Sinopec Shanghai Petrochemical Company Limited
中國石化上海石油化工股份有限公司

(A joint stock limited company incorporated in the People's Republic of China)
（Stock Code：00338）

2018 Annual Results Announcement

1. IMPORTANT MESSAGE

1.1 The Board of Directors (the "Directors")(the "Board") and the Supervisory Committee of Sinopec Shanghai Petrochemical Company Limited (the "Company" or "SPC") as well as its Directors, Supervisors and senior management warrant the truthfulness, accuracy and completeness of the information contained in the 2018 annual report, and warrant that there are no false representations or misleading statements contained in, or material omissions from, the 2018 annual report of the Company, and severally and jointly accept responsibility.

1.2 This annual results announcement is extracted from the full text of the 2018 annual report. The Chinese version of the full report is published on the websites of the Shanghai Stock Exchange ("SSE"), The Stock Exchange of Hong Kong Ltd ("Hong Kong Stock Exchange") and the Company. For details, investors are advised to read the full text of the 2018 annual report.

1.3 Director(s) who has/have not attended the Board meeting for approving the 2018 annual report of the Company is/are:

Name of Director	Position	Reasons for Absence	Name of Proxy
Lei Dianwu	Non-Executive Director	Business Engagement	Wu Haijun
Jin Qiang	Executive Director	Business Engagement	Wu Haijun

1.4 The financial statements for the year ended 31 December 2018 (the "Reporting Period"), prepared under the People's Republic of China ("PRC" or "China")'s Accounting Standards ("CAS") as well as the International Financial Reporting Standards ("IFRS"), were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, respectively, and both firms have issued unqualified opinions on the financial statements in their auditors' reports.

1.5 In 2018, the net profit attributable to equity shareholders of the Company amounted to RMB 5,277,186,000 under CAS (net profit of RMB 5,336,331,000 under IFRS). According to the 2018 profit distribution plan approved by the Board on 19 March 2019, the Board proposed to distribute a dividend of RMB 0.25 per share (including tax) (the "Final Dividend") based on the total number of issued shares of the Company as at the record date for distributing dividend. The 2018 profit distribution plan will be implemented subject to approval of the Company's 2018 annual general meeting (the "AGM"). The date and time of the AGM and book closure arrangement will be announced later. The notice of the AGM will be announced separately in accordance with the provisions of the Articles of Association of the Company. The notice of the AGM, the accompanying circular and proxy form will be despatched to holders of H shares in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Listing Rules").

Subject to the passing of the resolution by the shareholders of the Company at the AGM, the Final Dividend is expected to be distributed on or around Thursday, 18 July 2019 to shareholders whose names appear on the register of members of the Company's H shares at the close of business on Monday, 1 July 2019. The Final Dividend is denominated and declared in Renminbi. The Final Dividend payable to the holders of the Company's A shares shall be paid in Renminbi while those payable to the holders of the Company's H shares shall be paid in Hong Kong dollars. The amount of Hong Kong dollars payable shall be calculated on the basis of the average closing exchange rates for Hong Kong dollars as announced by the Foreign Exchange Trading Centre of the PRC one calendar week prior to the approval of the Final Dividend at the AGM.

The Company is expected to close the register of members of the Company's H shares from Wednesday, 26 June 2019 to Monday, 1 July 2019 (both days inclusive), during which period no transfer of H shares will be registered in order to confirm the shareholders' entitlement to receive the Final Dividend. The holders of the Company's H shares who wish to receive the Final Dividend should lodge the transfer documents and relevant share certificates with the Company's H shares share registrar, Hong Kong Registrars Limited, at Room 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 4:30 p.m. on Tuesday, 25 June 2019.

The record date for dividend distribution, distribution procedures and time for the distribution of dividends applicable to holders of the Company's A shares will be announced separately.

2. CORPORATE INFORMATION

2.1 Corporate information

Place of listing of A shares:	Shanghai Stock Exchange
Stock abbreviation of A shares:	上海石化
Stock code of A shares:	600688
Place of listing of H shares:	The Stock Exchange of Hong Kong Limited
Stock abbreviation of H shares:	SHANGHAI PECHEM
Stock code of H shares:	00338
Place of listing of American Depositary Receipts (ADR):	New York Stock Exchange
Code of American Depositary Receipts (ADR):	SHI
Registered address and business address:	48 Jinyi Road, Jinshan District, Shanghai, PRC
Postal Code:	200540
Principal place of business in Hong Kong:	Room 605, Island Place Tower, 510 King's Road, Hong Kong
Website of the Company:	www.spc.com.cn
E-mail address:	spc@spc.com.cn

2.2 Contact persons and contact details

	Secretary to the Board	**Securities Affairs Representative**
Name	Guo Xiaojun	Ding Yonghui
Address	48 Jinyi Road, Jinshan District, Shanghai, PRC, Postal Code: 200540	48 Jinyi Road, Jinshan District, Shanghai, PRC, Postal Code: 200540
Tel	8621-57943143	8621-57933728
Fax	8621-57940050	8621-57940050
E-mail	guoxiaojun@spc.com.cn	dingyonghui@spc.com.cn

2.3 Introduction of main business or products during the Reporting Period

Located at Jinshanwei in the southwest of Shanghai, the Company is a highly integrated petrochemical enterprise which mainly processes crude oil into a broad range of petroleum products, intermediate petrochemicals, resins and plastics and synthetic fibresintermediate petrochemicals. The Company sells most of its products within the PRC domestic market and derives most of its revenues from customers in Eastern China, one of the fastest growing regions in the PRC.

The Company's high-quality development is supported by the ever-increasing demand in the PRC for petrochemical products. Relying on the competitive advantage of its high degree of integration, the Company is optimizing its product mix, improving the quality and variety of its existing products, upgrading technology and increasing the capacity of its key upstream plants.

In 2018, focusing on overall efficiency and profits of the Company, the Group actively responded to the complex and constantly changing market environment, worked on safety and environmental protection, optimizing operation, cost reduction, market development, research and development, human resource development, etc. The Group has achieved major improvement in production and operation and has continued to maintain a relatively high level of profitability.

3. ACCOUNTING DATA AND FINANCIAL INDICATORS

3.1 Major accounting data *(Prepared under CAS)*

Unit：RMB'000

Major accounting data	2018	2017	Increase/ decrease compared to the previous year (%)	2016
Revenue	107,764,908	92,013,569	17.12%	77,894,285
Total profit	6,748,976	7,851,234	-14.04%	7,765,405
Net profit attributable to shareholders of the Company	5,277,186	6,141,558	-14.07%	5,955,576
Net profit attributable to shareholders of the Company excluding non-recurring items	5,067,583	6,293,745	-19.48%	5,921,988
Net cash flows generated from operating activities	6,695,099	7,078,482	-5.42%	7,210,957
	End of 2018	**End of 2017**	**Increase/ decrease compared to the previous year (%)**	**End of 2016**
Total equity attributable to equity shareholders of the Company	30,370,126	28,256,306	7.48%	24,750,048
Total assets	44,539,960	39,609,536	12.45%	34,123,693

3.2 Major financial indicators *(Prepared under CAS)*

Major financial indicators	2018	2017	Increase/ decrease compared to the previous year (%)	2016
Basic earnings per share (RMB/Share)	0.488	0.568	-14.08%	0.551
Diluted earnings per share (RMB/Share)	0.488	0.568	-14.08%	0.551
Basic earnings per share excluding non-recurring items (RMB/Share)	0.468	0.583	-19.73%	0.550
Return on net assets (weighted average) (%)*	16.211	20.840	Decreased by 4.63 percentage points	26.383
Return on net assets excluding non-recurring items (weighted average) (%)*	15.567	21.356	Decreased by 5.79 percentage points	26.254
Net cash flow per share generated from operating activities (RMB/Share)	0.619	0.655	-5.5%	0.668

	End of 2018	End of 2017	Increase/ decrease compared to the previous year (%)	End of 2016
Net assets per share attributable toshareholders of the Company (RMB/Share)*	2.806	2.613	7.39%	2.292
Gearing ratio (%)	31.553	27.943	Increased by 3.61 percentage points	26.645

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

3.3 Non-recurring items *(Prepared under CAS)*

Unit: RMB'000

Non-recurring items	**2018**	**2017**	**2016**
Gains/(Losses) on disposal of non-current assets	172,508	-13,017	-42,031
Gains on disposal of long-term equity investment	1,622	10,339	-
Employee reduction expenses	-34,450	-176,954	-19,200
Government grants recognised through profit or loss (excluding government grants pursuant to the State's unified standard sum and quota to closely related corporate business)	126,329	75,703	154,631
Income from external entrusted lendings	11	1,164	1,818
Foreign exchange option and foreign exchange forward contract gains/(Losses)	14,520	-1,516	-
Other non-revenue and expenses other than those mentioned above	-55,092	-44,159	-47,281
Effect on non-controlling interests (after tax)	-7,079	-1,526	-1,714
Tax effect for the above items	-8,766	-2,221	-12,635
Total	209,603	-152,187	33,588

3.4 Financial information prepared under IFRS (for the past five years)

Unit: RMB million

Year ended 31 December	**2018**	**2017**	**2016**	**2015**	**2014**
Net sales	95,613.5	79,218.3	65,936.5	67,037.2	92,725.0
Profit/(loss) before income tax	6,808.1	7,852.9	7,778.3	4,237.2	(889.9)
Profit for the year	5,336.2	6,154.2	5,981.5	3,310.4	(675.8)
Profit/(loss) attributable to owners of the Company	5,336.3	6,143.2	5,968.5	3,274.3	(692.2)
Basic earnings/(loss) per share (RMB)	0.493	0.569	0.553	0.303	(0.064)
Diluted earnings/(loss) per share (RMB)	0.493	0.568	0.552	0.303	(0.064)
Basic and diluted earnings/(loss) per share (RMB) (restated)	N/A	N/A	N/A	N/A	N/A
As at 31 December:					
Total equity attributable to owners of the Company	30,346.1	28,230.2	24,722.0	19,797.3	16,500.3
Total assets	44,385.9	39,443.5	33,945.6	27,820.6	30,905.6
Total liabilities	13,923.5	10,927.9	8,942.4	7,726.3	14,134.0

* After the implementation of capitalisation of the capital reserve in December 2013, the total number of issued shares of the Company increased from 7.2 billion shares to 10.8 billion shares.

The first tranche of the Share Option Incentive Scheme was exercised on 29 August 2017. As a result, ordinary A shares of 14,176.6 thousands were registered on 27 September 2017.

The second tranche of the Share Option Incentive Scheme was exercised on 12 January 2018, led to an increase of 9,636.9 thousands in share capital.

3.5 Major quarterly financial data in 2018 *(Prepared under CAS)*

Unit：RMB'000

	First Quarter (January to March)	**Second Quarter (April to June)**	**Third Quarter (July to September)**	**Fourth Quarter (October to December)**
Revenue	25,759,522	26,428,118	28,632,763	26,944,505
Net profit attributable to shareholders of the Company	1,771,513	1,752,618	1,136,283	616,772
Net profit attributable to shareholders of the Company excluding non-recurring items	1,768,368	1,746,963	1,156,744	395,508
Net cash flows generated from operating activities	1,635,267	2,592,137	-892,180	3,359,875

4. SHAREHOLDINGS OF SHAREHOLDERS AND CONTROLLING DIAGRAM

4.1 Shareholdings of the top ten shareholders

Number of owners as at the end of the Reporting Period	**90,979**
Number of owners as at the end of the month immediately preceding the publication date of the annual report	**88,598**

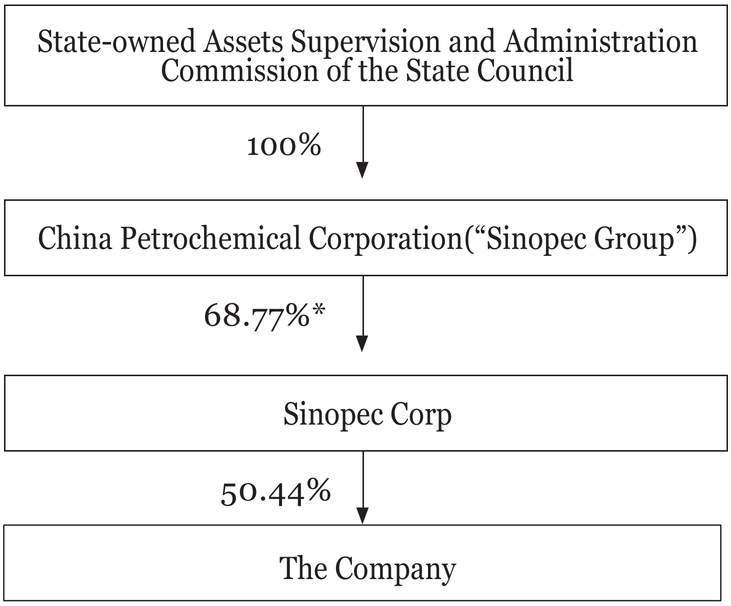
Shareholding of the top ten shareholders

Full name of shareholder	Class of shares	Increase/ decrease of shareholding during the Reporting Period (Shares)	Number of shares held at the end of the Reporting Period (Shares)	Percentage of shareholding (%)	Number of shares held with selling restrictions (Shares)	Pledged/Frozen		Nature of shareholder
						Status of Shares	Number of Shares	
China Petroleum & Chemical Corporation	A shares	0	5,460,000,000	50.44	0	None	0	State-owned legal person
HKSCC (Nominees) Limited	H shares	1,508,500	3,458,140,821	31.95	0	Unknown	-	Overseas legal person
China Securities Finance Corporation Limited	A shares	-115,578,227	324,111,018	2.99	0	None	0	Others
HKSCC Limited	A shares	64,763,147	78,698,924	0.73	0	None	0	Others
Central Huijin Investment Ltd.	A shares	0	67,655,800	0.63	0	None	0	Others
GF Fund – Agricultural Bank of China – GF CSI Financial Asset Management Plan	A shares	22,470,400	45,222,300	0.42	0	None	0	Others
Dacheng Fund – Agricultural Bank of China – Dacheng CSI Financial Asset Management Plan	A shares	22,470,400	43,531,469	0.40	0	None	0	Others
China Asset Fund – Agricultural Bank of China – China Asset CSI Financial Asset Management Plan	A shares	22,470,400	43,083,750	0.40	0	None	0	Others
Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Asset Management Plan	A shares	22,470,400	43,083,700	0.40	0	None	0	Others
E Fund – Agricultural Bank of China – E Fund CSI Financial Asset Management Plan	A shares	22,470,400	43,083,700	0.40	0	None	0	Others

Note on connected relationship or acting in concert of the above shareholders:

Among the above-mentioned shareholders, China Petroleum & Chemical Corporation ("Sinopec Corp."), a State-owned legal person, does not have any connected relationship with the other shareholders, and does not constitute an act-in-concert party under the Administrative Measures on Acquisition of Listed Companies. Among the above-mentioned shareholders, HKSCC (Nominees) Limited is a nominee and HKSCC Limited is the nominal holder of the company's Shanghai-Hong Kong Stock Connect. Apart from the above, the Company is not aware of any connected relationships among the other shareholders, or whether any other shareholder constitutes an act-in-concert party under the Administrative Measures on Acquisition of Listed Companies.

4.2 Diagram of the ownership and controlling relationship between the Company and the controlling shareholder and the de facto controller



* Including 553,150,000 H shares in Sinopec Corp. held by Sinopec Century Bright Capital Investment Limited, an overseas wholly-owned subsidiary of Sinopec Group, through HKSCC (Nominees) Limited.

