased the types and quantities of petrochemical products traded online on its e-commerce platform. In respect of cost controls, the Group reinforced its efforts on respective key items and engaged in energy conservation and consumption reduction efforts for its facilities, hence continuing to reduce costs and expenses related to material and energy consumption. The Group adjusted its loan structure and replaced its US dollar-denominated loans with Euro-denominated ones in a bid to lower financing costs. The Group also strengthened cooperation with suppliers to reduce occupation of capital for inventories.



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The Group further strengthened its corporate governance. During the Reporting Period, the Group worked hard to promote its integrated management system and to optimize business flow, in addition to achieve Standards Implementation certification in energy, measurement and the integration of informatization and industrialization. In April, the Group was duly recognized by the Ministry of Industry and Information Technology as one of the very first batch of enterprises to meet the national standards for management systems in regard to the integration of informatization and industrialization. The Group continued to optimize and refine its management system and organizational structure by amending its performance appraisal methods, appraisal indicators and appraisal scoring rules. Such amendments not only highlighted the advancement and controllability of indicators, the co-ordination between key indicators and entity performance as well as different weightings for each indicator, but also further fostered a scientific performance appraisal mechanism. Meanwhile, the Group also strived to improve advanced process control (APC) of facilities such as No. 3 Crude Distillation Unit and process simulation training system. With stringent control over its total number of employees, the Group cut a total of 324 positions in the first half of the year via implementation of a number of assignment diversion measures. To enhance the efficiency and results of training, the Group optimized its staff training processes and made innovations in its approaches to training, while also increasing the utilization of internet and mobile terminals.

The Company was proactive in fulfilling its corporate social responsibilities. It supplied 3.80 million tons of refined oil to the public in the first half of the year. Of this, the Company supplied 1.50 million tons of gasoline (including the supply of 220,000 tons of National Phase IV standard gasoline and 1.28 million tons of National Phase V standard gasoline), 1.98 million tons of diesel (including the supply of 1.17 million tons of National Phase IV standard diesel and 290,000 tons of National Phase V standard diesel) and 320,000 tons of jet fuel, as it continued to supply a variety of quality petrochemical products to the public. The Company continued to engage in environmental protection by organizing the Public Open Day - inviting civil servants, members of the National People's Congress and residents to visit the Company's production plants and environmental protection treatment sites. 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 environment for the Company's development.

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

	For the six months ended 30 June					
	2015			2014		
	Sales Volume ( '000 tons)	Net Sales (RMB Million)	% of Total	Sales Volume ( '000 tons)	Net Sales (RMB Million)	% of Total
Synthetic fibres	114.4	1,241.3	3.5	114.7	1,434.3	3.1
Resins and plastics	659.9	5,244.1	15.0	614.6	5,915.7	12.6
Intermediate petrochemicals	1,083.5	4,905.1	14.0	1,041.3	6,769.7	14.5
Petroleum products	4,751.6	16,449.8	46.9	4,504.7	25,436.0	54.5
Trading of petrochemical products		6,820.9	19.4		6,674.0	14.3
Others		403.4	1.2		461.1	1.0
<b>Total</b>	<b>6,609.4</b>	<b>35,064.6</b>	<b>100.0</b>	<b>6,275.3</b>	<b>46,690.8</b>	<b>100.0</b>



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In the first half of 2015, net sales of the Group amounted to RMB35,064.6 million, representing a decrease of 24.90% over the same period last year. Of this, net sales of synthetic fibres, resins and plastics, intermediate petrochemical products and petroleum products declined by 13.46%, 11.35%, 27.54% and 35.33%, respectively. Net sales from the trading of petrochemical products increased by 2.20%. The decrease in overall 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 Jinmao International Trading Co., Ltd, a share-controlled trading company of the Group, during the Reporting Period. In the first half of the year, the Group's net sales of Others dropped by 12.51% over the same period last year, which was mainly attributable to the decrease 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 2015, the Group's cost of sales declined by 29.28% year-on-year to RMB32,687.7 million, representing 93.22% of total net sales.

The Group's main raw material is crude oil. While the global supply of crude oil remained high in the first half of 2015, due to a potential rebound in demand and a pending slowdown in oil production, global crude oil prices experienced a decline before showing a fluctuating rising trend, then leveling off. In the first half of the year, the peak and bottom closing prices of Brent crude oil futures were US\$66.65/barrel and \$45.22/barrel, respectively, and the average price during the Reporting Period was approximately US\$57.86/barrel, representing a decrease of 46.88% year-on-year. The peak and the bottom closing prices of West Texas Intermediate crude oil were US\$61.09/barrel and \$42.56/barrel, respectively, and the average price during the Reporting Period was approximately US\$53.15/barrel, representing a decrease of 47.30% year-on-year. The peak and the bottom closing prices of Dubai crude oil futures were US\$66.51/barrel and \$42.05/barrel, respectively, and the average price during the Reporting Period was approximately US\$56.55/barrel, representing a decrease of 46.29% year-on-year.

In the first half of 2015, the average unit cost of crude oil processed (for the Group's own account) was RMB2,652.96 per ton, representing a decrease of RMB2,213.98 per ton, or 45.49% year-on-year. The Group processed a total of 6,661,300 tons of crude oil (excluding crude oil processed on a sub-contract basis), representing an increase of 166,500 tons over the same period last year. Taken together, the total costs of crude oil processed decreased by RMB13,938 million. While processing costs increased by RMB810 million due to an increase in crude oil processed volume, the lower average unit cost of crude oil processed brought costs down by RMB14,748 million. From January to June this year, crude oil processed on a sub-contract basis reached 687,400 tons. In the first half of the year, the Group's cost of crude oil accounted for 54.06% of the total cost of sales.

In the first half of 2015, the Group's expenses for other auxiliary materials amounted to RMB4,095.8 million, a decline of 11.02% over the same period last year, which was mainly due to the decline in the unit cost of other auxiliary materials during the period. During the Reporting Period, the Group's depreciation and amortization expenses declined by 5.94% year-on-year to RMB1,069.7 million, mainly due to the decline in depreciation expenses during the Reporting Period as certain fixed assets were fully depreciated. Maintenance expenses grew by 37.54% year-on-year over the same period last year to RMB577.4 million, mainly due to an increase in actual maintenance during the Reporting Period, which led to the growth in maintenance costs. Fuel and power expenses declined by 14.85% year-on-year to RMB997 million during the Reporting Period, mainly due to the decline in the unit purchase price of coal.



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In the first half of 2015, the selling and administrative expenses of the Group amounted to RMB277.9 million, representing a decrease of 1.46% as compared with RMB273.9 million over the same period last year. This was mainly due to the decline in commission fees payable to product agencies during the Reporting Period.

In the first half of 2015, other operating income of the Group amounted to RMB41.5 million, representing a decrease of RMB8.2 million year-on-year. This was mainly due to a decrease in government grants received during the Reporting Period.

In the first half of 2015, the Group's net finance expenses amounted to RMB137.2 million, compared to RMB253.5 million in net finance expenses over the same period last year. This was mainly due to a decline in interest expenses and exchange losses during the period.

In the first half of 2015, the Group realized profit after tax and profit attributable to non-controlling interests of RMB1,770.9 million, representing an increase of RMB1,894.5 million as compared to a loss after tax and profit attributable to non-controlling interests of RMB123.6 million over the same period last year.

