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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)

2023 ANNUAL RESULTS ANNOUNCEMENT

§ 1 IMPORTANT MESSAGE

- I. The Board of 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 2023 annual results announcement, and warrant that there are no false representations or misleading statements contained in, or material omissions from, the 2023 annual results announcement of the Company, and accept legal responsibility.
- II. All directors attended the sixth meeting of the eleventh session of the Board, and have considered and adopted the 2023 annual report at the meeting.
- III. The financial statements for the year ended 31 December 2023 (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 KPMG Huazhen LLP and KPMG, respectively, and both firms have issued unqualified opinions on the financial statements in their auditors’ reports.
- IV. Mr. Wan Tao, Chairman and the responsible person of the Company; Mr. Du Jun, Director, Vice President and Chief Financial Officer in charge of the accounting work; and Ms. Fu Hejuan, person in charge of the Accounting Department (Accounting Chief) and President of Finance Department hereby warrant the truthfulness, accuracy, and completeness of the financial statements contained in the 2023 annual results announcement.

V. Plan for Profit Appropriation or Capital Reserve Capitalisation reviewed by the Board

In 2023, the net loss attributable to equity shareholders of the Company amounted to RMB1,405,876 thousand under CAS (net loss of RMB1,346,147 thousand attributable to equity shareholders of the Company under IFRS). The Board did not recommend the distribution of dividend for the year or the capital reserve capitalisation.

VI. Declaration of Risks Involved in the Forward-looking Statements

Forward-looking statements such as future plans and development strategies contained in this announcement do not constitute any substantive commitments of the Company to investors. The Company has alerted investors on the relevant investment risks.

VII. Was there any incidents of appropriation of funds by the controlling shareholder of the Company and its connected persons for non-operational purposes?

No.

VIII. Was there any incidents of providing external guarantees in violation of the required decision-making procedures?

No.

IX. Material Risk Warning

Potential risks are elaborated in this report. Please refer to “Report of the Directors (Management Discussion and Analysis)” under Section 5 for details of the potential risks arising from the future development of the Company.

X. The annual results announcement is published in both Chinese and English. In the event of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

§ 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 (the “ Hong Kong Stock Exchange ”) |
| Stock abbreviation of H shares: | SHANGHAI PECEM |
| Stock code of H shares: | 00338 |
| Registered address and business address: | No.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

| | <u>Secretary to the Board</u> | <u>Securities Affairs Representative</u> |
|---------|--|--|
| Name | Liu Gang | Yu Guangxian |
| Address | No.48 Jinyi Road, Jinshan District, Shanghai, PRC, Postal Code: 200540 | No.48 Jinyi Road, Jinshan District, Shanghai, PRC, Postal Code: 200540 |
| Tel | 8621-57943143 | 8621-57933728 |
| Fax | 8621-57940050 | 8621-57940050 |
| E-mail | liugang@spc.com.cn | yuguangxian@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 and its subsidiaries (the “Group”) are a highly integrated petrochemical enterprises which mainly process crude oil into a broad range of petroleum products and chemical products. The Group 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 Group’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 Group is optimizing its product structure, improving the quality and variety of its existing products, upgrading technology and increasing the capacity of its key upstream plants.

§3 ACCOUNTING DATA AND FINANCIAL INDICATORS

3.1 Major Accounting Data (Prepared under CAS)

| | | | | | | | Unit: RMB’000 | |
|--|--------------------|----------------------|-----------------------|--|----------------------|-----------------------|---|--|
| <u>Major accounting data</u> | <u>2023</u> | <u>2022</u> | | <u>Increase/decrease compared to the previous year (After restatement) (%)</u> | <u>2021</u> | | | |
| | | After restatement | Before restatement | | After restatement | Before restatement | | |
| Revenue | 93,013,595 | 82,518,315 | 82,518,315 | 12.72 | 89,280,415 | 89,280,415 | | |
| Total (loss)/profit | (1,715,136) | (3,599,570) | (3,599,570) | -52.35 | 2,648,161 | 2,648,161 | | |
| Net (loss)/profit attributable to equity shareholders of the Company | (1,405,876) | (2,871,969) | (2,872,072) | -51.05 | 2,000,444 | 2,000,506 | | |
| Net (loss)/profit attributable to equity shareholders of the Company excluding non-recurring items | (1,365,513) | (2,790,670) | (2,790,773) | -50.75 | 1,908,043 | 1,908,105 | | |
| Net cash flow generated from/(used in) operating activities | 806,996 | (7,337,499) | (7,337,499) | N/A | 4,060,026 | 4,060,026 | | |
| | | | | | | | <u>Increase/decrease compared to the end of the previous year (After restatement) (%)</u> | |
| <u>Major accounting data</u> | <u>End of 2023</u> | <u>End of 2022</u> | | <u>(After restatement) (%)</u> | <u>End of 2021</u> | | | |
| | | After restatement | Before restatement | | After restatement | Before restatement | | |
| Net assets attributable to equity shareholders of the Company | 24,824,929 | 26,243,746 | 26,243,705 | -5.41 | 30,260,110 | 30,260,172 | | |
| Total assets | 39,658,244 | 41,242,782 | 41,242,740 | -3.84 | 47,038,622 | 47,038,622 | | |

3.2 Major Financial Indicators (Prepared under CAS)

| Major financial indicators | 2023 | 2022 | | Increase/decrease compared to the previous year (After restatement) (%) | 2021 | |
|--|-------------|----------------------|-----------------------|--|----------------------|-----------------------|
| | | After restatement | Before restatement | | After restatement | Before restatement |
| Basic (losses)/earnings per share (RMB/Share) | (0.130) | (0.265) | (0.265) | -50.94 | 0.185 | 0.185 |
| Diluted (losses)/earnings per share (RMB/Share) | (0.130) | (0.265) | (0.265) | -50.94 | 0.185 | 0.185 |
| Basic (losses)/earnings per share excluding non-recurring items (RMB/Share) | (0.127) | (0.258) | (0.258) | -50.78 | 0.176 | 0.176 |
| (Loss)/return on net assets (weighted average) (%)* | (5.504) | (10.162) | (10.163) | Increased by 4.66 percentage points | 6.727 | 6.727 |
| (Loss)/return on net assets excluding non-recurring items (weighted average) (%)* | (5.346) | (9.875) | (9.875) | Increased by 4.53 percentage points | 6.416 | 6.416 |
| Net cash flow per share generated from/(used in) operating activities (RMB/Share) | 0.075 | (0.678) | (0.678) | N/A | 0.375 | 0.375 |
| | End of 2023 | End of 2022 | | Increase/decrease compared to the end of the previous year (After restatement) (%) | End of 2021 | |
| | | After restatement | Before restatement | | After restatement | Before restatement |
| Net assets per share attributable to equity shareholders of the Company (RMB/Share)* | 2.299 | 2.425 | 2.426 | -5.235 | 2.796 | 2.796 |
| Gearing ratio (%) | 37.105 | 36.058 | 36.058 | Increased by 1.05 percentage points | 35.382 | 35.382 |

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

** Explanation of reasons for retrospective adjustment or restatement:

Since 1 January 2023, the Group has implemented the requirement of the “Accounting treatment of initial recognition exemption not applicable to deferred income tax related to assets and liabilities arising from an individual transaction” under the Interpretation of Accounting Standards for Business Enterprises No. 16 promulgated by the Ministry of Finance.