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

As at 31 December 2018, so far as was known to the Directors or chief executive of the Company, the interests and short positions of the Company’s substantial shareholders (being those who are entitled to exercise or control the exercise of 5% or more of the voting power at any general meeting of the Company but excluding the Directors, chief executive and Supervisors) in the shares and underlying shares of the Company who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) or as recorded in the register of interests required to be kept under section 336 of the SFO were as set out below:

Interests in ordinary shares of the Company

Name of shareholders	Interests held or deemed as held (shares)	Note	Percentage of total issued shares of the Company (%)	Percentage of total issued shares of the relevant class (%)	Capacity
China Petroleum & Chemical	5,460,000,000 A shares (L) Shares of legal person	(1)	50.44(L)	74.50(L)	Beneficial owner
The Bank of New York Mellon Corporation	496,076,471 H shares(L) 402,870,300 H shares(S) 81,142,371 H shares(P)	(2)	4.58(L) 3.72(S) 0.75(P)	14.19(L) 11.53(L) 2.32(L)	Interests of controlled corporation
BlackRock, Inc.	301,719,530 H shares (L) 920,000 H shares (S)	(3)	2.79(L) 0.01(S)	8.63(L) 0.03(S)	Interests of controlled corporation
JPMorgan Chase & Co.	211,318,513H shares(L) 27,102,814H shares(S) 153,496,014H shares(P)	(4)	1.95(L) 0.25(S) 1.42(P)	6.04(L) 0.77(L) 4.39(L)	Interests of controlled corporation, investment manager, secured equity holders and approved lending agents
Corn Capital Company Limited	211,008,000 H shares (L) 200,020,000 H shares (S)	(5)	1.95(L) 1.85(S)	6.04(L) 5.72(S)	Beneficial owner
Kong Xianhui	211,008,000 H shares (L) 200,020,000 H shares (S)	(5) (5)	1.95(L) 1.85(S)	6.04(L) 5.72(S)	Interests of controlled corporation
Yardley Finance Limited	200,020,000 H shares (L)	(6)	1.85(L)	5.72(L)	Secured equity holders
Chan Kin Sun	200,020,000 H shares (L)	(6)	1.85(L)	5.72(L)	Interests of controlled corporation
Citigroup Inc.	193,021,290 H shares(L) 798,000 H shares(S) 182,593,643 H shares(P)	(7)	1.78(L) 0.01(S) 1.69(P)	5.52(L) 0.02(S) 5.22(P)	Secured equity holders, Interests of controlled corporation, and approved lending agents

Note:

(1) Based on the information obtained by the Directors from the website of the Hong Kong Stock Exchange and as far as the Directors are aware, Sinopec Group directly and indirectly owned 68.77% of the issued share capital of Sinopec Corp. as at 31 December 2018. By virtue of such relationship, Sinopec Group is deemed to have an interest in the 5,460,000,000 A shares of the Company directly owned by Sinopec Corp.

(2) All the 402,870,300 H shares (short position) held by The Bank of New York Mellon Corporation were held through physical-settlement unlisted derivatives.

(3) Of the H shares (long position) held by BlackRock, Inc., 2,016,000 H shares (long position) were held through cash settled unlisted derivatives.

(3) All the 920,000 H shares (short position) held by BlackRock, Inc. were held through cash settled unlisted derivatives.

(4) Of the H shares (long position) held by JPMorgan Chase & Co., 2,445,835 H shares (long position) were held through cash settled unlisted derivatives.

(4) Of the H shares (short position) held by JPMorgan Chase & Co., 30,000 H shares (short position) were held through cash settled listed derivatives, 18,283,514 H shares (short position) were held through physical-settlement listed derivatives, 2,704,000 H shares (short position) were held through cash settled unlisted derivatives.

(5) These shares were held by Corn Capital Company Limited. Kong Xianhui held 100% interests in Corn Capital Company Limited. Pursuant to the SFO, Kong Xianhui was deemed to be interested in the shares held by Corn Capital Company Limited.

(6) These shares were held by Yardley Finance Limited. Chan Kin Sun held 100% interests in Yardley Finance Limited. Pursuant to the SFO, Chan Kin Sun was deemed to be interested in the shares held by Yardley Finance Limited.

(7) Of the H shares (long position) held by Citigroup Inc., 4,061,600 H shares (long position) were held through physical-settlement listed derivatives, 74,000 H shares (long position) were held through cash settled unlisted derivatives.

(7) Of the H shares (short position) held by Citigroup Inc., 798,000 H shares (short position) were held through cash settled unlisted derivatives.

Save as disclosed above, as at 31 December 2018, the Directors have not been notified by any person (other than the Directors, chief executive and Supervisors) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

5. REPORT OF THE DIRECTORS (MANAGEMENT DISCUSSION AND ANALYSIS)

(Unless otherwise specified, the financial information included in this "Management Discussion and Analysis" section was extracted from the financial statements prepared under IFRS.)

5.1 General – Review of the Company's operations during the Reporting Period

In 2018, the recovery of the world economy remained on track. While the US economic performance was impressive, the European economy showed signs of a slowdown and the Japanese economy suffered from downward pressure. The economic growth of emerging and developing economies was generally flat. Amid complicated domestic and international environment and various challenges, China's economy generally remained stable. The old growth drivers were replaced by the new growth drivers at a faster pace, and its economic structure was further optimized with the quality of growth and efficiency was enhanced. However, due to the increasing risk of external environment uncertainty, the increasing fluctuation of domestic stock and exchange markets, and the difficulties that the real economy encountered, China's economy moderated downwards throughout the year. The gross domestic product (GDP) grew by 6.6%, down 0.3% from the growth rate of a year ago. The overall situation of China's petrochemical industry continued to be stable with positive outlook. Domestic production and market demand was basically stable, and the product prices went up. Both of total market revenue and profit climbed.

In 2018, focusing on overall efficiency and profits of the Company, the Group actively responded to the complex and constantly changing market environment, worked on safety and environmental protection, optimizing operation, cost reduction, market development, research and development, human resource development, etc. The Group has achieved major improvement in production and operation and has continued to maintain a relatively high level of profitability.

(i) Enhancing HSSE management, strengthening the foundation of production and operation

In 2018, the Group actively explored a new mode of HSSE management, implemented an accountability system for work safety and environmental protection, built a process safety management system on a pilot basis, thereby laying a solid foundation for the full implementation of process management. Moreover, it addressed the importance of leadership's responsibilities in managing risk issues; strengthened safety management of contractors and field operations; actively promoted green enterprises initiatives, focusing on air pollution control; improved basic LDAR data base and promoted full coverage of LDAR; actively implemented Shanghai Clean Air Action Plan and carried out relevant projects of the second round of Jinshan District Environmental Comprehensive Remediation Action; and continuously carried out "All Employees Safety Diagnosis" and "10,000 Employees Checking Odor" programmes. The Company maintained an HSSE record of "Seven Zeros" for the whole year and was won the “Excellence in Safety Production and Environment Protection” award in Sinopec Group; strengthened production and operation management; intensified unplanned shutdown management and examination and enhanced maintenance management of key unit equipment. The Company successfully completed the centralized inspection and modification of 48 sets of equipment mainly in 2 # ethylene new area and all achieved success in the first text operation. In 71 main technical and economic indicators under the corporate monitoring, 38 indicators were better than those year with year-on-year progress rate of 53.52%; and 29 indicators reached an advanced level of the industry with an industry advance rate of 40.85%.

In 2018, the Group’s facilities ran smoothly. The processing volume of crude oil remained stable but the processing business was reduced, leading to an increase in the amount of the Group’s products and commodities. The total volume of main product sales was 13,416,000 tons, representing an increase of 6.42% as compared to the previous year. In 2018, the Group’s turnover was RMB 107,689 million, representing a decrease of 17.10% as compared to the previous year. The product sales rate was 100.21% and the loan return rate was 100%. The Group maintained the high quality of its products.

Products	Production 2018 (10,000 tons)	Production 2017 (10,000 tons)	Production Year-on-year change	Sales 2018 (10,000 tons)	Sales 2017 (10,000 tons)	Sales Year-on-year change
Diesel Note 1	373.08	386.38	-3.44%	372.70	338.87	9.98%
Gasoline	322.92	316.61	1.99%	325.67	317.15	2.69%
Jet Fuel Note 1	146.82	157.41	-6.73%	100.37	75.13	33.60%
Paraxylene	67.30	63.29	6.34%	49.82	41.32	20.57%
Benzene Note 2	34.86	34.06	2.35%	31.02	32.00	-3.06%
Ethylene Glycol	41.52	41.11	1.00%	30.65	29.34	4.46%
Ethylene Oxide	19.43	14.64	32.72%	18.48	14.25	29.68%
Ethylene Note 2	77.78	76.69	1.42%	2.90	0.55	427.27%
Polyethylene	41.79	47.13	-11.33%	41.62	46.26	-10.03%
Polypropylene	49.36	48.18	2.45%	49.37	47.87	3.13%
Polyester Pellet	40.65	41.41	-1.84%	27.18	29.32	-7.30%
Acrylic	11.32	13.19	-14.18%	11.33	13.16	-13.91%
Polyester Staple	4.77	4.58	4.15%	4.16	3.93	5.85%

Note 1: Sales volume dose not include the processing business.
Note 2: The difference between production and sales is internal sales.

The above-mentioned sales volume does not include the trading of petrochemical products of the Group.

(ii) Continuous improvement in petroleum and petrochemical market and increase in product prices

In 2018, underpinned by the increased prices of bulk commodities and a revival of industry investment, domestic petroleum and petrochemical market continued to thrive and the prices of petrochemical products went up further. Nevertheless, the refined oil market became increasingly saturated and market competition intensified. The gross profit margin of chemical industry narrowed. As of 31 December 2018, weighted average prices (excluding taxes) of synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products of the Group increased by 20.35%, 7.77%, 9.68% and 24.72% respectively when compared with the previous year.

(iii) International crude oil prices fluctuated greatly, while the annual average oil price increased, and the volume of refined cruel oil has remained the same

In 2018, international crude oil prices showed an inverted V-shaped trend. In the first three quarters, the Brent crude oil price fluctuated and climbed to a recent high of US$86/barrel, driven by the effect of production reduction in major oil producing countries and a series of geopolitical risks. In the fourth quarter, the market began to worry that because of the global economic slowdown, the supply of crude oil would be excessive, the production of crude oil in the United States and Russia reached an all-time high, and the political pressure exerted by the United States on Saudi Arabia would curb the price of crude oil, etc, the oil prices declined sharply, hitting the lowest level in the year. By the end of 2018, Brent crude oil prices fell about 20% from the end of 2017, and American West Texas Intermediate (WTI) crude oil prices dropped by around 25% over the end of 2017. However, the average price of crude oil in 2018 was still higher than previous year's level. The average price of WTI crude oil in 2018 was 64.22 US dollars per barrel, increasing by 26.12% from 50.92 US dollars per barrel in 2017. Average price of Brent crude oil was 71.59 US dollars per barrel, increasing by 30.66% from 54.79 US dollars per barrel in 2017. Average price of Dubai crude oil was 69.87 US dollars per barrel, increasing by 30.72% from 53.45 US dollars per barrel in 2017.

As of 31 December 2018, the Group totally processed 14,379,000 tons of crude oil (including 729,200 tons of processing on given materials), increasing by 26,200 tons than in previous year with slightly increase of 0.18%. In 2018, the average unit cost of processing crude oil (proprietary part) by the Group was RMB 3,382.38 per ton (RMB 2,581.35/ton in 2017) with an increase of 31.03%. The total costs for crude oil processing of the Group in 2018 was RMB 46,168 million with an increase of 40.31% compared with RMB 32,904 million in previous year, which accounted for 51.39% of the total sales cost.

(iv) Continuous optimization of operation and cost reduction

In 2018, the Group adhered to market-oriented and efficiency-centered principles, continued to optimize its production and operation, and costs reduction, achieved effective improvement of management levels and capabilities of improving efficiency. The Group continued the three-month rolling price forecast, dynamically adjusted production and operation arrangements, optimized crude oil distribution plan and the structure of ethylene raw materials. The cost of ethylene raw materials per ton ranked the second in Sinopec. The Group optimized structure of refined oil products and sped up the upgrading of oil quality. In August, the Group launched gasoline and diesel of China 6 Standard in the market. The accumulated diesel to gasoline ratio was 1.16, which declined by 0.06 as compared with the end of 2017. High-grade gasoline ratio reached 31.42%, increased by 2.46 percentage points year-on-year. The Group continuously worked on cost reduction, vigorously implemented measures such as reducing the cost of crude oil procurement, cost control and developing monetary financial derivatives business. The crude oil procurement cost was lower than the average price of Sinopec by US$1.12/barrel, and the major expenses were RMB 128 million lower than the target amount. The Group actively strive for various tax incentives, with cumulative savings of RMB 95 million. Finance expenses of this year was RMB -337 million, decreased by RMB 130 million year-on-year.

(v) Further progress made in energy conservation and emission reduction

In 2018, the Group continued to implement various energy conservation and emission reduction measures in accordance with relevant requirements of the state for energy conservation and emission reduction, and fully completed the energy conservation and emission reduction targets issued by the government. In 2018, the accumulated comprehensive energy consumption of the Company was 6,849 thousand tons of standard coal and the comprehensive energy consumption of ten-thousand-Yuan output value was 0.760 tons of standard coal (unchanged price in 2010), which decreased by 1.17% from 0.769 tons of standard coal/ten thousand Yuan in previous year. Compared with the previous year, the annual COD emissions decreased by 24.58%, ammonia nitrogen emissions by 39.20%, sulfur dioxide emissions by 64.01%, nitrogen oxide emissions by 39.96% and volatile organic compounds ("VOCs") emissions by 16.63%. The control rate of wastewater excretion and controlled exhaust gas excretion reached 100% and the proper disposal rate of hazardous waste was also 100%. The average thermal efficiency of heating furnace was 92.67%, up 0.13 percentage points compared to the previous year.

(vi) Strived for developing market and improved sales services

In 2018, the Group actively coordinated export plans, flexibly transformed trade methods, and expanded refined oil exports. In April, the Group successfully started the entire diesel fuel export process of Chenshan Oil Depot. The annual export of refined oil products reached 2.12 million tons, an increase of 14.35% year-on-year. The Group also achived asphalt exports for the first time. The Group established a sales tracking mechanism for key products, actively promoted the sales of dope-dyed acrylic fibers and other products, vigorously promoted online platform listing auction transactions and E-trade platform sales. The Group also strengthened technical services, invested in user visits and technical exchanges, continued to carry out technical expert services for the sale of acrylic, polyester, plastic and other products, and continuously improved capabilities of customer service.

(vii) Steady implementation of project construction, R&D and IT projects

In 2018, the Group made every effort to promote the environmental impact assessment of the oil cleanup project, and completed the project environmental assessment public participation in July; strengthened joint development with the surrounding areas and successfully sign the public pipe gallery project of Dushan Port Zhejiang-Shanghai New Material Industrial Park; promoted cooperation projects such as downstream development of raw materials of carbon four and research and development (R&D) and application of carbon fiber technology. Four achievements including “Development and Industrial Application of Poor Quality Oil Slurry Producing High-quality Needle Coke Technology” won the Sinopec Science and Technology Progress Award. The Group applied 71 patents and 32 patents were granted throughout the year. The Group put great efforts in the R&D and application of carbon fiber technology, and 48K large tow carbon fiber won the first prize of the outstanding exhibiting products of the New Materials Industry Exhibition at the 20th Industrial Fair. The Group continued to implement the "Integration of Information Technology and Industrialization" initiative. Upgrading laboratory information management system, geographic information platform and large-scale unit three-dimensional training platform and other projects have started on-line operation. The Group continuously promote refinery-chemical integration value chain characterization and other projects. The Company was awarded "2018 Pilot Demonstration Enterprise of Intelligent Manufacturing" by the Ministry of Industry and Information Technology of the People’s Republic of China.