## **Liquidity and capital resources**

The Group's net cash inflow from operating activities amounted to RMB1,776.7 million in the first half of 2015 as compared to net cash inflow of RMB636.7 million over the same period of the previous year, which was due to the following main reasons: (1) profit before tax during the reporting period amounted to RMB 2,279.9 million (loss before tax over the same period last year was RMB127.5 million); (2) the lower inventory balance at the end of the period led to an increase of RMB145.4 million in operating cash flow in the Reporting Period (as compared to an increase in operating cash flow of RMB1,308.1 million due to a lower inventory balance at the end of the same period of the previous year).

In the first half of 2015, the Group's net cash outflow from investment activities amounted to RMB258.9 million as compared to a net cash outflow of RMB373.7 million over the same period of the previous year. This was primarily attributable to a year-on-year decrease in the Group's capital expenditures during the Reporting Period, resulting in a decline of RMB105 million in net cash outflow from investment activities.

In the first half of 2015, the Group's net cash outflow from financing activities amounted to RMB1,496 million, compared to net cash outflow of RMB74.2 million over the same period of the previous 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.

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### **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 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 2015, the Group's total borrowings decreased by RMB1,475.9 million to RMB4,235 million as at the end of the Reporting Period as compared to the beginning of the Reporting Period, of which the short-term borrowings increased by RMB139.5 million and the long-term borrowings lowered by RMB1,615.4 million.

### **Risk from Exchange Rate Fluctuations**

Since the majority of the Group's debt is denominated in foreign currency, changes in exchange rates would affect the Group's financial expenses and hence have an impact on the Group's profitability. As at 30 June 2015, the Group's borrowings in US dollars amounted to the equivalent of RMB305.70 million and the Group's borrowings in Euro amounted to the equivalent of RMB1,258.00 million.

### **Capital expenditures**

In the first half of 2015, the Group's capital expenditures amounted to RMB313 million, mainly for the desulfurization project for furnaces No.1- No. 5 and NO.7 of the Thermal Power Division, the project of upgrading the discharged waste water standard and expansion project of berths No. 4 and No. 5 of the chemical wharf, as well as the 100,000 ton / year EVA plant project.

In the second half of the year, the Group plans to complete projects such as upgrading discharged waste water, desulfurization revamp for furnaces No.1- No.5 and No.7 of the Thermal Power Division, and implementation of the 100,000 ton / year EVA plant . The Group's planned capital expenditures can be appropriated from the operating cash inflow and bank financing.

### **Liability-to-asset ratio**

As at 30 June 2015, the Group's liability-to-asset ratio was 38.38% (As at 31 December 2014: 45.73%). The ratio is calculated using the following formula: total liabilities/total assets.

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### **The Group's employees**

As at 30 June 2015, the total number of employees of the Company amounted to 12,800, among which the number of production personnel was 7,428; the number of sales, financial and other staff was 3,741; and the number of administrative staff was 1,631. A total of 46.77% of the Group's employees were college graduates or above.

### **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 2015 is 25%.

### **Disclosure required by the Hong Kong Listing Rules**

The transactions between the Company and Sinopec Corp., Sinopec Group and its associates, as disclosed in Note 27 of the consolidated financial statement prepared under International Financial Reporting Standards in 2014 Annual Report of the Company, constituted connected transactions under Chapter 14A of the Hong Kong Listing Rules. The above-mentioned connected transaction and continuing connected transaction have also been disclosed in accordance to Chapter 14A of the Hong Kong Listing Rules.

Save as disclosed herein, pursuant to paragraph 40 of Appendix 16 in the Hong Kong Listing Rules, the Company confirms that there were no material difference between the existing information of the Company relating to the matters as set out in paragraph 32 of Appendix 16 and the relevant information disclosed in the Company's 2014 annual report.

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

In the second half of 2015, the global economy will continue to be in a stage of deep adjustments. The environment is less optimistic with the sluggish economy struggling to recover and the major economies demonstrating diverse development trends. The US economy will continue to move in a promising direction. If the Federal Reserve decides to raise the interest rate in the second half of the year, there will be a significant influence over the global economy. The European economy will remain subdued and continue to grow at a slow pace. The rebound of the Japanese economy will remain unstable. Performance will vary significantly among emerging economies, but will show a general trend of slowdown. The Chinese economy realized a slow-yet-stable performance within a reasonable range in the first half of the year. However, as the economy is still under great pressure to maintain steady growth, to adjust structure, to continue its reform and to be innovative, it will continue to face downward pressure in the second half of the year. The prospects for the petrochemical industry will remain complicated. Overcapacity persists, along with weakening innovation abilities and relatively low product grades, resulting in internal pressure on the operation of the industry. Meanwhile, with the government continuing to strengthen its policies to support steady growth, market demand has increased steadily and the prices of petroleum and petrochemical products have continued to stabilize. The petrochemical industry in China is expected to continue to undergo steady development in the second half of the year.

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In the second half of 2015, given the weak recovery of the global economy, the slowdown in demand in China and with the situation in Middle East under control, the problem of a global surplus in crude oil supply will not be solved within a short period of time, and thus there will not be a significant increase in oil prices. At the same time, the opportunity for US dollar appreciation is limited, as is the opportunity of crude oil exports from Iran in a short period of time. As such, there will not be material negative effects or pressure on oil prices. Future fluctuations in international crude oil prices will generally depend on changes in the output of crude oil in US and the outcome of the Iranian issue. International crude oil prices are expected to continue to fluctuate at a low level in the second half of the year.

In the second half of the year, the Group will focus on enhancing the quality and efficiency of its development and will continue to step up efforts in safety and environmental protection, production and operations, system optimization, cost-saving and expenses reduction as well as intensification of its management. The Group will also enhance its efficiency.

1. Further strengthening efforts in safety and environmental protection. The Group will foster the hazard management of long-distance pipelines and tank farms and strengthen its safety management of contractors; implement the Three Simultaneity policy for project development; accelerate the development of pollution emission reduction; fully carry out its leak detection and repair (LDAR) work; continue to exercise control over volatile organic compounds (VOC) and push forward its comprehensive environmental improvement measures.
2. Continuing to optimize its production and operation system. The Group will intensify management of turnaround of its facilities to shorten the duration and reduce the number of off-schedule production suspensions; optimize and maintain balance of its production and operations plan to ensure proper checking and maintenance of certain facilities in the second half of the year; promote the optimization of ethylene and aromatic feedstock, residual oil and vacuum gas oil processing schemes as well as utilization of natural gas; further strengthen the collaboration with universities and research institutes and make even greater efforts in marketing.
3. Boosting efforts to reduce costs and expenses. The Group will continue to manage and control major expenses such as maintenance costs, selling expenses, financial expenses and management expenses; fully unleash the processing potential of refinery facilities ; focus on increasing the level of central procurement for crude oil and cost competitiveness of crude oil resources; reduce inventories of crude oil, intermediate goods and finished products; make timely adjustments on its debt structure and carry out its fund raising and financing tasks at optimal financing costs; continue to optimize its material inventory structure and reduce the utilization of capital reserves.