According to the provisions of Interpretation No. 16, if the individual transaction of the Group is not a business combination, or its occurrence does not affect the accounting profit nor taxable income (or deductible loss), and the initially recognized assets and liabilities result in equal taxable temporary difference and deductible temporary difference, the requirement of the Accounting Standards for Business Enterprises No. 18-Income Tax on the exemption from the initial recognition of deferred income tax liabilities and deferred income tax assets is not applicable. According to the Accounting Standards for Business Enterprises No. 18-Income Tax and other relevant regulations, as for the taxable temporary difference and deductible temporary difference arising from the initial recognition of assets and liabilities, the Group recognizes the corresponding deferred income tax liabilities and deferred income tax assets respectively when the transaction occurs.

The above requirement took effect on 1 January 2023. The Group has made retrospective adjustments to the individual transactions that occurred between 1 January 2022 and the date of initial implementation to which the requirement applies. For the lease liabilities and right-of-use assets recognized on 1 January 2022 due to the individual transactions subject to the requirement resulting in taxable temporary difference and deductible temporary difference, the Group adjusted the cumulative impact amount to the opening retained earnings and other related financial statement items of the earliest period presented in the financial statements in accordance with the requirement and the Accounting Standards for Business Enterprises No. 18-Income Tax.

3.3 Non-recurring Items (Prepared under CAS)

| | Unit: RMB'000 | | |
|--|-----------------|-----------------|---------------|
| Non-recurring items | 2023 | 2022 | 2021 |
| (Losses)/gains on disposal of non-current assets | (26,758) | (26,767) | 48,671 |
| Government grants recognised through profit or loss (excluding government grants with fixed amount pursuant to the State's unified standard which are closely related to the corporate business) | 49,819 | 43,055 | 45,944 |
| Termination benefits | (49,348) | (33,739) | (12,232) |
| Gains/(Losses) from changes in fair value of financial assets and liabilities | 10,000 | (8,987) | 8,987 |
| Income from structured deposits | – | 11,124 | 97,921 |
| (Losses)/gains on disposal of derivative financial instruments | – | (18,864) | 9,859 |
| Discount loss of receivables | (4,403) | (3,148) | (4,685) |
| Gains from entrusted loans | – | 2,704 | – |
| Reversal of the loss allowance for receivables that is individually tested for impairment | 645 | – | – |
| Other non-operating income and expenses other than those mentioned above | (21,951) | (60,087) | (57,733) |
| Income tax effect amount | (5,279) | 12,692 | (44,887) |
| Effect on non-controlling interests (after tax) | 6,912 | 718 | 556 |
| Total | (40,363) | (81,299) | 92,401 |

3.4 Financial Information Prepared under IFRS (for the past five years)

| Year ended 31 December | Unit: RMB million | | | | |
|--|-------------------|------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| | | (Restated) | (Restated) | (Restated) | (Restated) |
| Net sales | 80,077.76 | 72,654.56 | 75,888.80 | 61,560.87 | 88,055.74 |
| (Loss)/profit before taxation | (1,655.41) | (3,573.65) | 2,721.09 | 590.78 | 2,656.13 |
| (Loss)/profit after taxation | (1,349.31) | (2,842.19) | 2,076.54 | 656.40 | 2,227.17 |
| (Loss)/profit attributable to equity shareholders of the Company | (1,346.15) | (2,846.05) | 2,073.37 | 645.08 | 2,215.73 |
| Basic (losses)/earnings per share (RMB/share)* | (0.125) | (0.263) | 0.192 | 0.060 | 0.205 |
| Diluted (losses)/earnings per share (RMB/share)* | (0.125) | (0.263) | 0.192 | 0.060 | 0.205 |
| As at 31 December | | | | | |
| Equity attributable to equity shareholders of the Company | 24,810.92 | 26,227.72 | 30,242.08 | 29,197.99 | 29,863.29 |
| Total assets | 39,564.23 | 41,136.76 | 46,920.59 | 44,619.13 | 45,494.08 |
| Total liabilities | <u>14,635.34</u> | <u>14,781.36</u> | <u>16,543.26</u> | <u>15,284.16</u> | <u>15,500.23</u> |

* The Company cancelled the repurchased H shares in February 2023, after which the total share capital of the Company was decreased by 24,528,000 shares.

3.5 Major Quarterly Financial Data in 2023 (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) |
| Operating income | 21,978,009 | 22,959,042 | 24,922,150 | 23,154,394 |
| Net (loss)/profit attributable to equity shareholders of the Company | (163,142) | (825,135) | 268,831 | (686,430) |
| Net (loss)/profit attributable to equity shareholders of the Company excluding non- recurring items | (159,041) | (813,109) | 285,337 | (678,700) |
| Net cash flow (used in)/generated from operating activities | (29,479) | (197,403) | (661,434) | 1,695,312 |

§ 4 INFORMATION ON SHAREHOLDERS' SHAREHOLDING AND CONTROL

4.1 Shareholding of the top ten shareholders as at the end of the Reporting Period

| Shareholding of the top ten shareholders | | | | | | | | |
|---|-----------------|-------------------|------------------|---------------|--------------|---------------------------|-----------|--------------------------|
| Full name of shareholder | Class of shares | Increase/decrease | Number of | Percentage of | Number of | Pledged/Marked/ Frozen | | Nature of shareholder |
| | | of shareholding | shares held at | | shares held | Status | Number | |
| | | during the | the end of the | shareholding | with selling | of shares | of Shares | |
| | | Reporting Period | Reporting Period | (%) | restrictions | | | |
| | | (Shares) | (Shares) | | (Shares) | | | |
| China Petroleum & Chemical Corporation | A Shares | 0 | 5,459,455,000 | 50.55% | 0 | None | 0 | State-owned legal person |
| HKSCC Nominees Limited | H Shares | -1,109,000 | 3,451,406,030 | 31.96% | 0 | Unknown | - | Overseas legal person |
| HKSCC Limited | A Shares | -1,168,843 | 95,376,945 | 0.88% | 0 | None | 0 | Overseas legal person |
| Wang Lei | A Shares | 0 | 46,120,300 | 0.43% | 0 | None | 0 | Domestic natural person |
| Southern Fund – Agricultural Bank of China – Southern CSI Financial Asset Management Plan | A Shares | -4,052,000 | 39,031,700 | 0.36% | 0 | None | 0 | Others |
| GF Fund – Agricultural Bank of China – GF CSI Financial Asset Management Plan | A Shares | -7,182,500 | 38,039,800 | 0.35% | 0 | None | 0 | Others |
| Yinhua Fund – Agricultural Bank of China – Yinhua CSI Financial Asset Management Plan | A Shares | -5,800,200 | 37,251,516 | 0.34% | 0 | None | 0 | Others |
| Dacheng Fund – Agricultural Bank of China – Dacheng CSI Financial Asset Management Plan | A Shares | -6,502,800 | 37,028,669 | 0.34% | 0 | None | 0 | Others |
| Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Asset Management Plan | A Shares | -14,298,100 | 28,377,600 | 0.26% | 0 | None | 0 | Others |
| Harvest Fund – Agricultural Bank of China – Harvest CSI Financial Asset Management Plan | A Shares | -864,600 | 25,583,100 | 0.24% | 0 | None | 0 | Others |

Note on connected relations or acting in concert of the above shareholders

Among the above-mentioned shareholders, 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 Program. Apart from the above, the Company is not aware of any connected relationship among the other shareholders, or whether any other shareholder constitutes an acting-in-concert party under the Administrative Measures on Acquisition of Listed Companies.