(viii) Further enhancement of corporate management

In 2018, the Group steadily promoted the optimization of management system and mechanism, carried out the reform of management system and mechanism in fine chemicals and carbon fiber business units; further stimulated motivation of scientific research personnel. The Group continued to promote pilot programme of flat management in chemical department, completed evaluation of specialized and centralized management effect, and adjusted the management function of official vehicles, so as to continuously improve the efficiency and vitality of grass-roots work. The Group actively promoted the reduction of legal persons. The Inspection Company achieved reduction of legal persons by means of capital increase and share expansion. Shanghai Golden Conti Petrochemical Company Limited was integrated by Shanghai Petrochemical Investment Development Company Limited. The Group actively promoted the establishment of electricity distribution supply company and completed the equity structure design, stock assets evaluation and signing of the Letter of Intent for joint venture and cooperation in the year. The Group announced and implemented the Company’s 2018 post setting and labor personnel quota standard, and promoted the optimal allocation of labor. The group promoted the construction of training materials system and initially established training materials systems for skilled posts. The Group further improved the Company's basic salary system and optimized the incentive mechanism for production and operation posts; continuously optimized the personnel structure, continuously cleared exit ways for staff leaving the post, and put great efforts in recruiting talents.

As of 31 December 2018, the Group had a net attrition of 764 people (including voluntary resignation and retirees), accounting for 7.37% of total 10,361 staff registered at the beginning of the year.

(ix) Continued to promote Party building and strengthen integration of Party building and enterprise operation

In 2018, the company's Communist Party Committee stick to the principle of setting the right direction, keeping in mind the big picture and ensuring the implementation of Party policies and principles; took enhancing political building as the overarching principle and make comprehensive efforts to ensure that the Party's political work is stressed. Moreover, we strived to be demand-oriented, problem-oriented and effect-oriented to effectively exerts the political and service functions of the Party organization. Paying every effort to reach advanced level and keep abreast of the highest standards, we implemented the working requirements of being strict, careful, detail-oriented and pragmatic. Tightly revolves around "three main principles" of improving quality and efficiency, deepening reform and innovation, exercising strict self-governance of the Party in every respect, we created strategies to win "three battles": environmental treatment, developmental challenges and reserve of talents. We earnestly pushed forward the extension of the overall strict self-governance of the Party to the grass-roots level, transformed the political advantages of Party organizations into the development advantages and core competitiveness of enterprises. The measures we took laid solid political, ideological and organizational foundation for building the enterprise into an important platform to practice Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and to comprehensively accomplish the tasks of enterprise reformation and development, as well as responsibilities of production and operation.

The measures are:

Strengthened the construction of managing officers through optimizing talent allocation at all levels and persisted in building high-quality professional officers with high standards.

Revised and completed the decision-making system for the Major Issues, Major Personnel Appointments and Dismissals, Investments in Major Projects and Use of Large Sums of Money, further refined the rules and standardized the operation.

Intensified our efforts to combat corruption and build clean government, we broke it down into 62 working tasks, established supervisory committee of Sinopec Shanghai to improved supervisory mechanism. We also effectively carried out mutual support in family to combat corruption and conducted a pilot inspection work.

Strengthened the construction of grass-roots Party organizations, implemented the requirements of heart-to-heart talks, Party members' quarterly reports, and family visits of all employees, to effectively help the workers solve practical problems of ideology, work and life.

Furthermore, we enhanced ideological and political work and corporate culture construction, focused on responsibility, strengthened the coverage of education, and constantly enhanced the influence of public open day activities.

5.2 Accounting judgements and estimates

The Group's financial conditions and the results of its operations are susceptible to accounting methods, assumptions and estimates applied in preparing the financial statements. Such assumptions and estimates are based on the historical experience of the management of the Group and on various other assumptions that the management believes to be reasonable, and form the basis for the management to make judgements about matters that cannot be confirmed by other sources. On an on-going basis, the management evaluates its estimates. Actual results may differ from those estimates as the actual circumstances, environment and conditions change.

The selection of accounting policies, judgements and other uncertainties in the course of applying of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in the financial statements. The Company's management believes that the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(i) Inventory Provison

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Management bases the estimates on all available information, including the current market prices of the finished goods and raw materials, and historical cost of sales. If the actual selling prices were to be lower or the costs of completion were to be higher than estimated, the actual allowance for diminution in value of inventories could be higher than estimated.

(ii) Impairment of long-term assets

Long-term assets are reviewed for impairment at each balance sheet date when events or changes in circumstance have indicated that their carrying amounts may not be recoverable. If any such evidence indicated that their carrying amounts may not be recoverable, the carrying amounts exceed the recoverable amounts would be recognized as impairment loss and accounted in current profit or loss.

The recoverable amount of an asset (or an asset group) is the greater of its net selling price and its present value of expected future cash flows. In assessing value in use, significant judgements are exercised over the assets' (or the asset group's) production and sales, selling prices, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling prices and related operating expenses based on reasonable and supportable assumptions.

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

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

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

(iv) Income taxes

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

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

In making the assessment of whether it is probable the Group will realise or utilise the deferred tax assets, management primarily relies on the generation of future taxable income to support the recognition of deferred tax assets. In order to fully utilise the deferred tax assets recognised at 31 December 2017, the Group would need to generate future taxable income of at least RMB 477 million. Based on estimated forecast and historical experience, management believes that it is probable that the Group will generate sufficient taxable income.

(v) Measurement of expected credit losses

The group calculates the expected credit loss through default risk exposure and the expected credit loss rate, and determines the expected credit loss rate based on the default probability and the expected credit loss rate. In determining the expected credit loss rate, the group USES data such as internal historical credit loss experience and adjusts historical data in combination with current conditions and forward-looking information. In considering forward-looking information, the indicators used by the group include risks of economic downturn, growth of expected unemployment rate, changes in external market environment, technical environment and customer situation, etc. The group regularly monitors and reviews assumptions related to the calculation of expected credit losses. The above estimated techniques and key assumptions have not changed significantly in 2018.

5.3 Comparison and analysis of results of the Company's operations (Prepared under IFRS)

5.3.1 Summary

The following table sets forth the Group's sales volumes and net sales (net of sales taxes and surcharges) for the years indicated:

	For the years ended 31 December								
	2018			2017			2016		
	Sales volume ('000 tons)	Net sales (RMB million)	%	Sales volume ('000 tons)	Net sales (RMB million)	%	Sales volume ('000 tons)	Net sales (RMB million)	%
Synthetic fibres	156.0	2,182.4	2.3	172.6	2,005.3	2.5	202.1	1,855.5	2.8
Resins and plastics	1,208.6	10,542.1	11.0	1,262.4	10,218.4	12.9	1,341.7	9,797.6	14.9
Intermediate petrochemicals	2,134.4	12,160.6	12.7	1,938.5	10,070.2	12.7	2,055.7	8,827.6	13.4
Petroleum	9,917.3	43,403.0	45.4	9,233.5	32,400.6	40.9	8,097.9	24,002.6	36.4
Trading of petrochemical products	–	26,544.0	27.8	–	23,697.3	29.9	–	20,585.4	31.2
Other segments	–	781.4	0.8	–	826.5	1.1	–	867.8	1.3
Total	13,416.3	95,613.5	100.0	12,607.0	79,218.3	100.0	11,697.4	65,936.5	100.0

The following table sets forth a summary of the Group's consolidated income statement for the years indicated (prepared under IFRS):

	For the years ended 31 December					
	2018		2017		2016	
	RMB million	% of net sales	RMB million	% of net sales	RMB million	% of net sales
Synthetic fibres						
Net sales	2,182.4	2.3	2,005.3	2.5	1,855.5	2.8
Cost of sales and operating expenses	(2,755.9)	(2.9)	(2,480.6)	(3.1)	(2,464.4)	(3.7)
Segment loss from operations	(573.5)	(0.6)	(475.3)	(0.6)	(608.9)	(0.9)
Resins and plastics						
Net sales	10,542.1	11.0	10,218.4	12.9	9,797.6	14.9
Cost of sales and expenses	(9,641.7)	(10.1)	(8,862.5)	(11.2)	(8,160.0)	(12.4)
Segment profit from operations	900.4	0.9	1,355.9	1.7	1,637.6	2.5
Intermediate petrochemicals						
Net sales	12,160.6	12.7	10,070.2	12.7	8,827.6	13.4
Cost of sales and	(10,225.7)	(10.7)	(7,864.1)	(9.9)	(7,017.6)	(10.6)
Segment profit from operations	1,934.9	2.0	2,206.1	2.8	1,810.0	2.7
Petroleum products						
Net sales	43,403.0	45.4	32,400.6	40.9	24,002.6	36.4
Cost of sales and	(40,493.0)	(42.4)	(29,280.6)	(37.0)	(20,189.6)	(30.6)
Segment profit from operations	2,910.0	3.0	3,120.0	3.9	3,813.0	5.8
Trading of petrochemical products						
Net sales	26,544.0	27.8	23,697.3	29.9	20,585.4	31.2
Cost of sales and	(26,439.1)	(27.7)	(23,636.7)	(29.8)	(20,534.2)	(31.1)
Segment profit from operations	104.9	0.1	60.6	0.1	51.2	0.1

	For the years ended 31 December					
	2018		2017		2016	
	RMB million	% of net sales	RMB million	% of net sales	RMB million	% of net sales
Other segments						
Net sales	781.4	0.8	826.5	1.1	867.8	1.3
Cost of sales and expenses	(473.0)	(0.5)	(691.9)	(0.9)	(792.8)	(1.2)
Segment profit from operations	308.4	0.3	134.6	0.2	75.0	0.1
Total						
Net sales	95,613.5	100.0	79,218.3	100.0	65,936.5	100.0
Cost of sales and expenses	(90,028.4)	(94.2)	(72,816.4)	(91.9)	(59,158.6)	(89.7)
Operating profit	5,585.1	5.8	6,401.9	8.1	6,777.9	10.3
Net finance income	337.4	0.4	207.3	0.3	83.7	0.1
Investment income	-	-	–	–	–	–
Share of profit of associates and joint ventures	885.6	0.9	1,243.7	1.6	916.8	1.4
Profit before income tax	6,808.1	7.1	7,852.9	10.0	7,778.3	11.8
Income tax	(1,471.9)	(1.5)	(1,698.7)	(2.2)	(1,796.8)	(2.7)
Profit for the year	5,336.2	5.6	6,154.2	7.8	5,981.5	9.1
Attributable to：						
Owners of the Company	5,336.3	5.6	6,143.2	7.8	5,968.5	9.1
Non-controlling interests	(0.1)	0.0	11.0	0.0	13.0	0.0
Profit for the year	5,336.2	5.6	6,154.2	7.8	5,981.5	9.1

5.3.2 Comparison and analysis

Comparison between the year ended 31 December 2018 and the year ended 31 December 2017 is as follows:

5.3.2.A Operating results

(1) Net sales

In 2018, net sales of the Group amounted to RMB 95,613.5 million, representing an increase of 20.70% from RMB 79,218.3 million over the previous year. For the year ended 31 December 2018, the weighted average prices (exclude tax) of the Group's synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products increased by 20.35%, 7.77%, 9.68% and 24.72% over the previous year, respectively.

(i) Synthetic fibres

In 2018, the Group's net sales for synthetic fibres amounted to RMB 2,182.4 million, representing an increase of 8.83% compared with RMB 2,005.3 million in the previous year. The increase in net sales was mainly due to the increase of sales price as a result of the increase in the costs of raw materials. The continued sluggish downstream demand and under-performing initiatives in raw material procurement yet led to a drop in sales volume. Sales volume for synthetic fibres fell by 9.57% compared with the previous year, while weighted average sales price rose 20.35%. In particular, the weighted average sales price of acrylic fibre, the main product of synthetic fibres of the Group, increased by 23.35%, and the weighted average sales price of polyester fibre increased by 13.63% over the previous year. Sales of acrylic fibre, polyester fibre and other products accounted for 81.20%, 9.88% and 8.92% of the total sales of synthetic fibres, respectively.

Net sales of synthetic fibre products accounted for 2.3% of the Group's total net sales in 2018, down by 0.2 percentage point as compared to the previous year.

(ii) Resins and plastics

The Group's net sales of resins and plastics amounted to RMB 10,542.1 million in 2018, representing an increase of 3.17% as compared with RMB 10,218.4 million over the previous year. The increase in net sales was mainly attributable to the increase in unit price of resin and plastics, driven by the increase in the costs of raw materials. The sales volume of resins and plastics decreased by 4.27% year-on-year, while the weighted average sales price rose by 7.77%. In particular, the weighted average sales price of polyethylene, polypropylene and polyester pellet increased by 2.74%, 9.95% and 14.71%, respectively. Sales of polyethylene, polypropylene, polyester pellet and other products accounted for 29.01%, 37.39%, 20.66% and 12.94% of the total sales of resins and plastics, respectively.

Net sales of resins and plastics accounted for 11.0% of the Group's total net sales in 2018, down by 1.9 percentage points as compared to the previous year.

(iii) Intermediate petrochemicals

The Group's net sales of intermediate petrochemicals amounted to RMB 12,160.6 million in 2018, representing an increase of 20.76% as compared with RMB 10,070.2 million in 2017. This was mainly due to the increase in unit price of intermediate petrochemicals resulted from the increase in costs of raw materials. The weighted average sales price increased by 9.68% year-on-year. The sales volume also increased by 10.10% year-on-year. The two factors together drove an increase in net sales. Sales of paraxylene, ethylene oxide, benzene, glycol and other products accounted for 28.14%, 12.96%, 13.81%, 15.79% and 29.30% of the total sales of intermediate petrochemicals, respectively.

Net sales of intermediate petrochemicals accounted for 12.7% of the Group's total net sales in 2018, representing no change as compared with the previous year.

(iv) Petroleum products

The Group's net sales of petroleum products amounted to RMB 43,403.0 million in 2018, representing an increase of 33.96% as compared with RMB 32,400.6 million in the previous year, which was mainly attributable to the increase in prices of refined oil in China driven by the increase in world crude oil unit price. The weighted average sales price of major products increased by 24.72%, while sales volume increased by 7.41% as compared to the previous year.

Net sales of petroleum products accounted for 45.4% of the Group's total net sales in 2018, representing an increase of 4.5 percentage points compared with the previous year.

(v) Trading of petrochemical products

In 2018, the net sales of trading of petrochemical products amounted to RMB 26,544.0 million, representing an increase of 12.01% from RMB 23,697.3 million over the previous year. The increase is mainly due to the increase of RMB 3,025 million in sales of China Jinshan Associated Trading Coporation, a subsidiary of the Company, during year.

Net sales of trading of petrochemical products accounted for 27.8% of the Group's total net sales in 2018, representing a decrease of 2.1 percentage points as compared with the previous year.

(vi) Others

The Group's net sales of others amounted to RMB 781.4 million in 2018, representing a decrease of 5.46% from RMB 826.5 million over the previous year.

Net sales of other products accounted for 0.8% of the Group's total net sales in 2018, representing a decrease of 0.3 percentage point as compared with the previous year.

(2) Cost of sales and operating expenses

The Group's cost of sales and operating expenses comprise cost of sales, selling and administrative expenses, other operating expenses and other revenue, etc.

Cost of sales and operating expenses of the Group increased by 23.64% from RMB 72,816.4 million in 2017 to RMB 90,028.4 million in 2018. The cost of sales and operating expenses involving synthetic fibres, resins and plastics, intermediate petrochemicals, petroleum products, trading of petrochemical products and others were RMB 2,583.4 million, RMB 9,641.7 million, RMB 10,225.7 million, RMB 40,493 million, RMB 26,439.1 million and RMB 645.5 million, representing an increase of 4.14%, 8.79%, 30.03%, 38.29%, 11.86%, and a decrease of 6.71% compared to the previous year, respectively.