**Table of Contents****(2) Analysis of the Company's Principal Business and Performance (Part of the following financial data was extracted from the unaudited interim report prepared under CAS)****(i) Analysis of Changes in the Company's Major Financial Data**

Amount: RMB 000

Item	As at 30 June 2015	As at 31 December 2014	Change (%)	Reason for change
Accounts receivable	<b>1,973,350</b>	1,628,121	21.20	An increase in business volume of the share-controlled trading company and an increase in sales revenue lead to an increase in accounts receivable
Advances to suppliers	<b>65,141</b>	31,098	109.47	An increase in prepaid purchase funds
Long-term equity investment	<b>3,419,000</b>	3,106,262	10.07	Profit of associates
Deferred tax assets	<b>438,156</b>	915,069	-52.12	Profit in the Reporting Period, using deferred income tax assets recognized in the previous years
Short-term borrowings	<b>2,912,004</b>	4,078,195	-28.60	Profit in the Reporting Period; decline in demand for capital
Accounts payable	<b>4,356,281</b>	5,924,035	-26.46	A decrease in purchase price
Advances from customers	<b>416,405</b>	612,573	-32.02	Fall in unit price of products and a decrease in advance from customers
Other payables	<b>758,161</b>	508,551	49.08	An increase in construction and maintenance payable
Current portion of non-current liabilities	<b>1,305,680</b>		N/A	Long-term borrowings due in one year
Long-term borrowings	<b>17,270</b>	1,632,680	-98.94	Transferred into current portion of non-current liabilities
Specific reserve	<b>26,593</b>	1,265	2,002.21	Increase in unutilised provisions for safety production cost
Undistributed profits	<b>2,832,771</b>	1,101,605	157.15	Profit during the Reporting period

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Amount: RMB 000

Item	For the six months period ended 30 June		Change (%)	Reason for change
	2015	2014		
Revenue	<b>42,152,450</b>	51,374,277	-17.95	Fall in unit prices of products
Cost of sales	<b>31,233,864</b>	45,017,696	-30.62	A fall in the cost of raw materials, leading to the lower unit costs of products
Taxes and surcharges	<b>7,060,938</b>	4,654,222	51.71	An increase in consumption tax rate
General and administrative expenses	<b>1,490,220</b>	1,224,420	21.71	Maintenance expenses rose in the Reporting Period
Financial expenses-net	<b>140,537</b>	279,343	-49.69	Fall in interest expenses of borrowings and foreign exchange losses
Asset impairment losses	<b>61,411</b>	22,843	168.84	Increase in fixed asset impairment
Investment income ( - for loss)	<b>338,784</b>	-65,716	N/A	Profit made by associates
Income tax expenses	<b>491,686</b>	-6,856	N/A	Profit in the Reporting Period
Operating profit attributable to shareholders of the Company ( - for loss)	<b>1,731,166</b>	-164,911	N/A	Cost of major raw materials fell sharply and gross profit of products increased
Net cash flows generated from operating activities	<b>1,924,239</b>	836,448	130.05	Profit in the Reporting Period
Net cash flows used in investment activities	<b>-258,888</b>	-373,651	-30.71	Decrease in purchase costs and construction cost of long-term assets
Net cash flow used in financing activities	<b>-1,643,510</b>	-273,979	499.87	Reduced demand for capital and repayment of short-term borrowings
Research and development expenditure	<b>14,265</b>	20,126	-29.12	Decrease in R&D projects

**Table of Contents****(ii) Analysis of Business Operations by Segment, Product and Geographical Location****(a) Principal business operations by segment or product**

Segment or product	Revenue (RMB 000)	Costs of sales (RMB 000)	Gross profit margin (%)	Increase/ decrease in revenue compared to corresponding period of the previous year (%)	Increase/ decrease in cost of sales compared to corresponding period of the previous year (%)	Increase/ decrease in gross profit margin compared to corresponding period of the previous year
Synthetic fibres	1,277,780	1,260,478	1.35	-12.22	-19.20	Increased by 8.51 percentage points
Resins and plastics	5,374,909	4,098,680	23.74	-10.31	-29.34	Increased by 20.53 percentage points
Intermediate petrochemicals	5,049,076	3,734,009	26.05	-26.52	-39.11	Increased by 15.31 percentage points
Petroleum products	23,186,915	15,133,125	34.73*	-22.41	-38.60	Increased by 17.20 percentage points
Trading of petrochemical products	6,822,043	6,746,830	1.10	2.21	2.82	Decreased by 0.59 of a percentage point
Others	441,727	260,742	40.97	-11.33	-18.03	Increased by 4.83 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 8.50%.

**(b) Principal operations by geographical location**

Geographical location	Revenue	Amount: RMB 000 Increase/decrease in revenue compared to corresponding period of the previous year (%)
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Eastern China	38,232,841	-22.59
Other regions in the PRC	1,802,087	-3.36
Exports	2,117,522	1,710.20

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**(3) Analysis of core competitiveness**

As one of the largest integrated petrochemical enterprises in China with highly integrated refining and petrochemical business operation, the Company possesses competitive business scale and strength, which make it a major manufacturer of refined oil, intermediate petrochemical products, synthetic resins and synthetic fibers in PRC. It also has self-owned utilities system and environmental protection systems, as well as handling and transportation facilities for marine and inland waterway, railway and highway.

The Company's major competitive advantages include quality, brand name, 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 petrochemicals industry, winning multiple quality product awards from the central and local governments. Located in the core region of the Yangtze River Delta, the most economically active region in China with strong demand for petrochemical products, the Company has built a comprehensive logistics system and supporting facilities to tap its close geographic proximity with most of its clients and the convenience 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 actively strengthen its product structure, while also continuously improved 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 development.

**Table of Contents****(4) Analysis of Investments****(i) Wealth Management and Derivatives Investment Entrusted by Non-Financial Companies****(a) Entrusted wealth management**

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

**(b) Entrusted loans**

Borrower	Amount of entrusted loan	Maturity period	Interest rate of loan %	Whether it is overdue	Whether it is a transaction	Whether it has renewed	Whether it is related to lawsuits	Are the funds sourced from	Connected relationship	Amount:
										RMB 000
Chevron Phillips Chemicals (Shanghai) Corporation	12,000	2014/8/28-2015/8/28	3.25	No	No	No	No	No	Nil	64
	28,000	2014/11/27-2015/11/27	3.25	No	No	No	No	No	Nil	376
	12,000	2014/12/26-2015/12/25	3.00	No	No	No	No	No	Nil	177
	12,000	2015/1/29-2016/1/28	3.00	No	No	No	No	No	Nil	210
	30,000	2015/4/24-2016/4/22	2.75	No	No	No	No	No	Nil	674

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.

**(ii) Application of Capital Raised**

During the Reporting Period, the Company did not raise capital, nor does it use the capital raised in the previous reporting periods.

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

Due to a decrease in the cost of raw materials and an increase in gross profit of products, an associate of the Group, Shanghai Secco Petrochemical Company Limited recorded net profit of RMB 1,357 million during the reporting period, with RMB 271 million attributable to the Group, representing 15.68% of net profit attributable to equity shareholders of the Company.



**Table of Contents****(iv) Major Projects from Non-raised Capital**

	Total project investment RMB million	Amount: RMB 000 Project progress as at 30 June 2015
Major project		
EVA Project with 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	164	Under construction
Project of upgrading the discharged waste water standard	134	Under construction

**(5) Plan for Profit Appropriation or Capital Reserves Capitalisation****(i) Implementation or Amendment of Profit Appropriation Proposal for the Reporting Period**

As the Company recorded a loss in 2014, the Board proposed not to distribute a dividend for 2014, which was approved at the 2014 Annual General Meeting. So there is no profit distribution plan which should be carried out in this Reporting Period.

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

The Company will not distribute its profit in the first half of 2015 and will not implement a plan for conversion of capital reserves to increase share capital.