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



* Including 810,388,000 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 2023, 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 (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

| <u>Name of shareholders</u> | <u>Interests held or deemed as held (shares)</u> | <u>Note</u> | <u>Percentage of total issued shares of the Company (%)</u> | <u>Percentage of total issued shares of the relevant class (%)</u> | <u>Capacity</u> |
|--|--|-------------|---|--|--|
| China Petroleum & Chemical Corporation | 5,459,455,000 A shares (L) | (1) | 50.55 | 74.49 | Beneficial owner |
| | Shares of legal person | | | | |
| Corn Capital Company Limited | 211,008,000 H shares (L) | (2) | 1.95 | 6.08 | Beneficial owner |
| | 200,020,000 H shares (S) | | 1.85 | 5.76 | |
| Hung Hin Fai | 211,008,000 H shares (L) | (2) | 1.95 | 6.08 | Interests of controlled |
| | 200,020,000 H shares (S) | | 1.85 | 5.76 | corporation |
| Yardley Finance Limited | 200,020,000 H shares (L) | (3) | 1.85 | 5.76 | Secured equity holders |
| Chan Kin Sun | 200,020,000 H shares (L) | (3) | 1.85 | 5.76 | Interests of controlled corporation |

(L): Long position; (S): Short position

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 68.24% of the issued share capital of Sinopec Corp. as at 31 December 2023. By virtue of such relationship, Sinopec Group is deemed to have an interest in the 5,459,455,000 A shares of the Company directly owned by Sinopec Corp.
- (2) These shares were held by Corn Capital Company Limited. Hung Hin Fai held 100% interests in Corn Capital Company Limited. Pursuant to the SFO, Hung Hin Fai was deemed to be interested in the shares held by Corn Capital Company Limited.
- (3) 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.

Save as disclosed above, as at 31 December 2023, 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 2023, international oil prices fluctuated widely while the chemical industry continued to expand production capacity, the homogenization competition of bulk products intensified, and the restructuring accelerated in industrial chain and supply chain. Faced with a complicated environment, the Group adhered to comprehensive and strict management to ensure the stable operation of production safety, maximized the value of the Company, and optimized cost reduction and efficiency creation in all aspects to fully promote the construction of key projects, which reversed the passive situation of production safety, made new progress in all aspects of work, and successfully completed various work tasks throughout the year. The total volume of crude oil processed for the year was 14.1193 million tons (including 1,080,200 tons of processing on order), representing a year-on-year increase of 35.17%; the volume of refined oil produced for the year was 8.6666 million tons, representing a year-on-year increase of 46.69%; the total volume of goods within the main commodities categories was 12.4884 million tons, representing a year-on-year increase of 28.66%. The Company’s turnover was RMB92.932 billion, representing a year-on-year increase of 12.72%. The Group’s product sale rate was 100.14% and the payment return rate was 100%, signaling premium and stable product quality.

(1) Petrochemicals prices fluctuated and declined

In 2023, lower-than-expected demand in the global chemical market dragged international crude oil prices and petrochemical products down. As of 31 December 2023, the weighted average prices (excluding tax) of petroleum products and chemical products of the Group decreased by 6.51% and 8.30% year on year respectively.

(2) Year-on-year growth in crude oil processing volume

In 2023, the total volume of crude oil processed by the Group was 14.1193 million tons, representing an increase of 35.17% year on year. In 2023, the annual crude oil processing cost was RMB4,358.43 per ton, representing a decrease of RMB324.07 per ton or 6.92% over the corresponding period of the previous year. The total crude oil processing cost for the year increased by RMB9,691 million or 20.56%, accounting for 69.63% of the total cost of sales.

(3) Heightening strict management to ensure safety production

Drawing lessons from the accidents, the Group carried out the campaign of Year of Strengthening Safety Management as the main line and emphasized the strict management and accountability, which promoted the deep integration of HSE management system with production and operation. The Group continued to strengthen the management of professional safety, direct operations and contractors and strictly enforced risk management and control, as well as hidden danger supervision and management, which prevented and resolved major risks and hidden dangers in an effective way, and maintained overall stability in production safety.

(4) Heightening an all-round optimization to address tough challenges and improve performance

The Group adhered to stable production, operation optimization, and cost reduction and fee cutting and implemented all-round measures to address tough challenges and improve performance. The device ran smoothly, and the emission of flare gas was significantly reduced, and the production operation was effectively improved. The Group also made full use of inter-departmental collaboration, analyzed and predicted market changes, and dynamically optimized raw material procurement and product sales strategies, coordinated the promotion of multiple production and operation bottlenecks by virtue of integrated optimization and took measures such as contract assessment and cost driver analysis to reduce costs and fees.

(5) Heightening green and low-carbon and implementing construction drawings for industrial transformation

The foundation of environmental protection was constantly consolidated. The Group deepened the construction of a green enterprise, and the average value of VOCs concentration at the Company's boundary was $72.3\mu\text{g}/\text{m}^3$, decreased by 30.5%, resulting in continuous improvement in environmental quality. The Group participated in the electricity and carbon emission market trading and conducted the first green electricity trading; a total of four photovoltaic power generation projects have been put into operation, with a total installed capacity of 16 MW. In order to guarantee market supply, gasoline for motor vehicles was manufactured in accordance with national 6B standard. New progress was made in the construction of key projects: the 3rd circuit 220 kV power supply line project was completed and put into operation and connected to the grid; 250,000 tons/year thermoplastic elastomer project was completed 65%; renovation project for power units cleaning and efficiency improving started the pile construction; and Jinhong aviation oil pipeline was completed and put into operation. New progress was made in digital intelligence transformation. The Group basically built a smart factory with integrated production control, supply chain integration optimization, and equipment integrity as the main line, the upgraded version of the Integration of Informatisation and Industrialisation Standard Scheme has passed the evaluation and audit of the Ministry of Industry and Information Technology, and won the AAA certificate of the Integration of Informatisation and Industrialisation Management System.

(6) Heightening the optimization of incentives and promoting reform and management to consolidate the foundation

Focused on reform and development, the Group enhanced the modernization level of corporate governance system and governance capability, improved the standing book for the quality of listed companies, implemented actions to create value for benchmarking with first-class enterprises, and carried out actions to deepen reform and upgrade; continued to optimize management systems, mechanisms and organizations to improve management efficiency. The Group also strengthened the construction of talent team and innovated training forms to create a learning atmosphere for all staff, organized teams to participate in business competitions at all levels, and achieved excellent results. The Group optimized the incentive and restraint mechanism, and adhered to the value orientation of “dedicator-oriented, honest people suffer no losses”, increased salary assessment and incentives and encouraged cadres and employees to start businesses.