The Group's cost of sales and operating expenses of synthetic fibres, resins and plastics, intermediate petrochemicals, petroleum and trading of petrochemical products increased as compared with the previous year, primarily due to the increase in cost of raw materials driven by the growth in world crude oil unit price, which substantially increased the cost of sales.

– **Cost of sales**

The Group's cost of sales amounted to RMB 89,839.0 million in 2018, up 24.09% from RMB 72,398.3 million in 2017. Cost of sales accounted for 93.96% of net sales for 2018. The increase in cost of sales was due to the growth in unit price of crude oil for the Reporting Period.

– **Selling and administrative expenses**

The Group's selling and administrative expenses amounted to RMB 536.1 million in 2018, representing an increase of 0.15% as compared with RMB 535.3 million for the previous year, mainly due to an increase of RMB 24.6 million in expense of agent commission of the headquarter of the Company.

– **Other operating income**

The Group's other operating income amounted to RMB 202.6 million in 2018, representing an increase of 70.25% compared with RMB 119.0 million in the previous year. The significant increase in other operating income was because refunds of local education surcharge in Jinshan District that the Company received increased by RMB 28.1 million, resulting in an increase in government subsidy that was included in other operating income.

– **Other operating expenses**

The Group's other operating expenses were RMB 32.5 million in 2018, representing an increase of 51.87% compared with RMB 21.4 million in the previous year. This was mainly due to an increase in compensation cost for employee dispute resolution, resulting in an increase in other operating expenses.

(3) Profit from operations

The Group's profit from operations amounted to RMB 5,585.1 million in 2018, representing a decrease of RMB 816.8 million as compared with a profit from operations of RMB 6,401.9 million in the previous year. In 2018, there was an increase in costs for all segments generally as compared with those in previous year as a result of higher average annual price of Brent crude oil that increased by 30.66% compared with the previous year. Despite the subsequent increase in unit price of finished products, the unit price of finished products increased to a smaller extent than the unit purchase price of raw materials due to the impact brought by the production cycle and demand of downstream market, leading to a slight fall in profit from operations as compared to the previous year.

(i) Synthetic fibres

In 2018, the Group's operating loss in the synthetic fibres segment amounted to RMB 573.5 million, representing an increase of RMB 98.2 million compared with the operating loss of RMB 475.3 million in the previous year. The increase was mainly due to rising raw material costs, resulting in an increase in losses in the synthetic fibres segment this year.

(ii) Resins and plastics

In 2018, the Group's operating profit for resins and plastics amounted to RMB 900.4 million, representing a decrease of RMB 455.5 million from the operating profit of RMB 1,355.9 million in the previous year. The decrease in operating profit was mainly attributable to the significant increase in costs of raw materials driven by the increase in world crude oil price. For the period, cost of sales and expenses increased by 8.79%, unit cost of sales increased by 14.37%, and net sales increased by 3.17%.

(iii) Intermediate petrochemicals

In 2018, the Group's operating profit for intermediate petrochemicals amounted to RMB 1,934.9 million, representing a decrease of RMB 271.2 million as compared with RMB 2,206.1 million in the previous year. This was mainly attributable to an increase of RMB 2,090.4 million in net sales of intermediate petrochemicals, while the cost of sales and expenses for the same period rose by RMB 2,361.6 million, leading to a profit decrease as compared to last year.

(iv) Petroleum products

In 2018, the Group's operating profit for petroleum products amounted to RMB 2,910.0 million, representing a decrease of RMB 210 million as compared with the operating profit of RMB 3,120.0 million in 2017. Such decrease in operating profit was mainly attributable to the increase of RMB 11,212.4 million in cost of sales and expenses, while the net sales of petroleum products increased by RMB 11,002.4 million, which resulted in a lower operating profit during the year.

(v) Trading of petrochemical products

In 2018, the Group's operating profit for trading of petrochemical products amounted to RMB 104.9 million, representing an increase of RMB 60.6 million as compared with RMB 44.3 million for the previous year. This was mainly attributable to an increase of RMB 2,846.7 million in net sales of the trading business, while the cost of sales and expenses for the same period increased by RMB 2,802.4 million, leading to a higher profit as compared to previous year.

(vi) Others

In 2018, the Group's operating profit of other products amounted to RMB 308.4 million, representing an increase of RMB 173.9 million compared with RMB 134.5 million in the previous year, mainly due to an increase in income obtained from asset disposal this year.

(4) Net finance income

The Group’s net finance income was RMB 337.4 million in 2018, representing an increase of RMB 130.1 million as compared with the net finance income of RMB 207.3 million in 2017. This was mainly due to an increase of RMB 3700 million in averaged balance of bank deposits by the Group during the Reporting Period, which in turn drove an increase of RMB 195.1 million in interest income. In addition, interest expenses increased to RMB 106.2 million in 2018 from RMB 61.0 million in 2017.

(5) Profit before taxation

The Group’s profit before taxation was RMB 6,808.1 million in 2018, representing a decrease of RMB 1,044.8 million as compared with the profit before taxation of RMB 7,852.9 million in the previous year.

(6) Income tax

The Group’s income tax expense amounted to RMB 1,471.9 million in 2018, while the Group’s income tax expense was RMB 1,698.7 million in the previous year. This was mainly due to the decrease in the Company's pre-tax profits, resulting in the decrease of the income tax payable in the period.

In accordance with the Enterprise Income Tax Law of China (as amended) which became effective from 1 January 2008, the income tax rate applicable to the Group in 2018 was 25% (2017: 25%).

(7) Profit for the year

The Group’s profit after tax for 2018 was RMB 5,336.2 million, representing a decrease of RMB 818.0 million as compared with profit after tax of RMB 6,154. 2 million for the previous year.

5.3.2.B Liquidity and capital sources

The Group's primary sources of capital are operating cash inflows and loans from unaffiliated banks. The Group's primary uses of capital are costs of goods sold, other operating expenses and capital expenditure.

(1) Capital sources

(i) Net cash flow generated from operating activities

The Group's net cash inflows from operating activities amounted to RMB 6,659.4 million in 2018, representing a decrease in cash inflows of RMB 401.4 million as compared with net cash inflows of RMB 7,060.8 million in the previous year. The Group recorded profit from operations during the Reporting Period, cash inflows from operating activities amounted to RMB 8,501.5 million, representing a decrease of RMB 283.0 million as compared with cash inflows from operating activities of RMB 8,784.5 million in the previous year. The Group paid RMB 1,806.4 million of income tax in 2018, representing an increase of RMB 100.4 million in cash outflow as compared with the income tax of RMB 1,706.0 million paid in 2017.

(ii) Borrowings

The total borrowings of the Group at the end of 2018 decreased RMB 108.9 million as compared with the end of the previous year, mainly due to short-term borrowings decreased by RMB 108.9million.

The Group managed to maintain its gearing ratio at a safe level by strengthening its management of liabilities (such as borrowings) and enhancing its control over financial risks. The Group generally does not experience any seasonality in borrowings. However, due to the fact that the Group's capital expenditure is, by nature, planned in advance, long- term bank loans can be suitably arranged in advance of expenditures, while short-term borrowings are used to meet operational needs. The terms of the Group's existing borrowings do not restrict its ability to distribute dividends for its shares.

(2) Gearing ratio

As of 31 December 2018, the Group's gearing ratio was 31.37% (2017: 27.71%). The ratio is calculated using this formula: total liabilities/total assets multiply by 100%.

5.3.2.C Research and development, patents and licenses

The Group has a number of technology development units, including the Petrochemical Research Institute, the Plastics Research Institute, the Polyester Fibre Research Institute, the Acrylic Fibre Research Institute and the Environmental Protection Research Institute. These units are responsible for the research and development of new technology, new products, new production processes and equipment, as well as environmental protection. The Group's research and development expenditures for the years 2016, 2017 and 2018 were RMB 102.1 million, RMB 36.7 million, RMB 37.3 million respectively. The increase in research and development expenditures of 2018 was mainly attributable to increased investment in research and development projects related to the control of potential safety hazards.

The Group was not, in any material aspect, dependent on any patents, licenses, industrial, commercial or financial contracts, or new production processes.

5.3.2.D Off-Balance Sheet Arrangements

Please refer to note 33 to the financial statements prepared under IFRS in the full text of the 2018 annual report for details of the Group's capital commitments. The Group did not provide any guarantee to external parties during the Reporting Period.

5.3.2.E Contractual obligations

The following table sets forth the Group's obligations to repay loan principal in future as at 31 December 2018:

	Payment due and payable by the following period as at 31 December 2018				
	Total (RMB'000)	Within 1 year (RMB'000)	After 1 year but within 2 years (RMB'000)	After 2 years but within 5 years (RMB'000)	Over 5 years (RMB'000)
Contractual obligations					
Short term borrowings	497,249	497,249	–	–	–
Long term borrowings	–	–	–	–	–
Total contractual obligations	497,249	497,249	–	–	–

5.3.2.F Analysis of performance and results of in which the Company has controlling interests or investment interests during the Reporting Period

As at 31 December 2018, the Company had more than 50% equity interest in the following principal subsidiaries:

Company name	Place of registration	Principal activities	Place for principal activities	Type of legal person	Percentage of equity held by the Company (%)	Percentage of equity held by the Group (%)	Registered capital	Net profit/(loss) for the year 2018 (RMB'000)
Shanghai Petrochemical Investment Development Company Limited ("Shanghai Investment Development")	China	Investment management	China	Limited company	100.00	100.00	RMB 1,000,000	42,312
China Jinshan Associated Trading Corporation (Jinshan Associated Trading)	China	Import and export of petrochemical products and equipment	China	Limited company	67.33	67.33	RMB 25,000	5,041
Shanghai Jinchang Engineering Plastics Company Limited ("Shanghai Jinchang")	China	Production of polypropylene compound products	China	Limited company	-	74.25	US$9,154	88
Shanghai Golden Phillips Petrochemical Company Limited ("Shanghai Golden Phillips")	China	Production of polypropylene products	China	Limited company	-	100.00	US$50,000	5,779
Zhejiang Jin Yong Acrylic Fibre Company Limited ("Zhejiang Jin Yong")	China	Production of acrylic fibre products	China	Limited company	75.00	75.00	RMB 250,000	150,610
Shanghai Jinmao International Trade Company Limited ("Jinmao International")	China	Import and export of petrochemical products and equipment	China	Limited company	-	67.33	RMB 100,000	29,586

Note: None of the subsidiaries have issued any debt securities.

The Group's equity interests in its associates comprised an equity interest of 38.26%, amounting to RMB 1,586.8 million, in Shanghai Chemical Industry Park Development Co., Ltd., a company incorporated in the PRC; and an equity interest of 20%, amounting to RMB 2,555.0 million, in Shanghai SECCO Petrochemical Company Limited ("Shanghai SECCO"), a company incorporated in the PRC. The principal business of Shanghai Chemical Industry Park Development Co., Ltd. includes planning, developing and operating the Chemical Industry Park in Shanghai, while the principal business of Shanghai SECCO is the production and distribution of petrochemicals.

(1) Explanation of profits of major controlling companies and investing companies affecting more than 10% of the net profit of the Group

In 2018, Shanghai SECCO recorded a revenue of RMB 26,320.0 million, and its profit after tax reached RMB 3,228.7 million, among which RMB 645.7 million was attributed to the Company.

(2) Analysis of operational performance of major controlling companies and investing companies with a 30% or more year-on-year change

(a) In 2018, operational performance of Shanghai Investment Development decreased by 37.80% year-on-year, mainly because Shanghai Investment Development merged its former holding subsidiary Shanghai Golden Conti Petrochemical Company Limited, who made loss in 2018, resulting a decrease in operational performance of Shanghai Investment Development over the previous year.

(b) In 2018, the operating performance of Jinshan Associated Trading decreased by 73.59% compared with the previous year. The main reason is that the oil price dropped significantly in 2018, while Jinshan Associated Trading had some ethylene stocks for sale, which led to a sharp decline in the operating performance in 2018.

(c) In 2018, operational performance of Shanghai Jinchang decreased by 99.48% year-on-year, mainly because the increasing price of polypropylene, a raw material, and the sluggish of downstream industries, resulting in a remarkable decrease in operational performance in 2018.

(d) In 2018, operational performance of Shanghai Golden Phillips increased by 149.90% year-on-year. The main reason was that revenue in 2018 increased by 5.60% as compared with 2017 while the average purchase price of raw materials decreased resulting in a mere 0.98% increase in cost price, hence resulted in a substantial growth in profit.

(e) In 2018, operational performance of Zhejiang Jin Yong increased by 179.85% year-on-year, mainly because Zhejiang Jin Yong disposed of a large number of fixed assets this year, and obtained income from asset disposal, which resulted in a significant increase in net profit.

(f) In 2018, Jinmao International's operating performance increased by 90.66% compared with the previous year. The main reason was that the net profit of ethylene and propylene products increased by about RMB 12.50 million, which resulted in a substantial increase in its net profit.

5.3.2.G Major suppliers and customers

The Group’s top five suppliers in 2018 were China International United Petroleum & Chemical Co., Ltd., Shengyuan Ji (Jiangsu) Industrial Co., Ltd., Shanghai International Holding Co., headquater of Sinopec Petroleum Reserve Company Limited and Marubeni Corporation. Total procurement costs involving these five suppliers, which amounted to RMB 52,709.9 million, accounted for 60.89% of the total procurement costs of the Group for the year. The procurement from the largest supplier amounted to RMB 40,849.8 million, representing 47.19% of the total costs of purchases by the Group for the year.

The Group’s top five customers in 2018 were East China Branch of Sinopec Sales Company Limited, China International United Petroleum & Chemical Co. Ltd, Hengli Petrochemical (Dalian) Co., Ltd., Shanghai SECCO, Jiaxing Petrochemical Co., Ltd. Total sales to these five customers amounted to RMB 60,526.6 million, representing 56.17% of the Group’s total turnover for the year. Sales to the Group’s largest customer amounted to RMB 42,492.8 million, representing 39.43% of the Group’s total turnover for the year.

To the knowledge of the Board, among the suppliers and customers listed above, none of the Directors or shareholders of the Company (and their respective close associates) had any interests in Shengyuan Ji (Jiangsu) Industrial Co., Ltd., Shanghai International Holding Co., Marubeni Corporation, Hengli Petrochemical (Dalian) Co., Ltd. and Jiaxing Petrochemical Co., Ltd. China International United Petroleum & Chemical Co. Ltd. and East China Branch of Sinopec Sales Company Limited are subsidiaries of Sinopec Corp., the controlling shareholder of the Company. Shanghai SECCO is a subsidiary of Sinopec Corp., the controlling shareholder of the Company, and an equity company of the Company.

