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 x 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 x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- 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	www.hkexnews.hk
Shanghai Stock Exchange website	www.sse.com.cn
Website of the Company	www.spc.com.cn
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

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MAJOR FINANCIAL DATA AND INDICATORS

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

(1) Major Accounting Data

Amount: RMB 000

Major Accounting Data	**The Reporting Period (January to June)**	Corresponding period of the previous year	Increase/decrease as compared to the corresponding period of the previous year (%)
Revenue	**42,152,450**	51,374,277	-18.0
Net profit attributable to equity shareholders of the Company (- for loss)	**1,731,166**	-164,911	N/A
Net profit attributable to equity shareholders of the Company excluding non-recurring items (- for loss)	**1,736,231**	-157,119	N/A
Net cash inflow from operating activities	**1,924,239**	836,448	130.0

	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease at the end of the Reporting Period as compared to the end of the previous year (%)
Net assets attributable to equity shareholders of the Company	**18,339,018**	16,570,623	10.7
Total assets	**30,341,257**	31,145,983	-2.6

(2) Major Financial Indicators

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

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

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

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(3) Non-recurring Items and Amount

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
Total	-5,065

(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	
	The Reporting Period	Corresponding period of the previous year	At the end of the Reporting Period	At the beginning of the Reporting Period
Prepared under CAS	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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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
Total	**6,609.4**	**35,064.6**	**100.0**	6,275.3	46,690.8	100.0

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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.

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(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	**1,973,350**	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	**65,141**	31,098	109.47	An increase in prepaid purchase funds
Long-term equity investment	**3,419,000**	3,106,262	10.07	Profit of associates
Deferred tax assets	**438,156**	915,069	-52.12	Profit in the Reporting Period, using deferred income tax assets recognized in the previous years
Short-term borrowings	**2,912,004**	4,078,195	-28.60	Profit in the Reporting Period; decline in demand fo