5.2 Accounting judgments and estimates

The preparation of the financial statements requires management of the Group to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods.

(1) Net realizable value (“NRV”) of inventories

Inventories are valued at the lower of cost and net realizable value. The net realizable value is determined based on the estimated selling prices in the ordinary course of business less the estimated costs to completion, and other costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of each reporting period to ensure inventory is measured at the lower of cost and net realizable value.

(2) Impairments for non-current assets

At the end of each reporting period, the Group estimates the recoverable amount of an asset or a cash-generating unit (“CGU”) (a portion of which related to certain production facilities), at the higher of its fair value less costs of disposal and its value in use, to determine the impairment losses. If circumstances indicate that the carrying amount of the asset or CGU may not be recoverable, the asset or CGU may be considered “impaired”, and an impairment loss may be recognized.

The recoverable amount of assets or CGUs is the higher of the fair value less costs of disposal and the present value of the estimated future cash flows. As the fair value of certain assets or CGUs may not be publicly available, the Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions for projections of product sales and operating costs and discount rate of the present value of the estimated future cash flows. In particular, in determining the present value of the estimated future cash flows of the Group’s specific CGUs, significant judgements are required on the accounting estimates which are based on the assumptions relating to product sales growth rates, related costs growth rates and discount rate applied.

(3) Useful life and residual value of property, plant and equipment

Property, plant and equipment, are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Management reviews the estimated useful lives and estimated residual value of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group’s historical experience with similar assets, taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(4) Classification of financial assets

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows. The Group determines the business model for managing financial assets at the level of the financial asset portfolio. The factors considered include the way to evaluate and report the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and their management methods, and the way for relevant business management personnel to obtain remuneration, etc.

When evaluating whether the contractual cash flow of financial assets is consistent with the basic lending arrangements, the Group has the following main judgments: whether the time distribution or amount of the principal may change in the duration due to prepayment and other reasons; whether the interest only includes the time value of money, credit risk, other basic lending risks and the consideration of cost and profit. For example, whether the amount of prepayment only reflects the outstanding principal and the interest based on the outstanding principal, as well as the reasonable compensation paid for the early termination of the contract.

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 | | | | | | | | |
|-----------------------------------|---------------------------------|------------------|---------------|-----------------|------------------|---------------|------------------|------------------|---------------|
| | 2023 | | | 2022 | | | 2021 | | |
| | Sales volume | Net sales | | Sales volume | Net sales | | Sales volume | Net sales | |
| | ('000 tons) | RMB million | % | ('000 tons) | RMB million | % | ('000 tons) | RMB million | % |
| Petroleum products | 9,747.76 | 51,881.58 | 64.79 | 7,211.38 | 41,444.66 | 57.04 | 10,065.00 | 41,884.40 | 55.19 |
| Chemical products | 2,780.32 | 19,032.11 | 23.77 | 2,455.95 | 18,271.47 | 25.15 | 3,345.90 | 22,118.00 | 29.15 |
| Trading of petrochemical products | – | 8,174.13 | 10.20 | – | 12,007.55 | 16.53 | – | 11,051.40 | 14.56 |
| Others | – | 989.94 | 1.24 | – | 930.88 | 1.28 | – | 835.00 | 1.10 |
| Total | <u>12,528.08</u> | <u>80,077.76</u> | <u>100.00</u> | <u>9,667.33</u> | <u>72,654.56</u> | <u>100.00</u> | <u>13,410.90</u> | <u>75,888.80</u> | <u>100.00</u> |

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

| | For the years ended 31 December | | | | | |
|--|---------------------------------|----------------|-------------|----------------|-------------|----------------|
| | 2023 | | 2022 | | 2021 | |
| | RMB million | % of net sales | RMB million | % of net sales | RMB million | % of net sales |
| Petroleum products | | | | | | |
| Net sales | 51,881.58 | 64.79 | 41,444.66 | 57.04 | 41,884.40 | 55.19 |
| Cost of sales and operating expenses | (52,111.60) | (65.08) | (41,443.69) | (57.04) | (38,917.40) | (51.28) |
| Segment (loss)/profit from operations | (230.02) | (0.29) | 0.97 | – | 2,967.00 | 3.91 |
| Chemical products | | | | | | |
| Net sales | 19,032.11 | 23.77 | 18,271.47 | 25.15 | 22,118.00 | 29.15 |
| Cost of sales and operating expenses | (20,529.62) | (25.64) | (21,995.90) | (30.28) | (23,555.02) | (31.04) |
| Segment loss from operations | (1,497.51) | (1.87) | (3,724.43) | (5.13) | (1,437.02) | (1.89) |
| Trading of petrochemical products | | | | | | |
| Net sales | 8,174.13 | 10.20 | 12,007.55 | 16.53 | 11,051.40 | 14.56 |
| Cost of sales and operating expenses | (8,132.36) | (10.15) | (11,994.71) | (16.51) | (11,007.70) | (14.50) |
| Segment profit from operations | 41.77 | 0.05 | 12.84 | 0.02 | 43.70 | 0.06 |
| Others | | | | | | |
| Net sales | 989.94 | 1.24 | 930.88 | 1.28 | 835.00 | 1.10 |
| Cost of sales and operating expenses | (1,057.13) | (1.32) | (1,063.63) | (1.46) | (976.50) | (1.29) |
| Segment loss from operations | (67.19) | (0.08) | (132.75) | (0.18) | (141.50) | (0.19) |
| Total | | | | | | |
| Net sales | 80,077.76 | 100.00 | 72,654.56 | 100.00 | 75,888.80 | 100.00 |
| Cost of sales and operating expenses | (81,830.71) | (102.19) | (76,497.93) | (105.29) | (74,456.60) | (98.11) |
| (Loss)/profit from operations | (1,752.95) | (2.19) | (3,843.37) | (5.29) | 1,432.20 | 1.89 |

For the years ended 31 December

| | 2023 | | 2022 | | 2021 | |
|---|-------------------|----------------|-------------------|----------------|-----------------|----------------|
| | RMB million | % of net sales | RMB million | % of net sales | RMB million | % of net sales |
| Net finance income | 238.68 | 0.30 | 443.33 | 0.61 | 414.60 | 0.55 |
| Share of (loss)/profit of associates and joint ventures | (141.13) | (0.18) | (173.61) | (0.24) | 874.30 | 1.15 |
| (Loss)/profit before tax | (1,655.40) | (2.07) | (3,573.65) | (4.92) | 2,721.10 | 3.59 |
| Income tax | 306.09 | 0.38 | 731.46 | 1.01 | (644.56) | (0.85) |
| (Loss)/profit for the year | <u>(1,349.31)</u> | <u>(1.69)</u> | <u>(2,842.19)</u> | <u>(3.91)</u> | <u>2,076.54</u> | <u>2.74</u> |
| Attributable to: Equity shareholders of the Company | (1,346.15) | (1.69) | (2,846.05) | (3.92) | 2,073.34 | 2.74 |
| Non-controlling interests | (3.16) | 0.00 | 3.86 | 0.01 | 3.20 | 0.00 |
| (Loss)/profit for the year | <u>(1,349.31)</u> | <u>(1.69)</u> | <u>(2,842.19)</u> | <u>(3.91)</u> | <u>2,076.54</u> | <u>2.74</u> |

5.3.2 Comparison and analysis

Comparison between the year ended 31 December 2023 and the year ended 31 December 2022 is as follows:

5.3.2.A Operating results

(1) Net sales

In 2023, the net sales of the Group amounted to RMB80,078 million, an increase of 10.22% from the previous year's RMB72,655 million. Analysis by products is as follows:

(i) Petroleum products

In 2023, the Group's net sales of petroleum products amounted to RMB51,882 million, an increase of 25.18% from the previous year's RMB41,445 million. This was mainly due to the rising demand in domestic market and its sales volume increased by 35.17% year on year.