5.4 Discussion and analysis of the Company's operation (Prepared under CAS)

5.4.1 Analysis of the Company's major businesses

5.4.1.A Analysis of changes in the Consolidated Income Statement and the Consolidated Cash Flow Statement

Unit: RMB'000

Item	Amount for the year ended 31 December 2018	Amount for the year ended 31 December 2018	Increase/ decrease (%)
Revenue	107,764,908	92,013,569	17.12%
Cost of sales	87,029,575	69,656,977	24.94%
Selling and distribution expenses	536,914	510,199	5.24%
General and administrative expenses	2,616,798	2,513,901	4.09%
Financial expenses ("–" for financial income)	-293,429	-216,038	35.82%
Net cash inflow generated from operating activities	6,695,099	7,078,482	Decrease inflow of 5.42%
Net cash inflow used in investing activities ("–" for net outflow)	-1,928,369	-2,400,702	Decrease outflow of 19.67%
Net cash inflow used in financing activities ("–" for net outflow)	-3,542,874	-2,607,447	Increase outflow of 35.88%
R&D expenses	37,261	36,709	1.50%

Analysis of major changes in the Consolidated Income Statement

Unit: RMB'000

Item	For the years ended 31 December 2018	2017	Increase/ decrease amount	Increase/ decrease (%)	Major reason for change
Financial expenses－net ("–"for income)	-293,429	-216,038	-77,391	35.82	In this year, the income from interest increased
Investment income	878,213	1,245,196	-366,983	-29.47	The net profit of the affiliated company Shanghai SECCO decreased by RMB 1.42 billion in the current period, so the investment income decreased sharply.
Operating profit	6,766,774	7,882,810	-1,116,036	-14.16	In this year, the increase of cost was greater than the increase of income.and that investment income decreased due to the decrease of net profit of the affiliated company SECCO
Total profit	6,748,976	7,851,234	-1,102,258	-14.04	
Net profit	5,277,073	6,152,495	-875,422	-14.23	
Income tax expenses	1,471,903	1,698,739	-226,836	-13.35	Decrease in pre-tax profits in this period

Analysis of major changes in the Cash Flow Statement

Unit: RMB'000

Item	For the years ended 31 December 2018	2017	Increase/ decrease amount	Increase/ decrease (%)	Major reason for change
Net cash inflow generated from operating activities ("–" for net outflow)	6,695,099	7,078,482	inflow decreased by 383,383	inflow decreased by 5.42%	In this year, the increase of product costs led to the increase in expenses related to costs, such as purchasement,
Net cash inflow used in investing activities ("–" for net outflow)	-1,928,369	-2,400,702	outflow decreased by 472,333	outflow decreased by 19.67%	In this year, the increase in dividend income from joint ventures and associated companies led to an increase of RMB 332 million in net cash inflow; the increase in interest income led to an increase of RMB 207 million in net cash inflow
Net cash inflow used in financing activities ("–" for net outflow)	-3,542,874	-2,607,447	outflow increased by 935,427	outflow increased by 35.88%	Increased cash flow to repay third party borrowings and increased dividends to shareholders.

5.4.1.B Revenue

(1) Analysis of factors causing the changes in revenue

The weighted average prices (exclude VAT) of the Group's synthetic fibres, resins and plastics, intermediate petrochemical products and petroleum products grew by 20.35%, 7.77%, 9.68% and 24.72%, respectively, bringing a higher revenue in 2018 compared with the previous year.

(2) Major customers

Please refer to 5.3.2.G for details of major customers of the Group.

5.4.1.C Cost of sales

(1) Analysis of cost of sales

Cost of sales of the Group amounted to RMB 87,029.6 million in 2018, representing an increase of 24.94% as compared with RMB 69,657.0 million in 2017, which was mainly due to an increase in the price of raw materials of the Group during the year.

The following table sets forth the details of the cost of sales of the Group during the Reporting Period:

	For the years ended 31 December				
	2018		2017		
	RMB million	% of total cost of sales	RMB Million	% of total cost of sales	Increase/decrease (%)
Cost of raw materials					
Crude oil	46,168.7	53.05	32,904.9	47.24	40.31
Ancillary materials	10,420.5	11.97	9,170.2	13.16	13.63
Depreciation and amortisation	1,465.6	1.68	1,387.0	1.99	5.67
Staff costs	1,869.4	2.15	1,691.0	2.43	10.55
Costs of trade	26,370.0	30.30	23,532.0	33.78	12.06
Others	735.4	0.85	971.9	1.40	-24.33
Total	87,029.6	100.00	69,657.0	100.00	24.94

(2) Major suppliers

Please refer to 5.3.2.G for details of major suppliers of the Group.

5.4.1.D Expenses

Please refer to 5.4.1.A "Analysis of changes in the Consolidated Income Statement and the Consolidated Cash Flow Statement" for details of the changes in expenses of the Group.

5.4.1.E Research and development ("R&D") expenditure

Unit: RMB '000

Expensed R&D expenditure during the Reporting Period	1,751.48
Capitalised R&D expenditure during the Reporting Period	441.52
Total R&D expenditure	2,193.00
% of R&D expenditure to revenue	0.002
Number of R&D personnel	160
% of number of R&D personnel to total number of staff	0.02
% of capitalised R&D expenditures	20.13

Please refer to 5.3.2.C for details of R&D, patents and licences of the Group.

5.4.1.F Cash Flow

Please refer to 5.4.1.A "Analysis of Changes in the Consolidated Income Statement and the Consolidated Cash Flow Statement" for details of the changes in cash flow statement.

5.4.2 Analysis of business operations by industry, product or geographical location segment

5.4.2.A Principal operations by industry or product

Unit: RMB'000

By industry	Revenue	Cost of sales	Gross profit/ (loss) margin (%)	Increase/decrease of revenue as compared to the previous year	Increase/decrease of cost of sales as compared to the previous year	Increase/decrease of gross profit margin as compared to the previous year (percentage point)
Synthetic fibres	2,225,594	2,520,678	-13.26	7.36%	10.77%	Decreased by 4.17 percentage points
Resins and plastics	10,730,277	8,875,478	17.29	2.40%	8.66%	Decreased by 5.31 percentage points
Intermediate petrochemicals	12,403,080	9,327,686	24.80	16.52%	24.14%	Decreased by 6.86 percentage points
Petroleum products (Note)	54,972,598	39,220,903	28.65	19.01%	28.63%	Decreased by 8.47 percentage points
Trading of petrochemical products	26,560,354	26,392,366	0.63	10.72%	10.84%	Decreased by 0.13 percentage points
Others	873,005	692,464	20.80	-2.00%	-1.30%	Decreased by 4.80 percentage points

Note: 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 amounted to 9.55%.

5.4.2.B Revenue by geographical location

Unit: RMB'000

Geographical location	Revenue	Increase/decrease of revenue compared with the previous year (%)
Eastern China	84,741,962	16.7
Other regions in China	3,874,403	-30.4
Exports	19,148,543	38.3

5.4.3 Analysis of assets and liabilities

Unit: RMB'000

	As at 31 December 2018		As at 31 December 2017			
Item	Amount	% of total assets	Amount	% of total assets	Change of amount on 31 December 2018 comared to 31 December 2017 (%)	Major reason of the change
Inventories	8,120,875	18.23	6,597,598	16.66	3.42	The increase in inventory was mainly due to the increase in crude oil purchased by the Planning Department of Shanghai Petrochemical Company in January 2019 compared with the end of 2017.
Short-term borrowings	497,249	1.12	606,157	1.53	-0.24	The demand for borrowing in the period was further decreased, resulting in a decrease in short-term borrowing balances.
Notes payable and Accounts payable	7,394,383	16.60	5,573,281	14.07	4.09	The increase in the balance of Trade payable was mainly due to the increase in the purchases by Shanghai Petrochemical Company at the end of the period.

5.5 Others

(1) Employees of the Group

	Number (Person)
Number of employees of the Company	9,512
Number of employees of the subsidiaries	85
Total number of employees of the Group	9, 597
Number of retired workers whose retirement costs are borne by the Group	18,344

Professionals

Category of professionals

Production personnel	5,753
Sales staff	86
Technical staff	2,598
Financial staff	103
Administrative staff	1,057
Total	9,597

Education level

Educational attainment

Specialist college graduate and below	6,940
Bachelor's degree	2,469
Master's degree and above	188
Total	9,597

Remuneration packages of the Company's staff include salary, share option and allowances. In accordance with the relevant regulations of the PRC, the Company participates in the social security scheme implemented by the relevant government authorities, and makes contribution for the employees in proportion to their monthly salary. Employees of the Company are also eligible for supplementary medical insurance, pension scheme, retirement and other benefits.

(2) Purchase, sale and investment

Save and except as disclosed in the 2018 annual report, there was no material purchase or sale of the Group's subsidiaries, associates or joint ventures or any other material investments in 2018.

(3) Pledge of assets

As at 31 December 2018, no fixed assets were pledged by the Group (31 December 2017: Nil).

(4) Material events after the Reporting Period

After the end of the Reporting Period, the Board has not found any material events that have impact on the Group.

5.6 Financial assets and financial liabilities held in foreign currencies

As at 31 December 2018, bank deposits denominated in foreign currencies held by the Group equivalent to RMB 351,931 thousands.

5.7 Discussion and analysis on future development of the Company

1. Industry competition and development trends

In 2019, the world economy is expected to continue its recovery momentum, but the global economic pattern is undergoing profound changes, trade and investment protectionism is intensifying, monetary policies of major countries are tightening, international policy coordination is becoming more difficult, and the risk of global economic adjustment is increasing.

China is facing more complex development environment, more difficulties and challenges as well as increased external uncertainty. The domestic economy is relatively stable but with changes, the impact of Sino-US trade frictions, more operational difficulties for some enterprises, and great risks of financial turmoil, all of these increase downward pressure on the domestic economy. However, further deepening of reform and opening up and continued strengthening of fiscal and monetary policies will support economic growth. It is expected that China's economy will be generally stable in 2019, and the growth rate will slowdown.

In 2019, there are many uncertainties in the world oil market, among which the Sino-US trade disputes, Brexit and conflicts in the Middle East will continue to be important factors affecting the trend of oil prices. U.S. crude oil production is expected to continue to grow strongly, the slowdown in global economic growth will drag down the growth of crude oil demand. It is expected that the world oil market will be difficult to achieve equilibrium in 2019, and the price of crude oil fluctuate widely.

The global economy slowdown will affect the growth of demand for petrochemical products. It is expected that the global chemical market will continue to grow in 2019, but the growth rate of global chemical production will slow down. Due to the strong growth of key terminal markets and abundant supply of superior energy and raw materials in the United States, US chemical production will maintain a strong upward trend. China's economy will maintain steady growth. Also, the future expansion of production capacity in the Chinese market will make domestic market competition more intense.

2. Development strategies of the Company

The Company aims to build a "domestic leading and world-class" energy, chemical and new materials corporation. According to the status quo and development of the global petrochemical industry, as well as the development trend of the oil and chemical products market in China, particularly in East China. The Company's development strategy is clear: paying equal attention to low cost and differentiation while focusing on scale and refinement; maintaining low-cost with large-scale in upstream, high value-added and refined in downstream, giving full play to the company's advantage of wide product chain, product diversification and market proximity to improve the company's competitiveness.

Under the guidance of this development strategy, the Company further integrates the existing three processing chains of refining, olefins and aromatics with the development philosophy of “one industry leader, one core and one base”, in combination with enterprise resource optimization and development planning in Shanghai. This is achieved by utilizing the concept of molecular refining and the molecular chemical industry. The Company will innovate a new model of integrated refining and chemical industry development, further promote industrial integration, and selectively develop downstream chemical product chains with cost advantages, logistics advantages and market support, in effort to achieve world-scale and first-class competitiveness. The renewable energy, fine chemicals and high-end materials industry bases on the north shore of Hangzhou Bay form an industrial complex that cannot be replicated and has a stable profit model on the north bank of Hangzhou Bay.

3. Business plans

In 2019, the Group will continue to adopt a market-oriented and benefit-centred approach, resolutely lay a solid foundation for safety and environmental protection, highlight steadly improving production efficiency and reducing cost via cost control, strengthen structural adjustment, reform and innovation, and talent team optimization, and strive to achieve a higher level of production and operation.

In 2019, the Company plans to process 15,050,000 tons of crude oil, produce 9,360,000 tons of refined oil, 820,000 tons of ethylene, 675,000 tons of paraxylene, 1,010,000 tons of polyolefin, 661,000 tons of synthetic fibre monomers, 455,000 tons of synthetic fibre polymers and 197,000 tons of synthetic fibres.

To achieve its business objectives in 2019, the Group will work hard in the following areas:

(1) Lay a solid foundation for safety and environmental protection

Strengthing the propaganda and training of HSSE, striving to raise employees' awareness of HSSE, promoting the implementation of safety production responsibility system at all levels, and establishing a long-term mechanism of HSSE management. Promoting the establishment of green enterprises, strengthening the implementation of environmental responsibility, strengthening source emission reduction, process control and end-of-pipe treatment, and continuously improving the level of cleaner production. Strengthening contractor management and hidden danger troubleshooting and management, and continuously promoting LDAR full coverage and fine management.

(2) Improving equipment operating efficiency

Setting up detailed quantitative indicators of "Safety Operation, Stable Operation, Long-term Operation, Full-capacity Operation and High-quality Operation", comprehensively implementing standardized management of production operations, promoting mechanical integrity management systems at some key units, intensifying the application of new technologies such as condition monitoring of reciprocating engine, strengthening basic management of process technology and equipment, striving to improve the operational reliability and availability of the unit. Strengthening efforts in replacing catalysts or overhauling and eliminating defects of A series of RDS units, old area of butadiene, catalytic reforming units and ethylene glycol units to ensure that the oil cleaning units work smoothly.

(3) Improve the level of system optimization and tap the potential of cost reduction and efficiency enhancement

Continuously strengthening efforts in crude oil procurement, improving the concentration of crude oil procurement and the proportion of high cost-effective oil products procurement. Strengthening efforts in market analysis, continuously improving predictive validity and accuracy of three-month rolling forecast, and improving the management ability of guiding production and operation plans based on price forecast. Strengthening efforts in optimizing cracking feedstock and optimizing operation of ethylene units to increase olefin yield and reduce ethylene production cost. Further optimizing the hydrogen system, sump oil refining and wastewater treatment processes to improve operational efficiency. Deepening regional cooperation and continuously promoting cooperation with SECCO in areas of mutual supply of materials, resource optimization, complementing each other's tank capacity, balance and coordination of maintenance material, and sharing of material reserves, etc. Deepening overall budget management and continuing the assessment of contract signing for repair expenses, financial expenses, management expenses and sales expenses. Attaching great importance to production process optimization, product structure adjustment, production-supply-sales coordination, inventory control and cost control that have greater impacts on economic efficiency.

(4) Promoting industrial structure adjustment and strengthening innovation and development

Refining and improving the Company's development plan, focusing on promoting product structure and industrial structure adjustment, ensuring mid-term delivery of oil cleaning project by end of October, actively promoting the second phase of carbon fiber project, and making every effort to kick off the projects of 1# ethylene upgrading after moving, large tow carbon fiber and other projects. Strengthening regional coordinated development and actively exploring opportunities of setting up joint venture or cooperation with Dushan Port Petrochemical Industrial Park and Jinshan Second Industrial Zone. Striving to make technological breakthrough in carbon fiber production, etc., completing the upgrading of high-performance carbon fiber equipment, and continuing to optimize carbon rod structure and broaden application modes, continuing the development and application of carbon fiber composite materials. Carrying out marketing activities for polyesters for optical films, polyesters for engineering plastics, and flame retardant polyesters, etc. Promoting development of hexene copolymerization and large-diameter polyethylene pipe materials, foamed polypropylene product series, and promoting upgrading and development of medical polypropylene injection syringe products. Continuously promoting the construction of intelligent plants, focusing on optimization of integrated refining and chemical production, integrated management and control of refining and chemical production and industrial cloud platform.

(5) Further strengthening corporate management

Carrying out research of streamlining and optimizing organization of the Company and working on the relevant plan, improving the management responsibilities of functional departments and units of secondary level. Promoting the pilot work of Carbon Fiber Unit and improving the integrated operation of production, marketing and research of new products. Improving the system and mechanism of Fine Chemical Unit, and exploring the incubation mechanism for the conversion of scientific research achievements. Continuously improving the performance appraisal system, optimizing the performance evaluation indicator system based on reviewing of the Company's core business processes. Exploring the system of selecting, appointing, supervising and assessing cadres who are leading innovative initiatives, revitalizing internal human resources, intensifying efforts in recruiting mature talents, controlling the total number of employees, and continuously improving labor productivity.

