

Focused on safety, environmental protection and operation optimization
Committed to market exploration and cost reduction

HONG KONG, Aug. 23, 2016 /PRNewswire/ -- Sinopec Shanghai Petrochemical Company Limited ("Shanghai Petrochemical" or the "Company") (HKEx: 00338; SSE: 600688; NYSE: SHI) today announced the unaudited operating results of the Company and its subsidiaries (the "Group"), prepared under International Financial Reporting Standards ("IFRS"), for the six months ended 30 June, 2016 (the "Period").

According to IFRS, turnover for the Group for the Period reached RMB36,968.5 million, representing a decrease of 12.24% year-on-year. The Group recorded profit after income tax and non-controlling shareholder interests of RMB3,148.6 million, representing an increase of 77.80% year-on-year. Basic earnings per share amounted to RMB0.292 (2015 interim: basic earnings per share of RMB0.164). The Board of Directors did not recommend the distribution of 2016 interim dividend (2015 interim: Nil).

Mr. Wang Zhiqing, Chairman of Shanghai Petrochemical, said, "In the first half of 2016, China's economy faced the complicated domestic and international environment and the increased downward pressure on its growth. China accelerated its supply-side structural reform and supported the start-up business and innovation, which enabled the economy to achieve an overall steady development and recorded a GDP growth of 6.7% for the first half of 2016, representing a decrease of 0.3 percentage points as compared to the same period last year. The petrochemical industry in China was steady for the first half of 2016 in general as consumption of major products increased steadily, profitability of refined oil products improved while profit from the petrochemical business grew more rapidly. However, downward pressure affecting the development of the industry remains. While investment decreased and a new growth driver had yet to come, the industry was in the process of bottoming out and regaining confidence. The Group endeavoured to achieve progress in safety and environmental protection, operation optimization, market exploration, as well as cost and expenses reduction while facing the adversity and intensive market competition."

In the first half of 2016, the Group's net sales amounted to RMB30,782.3 million, representing a decrease of 12.21% year-on-year. Among which, net sales of synthetic fibers, resins and plastics, intermediate petrochemical products and petroleum products declined by 22.17%, 12.10%, 16.30% and 29.06%, respectively. Net sales from the trading of petrochemical products increased by 32.00%.

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

In the first half of 2016, the fundamentals of crude oil market gradually recovered, the global crude oil prices rebounded after touching the bottom in the beginning of the year and then showed a rising trend, with fluctuations. The average unit cost of crude oil processed (for the Group's own account) was RMB1,745.24 per ton, representing a decrease of 34.22% year-on-year. The Group's cost of crude oil accounted for 39.29% of the total cost of sales.

During the Period, the Group thoroughly broke down and implemented the responsibilities on safe production. The Group maintained the stable operation of production devices and strengthened the evaluation on production and operation performance with all technical and economic indicators effectively improved. The Group adhered to the dynamic optimization mechanism of "daily computation of gross profit margin and weekly exploration of plant potential". Meanwhile, the Group steadily implemented major emission reduction projects, such as the desulfurization and denitrification of boilers in thermal power division and the start-up boiler renovation for the Olefins Division. It also completed the "Clear Water, Blue Sky" environmental protection project. In terms of technology development, on top of designing high-value-added new products and implementing marketing initiatives, the Group actively endeavored to achieve an up-to-standard operation of carbon fiber equipment with a breakthrough in the industrial application of carbon fiber achieved. The Group developed and manufactured 117,300 tons of new products, and submitted 26 patent applications and obtained 28 patent authorizations. In addition, the Group actively optimized the management framework and further enhanced corporate management.

Looking ahead, Mr. Wang Zhiqing said, "In the second half of 2016, the global economy will be clouded with more uncertainties. Given low prices for staple commodity, lackluster growth of advanced economies, weak investment and trading, coupled with the impact of uncertainties such as geopolitics and Brexit (the United Kingdom leaving European Union), the global economy will continue to be in a stage of profound adjustments and the challenges to an economic recovery will still be severe. Despite the unchanged fundamental long-term positive trend of China's economic development, the downward pressure on the economy will remain enormous as the structural contradictions in the China's economy will continue to be obvious, new drivers for economic growth are yet to emerge, and it will take time to formulate solutions to the overcapacity problem. Facing the

serious structural overcapacity of the petrochemical industry in China, as well as the reform of resource tax in China and fees imposed on pollutants emissions, costs of petrochemical enterprises will definitely increase. The increasingly stringent safety and environmental standards of the state and acceleration of oil products upgrade will also pose tremendous challenges to the industry. Facing a challenging market environment, the Group's approach will be more efficiency-oriented and market-oriented to ensure achievements in various aspects, including safety and environmental protection, optimization of system, reduction of cost and expenses, as well as corporate governance, which in turn will realize a continuous growth of benefits."

Shanghai Petrochemical is one of the largest petrochemical companies in China in terms of sales revenue, and was one of the first Chinese companies to complete a global securities offering. Located in the Jinshan District in southwest Shanghai, the Group is a highly-integrated petrochemicals enterprise which processes crude oil into a broad range of products such as synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products.

This press release contains statements of a forward-looking nature. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as "will", "expects", "anticipates", "future", "intends", "plans", "believes", "estimates" and similar statements. The accuracy of these statements may be impacted by a number of business risks and uncertainties that could cause actual results to differ materially from those projected or anticipated, including risks such as the risk that the PRC economy may not grow at the same rate in future periods as it has in the last several years, or at all, due to the PRC government's implementation of macro-economic control measures to curb over-heating of the PRC economy; uncertainty as to global economic growth in future periods; the risk that prices of the Company's raw materials, particularly crude oil, will continue to increase, the Company may not be able to raise the prices of its products as appropriate, thus adversely affecting the Company's profitability; the risk that new marketing and sales strategies may not be effective; the risk that fluctuations in demand for the Company's products may cause the Company to either over-invest or under-invest in production capacity in one or more of its four major product categories; the risk that investments in new technologies and development cycles may not produce the benefits anticipated by the management; the risk that the trading price of the Company's shares may decrease for a variety of reasons, some of which may be beyond the control of the management; the risk of competition in the Company's existing and potential markets; and other risks outlined in the Company's filings with the U.S. Securities and Exchange Commission. The Company does not undertake any obligation to update this forward-looking information, except as required under applicable laws.

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Encl: Condensed Consolidated Income Statement (Unaudited): <http://photos.prnasia.com/prnk/20160823/8521605335>

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