The net sales of petroleum products accounted for 64.79% of the Group's net sales in the current year, an increase of 7.75 percentage points from the previous year.

(ii) Chemical products

In 2023, the Group's net sales of chemical products amounted to RMB19,032 million, an increase of 4.17% from the previous year's RMB18,271 million. The net sales of chemical products accounted for 23.77% of the Group's net sales in the current year, a decrease of 1.38 percentage points from the previous year.

(iii) Trading of petrochemical products

In 2023, the Group's net sales of trading of petrochemical products amounted to RMB8,174 million, a decrease of 31.93% from the previous year's RMB12,008 million. This was mainly due to the lack of demand in chemical product market, and therefore the sales of subsidiaries Jinshan Associated Trading and JMGJ decreased sharply..

The net sales of trading of petrochemical products accounted for 10.20% of the Group's net sales in the current year, a decrease of 6.33 percentage points from the previous year.

(iv) Others

In 2023, the Group's net sales of other products amounted to RMB990 million, an increase of 6.34% from the previous year's RMB931 million.

The net sales of other products accounted for 1.24% of the Group's net sales in the current year, a decrease of 0.04 percentage points from the previous year.

(2) Cost of sales and operating expenses

Cost of sales and operating expenses consist of cost of sales, sales and administrative expenses, other operating expenses and other operating income, etc.

In 2023, the Group's cost of sales and operating expenses amounted to RMB81,831 million, an increase of 6.97% from RMB76,498 million in 2022. Cost of sales and operating expenses of petroleum products, chemical products, trading of petrochemical products and other products amounted to RMB52,112 million, RMB20,530 million, RMB8,132 million, and RMB1,057 million respectively, representing an increase of 25.74%, a decrease of 6.66%, a decrease of 32.21% and a decrease of 0.66% year on year respectively.

Compared with the last year, the cost of sales and operating expenses of petroleum products increased, while chemical products, trading of petrochemical products and others decreased this year, which was mainly due to its variations in line with the changes in segment revenues during the Reporting Period.

– Cost of sales

In 2023, the Group's cost of sales amounted to RMB81,613 million, an increase of 7.01% from previous year's RMB76,266 million, which was mainly due to the increase in crude oil processing. The cost of sales accounted for 102.19% of the net sales this year.

– Selling and administrative expenses

In 2023, the Group's sales and administrative expenses amounted to RMB316 million, an increase of 7.48% from the previous year's RMB294 million. This was mainly due to the overall increase in sales volumes in the year.

– Other operating income

In 2023, the Group's other operating income amounted to RMB132 million, an increase of 18.92% from previous year's RMB111 million, which was mainly due to the increase in rental income of investment properties and fixed assets.

– Other operating expenses

In 2023, the Group's other operating expenses amounted to RMB20 million, a decrease of 23.08% from previous year's RMB26 million. This was mainly due to the decrease in compensation losses for the year.

(3) Operating profit

In 2023, the Group's operating loss amounted to RMB1,753 million, a decrease of RMB2,090 million from the operating loss of RMB3,843 million in the previous year. In 2023, the operating loss decreased from the previous year due to the rising demand in domestic market.

(i) Petroleum products

In 2023, the operating loss of petroleum products amounted to RMB230 million, a decrease of RMB231 million from the operating profit of RMB1 million in the previous year. Petroleum products incurred losses mainly due to the continued decline in international crude oil prices in the current year, the unit price and unit cost of petroleum products decreased by 7%, respectively, as compared to 2022, while the increase in the sales volume of petroleum products resulted in a significant increase in consumption taxes as compared to 2022.

(ii) Chemical products

In 2023, the operating loss of chemical products amounted to RMB1,498 million, a decrease of RMB2,226 million from the operating loss of RMB3,724 million in the previous year. Petroleum products incurred losses mainly due to the continued decline in international crude oil prices in the current year, the unit price and unit cost of petroleum products decreased by 7%, respectively, as compared to 2022, while the increase in the sales volume of petroleum products resulted in a significant increase in consumption taxes as compared to 2022.

(iii) Trading of petrochemical products

In 2023, the Group's operating profit of trading of petrochemical products amounted to RMB42 million, an increase of RMB29 million from the operating profit of RMB13 million in the previous year, which was mainly due to the increase in the gross profit from trading of petrochemical products during the year.

(iv) Others

In 2023, the Group's other operating loss amounted to RMB67 million, a decrease of RMB66 million from the other operating loss of RMB133 million in the previous year.

(4) Net finance income

In 2023, the Group's net financial income amounted to RMB239 million, a decrease of RMB204 million from the net financial income of RMB443 million in the previous year, which was mainly due to the increase in interest expense on borrowings and the decrease in interest income from time deposits during the Reporting Period, resulting in an increase of our interest expense by RMB46 million from RMB99 million in 2022 to RMB145 million in 2023, and a decrease of our interest income by RMB158 million from RMB542 million in 2022 to RMB384 million in 2023.

(5) Loss before taxation

In 2023, the Group's loss before taxation amounted to RMB1,655 million, a decrease of RMB1,919 million from the loss before taxation of RMB3,574 million in the previous year.

(6) Income tax

The income tax benefit of the Group amounted to RMB306 million in 2023 and the income tax benefit amounted to RMB731 million in 2022, which was mainly due to the decrease in loss before taxation for the year.

In accordance with The Enterprise Income Tax Law of the PRC (amended in 2018), the income tax rate applicable to the Group in 2023 is 25% (2022: 25%).

(7) Loss for the year

The Group's loss for the year was RMB1,349 million, representing a decrease of RMB1,493 million compared with loss for the year of RMB2,842 million in the previous year.

5.3.2.B Liquidity and capital sources

The Group's primary sources of capital are cash inflows from investing activities due to maturity of fixed deposit. The Group's primary uses of capital are cost of sales, other operating expenses and capital expenditures.

(1) Capital Sources

(i) Net cash flow generated from operating activities

In 2023, the Group's net cash inflows generated from operating activities amounted to RMB664 million, representing an increase of RMB8,123 million from the net cash outflows of RMB7,459 million in the previous year. During the Reporting Period, with the operating loss, the Group's cash inflows generated from operating activities before interest and taxation in 2023 amounted to RMB769 million, representing an increase of cash inflows of RMB7,730 million from the cash outflows used in operating activities before interest and taxation of RMB6,961 million in the previous year.