4. Risk exposure

(1) The cyclical characteristics of the petroleum and petrochemicals market and price volatility in crude oil and petrochemical products may have an adverse impact on the Group's operations

A large part of the Group's revenue is derived from the sales of refined oil and petrochemical products. Historically, such products have been cyclical in nature and relatively sensitive to macroeconomic changes. Additionally, changes in regional and global economic conditions, productivity and output, prices and supply of raw materials, consumer demand and prices and supply of substitutes also have an effect. From time to time, these factors have a material impact on the prices of the Group's products in regional and global markets. Given the reduction of tariffs and other import restrictions as well as the relaxation of control by the PRC government over the distribution and pricing of products, a substantial number of the Group's products will increasingly be subject to the cyclical impact in the regional and global markets. In addition, the prices of crude oil and petrochemical products will remain volatile, and uncertain. Higher crude oil prices and lower petrochemical products prices are likely to have a negative impact on the Group's business, operating results and financial condition.

(2) The Group may be exposed to risks associated with the procurement of imported crude oil and may not be able to pass on all increased costs due to rising crude oil price

At present, the Group consumes a significant amount of crude oil for the production of petrochemical products. More than 95% of the crude oil consumption is imported. In recent years, crude oil prices have been subject to significant fluctuations due to a variety of factors, and the Group cannot rule out the possibility of any major unexpected event which may cause a suspension in crude oil supply. The Group has attempted to mitigate the effects of increased costs from rising crude oil prices by passing them on to the customers, but the ability to do so is limited because of market conditions and government control over the pricing of refined oil products. Since there is a time-lag between increases in crude oil prices and increases in petrochemical product prices, higher costs cannot be totally offset by raising the selling prices. In addition, the State also imposes control over the distribution of some petroleum products within China. For instance, some of the Group's petroleum products are required to be sold to designated customers (such as subsidiaries of Sinopec Corp). Hence, when crude oil prices are high, the higher costs cannot be totally offset by raising the selling prices of the Group's petroleum products.

(3) Modest capital expenditures and financing requirements are required for the Group's development plans, presenting a number of risks and uncertainties

The petrochemical industry is a capital-intensive industry. The Group's ability to maintain and raise income, net income and cash flows is closely connected with ongoing capital expenditures. The Group's capital expenditures is estimated to amount to approximately RMB 1,500 million in 2019, which will be met by financing activities and by internal funding. The Group's effective capital expenditures may vary significantly due to the Group's ability to generate sufficient cash flows from operations, investments and other factors that are beyond control. Furthermore, there is no assurance as to the completion, cost or outcome of the Group's fund raising projects.

The Group's ability to secure external financing in the future is subject to a number of uncertainties which include the Company's operating results, financial conditions and cash flow in the future; China's economic conditions and the market conditions for the Group's products; financing costs and conditions of the financial market, and issuance of government approval documents, as well as other risks associated with the development of infrastructure projects in China and so forth. The Group's failure to secure sufficient financing required for its operations or development plans may have a negative impact on the Group's business, operating results and financial condition.

(4) The Group's business operations may be affected by existing or future environmental protection regulations

The Group is subject to a number of environmental protection laws and regulations in China. Waste products (waste water, waste gas and waste residue) are generated during the Group's production operations. Currently the Group's operations fully comply with all applicable Chinese environmental protection laws and regulations. However, the Chinese government may further enforce stricter environmental standards, and the Group cannot assure that the central or local governments will not issue more regulations or enforce stricter regulations which may cause the Group to incur additional expenses on environmental protection measures.

(5) Changes in the monetary policy and fluctuations in the value of Renminbi may have an adverse impact on the Group's business and operating results

The exchange rate of the Renminbi against the US Dollar and other foreign currencies may fluctuate and is subject to alterations due to changes on the Chinese political and economic situations. In July 2005, the PRC government overhauled its policy of pegging the value of the Renminbi to the US dollar by permitting the Renminbi to fluctuate within a certain band against a basket of foreign currencies. Since the adoption of this new policy, the value of the Renminbi against the US dollar fluctuates daily. In addition, the Chinese government has been under international pressure to further ease its exchange rate policy, and may as a result further change its currency policy. A small portion of our cash and cash equivalents are denominated in foreign currencies, including the US dollar. Any increase in the value of Renminbi against other currencies, including the US dollar, may decrease the Renminbi value of our cash and cash equivalents that are denominated in foreign currencies. On the other hand, most of our revenue is denominated in Renminbi, but a major part of our procurement of crude oil, certain equipment and certain debt repayments are denominated in foreign currencies. Any devaluation of Renminbi in the future will increase our costs and jeopardize profitability. Any devaluation of Renminbi may also have an adverse impact on the value of dividends payable in foreign currencies by the Group for H shares and American Depository Securities.

(6) Connected transactions may have an adverse impact on the Group's business and economic efficiency

The Group will, from time to time, continue to conduct transactions with the Group's controlling shareholder Sinopec Corp. and Sinopec Corp.'s controlling shareholder Sinopec Group as well as their connected parties (subsidiaries or associates). These connected transactions include the provision of the following services by such connected parties to the Group: raw materials purchases, agency sale of petrochemical products, construction, installation and engineering design services, petrochemicals industry insurance services and financial services, and the sale of petroleum and petrochemical products by the Group to Sinopec Corp. and its connected parties. These connected transactions and services conducted by the Group are carried out under normal commercial terms and in accordance with the relevant agreements. However, if Sinopec Corp. and Sinopec Group refuse to conduct such transactions or revise the agreements between the Group and itself in a manner unfavorable to the Group, the Group's business and business efficiency will be adversely impacted. Furthermore, Sinopec Corp. has an interest in certain sectors that are directly or indirectly competing with or which may compete with the Group's business. Since Sinopec Corp. is the controlling shareholder of the Group and its own interests may conflict with those of the Group, it may act for its own benefit regardless of the Group's interests.

(7) Risks associated with control by the majority shareholder

Sinopec Corp., the controlling shareholder of the Company, owns 5,460,000,000 shares of the Company, which represents 50.44% of the total number of shares of the Company and gives it an absolute controlling position. Sinopec Corp. may, by using its controlling position, exercise influence over the Group's production operations, fund allocations, appointment or removal of senior staff and so forth, thereby adversely affecting the Group's production operations as well as minority shareholders' interests.

5.8 Non-fundraising projects

In 2018, the capital expenditures of the Group amounted to RMB 1,011 million, representing a decrease of 28.65% as compared with RMB 1,417.0 million in 2017. Major projects include the following:

Major Project	Total amount of project investment RMB'00,000,000	Amount of project investment during the Reporting Period RMB'00,000,000	Project progress as at 31 December 2018
PAN-based carbon fibers project with annual production capacity of 1,500 tons	8.48	0.46	Equipment procurement
Oil cleaning project 400,000 tons/year clean gasoline components units	7.95	0.50	Equipment procurement
Revamping project of standard discharge for cogeneration units	2.89	0.18	Under construction
Low nitrogen combustion revamping project of 2# olefin cracking furnace	1.21	0.17	Under construction
Revamping project of standard discharge for No.3 and No.4 boilers of thermal power unit	0.99	0.55	Under construction
2# closed-loop decoking for delayed coker environment protection project	0.70	0.65	Under construction
Oil and gas recovery project of light oil tanks and trestle bridge in Storage and Transportation Department	0.66	0.32	Under construction
Optimizing and revamping project of high sulphur torch system in Storage and Transportation Department	0.44	0.39	Under construction

Note: In addition to the major capital expenditure items disclosed in the above table, the total capital expenditure of other projects of the company is RMB 689 million.

The Group's capital expenditures for 2019 are estimated at approximately RMB 1,500 million.

5.9 Plan for profit distribution of ordinary shares or capital reserve capitalization

5.9.1 Cash Dividend Policy and its formulation, implementation or adjustment

In 2016, the Company made amendments to its cash dividend policy in the Articles of Association of Sinopec Shanghai Petrochemical Company Limited (the "Articles of Association") and its appendices. The proposed amendments to the Articles of Association were considered and approved at the annual general meeting of 2015 held on 15 June 2016. According to Article 207 of the Articles of Association:

1. The Company should place emphasis on delivering reasonable return on investments to the investors. The Company shall pay due attention to the opinions of minority shareholders through various channels when allocating its profits. The profits distribution policy of the Company shall be consistent and stable, taking into account the long-term interests of the Company, the overall interests of all shareholders and the Company's sustainable development.

2. The Company may distribute dividends in the following forms: cash, shares or other forms permitted by laws, administrative rules, regulations of competent authorities and regulatory provisions in the place where the Company's shares are listed. The Company shall give priority to the distribution of dividends in cash. The Company may make interim dividends distribution.

3. The Company shall distribute cash dividends when the Company's net profit and retained earnings, in separate financial statement, are positive and the Company has adequate cash inflows over the requirements of cash flows for its operation and sustainable development. The cash dividends per annum should not be less than thirty (30) percent of the net profit of the Company in the current year.

4. The Company may adjust its profits distribution policy referred to in sub-paragraphs (2) and (3) of this Article in case of war, natural disasters or other force majeure, or where changes to the external environment of the Company result in material impact on the production and operation of the Company, or where there are significant changes in the Company's own operations or financial conditions, or where the Company's board of directors considers it necessary. Independent directors shall issue independent opinions on the adjustment of the profits distribution policy whilst the board of directors shall discuss the rationality of such adjustment in detail and form a resolution which shall be submitted to shareholders' meeting for approval by way of special resolution. The convening of the shareholders' meeting shall comply with regulatory provisions in the place where the Company's shares are listed.

5. The management of the Company shall formulate the annual profits distribution plan and submit such plan to the board of directors for consideration. Independent directors shall issue independent opinions on such plan and the board of directors shall form a resolution which shall be submitted for approval by shareholders' meeting. If the conditions for the distribution of cash dividends have been satisfied and the Company does not propose a cash dividends distribution plan or does not propose such plan in compliance with the sub-paragraph (3) of this Article, independent directors shall issue independent opinions whilst the board of directors shall give specific explanation regarding such arrangement and form a resolution which shall be submitted to shareholders' meeting for approval and make relevant disclosures. The plan for half-yearly dividends distribution of the Company shall comply with Article 215 of the Articles of Association.

5.9.2 Plan for profit distribution or capitalisation of capital reserves for the Reporting Period

In 2018, the net profit attributable to equity shareholders of the Company amounted to RMB 5,277,186,000 under CAS (net profit of RMB 5,336,331,000 under IFRS). According to the 2018 profit distribution plan approved by the Board on 19 March 2019, the Board proposed to distribute the Final Dividend based on the total number of issued shares of the Company as at the record date for distributing dividend. The 2018 profit distribution plan will be implemented subject to approval of the AGM. The date and time of the AGM and book closure arrangement will be announced later. The notice of the AGM will be announced separately in accordance with the provisions of the Articles of Association of the Company. The notice of the AGM, the accompanying circular and proxy form will be despatched to holders of H shares in accordance with the Hong Kong Listing Rules.

Subject to the passing of the resolution by the shareholders of the Company at the AGM, the Final Dividend is expected to be distributed on or around Thursday, 18 July 2019 to shareholders whose names appear on the register of members of the Company's H shares at the close of business on Monday, 1 July 2019. The Final Dividend is denominated and declared in Renminbi. The Final Dividend payable to the holders of the Company's A shares shall be paid in Renminbi while those payable to the holders of the Company's H shares shall be paid in Hong Kong dollars. The amount of Hong Kong dollars payable shall be calculated on the basis of the average closing exchange rates for Hong Kong dollars as announced by the Foreign Exchange Trading Centre of the PRC one calendar week prior to the approval of the Final Dividend at the AGM.

The Company is expected to close the register of members of the Company's H shares from Wednesday, 26 June 2019 to Monday, 1 July 2019 (both days inclusive), during which period no transfer of H shares will be registered in order to confirm the shareholders' entitlement to receive the Final Dividend. The holders of the Company's H shares who wish to receive the Final Dividend should lodge the transfer documents and relevant share certificates with the Company's H shares share registrar, Hong Kong Registrars Limited, at Room 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 4:30 p.m. on Tuesday, 25 June 2019.

The record date for dividend distribution, distribution procedures and time for the distribution of dividends applicable to holders of the Company's A shares will be announced separately.

5.9.3 Plan or scheme of dividends distribution of ordinary shares, plan or scheme of capitalization of capital reserves of the Company in the past three years (including the Reporting Period)

Unit: RMB'000

Year of dividend payment	Amount of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (RMB) (including tax)	Amount of capitalization for every 10 shares (share)	Amount of cash dividend (including tax)	Net profit attributable to owners of the listed company in the consolidated statement for the year	Percentage of net profit attributable to owners of the listed company in the consolidated statement (%)
2018	0	2.5	0	2,705,953.38	5,277,186	51.28
2017	0	3.0	0	3,247,144.05	6,141,558	52.87
2016	0	2.5	0	2,700,000.00	5,955,576	45.34

5.10 The Company's disclosure on the fulfillment of its corporate social responsibility

5.10.1 Fulfillment of corporate social responsibility

For the Company's performance of corporate social responsibility in 2018 and the Company's 2018 Environmental, Social and Governance Report, please refer to the "2018 Corporate Social Responsibility Report of Sinopec Shanghai Petrochemical Company Limited" published by the Company on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

5.10.2 Environmental protection situation of key pollutant-discharging companies and their subsidiaries as announced by the Ministry of Environmental Protection

The Company is one of the contaminating enterprises under Intensive Monitoring and Control by the State proclaimed by the Ministry of Environmental Protection. According to Measures for Self-Monitoring and Information Disclosure by the Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation) , the Company has disclosed to the public on the website of the Shanghai Environmental Protection Bureau the sites of the source of pollution, pollutant types and concentration of pollution which are subject to intensive monitoring and control of the State.

The Company, as a manufacturing enterprise in the petrochemical industry, consistently places environmental protection as its priority. It continues to receive ISO14001 Environmental Management System Certification. In January 2013, it received certifications from the Shanghai Audit Center of Quality including quality (GB/T 19001: 2008), environment (GB/T 24001: 2004) and occupational health and safety (GB/T28001: 2011). On 26 October 2016, the continued use of the title “All-China Environmentally Friendly Enterprise” was approved.

In 2018, the Group established the concept of “Challenging to the Advanced Level and Aligning with the Highest Standards”, promoted the green development of the industry with higher requirements, upgraded and renovated in an all-round way, rectified in an all-round way and upgraded the management work in an all-round way, aiming to build the world's first-class refining and chemical integrated enterprise with the highest standards, the most stringent requirements and the highest level. The Group strived to improve Shanghai PeChem's VOCs and other environmental indicators to reach the highest standards of Shanghai's chemical parks in the shortest time period, to make neibouring residents truly feel the improvement of environmental quality and continuously improve the environmental protection level.

In 2018, the Company actively carried out environmental protection improvement projects, accelerated the implementation of “ultra-low retrofit of thermoelectric boilers” project. In 2018, total emission volume of sulfur dioxide and nitrogen oxides reduced by 64.01% and 39.96% year-on-year respectively.

In 2018, both the compliance rate on waste water and waste gas emission were 100%, and all hazardous wastes were disposed of properly with a rate of 100%. The Company continuously implemented LDAR work and achieved continous emission reduction of VOCs, meeting the emission reduction standard set by Shanghai Environmental Protection Bureau. In 2018, the Company had total 811,572 sealing points, accumulated inspection points/times reached 1,653,040, 3,998 leakage points were detected, among which 3,972 leakage points were repaired, achieving a repair rate of 99.3%.

In 2018, the company paid totalling RMB 16.85 million environmental tax to Tax Bureau of Jinshan District.