**(6) Other Items for Disclosure****Early warning and notes about potential negative value of cumulative net profit from the beginning of this year to the end of the next reporting period, or significant changes thereof as compared with last year**

As the Group recorded net profit attributable to shareholders of the Company of RMB 1,731 million under CAS and RMB 1,771 million under IFRS for the first half of 2015, the cumulative net profit from January to September is expected to reverse losses to profits as compared to the same period of last year.

Prices of crude oil in the international market have seen a continuous and significant decline since the end of June, which will affect the profitability of the Company's major products for a certain period due to the long procurement cycle for the Company's crude oil.

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**MAJOR EVENT**

**(1) Material lawsuits, arbitration or media queries**

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

**(2) Events involving 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) Share Option Incentive Scheme and its Impact**

**(i) Share Option Incentive Scheme has been disclosed in provisional announcements, and without further updates or changes during implementation**

Summary	Reference
On 6 January 2015, the Proposal regarding the Adjustments of the List of Participants and the Number of Share Options under the Initial Grant of the Share Option Incentive Scheme and the Proposal regarding the Initial Grant under the Share Option Incentive Scheme were reviewed and approved at the fifth meeting of the eighth session of the Board of Directors of the Company, which confirmed the granting of an aggregate of 38,760,000 A share options to 214 participants.	Details of the relevant matters were published in the China Securities Journal, the Shanghai Securities News and the Securities Times on 7 January 2015 and uploaded to the websites of the Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited and the Company.

**(ii) Introduction of the Share Option Incentive Scheme**

Grant Date: 6 January 2015

Number of Participants: 214 persons

Number of Share Options Granted: 38,760,000

(a) Shares granted to Directors, senior management and major shareholders

The Company granted 2,540,000 A share options to six persons, including Chairman and General Manager Mr. Wang Zhiqing, Vice Chairman and Deputy General Manager Mr. Gao Jinping, Director and Chief Financial Officer Mr. Ye Guohua, Director and Deputy General Manager Mr. Jin Qiang, Director and Deputy General Manager Mr. Guo Xiaojun and Secretary to the Board Mr. Tang Weizhong. For details, please refer to Share Options Granted to the Directors, Supervisors and Senior Management on page 32 in this report.

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(b) Shares granted to employees in addition to persons mentioned in item (1).

The Company granted 36,220,000 A share options to 208 key business personnel.

(c) Exercise Price under the Initial Grant

In accordance with the determination principles for the exercise price, the exercise price under the initial grant is RMB 4.20 per share. If, during the validity period of the share options, in case of, among others, payment of dividend, capitalisation of capital reserves, distribution of dividends, subdivision of shares, allotment of shares or reduction of shares, any adjustment to the exercise price shall be made in accordance with the relevant provisions of the scheme. For reference only, on the grant date, the closing price of A shares of the Company was RMB 4.51 per share, and that of H shares of the Company was HK\$2.37 per share.

(d) Validity Period and Exercise Arrangement under the Initial Grant:

The validity period of the share options shall be five years commencing from the grant date, but will be subject to the following exercise arrangements. The exercisable period for the share options shall be three years, commencing from the expiry of the two-year period after the grant date. There shall be three exercisable periods (one year for each exercisable period, same for the following) under the Share Option Incentive Scheme. Upon the fulfillment of the exercise conditions, 40%, 30% and 30% of the total share options granted shall become exercisable within the 1st, 2nd and 3rd exercisable periods, respectively.

Stage	Arrangement	Exercise Ratio Cap
Grant Date	Determined by the board of directors upon fulfillment of the conditions for grant under the Share Option Incentive Scheme	
1st Exercisable Period	Commencing on the first trading day after the expiry of the 24-month period following the grant date and ending on the last trading day preceding the expiry of the 36-month period following the grant date	40%
2nd Exercisable Period	Commencing on the first trading day after the expiry of the 36-month period following the grant date and ending on the last trading day preceding the expiry of the 48-month period following the grant date	30%
3rd Exercisable Period	Commencing on the first trading day after the expiry of the 48-month period following the grant date and ending on the last trading day preceding the expiry of the 60-month period following the grant date	30%

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**(5) Major connected transactions of the Company during the Reporting Period**

**(i) Connected Transactions in Relation to Daily Operations**

- (1) Items have been disclosed in provisional announcements with no further updates or changes during implementation

During the Reporting Period, pursuant to the Mutual Product Supply and Sales Services Framework Agreement entered into with the controlling shareholder of the Company, Sinopec Corp., and the de facto controller Sinopec Group, the Company purchased raw materials from Sinopec Group, Sinopec Corp and their associates, sold petroleum products and petrochemicals and leased properties to Sinopec Corp. and its associates, and received agency sales services for petrochemical products from Sinopec Corp. and its associates. Pursuant to the Comprehensive Services Framework Agreement entered into between the Company and the Company's de facto controller Sinopec Group, the Company received construction and installation, engineering design, petrochemical industry insurance and financial services provided by Sinopec Group and its associates.

The abovementioned 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 has disclosed the two agreements and the respective connected transactions under the agreements in an announcement dated 25 October 2013 and a circular dated 1 November 2013. These two agreements and the respective continuing connected transactions under the agreements, together with the associated annual caps from 2014 to 2016, were considered and approved at the Second Extraordinary General Meeting for 2013 held on 11 December 2013.

During the Reporting Period, the relevant connected transactions were fully 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 Second Extraordinary General Meeting for 2013.

The prices of the continuing connected transactions conducted by the Company with Sinopec Group, Sinopec Corp. and their associates were determined, upon negotiations among all parties, on the basis of (i) state tariffs prices, (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 aforementioned connected transactions did not have a significant adverse impact on the Company's independence.

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

Type of connected transaction	Connected parties	Annual cap for 2015	Amount: RMB 000	
			Transaction amount during the Reporting Period	Percentage of the total amount of the type of transaction (%)
<b>Mutual Product Supply and Sale Services Framework Agreement</b>				
Purchases of raw materials	Sinopec Group, Sinopec Corp. and its associates	91,444,000	16,580,849	76.17
Sales of petroleum products	Sinopec Corp. and its associates	75,678,000	22,095,131	52.42
Sales of petrochemical products	Sinopec Corp. and its associates	29,417,000	2,701,360	6.41
Property leasing	Sinopec Corp. and its associates	114,000	14,793	60.78
Agency sales of petrochemical products	Sinopec Corp. and its associates	305,000	57,921	100.00
<b>Comprehensive Services Framework Agreement</b>				
Construction, installation and project design services	Sinopec Group and its associates	1,593,000	44,730	34.63
Petrochemical industry insurance services	Sinopec Group and its associates	190,000	58,955	94.35
Financial services	Sinopec Group and its associates	300,000	22,876	19.46

**Table of Contents****(ii) Connected Credits Rights and Liabilities**

Connected party	Connected relationship	Amount: RMB 000			
		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	-1,641	868 <sup>Note 1</sup>	24,851	40,638 <sup>Note 2</sup>

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

Note 2: The balance of the funds provided by other connected parties to the Group at the end of the Reporting Period mainly included unsettled payables arising from the obtaining construction, installation and project design 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 trusts, sub-contracts or lease arrangements that produced 10% or more (including 10%) of the profit of the Company for the Reporting Period.

**(ii) Guarantees**

There were no guarantees provided by the Company during the Reporting Period.

**(iii) Other material contracts**

There were no other material contracts during the Reporting Period.