(ii) Borrowings

The total borrowings of the Group at the end of 2023 amounted to RMB3.700 billion, representing an increase of RMB1.450 billion compared with the end of the previous year, which is mainly due to short-term borrowings increasing by RMB1.450 billion.

The Group managed to maintain its liability-to-asset ratio at a safe level by enhancing controls over both liabilities (including borrowings) and financing risks. The Group generally does not experience any seasonality in borrowings. However, due to the nature of the Group's capital expenditure plan, long-term bank borrowings can be 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 pay dividends on its shares.

(2) Liability-to-asset ratio

As at 31 December 2023, the Group's liability-to-asset ratio was 36.99% (2022: 35.93%). The ratio is calculated using this formula: $\text{total liabilities}/\text{total assets} * 100\%$.

5.3.2.C Research and Development, Patents and Licenses

Research and development expenses refer to various expenditures incurred in the process of research and development or commissioned development of new products, technologies and processes.

The Group owns various technology development departments including the Advanced Materials Innovation Research Institute, Synthetic Materials Research Institute and Environmental Protection Research Institute, which are responsible for the research and development of new technologies, products, processes, equipment and environmental protection. The Group's research and development expenses for 2021, 2022 and 2023 amounted to RMB94 million, RMB131 million and RMB187 million, respectively. The increase was mainly due to the increase in material cost for research and development of technology in equipment and products for the year.

The Group does not rely on any patents, licenses, industrial, commercial or financial contracts or new production processes in any material respect.

5.3.2.D Off-Balance Sheet Arrangements

Please refer to note 35 to the financial statements prepared under IFRS in the 2023 annual report for details of the Group's capital commitments. The Group did not provide any guarantee to outside parties.

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 2023:

| | As at 31 December 2023 payment due by period | | | | |
|-------------------------------|---|------------------|-------------------|-------------------|------------------|
| | Total | Within | After | After | Over |
| | (RMB'000) | 1 year | 1 year | 2 years | 5 years |
| | | (RMB'000) | but within | but within | 5 years |
| | | | 2 years | 5 years | (RMB'000) |
| | | | (RMB'000) | (RMB'000) | |
| Contractual obligations | | | | | |
| Short term borrowings | 3,000,000 | 3,000,000 | – | – | – |
| Long term borrowings | | | | | |
| maturing within 1 year | 700,000 | 700,000 | – | – | – |
| Total contractual obligations | <u>3,700,000</u> | <u>3,700,000</u> | <u>–</u> | <u>–</u> | <u>–</u> |

5.3.2.F Analysis of operation and results of major controlled companies and invested companies during the Reporting Period

As at 31 December 2023, the Company had more than 50% equity interest in the following principal subsidiaries:

| Company name | Place of registration | Principal business | Place for principal activities | Type of legal person | Percentage of equity held by the Company (%) | Percentage of equity held by the Group (%) | Paid-in capital (RMB'000) | Net (loss)/profit for the year 2023 (RMB'000) |
|---|-----------------------|---|--------------------------------|----------------------|--|--|---------------------------|---|
| Shanghai Petrochemical Investment Development Company Limited (“Shanghai Investment Development”) | China | Investment management | China | Limited company | 100.00 | 100.00 | 2,100,000 | (927) |
| China Jinshan Associated Trading Corporation (“Jinshan Associated Trading”) | China | Import and export of petrochemical products and equipment | China | Limited company | 67.33 | 67.33 | 25,000 | 25,980 |
| Shanghai Jinchang Engineering Plastics Company Limited (“Shanghai Jinchang”) | China | Production of polypropylene compound products | China | Limited company | – | 74.25 | 9,154 | (52,879) |
| Shanghai Golden Phillips Petrochemical Company Limited (“Shanghai Golden Phillips”) | China | Production of polypropylene products | China | Limited company | – | 100.00 | 415,623 | 11,417 |
| Shanghai Jinshan Trading Corporation (“JMGJ”) | China | Import and export of petrochemical products and equipment | China | Limited company | – | 67.33 | 100,000 | 6,738 |
| Zhejiang Jinlian Petrochemical Storage and Transportation Co., Ltd. (“Jinlian”) | China | Storage and transportation services | China | Limited company | – | 100.00 | 400,000 | (24,277) |

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

The Group’s share of interests in associates comprises a 38.26% interest in Shanghai Chemical Industry Park Development Co., Ltd. (“**Chemical Industrial Park**”) established in the PRC in the amount of RMB2,216 million, and a 20% interest in Shanghai SECCO Petrochemical Company Limited (“**Shanghai SECCO**”) established in the PRC in the amount of RMB0 at the end of the Reporting Period. The main business of Chemical Industrial Park is to plan, develop, and operate a chemical industry zone located in Shanghai, China. The principal activities of Shanghai SECCO are the production and distribution of petrochemical products.

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

In 2023, Shanghai SECCO recorded a revenue of RMB17.426 billion, and its loss after taxation reached RMB1.855 billion, among which RMB334 million was attributed to the Group as the equity pick-up amount.

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

- a) The operating results of Shanghai Investment Development decreased by 105.06% in 2023 as compared with the previous year. The decrease was mainly due to a significant decrease in the net profit of major associates and joint ventures, resulting in a decrease of RMB14.89 million in the investment income in 2023.
- b) The operating results of Shanghai Jinchang decreased by 90.18% in 2023 as compared with the previous year. The decrease was mainly due to the weak demand for polypropylene, which is the main product of Shanghai Jinchang in 2023, resulting in a decline in operating results in 2023.
- c) The operating results of Shanghai Golden Phillips increased by 573.57% in 2023 as compared with the previous year. The increase was mainly due to the significant rebound in production and sales of Shanghai Golden Phillips for the year, resulting in a significant increase in operating results in 2023.
- d) The operating results of JMGJ decreased by 40.87% in 2023 as compared with the previous year. The decrease was mainly due to a decrease in export sales in 2023, resulting in a decline in operating results in 2023.

5.3.2.G Major suppliers and customers

The Group's top five suppliers in 2023 were China International United Petroleum & Chemical Co., Ltd., Sinopec Commercial Reserve Co., Ltd., Shanghai Gas Co., Ltd., East China Branch of Sinopec Chemical Commercial Holding Co., Ltd., and Sinochem Oil Co., Ltd. Total procurement costs involving these five suppliers, which amounted to RMB60,948 million, accounted for 77.75% of the total procurement costs of the Group for the year. Among the top five suppliers, the purchase amount of related parties was RMB57,376 million, accounting for 73.19% of the total annual purchase amount. The total procurement from the largest supplier amounted to RMB53,566 million, representing 68.33% of the total costs of purchases by the Group for the year.