In 2018, the Company was given 3 penalties regarding environmental protection matters, involving a total fine of RMB 0.6 million. Major reasons of penalty included converted concentration of RTO emissions from Polyester Unit exceeding standards, inadequate VOCs control and black smoke arising in the process of overhaul shutdown and re-start and maintainance.

6 MAJOR EVENTS AND OTHERS

6.1 Continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules

During the Reporting Period, pursuant to the Mutual Product Supply and Sales Services Framework Agreement entered into with the controlling shareholder of the Company on 23 August 2016, Sinopec Corp., and the de facto controller, Sinopec Group, the Company purchased raw materials from Sinopec Group, Sinopec Corp. and their associates and sold petroleum products and petrochemicals and leased properties to Sinopec Corp. and its associates, and Sinopec Corp. and its associates provided agency sales services for petrochemical products to the Company.

Pursuant to the Comprehensive Services Framework Agreement entered into with the Company's de facto controller Sinopec Group on 23 August 2016, the Company obtained construction and installation, engineering design, petrochemical industry insurance and financial services from Sinopec Group and its associates. The transactions under the above mentioned 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 ongoing related party transactions under the Shanghai Listing Rules. The Company disclosed the two agreements and the respective continuing connected transactions (i.e. ongoing related party transactions, same below) under the agreements in an announcement dated 23 August 2016 and a circular dated 2 September 2016. These two agreements and the respective continuing connected transactions under the agreements together with the associated annual caps from 2017 to 2019 were considered and approved at the first extraordinary general meeting for 2016 held on 18 October 2016.

During the Reporting Period, the relevant continuing connected transactions were conducted in accordance with the terms of the Mutual Product Supply and Sales 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 respective continuing donnected transactions approved at the first extraordinary general meeting for 2016.

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:

Unit: RMB'000

Type of connected transaction	Connected parties	Annual cap for 2018	Transaction amount during the Reporting Period	Percentage of the transaction amount of the same type of transaction (%)
Mutual Product Supply and Sales Services Framework Agreement				
Purchases of raw materials	Sinopec Group, Sinopec Corp. and their associates	74,689,000	56,427,644	49.33%
Sales of petroleum products and petrochemicals	Sinopec Corp. and its associates	96,166,000	59,840,988	88.82%
Property leasing	Sinopec Corp. and its associates	36,000	29,551	61.68%
Agency sales of petrochemical products	Sinopec Corp. and its associates	232,000	139,837	100.00%
Comprehensive Services Framework Agreement				
Construction, installation and engineering design services	Sinopec Group and its associates	2,621,000	109,146	22.47%
Petrochemical industry insurance services	Sinopec Group and its associates	160,000	121,329	96.71%
Financial services	Sinopec Group and its associates	200,000	1,936	9.68%

On 5 December 2016, the Company entered into an asset leasing agreement (the "Lease Agreement") with Baishawan branch of Sinopec Petroleum Reserve Company Limited (the "Baishawan Branch"), a wholly-owned subsidiary of the Company's de facto controller Sinopec Group. Pursuant to the Lease Agreement, the Company rents the oil tanks and ancillary facilities from the Baishawan Branch at an annual rent up to RMB 53,960,000 (exclusive of VAT), with the leasing period from 1 January 2016 to 31 December 2018. The Lease Agreement was considered and approved at the 16th meeting of the eighth session of the Board on 24 November 2016. Related announcements were published on the official websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company, as well as on "Shanghai Securities News" and "China Securities Journal" on 25 November 2016. During the Reporting Period, the Company incurred leasing cost of RMB 53,960,000 (exclusive of VAT).

It was approved at the 14th meeting of the ninth session of the Board on 28 December 2018 that the Company would enter into a new leasing agreement with Baishawan branch. The new leasing agreement was signed on 31 December 2018 according to which the Company rents the oil tanks from the Baishawan Branch at an annual rent up to RMB 95,000,000 (exclusive of VAT), with the leasing period from 1 January 2019 to 31 December 2019. Related announcements were published on the official websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company on 28 December 2018, as well as on "Shanghai Securities News" and "China Securities Journal" on 29 December 2018.

The transactions between the Company and Sinopec Group, Sinopec Corp. and their associates as disclosed in Note 28 to the financial statements prepared under IFRS in the 2018 annual report of the Company constituted continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. The above-mentioned continuing connected transactions have been disclosed in accordance with Chapter 14A of the Hong Kong Listing Rules.

Connected transactions under Chapter 14A of the Hong Kong Listing Rules

On 28 December 2018, the Company entered into a technical service agreement with Petro-CyberWorks Information Technology Co., Ltd. ("PCITC"), a non wholly-owned subsidiary of the Company's de facto controller Sinopec Group. Pursuant to the technical service agreement, the Company appoints PCITC to implement the design, construction, operation and maintenance of smart plant project at a total amount of RMB30,580,000 (inclusive of tax). Related announcements were published on the official websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company on 28 December 2018, as well as on "Shanghai Securities News" and "China Securities Journal" on 29 December 2018.

6.2 Compliance of code of corporate governance practices

During the Reporting Period, the Company applied and complied with all principles and code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules except for the deviation from code provision A.2.1 as listed below. Since 5 September 2018, the Company has eliminated this deviation and has complied with the provisions of Article A.2.1 of the Corporate Governance Code.

Code provision A.2.1: The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Deviation: During the Reporting Period, Mr. Wu Haijun served as the Chairman and the President (equivalent to chief executive officer) of the Company from 1 January 2018 to 4 September 2018, but resigned as the President on 5 September 2018. Mr. Shi Wei was appointed as the President with effect from 19 September 2018. Since 5 September 2018, the Company has therefore complied with code provision A.2.1 of the Corporate Governance Code.

Reasons: Mr. Wu Haijun has extensive experience in the management of petrochemicals production business. He was the most suitable candidate to serve as both the Chairman and the President of the Company from 1 January 2018 to 4 September 2018.

6.3 Compliance of Model Code for Securities Transactions

The Company has adopted and implemented the Model Code for Securities Transactions to regulate securities transactions of the Directors and Supervisors. After making specific enquiries with all the Directors and Supervisors, the Company obtained written confirmations from each Director and Supervisor that they have fully complied with the Model Code for Securities Transactions during the Reporting Period.

The Model Code for Securities Transactions is also applicable to the senior management of the Company who are in possession of unpublished price sensitive information of the Company. No incident of non-compliance of the Model Code for Securities Transaction by the senior management was noted by the Company.

6.4 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 listed securities.

6.5 Audit Committee

The audit committee of the Company has reviewed with the management the accounting principles and standards adopted by the Company, discussed matters regarding auditing, risk management, internal control and financial reporting, and have reviewed the financial statements for the year ended 31 December 2018.

7 FINANCIAL STATEMENTS
7.1 Financial statements prepared under CAS

Consolidated balance sheet
As at 31 December 2018

Assets	31 Dec 2018 RMB'000	31 Dec 2017 RMB'000
Current assets		
Cash at bank and on hand	10,241,893	9,504,266
Derivative financial assets	7,468	-
Trading financial assets	2,719,811	-
Notes & accounts receivables	3,970,245	3,426,439
Advances to suppliers	72,968	27,537
Other receivables	108,986	71,550
Inventories	8,120,875	6,597,598
Assets classified as held for sale	24,331	-
Other current assets	32,299	238,661
Total current assets	25,298,876	19,866,051
Noncurrent assets		
Long-term equity investments	4,657,133	4,592,044
Investment properties	376,739	391,266
Fixed assets	11,670,453	12,892,501
Construction in progress	1,559,401	1,001,118
Intangible assets	355,594	397,661
Long-term prepaid expenses	502,689	349,588
Deferred tax assets	119,075	119,307
Total noncurrent assets	19,241,084	19,743,485
Total assets	44,539,960	39,609,536

Consolidated Balance Sheet (Continued)
As at 31 December 2018

Liabilities and shareholders' equity	31 Dec 2018 RMB'000	31 Dec 2017 RMB'000
Current liabilities	**RMB'000**	**RMB'000**
Short-term borrowings	497,249	606,157
Derivative financial liabilities	11,005	1,516
Notes & accounts payables	7,394,383	5,573,281
Advances from customers	-	477,273
Contract Liabilities	453,564	—
Employee benefits payable	128,861	123,959
Taxes payable	4,642,692	3,290,036
Other payables	785,260	850,022
Total current liabilities	13,913,014	10,922,244
Noncurrent liabilities		
Deferred revenue	140,442	145,679
Total liabilities	14,053,456	11,067,923
Equity		
Share capital	10,823,814	10,814,177
Capital surplus	610,327	586,307
Other comprehensive income	10,389	17,403
Specific reserve	57,135	-
Surplus reserve	6,237,170	5,727,624
Undistributed profits	12,631,291	11,110,795
Total shareholders' equity attributable to parent company	30,370,126	28,256,306
Non-controlling interests	116,378	285,307
Total equity	30,486,504	28,541,613
Total liabilities and shareholders' equity	44,539,960	39,609,536

These financial statements have been approved by the board of directors on March 19, 2019.

Consolidated Income Statement
For the years ended 31 December 2018

Items	2018 RMB'000	2017 RMB'000
Revenue	107,764,908	92,013,569
Less: Cost of sales	87,029,575	69,656,977
Taxes and surcharges	12,075,424	12,744,088
Selling and distribution expenses	536,914	510,199
General and administrative expenses	2,616,798	2,513,901
R&D expenses	37,261	36,709
Financial expenses - net	(293,429)	(216,038)
Including: financial expense	79,246	54,384
financial income	(443,650)	(267,215)
Asset impairment losses	168,655	178,706
Credit impairment losses	39	—
Add: Gain/(Loss) arising from changes in fair value	33,347	(1,516)
Investment income	878,213	1,245,196
Including: Share of profits of associates and joint ventures	875,597	1,233,693
Asset disposal benefit/(loss)	172,508	(13,017)
Other income	89,035	63,120
Operating profit	6,766,774	7,882,810
Add: Non-operating income	47,581	14,736
Less: Non-operating expenses	65,379	46,312
Total profit	6,748,976	7,851,234
Less: Income tax expenses	1,471,903	1,698,739
Net profit	5,277,073	6,152,495
Attributable to shareholders of the Company	5,277,186	6,141,558
Non-controlling interests	(113)	10,937
Profit from continuing operations	5,277,073	6,152,495
Profit from discontinued operations	-	-
Other comprehensive income	(7,014)	(810)
Total comprehensive income	5,270,059	6,151,685
Attributable to shareholders of the Company	5,270,172	6,140,748
Non-controlling interests	(113)	10,937
Earnings per share		
Basic earnings per share(RMB Yuan)	0.488	0.568
Diluted earnings per share(RMB Yuan)	0.488	0.568

These financial statements have been approved by the board on March 19, 2019.

7.2 Financial statements prepared under IFRS
Consolidated income statement

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	107,688,907	91,962,415
Taxes and surcharges	(12,075,424)	(12,744,088)
Net Sales	95,613,483	79,218,327
Cost of sales	(89,838,977)	(72,398,288)
Gross profit	5,774,506	6,820,039
Selling and administrative expenses	(536,114)	(535,259)
Net impairment losses on financial assets	(39)	—
Other operating income	202,617	119,010
Other operating expenses	(32,548)	(21,379)
Other gains–net	176,690	19,462
Operating profit	5,585,112	6,401,873
Finance income	443,661	268,379
Finance expenses	(106,249)	(61,047)
Financial incomes-net	337,412	207,332
Share of net profit of associates and joint ventures accounted for using the equity method	885,597	1,243,693
Profit before income tax	6,808,121	7,852,898
Income tax expense	(1,471,903)	(1,698,739)
Profit for the year	5,336,218	6,154,159
Profit attributable to:		
- Owners of the Company	5,336,331	6,143,222
- Non-controlling interests	(113)	10,937
	5,336,218	6,154,159
Earnings per share attributable to owners of the Company for the year (expressed in RMB per share)		
Basic earnings per share	RMB 0.493	RMB 0.569
Diluted earnings per share	RMB 0.493	RMB 0.568

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2018 **RMB'000**	**2017** **RMB'000**
Profit for the year	5,336,218	6,154,159
Other comprehensive losses		
Items that may be reclassified to profit or loss		
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method	(7,014)	(810)
Other comprehensive loss for the year, net of tax	(7,014)	(810)
Total comprehensive income for the year	5,329,204	6,153,349
Attributable to :		
– Owners of the Company	5,329,317	6,142,412
– Non-controlling interests	(113)	10,937
Total comprehensive income for the year	5,329,204	6,153,349

Consolidated Balance Sheet
As at 31 December 2018

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Assets		
Non-current assets		
Lease prepayments and other non-current assets	858,283	747,249
Property, plant and equipment	11,646,390	12,866,428
Investment properties	376,739	391,266
Construction in progress	1,559,401	1,001,118
Investments accounted for using the equity method	4,527,133	4,452,044
Deferred income tax assets	119,075	119,307
	19,087,021	19,577,412
Current assets		
Inventories	8,120,875	6,597,598
Financial assets at fair value through other comprehensive income	1,672,431	—
Financial assets at fair value through profit or loss	2,727,279	-
Trade receivables	81,990	386,480
Bills receivable	-	1,090,479
Other receivables	105,803	83,551
Prepayments	38,025	228,269
Amounts due from related parties	2,286,249	1,975,408
Cash and cash equivalents	8,741,893	7,504,266
Time-deposits with banks	1,500,000	2,000,000
Assets classified as held for sale	24,331	-
	25,298,876	19,866,051
Total assets	44,385,897	39,443,463
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	10,823,814	10,814,177
Reserves	19,522,249	17,416,056
	30,346,063	28,230,233
Non-controlling interests	116,378	285,307
Total equity	30,462,441	28,515,540

Consolidated Balance Sheet (Continued)
As at 31 December 2018

	As at 31 December	
	2018	**2017**
	RMB'000	**RMB'000**
Liabilities		
Non-current liabilities		
Deferred income	10,442	5,679
Current liabilities		
Borrowings	497,249	606,157
Financial liabilities at fair value through profit or loss	11,005	1,516
Advance from customers	-	470,865
Contract liabilities	446,702	-
Trade payables	2,922,998	1,908,457
Other payables	5,167,230	3,568,817
Amounts due to related parties	4,567,814	3,731,687
Income tax payable	300,016	634,745
	13,913,014	10,922,244
Total liabilities	13,923,456	10,927,923
Total equity and liabilities	44,385,897	39,443,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- Annual Improvements 2014-2016 cycle
- Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'
- Amendments to IAS 40 'Transfers to Investment Property'
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

The impact of adoption of IFRS 9 and 15 are disclosed in Note 2 below. Changes in the other standards would not have any material past, present and future impacts on the Group's consolidated financial statements.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 2018 and have not been early adopted by the Group.

- IFRS 16 'Leases', effective for the accounting period beginning on or after 1 January 2019.
- Interpretation 23 'Uncertainty over Income Tax Treatment', effective for the accounting period beginning on or after 1 January 2019.
- Amendments to IAS 28 'Long-team interests in Associates and Joint Ventures', effective for the accounting period beginning on or after 1 January 2019.
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle, effective for the accounting period beginning on or after 1 January 2019.
- Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture', the effective date of this amendment has been deferred by IASB.
- Amendments to IFRS 9 'Prepayment Features with Negative Compensation', effective for the accounting period beginning on or after 1 January 2019.
- Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement', effective for the accounting period beginning on or after 1 January 2019.
- Amendments to IFRS 3 'Business Combinations', effective for the accounting period beginning on or after 1 January 2020.
- Amendments to conceptual Framework of IASB, effective for the accounting period beginning on or after 1 January 2020.
- IFRS 17 'Insurance Contracts', effective for the accounting period beginning on or after 1 January 2021.

The Group's assessment of the impact of these new standards and interpretations is set out below.
IFRS 16, 'Leases', was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance lease is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-valued leases.