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**(7) Performance of Undertakings**

**Undertakings made by the listed company, shareholders holding more than 5% of the shares, controlling shareholders, de facto controller under the reporting period or continued to the reporting period**

The Company disclosed The Explanatory Memorandum for the Share Reform Proposal of the Company (the Revised Draft) on 20 June 2013, in which the Company's controlling shareholder Sinopec Corp. has made an undertaking that it will continue to the Reporting Period:

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

For details, please refer to The Explanatory Memorandum for the Share Reform Proposal of the Company (the Revised Draft)(Full Version) published in Shanghai Securities News and China Securities Journal, as well as the relevant announcements uploaded to the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company on 20 June 2013.

The A-share reform proposal was reviewed and approved at the relevant shareholders' meeting in the A-share market held on 8 July 2013. After the implementation of the proposal on 20 August 2013, the Company's A shares resumed trading, and non-circulating shares previously held by non-circulating shares shareholders were obtained for circulation. For details on the implementation of Reform Scheme, please refer to the Implementation Report on Sinopec Shanghai Petrochemical Company Limited Share Reform Scheme published in Shanghai Securities News and China Securities Journal dated 14 August 2013 and uploaded to the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange,

With regard to the aforementioned two undertakings, the Company did not notice any violation of the undertakings or any unfulfilled matters overdue during the reporting period.

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**(8) Appointment and Dismissal of Accounting firm**

During the Reporting Period, the Company did not appoint any new accounting firms.

**(9) Punishment and Rectification of the Listed Company and its Directors, Supervisors, Senior Management, shareholders owning more than 5% of the Company's shares, De Facto Controller 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 de facto controller and acquirer were not investigated, administratively punished, publicly criticised by the CSRC 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, Corporate Governance Principles for Listed Companies and 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.

**(12) Other Major Events**

There were no other major events during the Reporting Period.

**Table of Contents****CHANGE IN SHARE CAPITAL AND SHAREHOLDERS****(1) Change in share capital**

- (i) The total number of shares and the share capital structure of the Company did not change during the Reporting Period.
- (ii) There were no changes in shares with selling restrictions during the Reporting Period.

**(2) Shareholders of the Company****(i) Total number of shareholders as at the end of the Reporting Period**

273,179

**Shareholdings of top ten shareholders**

Name of shareholder (Full name)	Increase(+)/ decrease(-) of number of Shares during the Reporting Period (shares)	Number of shares held at the end of the Reporting Period (shares)	Percentage of total shareholding (%)	Number of trading restricted shares held (shares)	Status of pledged/frozen shares		Nature of shareholders
					Status of shares	Number of shares	
China Petroleum & Chemical Corporation		5,460,000,000	50.56	4,920,000,000	None		State-owned enterprise legal person
HKSCC (Nominees) Limited	6,938,667	3,452,301,320	31.97		Unknown		Foreign legal person
China Construction Bank - Boshi-themed Industry Stock Securities Investment Fund	Unknown	75,000,000	0.69		Unknown		Others
Agricultural Bank of China Limited - Fullgoal CSI State-Owned Enterprises Reform Index Classified Fund	58,310,694	70,920,001	0.66		Unknown		Others
NSSF One Hundred Ten Combination	Unknown	20,000,897	0.19		Unknown		Others
CITIC Securities Company Limited	Unknown	16,247,307	0.15		Unknown		Others

Bank of China Limited - Jiashi					
value-added services industry					
securities investment fund	Unknown	15,176,491	0.14	Unknown	Others
Zhao Jie	Unknown	11,777,183	0.11	Unknown	Others
Shanghai Textile Development					
Corporation		8,475,000	0.08	Unknown	Others
IP KOW		8,148,000	0.08	Unknown	Unknown

**Table of Contents****Top ten shareholders of shares in circulation (without trading restriction)**

<b>Name of shareholder</b>	<b>Number of circulating shares (without trading restriction) held (shares)</b>	<b>Type of shares</b>
HKSCC (Nominees) Limited	3,452,301,320	Overseas listed foreign shares
China Petroleum & Chemical Corporation	540,000,000	RMB-denominated ordinary shares
China Construction Bank - Boshi-themed Industry Stock Securities Investment Fund	75,000,000	RMB-denominated ordinary shares
Agricultural Bank of China Limited - Fullgoal CSI State-Owned Enterprises Reform Index Classified Fund	70,920,001	RMB-denominated ordinary shares
NSSF One Hundred Ten Combination	20,000,897	RMB-denominated ordinary shares
CITIC Securities Company Limited	16,247,307	RMB-denominated ordinary shares
Bank of China Limited - Jiashi value-added services industry securities investment fund	15,176,491	RMB-denominated ordinary shares
Zhao Jie	11,777,183	RMB-denominated ordinary shares
Shanghai Textile Development Corporation	8,475,000	RMB-denominated ordinary shares
IP KOW	8,148,000	Overseas listed foreign shares

Note on connected relationships or connected actions of the above shareholders

Among the above-mentioned shareholders, China Petroleum & Chemical Corporation, a state-owned enterprise 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.



**Table of Contents****(ii) Numbers and trading restrictions of the shares held by top ten shareholders holding trading restricted shares**

Name of shareholders holding trading restricted shares	Number of trading restricted shares held	Circumstances under which restricted shares can be traded		Trading Restrictions
		Earliest date of trading	Number of additional shares to be traded	
China Petroleum & Chemical Corporation	4,920,000,000	20/08/2015	540,000,000	1. Shall not be traded or transferred in the twelve 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.
		20/08/2016	4,380,000,000	

**Table of Contents****(3) Change in controlling shareholder or De Facto Controller**

During the Reporting Period, there was no change in the controlling shareholder or De Facto Controller.

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

As at 30 June 2015, 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 of Hong Kong (Chapter 571 of the Laws of Hong Kong) (the "SFO") in the shares and 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 were as set out below:

**(i) Interests in ordinary shares of the Company**

<b>Name of shareholder</b>	<b>Number and type of shares held (shares)</b>	<b>% of total issued share capital</b>	<b>% of shareholding in the Company's total issued H shares</b>	<b>Capacity</b>
China Petroleum & Chemical Corporation	5,460,000,000 Promoter of legal person shares (L)	50.56		Beneficial owner
BlackRock, Inc.	269,857,171(L) 76,000(S)	2.50(L) 0.00(S)	7.72(L) 0.00(S)	Beneficial owner; investment manager; Other (lendable 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 and short positions pursuant to Part XV of the SFO in the shares and 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.

**Table of Contents****PREFERRED SHARES**

During the Reporting Period, there were no matters regarding the preferred shares of the Company.

**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 Reporting Period were as follows:

Name	Position	Number of shares		Change
		held at the beginning of the Reporting Period (shares)	held at the end of the Reporting Period (shares)	
Wang Zhiqing	Chairman and President	Nil	Nil	No Change
Wu Haijun	Vice Chairman	Nil	Nil	No Change
Gao Jinping	Vice Chairman and Deputy General Manager	Nil	Nil	No Change
Ye Guohua	Director and Chief Financial Officer	Nil	Nil	No Change
Jin Qiang	Director and Deputy General Manager	Nil	Nil	No Change
Guo Xiaojun	Director and Deputy General Manager	Nil	Nil	No Change
Lei Dianwu	Director	Nil	Nil	No Change
Mo Zhenglin	Director	Nil	Nil	No Change
Cai Tingji	Independent Non-executive Director	Nil	Nil	No Change
Zhang Yimin	Independent Non-executive Director	Nil	Nil	No Change
Liu Yunhong	Independent Non-executive Director	Nil	Nil	No Change
Du Weifeng	Independent Non-executive Director	Nil	Nil	No Change
Kuang Yuxiang	Chairman of the Supervisory Board	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
Zheng Yunrui	Independent Supervisor	Nil	Nil	No Change
Pan Fei	Independent Supervisor	Nil	Nil	No Change
Tang Weizhong	Company Secretary	Nil	Nil	No Change
Zhang Jianbo	Chairman of the Supervisory Board (resigned)	Nil	Nil	No Change
Shen Liqiang	Independent Non-executive Director (resigned)	Nil	Nil	No Change
Jin Mingda	Independent Non-executive Director (resigned)	Nil	Nil	No Change



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

During the Reporting Period, the Company granted the Company share options to five Directors and one Senior Management as part of the Stock Incentive Scheme. Please refer to *Share Options Granted to the Directors, Supervisors or Senior Management* in this section and the Section headed of *Company Share Option Incentive Scheme and Its Impact* in *Major Matters* for details. Save as disclosed above, as at 30 June 2015, 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.