The Group's top five customers in 2023 were East China Branch of Sinopec Sales Co., Ltd., China International United Petroleum & Chemical Co., Ltd., Zhejiang Dushan Energy Co., Ltd. Sinopec Chemical Commercial Holding Company Limited, and Jiaxing Petrochemical Co., Ltd. Total sales to these five customers amounted to RMB67,929 million, representing 73.10% of the Group's total turnover for the year. Among the sales of the top five customers, the sales of related parties was RMB63,052 million, accounting for 67.85% of the total annual sales. Sales to the Group's largest customer amounted to RMB53,644 million, representing 57.72% of the Group's total turnover for the year.

To the knowledge of the Board, among the suppliers and customers listed above, shareholders and Directors of the Company and their close associates have no interest in Sinochem Oil Co., Ltd. Shanghai Gas Co., Ltd., Zhejiang Dushan Energy Co., Ltd. and Jiaxing Petrochemical Co., Ltd.; Shanghai SECCO is an associate of the Company; Sinopec Commercial Reserve Co., Ltd., is a subsidiary of the ultimate holding company Sinopec Group; China International United Petroleum & Chemical Co., Ltd., East China Branch of Sinopec Chemical Commercial Holding Company Limited, East China Branch of Sinopec Sales Co., Ltd. and Sinopec Chemical Commercial Holding Company Limited are subsidiaries of Sinopec Corp., the controlling shareholder of the Company.

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

5.4.1 Analysis of the Company's principal activities

5.4.1A 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 2023 | Amount for the year ended 31 December 2022 | Percentage change (%) |
|---|---|---|--------------------------------------|
| Operating income | 93,013,595 | 82,518,315 | 12.72 |
| Operating cost | 79,157,873 | 73,518,024 | 7.67 |
| Selling and distribution expenses | 315,853 | 282,841 | 11.67 |
| General and administrative expenses | 1,827,268 | 1,795,867 | 1.75 |
| Financial expenses (“-” for financial income) | -228,627 | -459,437 | -50.24 |
| Research and development expenses | 186,978 | 130,516 | 43.26 |
| Net cash inflow generated from operating activities (“-” for net outflow) | 806,996 | -7,337,499 | N/A |
| Net cash inflow generated from investing activities (“-” for net outflow) | 1,984,375 | 4,390,350 | -54.80 |
| Net cash inflow generated from financing activities (“-” for net outflow) | 1,223,125 | -1,290,768 | N/A |

Analysis of major changes in the consolidated income statement

Unit: RMB'000

| Item | For the years ended 31 December | | Increase/ Decrease amount | Increase/ Decrease(%) | Major reason for change |
|---|---------------------------------|--------------------|---------------------------------|--------------------------|--|
| | 2023 | 2022 (Restated) | | | |
| Financial expenses ("–" for income) | -228,627 | -459,437 | 230,810 | -50.24 | The interest expenses on borrowings increased and the interest income on time deposits decreased this year. |
| Income tax benefits | 306,093 | 731,460 | -425,367 | -58.15 | The loss for this year has significantly decreased compared to 2022, and the deferred income tax income has decreased. |
| Net loss attributable to equity shareholders of the Company | -1,405,876 | -2,871,969 | 1,466,093 | -51.05 | Crude oil prices fell during the year, gross profit margin increased and operating losses were reduced as compared with the previous year. |

Analysis of major changes in the cash flow statement

Unit: RMB'000

| Item | For the years ended 31 December | | Increase/ Decrease amount | Increase/ Decrease (%) | Major reason for change |
|---|---------------------------------|------------|----------------------------------|-------------------------------|--|
| | 2023 | 2022 | | | |
| Net cash inflow generated from operating activities ("–" for net outflow) | 806,996 | -7,337,499 | Inflow increased by 8,144,495 | N/A | Sales volume of petrochemical products increased this year, resulting in an increase in cash received from the sale of goods and rendering of services as compared with the previous year. |
| Net cash inflow generated from investing activities | 1,984,375 | 4,390,350 | Inflow decreased by 2,405,975 | Inflow decreased by 54.80% | The net cash inflow of time deposits decreasing in the year as compared with the previous year. |
| Net cash inflow generated from financing activities ("–" for net outflow) | 1,223,125 | -1,290,768 | Inflow increased by 2,513,893 | N/A | The net cash inflow from the obtaining and repayment of borrowings increased by RMB1,460 million and the cash paid for distributing dividends, profits, or paying interest decreased by RMB1,060 million as compared with the previous year. |

5.4.1B Operating income

(1) Analysis of factors causing the changes in revenue in the Reporting Period

The sales volume of the Group's petroleum products increased by 35.17%, and its revenue increased by RMB13,489 million, bringing a higher revenue in 2023 compared with the previous year.

(2) Major customers

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

5.4.1C Operating cost

(1) Analysis of operating cost

In 2023, the Group's operating cost amounted to RMB79,158 million, an increase of 7.67% from RMB73,518 million in the previous year. This was mainly due to the rise in sales volume of petrochemical products in the year, resulting in an increase in operating cost.

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

| | For the years ended 31 December | | | | Increase/Decrease (%) |
|---|---------------------------------|----------------------------------|-------------------------|----------------------------------|--------------------------|
| | 2023 | | 2022 | | |
| | Amount (RMB million) | % of the total operating cost | Amount (RMB million) | % of the total operating cost | |
| Cost of raw materials | | | | | |
| Crude oil | 56,829.84 | 71.79 | 47,139.00 | 64.12 | 20.56 |
| Other raw materials, auxiliary materials and power | 8,159.52 | 10.31 | 8,643.66 | 11.76 | -5.60 |
| Depreciation and amortisation | 1,758.74 | 2.22 | 1,606.84 | 2.19 | 9.45 |
| Employee wage | 2,240.45 | 2.83 | 2,425.49 | 3.3 | -7.63 |
| Trading cost | 8,070.38 | 10.20 | 11,910.49 | 16.2 | -32.24 |
| Others | 2,098.94 | 2.65 | 1,792.54 | 2.43 | 17.09 |
| Total | 79,157.87 | 100.00 | 73,518.02 | 100.00 | 7.67 |

(2) Major suppliers

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

5.4.1D Expenses

Please refer to “Analysis of changes in the consolidated income statement and the consolidated cash flow statement” under the “Analysis of the Company’s principal activities” set forth in the “Discussion and analysis of the Company’s operation” for details of the changes in expenses of the Group in the Reporting Period.

5.4.1E Research and development (“R&D”) expenditure

(1) R&D expenditure

| | Unit: RMB’000 |
|---|---------------|
| Expensed R&D expenditure during the Reporting Period | 186,978 |
| Capitalised R&D expenditure during the Reporting Period | – |
| Total R&D expenditure | 186,978 |
| % of R&D expenditure to revenue | 0.20 |
| % of capitalised R&D expenditure | – |

(2) R&D personnel

| | |
|---|------|
| Number of R&D personnel | 159 |
| % of number of R&D personnel to total number of staff | 2.11 |

Educational structure of R&D personnel

| Education structure category | Education structure number |
|------------------------------|----------------------------|
| Doctor | 10 |
| Master | 48 |
| Undergraduate | 61 |
| Junior college graduate | 22 |
| High school and below | 18 |

Age structure of R&D personnel

| Age structure category | Age structure number |
|---|----------------------|
| Under 30 years old (excluding 30 years old) | 19 |
| 30-40 years old (including 30 years old and excluding 40 years old) | 37 |
| 40-50 years old (including 40 years old and excluding 50 years old) | 41 |
| 50-60 years old (including 50 years old and excluding 60 years old) | 61 |
| Over 60 years old | 1 |

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

5.4.1F Cash flow

Please refer to “Analysis of changes in the consolidated income statement and the consolidated cash flow statement” under the “Analysis of the Company’s principal activities” set forth in the “Discussion and analysis of the Company’s operation” for details of changes in the consolidated cash flow statement.