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases. The Group will adopt the practical expedients in IFRS 16(C10) for the use of a single discount rate to a portfolio of leases with similar characteristics and the accounting for leases which end within 12 months from the date of initial application as short-term leases and will recognize the lease cost on a straight-line basis as expenses in profit or loss.

As at 1 January 2019, the Group has non-cancellable operating lease commitments of RMB 84,746 thousands. Of these commitments, approximately RMB 315 thousands relate to short-term leases which will be recognized on a straight-line basis as expense in profit or loss. For the remaining lease commitments, the Group expects to recognize right-of-use assets of approximately RMB 76,852 thousands on 1 January 2019, lease liabilities of RMB 76,731 thousands (after adjustments for prepayments and accrued lease payments recognized as at 31 December 2018). The Group expected the impact on net profit after tax and cash flows for 2019 was not significant.The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the years prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Apart from the impacts from the aforementioned reporting standards, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

2. CHANGES IN ACCOUNTING POLICIES

2.1 IFRS 9 "Financial Instruments"

IFRS 9, "Financial Instruments" was adopted by the Group using the modified retrospective approach. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the comparative information in the restated balance sheet as at 31 December 2017, but are recognized in the opening balance sheet on 1 January 2018.

Impact of adoption

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification as at 1 January 2018 are as follows:

	FVOCI RMB'000	Trade receivables RMB'000	Bills receivable RMB'000
Closing balance 31 December 2017 – IAS 39	–	386,480	1,090,479
Reclassification from trade receivables and bills receivable to FVOCI (a)	1,399,997	(309,518)	(1,090,479)
Opening balance 1 January 2018 – IFRS 9	1,399,997	76,962	-

(a) Reclassification from trade receivables and bills receivable to FVOCI

Certain trade receivables and bills receivable with contractual cash flows represent solely payments of principal and interest, were reclassified to FVOCI, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets.

The fair value of these trade and bill receivables as at 1 January 2018 was approximately equivalent to the amortized cost for these assets. There was no impact on retained earnings as at 1 January 2018.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	RMB'000
Closing retained earnings 31 December 2017 - IAS 39	13,128,257
Adjustment to retained earnings from adoption of IFRS 9 on 1 January	-
Opening retained earnings 1 January 2018 - IFRS 9	13,128,257

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Accounting polices applied from 1 January 2018

Accounting policies applied by the Group from 1 January 2018 has been modified according to the adoption.

2.2 IFRS15-Revenue from customer contracts

The Group has adopted IFRS 15, "Revenue from Contracts with Customers" by using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognized in retained earnings as at 1 January 2018 and that comparatives will not be restated.

Impact of adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In summary, the following adjustments were made to the amounts recognized in the balance sheet at the date of initial application (1 January 2018) and at the reporting date (31 December 2018):

	IAS 18 carrying amount 31 December 2017 RMB'000	**Reclassification RMB'000**	**IFRS 15 carrying amount 1 January 2018 RMB'000**
Advance from customers	470,865	(470,865)	-
Contract liabilities	-	470,865	470,865

	IAS 18 carrying amount 31 December 2018 RMB'000	**Reclassification RMB'000**	**IFRS 15 carrying amount 31 December 2018 RMB'000**
Advance from customers	446,702	(446,702)	-
Contract liabilities	-	446,702	446,702

The contract liabilities of the Group are advance for goods from customers. Revenue amounted to RMB 465,706 thousands has been recognized in the current year relates to carried – forward contract liabilities.

The Group is principally engaged in processing crude oil into synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum product. The adoption of IFRS 15 does not change revenue recognition policy of aforementioned activities.

The application of IFRS 15 results in the identification of separate performance obligations in relation to shipping service derived from oversea trading sales of the Group which affects the timing of the recognition of revenue, from point in time to overtime. The identified effect of the revenue recognition, which is subject to the requirements of IFRS 15, was immaterial to the retained earnings as at 1 January 2018.

The Group does not introduce any customer loyalty programme which is likely to be affected by the IFRS 15.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The Group has elected to apply the practical expedient that contract costs incurred related to contracts with an amortization period of less than one year have been expensed as incurred. The Group also applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Except for the reclassifications of contract liabilities, there is no other line items have been significantly affected by the application of IFRS 15 as compared to IAS 18, which was in effect before the adoption of IFRS 15.

3. FINANCE INCOME AND EXPENSES

	2018 RMB'000	2017 RMB'000
Interest income	443,661	268,379
Finance income	443,661	268,379
Interest on bank and other borrowings	(84,425)	(55,188)
Less: amounts capitalized on qualifying assets	5,179	804
Net interest expense	(79,246)	(54,384)
Net foreign exchange loss	(27,003)	(6,663)
Finance expenses	(106,249)	(61,047)
Finance income-net	337,412	207,332

4. EXPENSE BY NATURE

	2018 RMB'000	2017 RMB'000
Cost of raw material	56,601,977	42,075,096
Cost of trading products	26,392,366	23,531,983
Employee benefit expenses	2,888,572	2,752,996
Depreciation and amortization	1,807,613	1,834,129
Repairs and maintenance expenses	1,265,919	1,136,379
Transportation costs	326,553	306,654
Sales commissions	139,954	116,616
Leasing expenses	96,520	79,438
Inventory write-down	86,003	60,461
Impairment loss	82,652	118,245
Auditors' remuneration - audit services	7,800	7,800
Change of goods in process and finished goods	(277,403)	(58,784)
Other expenses	956,565	972,534
Total cost of sales, selling and administrative expenses	90,375,091	72,933,547

5. INCOME TAX

	2018 RMB'000	2017 RMB'000
- Current income tax	1,471,671	1,714,955
- Deferred taxation	232	(16,216)
Income tax expense	1,471,903	1,698,739

A reconciliation of the expected income tax calculated at the applicable tax rate and total profit, with the actual income tax is as follows:

	2018 RMB'000	2017 RMB'000
Profit before income tax	6,808,121	7,852,898
Expected PRC income tax at the statutory tax rate of 25%	1,702,032	1,963,225
Tax effect of share of profit of investments accounted for using the equity method	(218,024)	(307,547)
Tax effect of other non-taxable income	(17,270)	(8,733)
Tax effect of non-deductible loss, expenses and costs	20,123	7,268
True up for final settlement of enterprise income taxes in respect of previous years	12,678	(15,121)
Tax losses for which no deferred income tax asset was recognized	10,017	60,832
Utilization of previously unrecognized tax losses	(37,653)	(1,185)
Actual income tax	1,471,903	1,698,739

The provision for PRC income tax is calculated at the rate of 25% (2017: 25%) on the estimated taxable income of the year ended 31 December 2018 determined in accordance with relevant income tax rules and regulations. The Group did not carry out business overseas and therefore does not incur overseas income taxes.

6. EARNINGS PER SHARE

(a) Basis

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2018 RMB'000	2017 RMB'000
Net profit attributable to owners of the Company	5,336,331	6,143,222
Weighted average number of ordinary shares in issue (thousands of shares)	10,823,497	10,803,690
Basic earnings per share (RMB per share)	RMB 0.493	RMB 0.569

(b) Diluted

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

As at 31 December 2017, The Company has dilutive potential ordinary shares from share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per the Company's A share for year ended 31 December 2017) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. As at 31 December 2018, there was no potential dilutive ordinary share from share options due to the forfeit of the third tranche of share option incentive scheme.

The calculation of the diluted earnings per share for the years ended 31 December 2018 and 31 December 2017 was shown as:

Earnings	2018 RMB	2017 RMB
Profit attributable to owners of the Company	5,336,331	6,143,222
Weighted average number of ordinary shares in issue (thousands of shares)	10,823,497	0,803,690
Adjustments for share options granted (thousands of shares)	-	6,179
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	10,823,497	10,809,869
Diluted earnings per share (RMB per share)	RMB0.493	RMB0.568

7. DIVIDEND

An annual dividend in respect of the year ended 31 December 2018 of RMB 0.25 per share, amounting to a total dividend of RMB 2,705,873 thousands, was approved by the Board of Directors on 19 March 2019. This financial statement has not reflected such dividend payable.

An annual dividend in respect of the year ended 31 December 2017 of RMB 0.3 per share, amounting to a total dividend of RMB 3,247,144 thousands, was approved by the Board of Directors on 20 March 2018.

8. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	**2017**
	RMB'000	**RMB'000**
Trade receivables	82,044	386,517
Less: impairment provision	(54)	(37)
	81,990	386,480
Bills receivable	-	1,090,479
Amounts due from related parties excluded prepayments	2,219,007	1,953,471
	2,300,997	3,430,430
Other receivables	105,803	83,551
	2,406,800	3,513,981

For the year ended 31 December 2018, certain associates and joint ventures of the Group declared dividends with total amount of RMB 811,473 thousands to the Group (2017: RMB 479,633 thousands). As at 31 December 2018 and 31 December 2017, all these declared dividends had been received by the Group.

The interest receivable amounted of RMB 79,224 thousands was recorded in the balance of other receivables (31 December 2017: RMB 52,993 thousands).

Amounts due from related parties mainly represent trade-related balances, unsecured in nature and bear no interest.

The aging analysis based on invoice date of trade receivables, bills receivable and amounts due from related parties excluded prepayments (net of allowance for doubtful debts) is as follows:

	As at 31 December	
	2018	**2017**
	RMB'000	**RMB'000**
Within one year	2,300,957	3,430,384
One to two years	29	38
Two to three years	11	8
	2,300,997	3,430,430

Movements of the Group's impairment provision for trade and other receivables are as follows:

	2018	**2017**
	RMB'000	**RMB'000**
As at 1 January	1,053	992
Provision for receivables impairment	39	66
Receivables written off during the year as uncollectible	(894)	(5)
As at 31 December	198	1,053

As at 31 December 2018 and 31 December 2017, no trade receivable or bills receivable was pledged as collateral.

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

9. BORROWINGS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Credit loans due within one year		
-Short term bank loans	497,249	606,157

The weighted average interest rate for the Group's borrowings was 3.63% for the year ended 31 December 2018 (2017: 2.93%).

As at 31 December 2018, no borrowings were secured by property, plant and equipment (31 December 2017: Nil).

As at 31 December 2018, the Group had credit facilities with several PRC financial institutions which provided the Group to borrow or to guarantee the issuance of the bills of lading up to RMB 18,716,320 thousands, within which amounted to RMB 16,961,535 thousands were unused. The maturity dates of the unused facility amounted to RMB 3,710,000 thousands will be after 31 December 2019. Management assessed that all the facilities could be renewed upon the expiration dates.

10. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade payables	2,922,998	1,908,457
Amounts due to related parties	4,567,814	3,731,687
	7,490,812	5,640,144
Staff salaries and welfares payable	128,861	123,959
Taxes payable (exclude income tax payable)	4,342,676	2,655,291
Interest payable	5,952	864
Dividends payable	26,488	23,686
Construction payable	334,249	425,891
Other liabilities	329,004	339,126
	5,167,230	3,568,817
	12,658,042	9,208,961

As at 31 December 2018 and 2017, all trade and other payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

Majority of amount due to related parties were trade payable for purchasing crude oil from related parties.

As at 31 December 2018, the ageing analysis of the trade payables (including bills payable and amounts due to related parties with trading nature) based on invoice date was as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within one year	7,451,168	5,568,507
Between one and two years	25,231	58,016
Over two years	14,413	13,621
	7,490,812	5,640,144

11. SEGMENT INFORMATION

2018	Synthetic fibres RMB'000	Resins and plastics RMB'000	Intermediate petrochemicals RMB'000	Petroleum products RMB'000	Trading of petrochemical products RMB'000	Others RMB'000	Total RMB'000
Total segment revenue	2,225,594	10,868,758	26,327,039	66,009,608	27,650,410	1,488,856	134,570,265
Inter segment revenue	-	(138,481)	(13,923,959)	(11,037,010)	(1,090,056)	(691,852)	(26,881,358)
Revenue from external customers	2,225,594	10,730,277	12,403,080	54,972,598	26,560,354	797,004	107,688,907
Timing of revenue recognition							
At a point in time	2,225,594	10,730,277	12,403,080	54,972,598	26,537,983	797,004	107,666,536
Over time	-	-	-	-	22,371	-	22,371
	2,225,594	10,730,277	12,403,080	54,972,598	26,560,354	797,004	107,688,907
Total gross (loss)/profit	(537,590)	1,081,206	2,135,060	2,936,678	149,236	9,916	5,774,506

2017	Synthetic fibres RMB'000	Resins and plastics RMB'000	Intermediate petrochemicals RMB'000	Petroleum products RMB'000	Trading of petrochemical products RMB'000	Other segments RMB'000	Total RMB'000
Total segment revenue	2,061,765	10,596,844	23,302,939	53,259,378	24,953,285	1,364,977	115,539,188
Inter - segment revenue	-	(123,824)	(12,949,321)	(8,737,935)	(1,240,250)	(525,443)	(23,576,773)
Revenue from external customers	2,061,765	10,473,020	10,353,618	44,521,443	23,713,035	839,534	91,962,415
Total gross (loss)/profit	(440,925)	1,539,196	2,378,581	3,147,627	162,801	32,759	6,820,039

	2018 RMB'000	2017 RMB'000
Segment result – Profit/(loss) from operations		
Petroleum products	2,910,063	3,120,024
Resins and plastics	900,440	1,355,908
Intermediate petrochemicals	1,934,926	2,206,128
Trading of petrochemical products	104,900	60,583
Synthetic fibres	(573,503)	(475,266)
Others	308,286	134,496
Profit from operations	5,585,112	6,401,873
Net finance income	337,412	207,332
Share of profit of investments accounted for using the equity method	885,597	1,243,693
Profit before income tax	6,808,121	7,852,898

7.3 Reconciliation between financial statements prepared under CAS and IFRS

The Company is listed on the Stoke Exchange of Hong Kong. The Group prepared financial statements under International Financial Reporting Standards ("IFRS") which is audited by PricewaterhouseCoopers. There are reconciliation items in the consolidated financial report prepared under CAS and IFRS, the reconciliation items and the amount are listed as follows:

	Net profit（Consolidated）		Net assets（Consolidated）	
	2018	2017	31 December 2018	31 December 2017
Under CAS	5,277,073	6,152,495	30,486,504	28,541,613
Adjustments under IFRS-				
Government grants(a)	2,010	2,010	(24,063)	(26,073)
Safety production costs (b)	57,135	(346)	-	-
Under IFRS	5,336,218	6,154,159	30,462,441	28,515,540

Explanation of the reconciliation items:

(a) Government grants

Under CAS, government subsidies defined as capital contributions according to the relevant government requirements are not considered a government grant, but instead should be recorded as an increase in capital reserves.

Under IFRS, such grants are offset against the cost of asset to which the grants are related. Upon transfer to property, plant and equipment, the grant is recognised as income over the useful life of the property, plant and equipment by way of a reduced depreciation charge.

(b) Safety production costs

Under CAS, safety production costs should be recognised in profit or loss with a corresponding increase in reserve according to PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related fixed assets are purchased, is reduced by the purchased cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRS, expenses are recognised in profit or loss when incurred, and property, plant and equipment are depreciated with applicable methods.

By Order of the Board
Guo Xiaojun
Joint Company Secretary
Sinopec Shanghai Petrochemical Company Limited

Shanghai, the PRC, 19 March 2019

As at the date of this announcement, the executive directors of the Company are Wu Haijun, Shi Wei, Jin Qiang, Guo Xiaojun, Zhou Meiyun and Jin Wenmin; the non-executive directors of the Company are Lei Dianwu and Mo Zhenglin; and the independent non-executive directors of the Company are Zhang Yimin, Liu Yunhong, Du Weifeng and Li Yuanqin.