As at 30 June 2015, save as disclosed in *Share Options Granted to the Directors, Supervisors or Senior Management*, 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.

**Share options Granted to the Directors, Supervisors or Senior Management**

Name	Position	Number of share options held at the beginning of the Reporting Period	Number of Share options with Share		Number of share options held at the end of the Reporting Period
			Number of new share rights granted during the Reporting Period	exercisable options during the Reporting Period	
Wang Zhiqing	Chairman and President	0	500,000	0	500,000
Gao Jinping	Vice Chairman and Deputy General Manager	0	500,000	0	500,000
Ye Guohua	Director and Chief Financial Officer	0	430,000	0	430,000
Jin Qiang	Director and Duputy General Manager	0	430,000	0	430,000
Guo Xiaojun	Director and Duputy General Manager	0	430,000	0	430,000
Tang Weizhong	Company Secretary	0	250,000	0	250,000
<b>Total</b>		<b>0</b>	<b>2,540,000</b>	<b>0</b>	<b>2,540,000</b>

**Table of Contents****(2) Changes in Directors, Supervisors and Senior Management**

Name	Position currently held	Change	Reason
Shen Liqiang	Independent Non-executive Director	Resigned	Resignation
Jin Mingda	Independent Non-executive Director	Resigned	Resignation
Zhang Jianbo	Chairman of the Supervisory Board	Resigned	Resignation
Kuang Yuxiang	Chairman of the Supervisory Board	Elected	
Liu Yunhong	Independent Non-executive Director	Elected	
Du Weifeng	Independent Non-executive Director	Elected	
Pan Fei	Independent Supervisor	Elected	

**(3) Audit Committee**

On 26 August 2015, the Audit Committee of the Eighth 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 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).

**(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 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 petrochemicals production. Mr. Wang is the most suitable candidate to serve in 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 in any of the positions listed above.

**(6) Implementation of Model Code for Securities Transactions**

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.

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**DOCUMENTS FOR INSPECTION**

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

1. 2015 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 2015

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**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 36 to 65, 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 2015 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, 27 August 2015

*PricewaterhouseCoopers, 22/F Prince s Building, Central, Hong Kong*

*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

**Table of Contents****A. Condensed consolidated interim financial information  
Sinopec Shanghai Petrochemical Company Limited - 30 June 2015****Interim consolidated income statement**

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2015</b>	<b>2014</b>
	Note	RMB 000	RMB 000
Revenue	6	42,125,505	51,345,006
Sales taxes and surcharges		(7,060,938)	(4,654,222)
Net sales		35,064,567	46,690,784
Cost of sales		(32,687,731)	(46,223,927)
<b>Gross profit</b>		<b>2,376,836</b>	<b>466,857</b>
Selling and administrative expenses		(277,890)	(273,907)
Other operating income		41,461	49,626
Other operating expenses		(67,094)	(55,807)
Other gains - net	7	6,931	
<b>Operating profit</b>	6	<b>2,080,244</b>	<b>186,769</b>
Finance income	7	23,457	34,426
Finance expenses	7	(160,694)	(287,930)
Share of profit/(loss) of investments accounted for using the equity method		336,853	(60,716)
<b>Profit/(loss) before income tax</b>		<b>2,279,860</b>	<b>(127,451)</b>
Income tax expense	8	(491,686)	6,856
<b>Profit/(loss) for the period</b>		<b>1,788,174</b>	<b>(120,595)</b>
<b>Profit/(loss) attributable to:</b>			
- Owners of the Company		1,770,880	(123,601)
- Non-controlling interests		17,294	3,006
		<b>1,788,174</b>	<b>(120,595)</b>

**Earnings/(loss) per share attributable to owners of the Company for the period (expressed in RMB per share)**

<b>Basic earnings/(loss) per share</b>	9	<b>RMB 0.164</b>	RMB (0.011)
<b>Diluted earnings/(loss) per share</b>	9	<b>RMB 0.164</b>	RMB (0.011)

The notes on pages 42 to 65 are an integral part of these condensed consolidated interim financial information.

**Wang Zhiqing**

Chairman and General Manager

**Ye Guohua**

Director and Chief Financial Officer

**Table of Contents****Interim consolidated statement of comprehensive income**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB 000</b>	<b>RMB 000</b>
<b>Profit/(loss) for the period</b>	<b>1,788,174</b>	<b>(120,595)</b>
<b>Other comprehensive income for the period - net of tax</b>		
<b>Total comprehensive income/(loss) for the period</b>	<b>1,788,174</b>	<b>(120,595)</b>
<b>Profit/(loss) attributable to:</b>		
- Owners of the Company	<b>1,770,880</b>	<b>(123,601)</b>
- Non-controlling interests	<b>17,294</b>	<b>3,006</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>1,788,174</b>	<b>(120,595)</b>

The notes on pages 42 to 65 are an integral part of these condensed consolidated interim financial information.

**Wang Zhiqing**

Chairman and General Manager

**Ye Guohua**

Director and Chief Financial Officer

**Table of Contents****Interim consolidated balance sheet**

	Note	Unaudited 30 June 2015 RMB 000	Audited 31 December 2014 RMB 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Lease prepayment and other assets		886,904	1,043,591
Property, plant and equipment	11	14,758,321	15,541,575
Investment properties		412,350	415,842
Construction in progress	11	527,159	542,878
Investments accounted for using the equity method		3,254,000	2,936,262
Deferred income tax assets		438,156	915,069
		<b>20,276,890</b>	<b>21,395,217</b>
<b>Current assets</b>			
Inventories		5,785,273	5,930,703
Trade receivables	12	923,019	630,883
Bills receivable	12	1,415,047	1,365,677
Other receivables and prepayments	12	309,126	268,869
Amounts due from related parties	12,19(c)	1,109,876	1,035,085
Cash and cash equivalents	13	301,061	279,198
		<b>9,843,402</b>	<b>9,510,415</b>
<b>Total assets</b>		<b>30,120,292</b>	<b>30,905,632</b>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		10,800,000	10,800,000
Reserves	18	7,483,053	5,700,272
		<b>18,283,053</b>	<b>16,500,272</b>
Non-controlling interests		278,230	271,395
<b>Total equity</b>		<b>18,561,283</b>	<b>16,771,667</b>



**Table of Contents****Interim consolidated balance sheet (continued)**

	Note	Unaudited 30 June 2015 RMB 000	Audited 31 December 2014 RMB 000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	14	17,270	1,632,680
Deferred income		16,436	16,436
		<b>33,706</b>	1,649,116
<b>Current liabilities</b>			
Borrowings	14	4,217,684	4,078,195
Trade payables	16	1,817,085	2,920,459
Advance from customers	16	397,912	591,059
Bills payable	16	93,724	11,714
Other payables	16	2,393,213	1,831,263
Amounts due to related parties	16,19(c)	2,598,481	3,042,197
Income tax payable		7,204	9,962
		<b>11,525,303</b>	12,484,849
<b>Total liabilities</b>		<b>11,559,009</b>	14,133,965
<b>Total equity and liabilities</b>		<b>30,120,292</b>	30,905,632
<b>Net current liabilities</b>		<b>(1,681,901)</b>	(2,974,434)
<b>Total assets less current liabilities</b>		<b>18,594,989</b>	18,420,783

The notes on pages 42 to 65 are an integral part of these condensed consolidated interim financial information.

**Wang Zhiqing**

Chairman and General Manager

**Ye Guohua**

Director and Chief Financial Officer

**Table of Contents****Interim consolidated statement of changes in equity**

	Note	Unaudited Attributable to owners of the Company				Non- controlling interests RMB 000	Total equity RMB 000
		Share capital RMB 000	Other reserves RMB 000	Retained profits RMB 000	Total RMB 000		
<b>Balance at 1 January 2015</b>		10,800,000	4,179,276	1,520,996	16,500,272	271,395	16,771,667
Total comprehensive income for the period ended 30 June 2015				1,770,880	1,770,880	17,294	1,788,174
Employees share option scheme	18(a)		11,901		11,901		11,901
Dividends paid by subsidiaries to non-controlling interests						(10,459)	(10,459)
Appropriation of safety production fund	18(b)		25,328	(25,328)			
<b>Balance at 30 June 2015</b>		10,800,000	4,216,505	3,266,548	18,283,053	278,230	18,561,283

	Note	Unaudited Attributable to owners of the Company				Non- controlling interests RMB 000	Total equity RMB 000
		Share capital RMB 000	Other reserves RMB 000	Retained profits RMB 000	Total RMB 000		
<b>Balance at 1 January 2014</b>		10,800,000	4,183,843	2,748,651	17,732,494	259,062	17,991,556
Total comprehensive loss for the period ended 30 June 2014				(123,601)	(123,601)	3,006	(120,595)
Dividends proposed and	10			(540,000)	(540,000)		(540,000)

approved						
Dividends paid by subsidiaries to non-controlling interests					(4,129)	(4,129)
Appropriation of safety production fund	18(b)	26,923	(26,923)			
<b>Balance at 30 June 2014</b>		10,800,000	4,210,766	2,058,127	17,068,893	257,939
						17,326,832

The notes on pages 42 to 65 are an integral part of these condensed consolidated interim financial information.

**Wang Zhiqing**

Chairman and General Manager

**Ye Guohua**

Director and Chief Financial Officer

**Table of Contents****Interim consolidated statement of cash flows**

	Note	Unaudited	
		Six months ended 30 June 2015	2014
		RMB 000	RMB 000
<b>Cash flows from operating activities</b>			
Cash generated from operations		1,941,770	843,615
Interest paid		(147,511)	(199,777)
Income tax paid		(17,531)	(7,167)
<b>Net cash generated from operating activities</b>		<b>1,776,728</b>	<b>636,671</b>
<b>Cash flows from investing activities</b>			
Cash received from entrusted lending		30,000	30,000
Dividends received from joint ventures and associates		38,487	24,547
Proceeds from disposal of property, plant and equipment		4,417	5,189
Interest received		23,454	34,426
Purchases of property, plant and equipment and other long-term assets		(313,246)	(418,272)
Investment in an associate			(11,541)
Cash payment of entrusted lending		(42,000)	(38,000)
<b>Net cash used in investing activities</b>		<b>(258,888)</b>	<b>(373,651)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		20,725,975	26,442,894
Repayments of borrowings		(22,214,676)	(26,512,307)
Dividends paid to the Company's shareholders		(106)	(660)
Dividends paid by subsidiaries to non-controlling interests		(7,192)	(4,129)
<b>Net cash used in financing activities</b>		<b>(1,495,999)</b>	<b>(74,202)</b>
<b>Net increase in cash and cash equivalents</b>		<b>21,841</b>	<b>188,818</b>
Cash and cash equivalents at beginning of the period		279,198	133,256
Exchange gains on cash and cash equivalents		22	105
<b>Cash and cash equivalents at end of the period</b>	13	<b>301,061</b>	<b>322,179</b>

The notes on pages 42 to 65 are an integral part of these condensed consolidated interim financial information.

**Wang Zhiqing**

Chairman and General Manager

**Ye Guohua**

Director and Chief Financial Officer

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**Notes to the condensed consolidated interim financial information**

**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 27 August 2015.

This condensed consolidated interim financial information has been reviewed, not audited.

**2 Basis of preparation**

This condensed consolidated interim financial information for the six-month period ended 30 June 2015 has been prepared in accordance with International Accounting Standard 34 ( IAS 34 ), Interim financial reporting . The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards ( IFRS ).

**3 Accounting policies**

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, 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 2015 and adopted by the Company.

- (a) The following new and amended standards and interpretations are effective for the financial year beginning on 1 January 2015 and have no material impact on the Group:

Amendment to IFRS 2 - Share-based payment

Amendment to IFRS 8 - Operating segments

Amendment to IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets

Amendment to IAS 24 - Related Party Disclosures

Amendment to IFRS 13 - Fair value measurement

Amendment to IFRS 40 - Investment property

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.

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

**4 Estimates**

The preparation of interim financial information 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 information, 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 information for the year ended 31 December 2014.

**5 Financial risk management**

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

There have been no changes in the risk management policies since 31 December 2014.

(b) 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. Nevertheless the Group is exposed to foreign exchange risk arising from the recognised assets and liabilities (mainly borrowings and trade payables), and future transactions denominated in foreign currencies, primarily with respect to USD and EUR. The Group's finance department at its headquarter is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. The Group has entered into forward foreign exchange contracts (Note 7) to mitigate the foreign exchange risk.

As at 30 June 2015, if RMB had strengthened/weakened by 5% against the foreign currencies with all other variables held constant, the Group's net profit for the six-month period ended 30 June 2015 would have been 61,745 thousands increased/decreased (31 December 2014: RMB 107,395 thousands decreased/increased in net loss) as a result of foreign exchange gains/losses which is mainly resulted from the translation of USD and EUR denominated short-term loans and trade payables.



**Table of Contents****Notes to the condensed consolidated interim financial information** *(continued)***5 Financial risk management** *(continued)*

## (c) Offsetting financial assets and financial liabilities

## (i) Financial assets

The following financial assets are subject to offsetting arrangements:

	<b>As at 30 June 2015 RMB 000</b>	As at 31 December 2014 RMB 000
Gross amounts of recognised amounts due from related parties	<b>1,163,090</b>	1,082,558
Gross amounts of recognised amounts due to related parties set off in the balance sheet	<b>(53,214)</b>	(47,473)
Net amounts of amounts due from related parties presented in the balance sheet	<b>1,109,876</b>	1,035,085

## (ii) Financial liabilities

The following financial liabilities are subject to offsetting arrangements:

	<b>As at 30 June 2015 RMB 000</b>	As at 31 December 2014 RMB 000
Gross amounts of recognised amounts due to related parties	<b>2,651,695</b>	3,089,670
Gross amounts of recognised amounts due from related parties set off in the balance sheet	<b>(53,214)</b>	(47,473)
Net amounts of amounts due to related parties presented in the balance sheet	<b>2,598,481</b>	3,042,197

According to the offsetting arrangement entered between the Company and its related party, Shanghai Secco Petrochemical Company Limited, the relevant financial assets and liabilities between the Group and Shanghai Secco

Petrochemical Company Limited, are settled on a net basis each month.

**Table of Contents****Notes to the condensed consolidated interim financial information (continued)****6 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 2014.

	Six months period ended 30 June 2015			Six months period ended 30 June 2014		
	Total segment revenue RMB 000	Inter segment revenue RMB 000	Revenue from external customers (note a) RMB 000	Total segment revenue RMB 000	Inter segment revenue RMB 000	Revenue from external customers (note a) RMB 000
Synthetic fibres	1,277,780		1,277,780	1,455,724		1,455,724
Resins and plastics	5,424,043	49,134	5,374,909	6,113,490	120,663	5,992,827
Intermediate petrochemicals	9,855,653	4,806,577	5,049,076	15,547,911	8,676,997	6,870,914
Petroleum products	24,857,847	1,670,932	23,186,915	33,086,391	3,204,352	29,882,039
Trading of petrochemical products	7,754,411	932,368	6,822,043	8,082,312	1,407,682	6,674,630
All others segments	802,051	387,269	414,782	1,056,286	587,414	468,872
<b>Total</b>	<b>49,971,785</b>	<b>7,846,280</b>	<b>42,125,505</b>	<b>65,342,114</b>	<b>13,997,108</b>	<b>51,345,006</b>

	Six months period ended 30 June 2015 RMB 000	Six months period ended 30 June 2014 RMB 000
Profit/(loss) from operations		
Synthetic fibres	(198,708)	(289,780)
Resins and plastics	671,713	(262,983)
Intermediate petrochemicals	491,756	59,283
Petroleum products	1,038,809	558,269
Trading of petrochemical products	7,509	26,164
All others	69,165	95,816
<b>Total consolidated profit from operations</b>	<b>2,080,244</b>	<b>186,769</b>
Net finance expenses		
Share of profit/(loss) of investments accounted for	(137,237)	(253,504)

using the equity method	<b>336,853</b>	(60,716)
<b>Profit/(Loss) before taxation</b>	<b>2,279,860</b>	(127,451)

**Table of Contents****Notes to the condensed consolidated interim financial information (continued)****6 Segment information (continued)**

Note (a): Sales to Sinopec Corp., its subsidiaries and joint ventures are as follows:

	<b>Six months period ended 30 June 2015 RMB 000</b>	<b>Six months period ended 30 June 2014 RMB 000</b>
Intermediate petrochemicals	657,980	1,346,768
Petroleum products	22,095,131	27,522,679
Trading of petrochemical products	1,273,986	2,514,519
Others	94,979	108,685
<b>Total</b>	<b>24,122,076</b>	<b>31,492,651</b>

	<b>30 June 2015 Total assets RMB 000</b>	<b>31 December 2014 Total assets RMB 000</b>
<b>Allocated assets</b>		
Synthetic fibres	1,759,775	1,762,111
Resins and plastics	1,755,600	1,714,407
Intermediate petrochemicals	4,906,076	5,339,892
Petroleum products	13,690,735	13,856,761
Trading of petrochemical products	1,351,049	1,312,503
All others	2,009,000	2,156,341
<b>Allocated assets</b>	<b>25,472,235</b>	<b>26,142,015</b>
<b>Unallocated assets</b>		
Investments accounted for using the equity method	3,254,000	2,936,262
Deferred tax assets	438,156	915,069
Investment property	412,350	415,842
Others	543,551	496,444
<b>Unallocated assets</b>	<b>4,648,057</b>	<b>4,763,617</b>

<b>Total assets</b>	<b>30,120,292</b>	30,905,632
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**Table of Contents****Notes to the condensed consolidated interim financial information (continued)****6 Segment information (continued)**

	<b>30 June 2015 Total liabilities RMB 000</b>	31 December 2014 Total liabilities RMB 000
<b>Allocated liabilities</b>		
Synthetic fibres	<b>307,114</b>	340,837
Resins and plastics	<b>842,401</b>	947,649
Intermediate petrochemicals	<b>873,682</b>	1,028,939
Petroleum products	<b>4,019,245</b>	4,812,737
Trading of petrochemical products	<b>1,173,298</b>	1,172,575
Others	<b>108,315</b>	120,353
<b>Allocated liabilities</b>	<b>7,324,055</b>	8,423,090
<b>Unallocated liabilities</b>		
Borrowings - current part	<b>4,217,684</b>	4,078,195
Borrowings - non-current part	<b>17,270</b>	1,632,680
<b>Unallocated liabilities</b>	<b>4,234,954</b>	5,710,875
<b>Total liabilities</b>	<b>11,559,009</b>	14,133,965

**7 Profit/(loss) before income tax****(a) Finance expenses - net**

	<b>Six months period ended 30 June</b>	
	<b>2015 RMB 000</b>	2014 RMB 000
Interest income	<b>23,457</b>	34,426
<b>Finance income</b>	<b>23,457</b>	34,426

Interest on bank and other borrowings	<b>(141,005)</b>	(204,373)
Net foreign exchange loss	<b>(19,689)</b>	(83,557)
<b>Finance expenses</b>	<b>(160,694)</b>	(287,930)
<b>Finance expenses - net</b>	<b>(137,237)</b>	(253,504)

**Table of Contents****Notes to the condensed consolidated interim financial information (continued)****7 Profit/(loss) before income tax (continued)****(b) Other gains - net**

	<b>Six months period ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB 000</b>	RMB 000

Forward foreign exchange contracts	<b>6,931</b>	
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During the six-month period ended 30 June 2015, the Group entered into forward foreign exchange contracts to mitigate foreign exchange risk from borrowings denominated in EUR. For the six-month period ended 30 June 2015, gain from realised forward foreign exchange contracts amounted to RMB 6,931 thousands (six-month period ended 30 June 2014: nil), which was recognised in other gain of the condensed consolidated interim income statement. As at 30 June 2015, the Group had no unsettled forward foreign exchange contract (31 December 2014: nil).

**(c) Operating items**

	<b>Six months period ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB 000</b>	RMB 000

Amortisation of lease prepayments	<b>8,804</b>	8,804
Depreciation	<b>895,110</b>	984,751
Research and development costs	<b>14,265</b>	20,126
Write-down of inventories	<b>10,700</b>	22,864
Impairment of property, plant and equipment	<b>50,001</b>	
Net loss on disposal of property, plant and equipment	<b>7,927</b>	8,205

The inventory write-downs of RMB 10,700 thousands was mainly due to that the carrying amount of the trading products Ethyl acetate and Propane were lower than the net realisable value (six-month period ended 30 June 2014: RMB 22,864 thousands).

During the six-month period ended 30 June 2015, as a result of increasing market competition and low profit margin of the relevant products, the management of the Company shut down the manufacturing of acrylonitrile plant and decided to dispose it. Therefore, the Company fully provided impairment for the equipment at their carrying amounts of RMB 50,001 thousands (six-month period ended 30 June 2014: nil).

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**Table of Contents****Notes to the condensed consolidated interim financial information** *(continued)***8 Income tax expense**

	<b>Six months period ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB 000</b>	<b>RMB 000</b>
Provision for PRC income tax for the period	<b>14,773</b>	7,193
Deferred taxation	<b>476,913</b>	(14,049)