5.4.2. Analysis of operation by industry, product or geographical location

5.4.2A Principal activities by industry or product

Unit: RMB’000

| By product | Operating income | Operating cost | Gross profit/ (loss) margin (%) | Increase/ Decrease of operating income as compared to the previous year | Increase/ Decrease of operating cost as compared to the previous year | Change of gross profit margin as compared to the previous year (percentage point) |
|------------------------------------|------------------|----------------|---------------------------------|---|---|---|
| Petroleum products ^{Note} | 64,642,544 | 51,778,757 | 19.90 | 26.37% | 26.01% | Increased by 0.23 percentage point |
| Chemical products | 19,111,302 | 18,342,975 | 4.02 | 4.23% | -6.31% | Increased by 10.80 percentage points |
| Trading of petrochemical products | 8,179,335 | 8,070,375 | 1.33 | -31.93% | -32.24% | Increased by 0.45 percentage point |
| Others | 501,021 | 503,404 | -0.48 | -7.71% | -18.91% | Increased by 13.87 percentage points |

Note: The gross profit margin is calculated according to the price of petroleum products, which includes consumption tax. The gross profit margin of petroleum products after deducting the consumption tax amounted to 2.55%.

5.4.2B Operating income by geographical location

Unit: RMB'000

| <u>Geographical location</u> | <u>Operating income</u> | <u>Increase/Decrease of operating income compared with the previous year (%)</u> |
|------------------------------|-------------------------|--|
| East China | 85,566,529 | 18.94% |
| Other regions in China | 847,610 | -12.67% |
| Export | 6,599,456 | -31.30% |

5.4.3. Analysis of assets and liabilities

Unit: RMB'000

| <u>Item</u> | <u>As at 31 December 2023</u> | | <u>As at 31 December 2022</u> | | Change of amount on 31 December 2023 compared to 31 December 2022 | <u>Major reason for change</u> |
|---|-------------------------------|------------------------------|-------------------------------|------------------------------|---|--|
| | <u>Amount</u> | <u>% of total assets</u> | <u>Amount</u> | <u>% of total assets</u> | <u>(%)</u> | |
| Receivables under financing | 236,487 | 0.60 | 582,354 | 1.41 | -59.39 | The decrease in operating income of the trading segment. |
| Other receivables | 352,064 | 0.89 | 190,579 | 0.46 | 84.73 | The increase in consumption tax refund for imported naphtha. |
| Other current assets | 26,098 | 0.07 | 1,121,187 | 2.72 | -97.67 | VAT deductible decreased significantly. |
| Construction in progress | 1,200,602 | 3.03 | 3,748,461 | 9.09 | -67.97 | Part of carbon fiber projects under construction have been transferred to property, plant and equipment. |
| Short-term loans | 3,000,000 | 7.56 | 1,550,000 | 3.76 | 93.55 | Short-term borrowings increased this year to supplement funding. |
| Bills payable | 1,535,334 | 3.87 | 40,951 | 0.10 | 3,649.2 | The number of bills issued increased this year to pay for goods and expenses. |
| Non-current liabilities due within one year | 707,515 | 1.78 | 8,738 | 0.02 | 7,996.99 | Long term borrowings due within one year were transferred to current liabilities. |
| Long-term loans | - | - | 700,000 | 1.70 | -100 | Long term borrowings due within one year were transferred to current liabilities. |

5.5 Others

(1) Employees of the Group

| | Number (Person) |
|---|--------------------|
| Number of employees of the Company | 7,467 |
| Number of employees of the subsidiaries | 59 |
| Total number of employees of the Group | 7,526 |
| Number of retired workers whose retirement costs are borne by the Group | 19,809 |
| Professionals | |
| Production personnel | 4,768 |
| Sales staff | 71 |
| Technical staff | 1,793 |
| Financial staff | 78 |
| Administrative staff | 816 |
| Total | <u>7,526</u> |
| Education level | |
| Technical secondary school graduate and below | 4,857 |
| Bachelor's degree | 2,147 |
| Master's degree | 522 |
| Total | <u>7,526</u> |

(2) Acquisition, sale and investment

Save as to be disclosed in the 2023 annual report, there was no material acquisition or sale of the Group's subsidiaries, associates or joint ventures or any other material investments in 2023.

(3) Pledge of assets

As at 31 December 2023, no fixed assets were pledged by the Group (31 December 2022: Nil).

(4) Material events after the Reporting Period

The Board has not noticed any significant events affecting the Group since the end of the Reporting Period.

5.6 Financial assets and financial liabilities held in foreign currencies

As at 31 December 2023, cash at bank and on hand, trade receivables, other receivables, trade payables and other payables, and other financial asset and liabilities denominated in foreign currencies held by the Group were equivalent to net liabilities of RMB86,062 thousand.

5.7 Discussion and analysis on future development of the Company

1. Industry competition and development trends

In 2024, the more complicated world economic situation and challenges will present a situation of increased uncertainties, accelerated energy transition, and expedited process of green and low-carbon transition. China's economy is expected to further stabilise and improve, and the petrochemical industry will highlight high-quality development, innovation-driven, self-reliance and self-control, as well as the green and low-carbon transformation and digital upgrading of the traditional industries and small and medium-sized enterprises. The enterprises will make great efforts in "changing patterns, adjusting structure, improving quality and increasing efficiency" to accelerate the petrochemical industry towards a new type of industrialisation.

2. Development strategies of the Company

The Group's development objectives are to evolve itself into a "leading domestically, first-class globally" energy and chemical and new material enterprise. The key components of the Group's development strategy are as follows: to take into account both low cost and differentiation, and to focus on both scale and refinement. The Company focuses on value and market orientation, creativity, talents as the backbone of the Company, the emphasis of environment and low carbon emissions and integrated development, to realize low cost and large scale of the upstream, and high value-added and refinement of the downstream. The Company will give full play to its advantages of broad product chain, diversified products and close monitoring of the market to enhance competitiveness. Under the guidance of the development strategy, the Company will persist in the transformation and upgrading of traditional industries and accelerate the development of new industries, with synchronous promotion in both directions. According to the requirements of North-South Transformation raised by Shanghai Government, the Company will orderly promote the transformation of oil refining to chemical industry, chemical industry to materials, materials to high-end products, and parks to ecology, will carry out comprehensive technological transformation and quality upgrades, and will further optimize refining product structure. The Company will strengthen the core industries of mid-to-high-end new materials such as carbon fiber, and take polyolefin, elastomer, and C-5 downstream fine chemical new materials as breakthrough and extension for the mid-to-high-end new materials which will help the North-South transformation and the construction of Carbon Valley Green Bay and local industrial parks in Jinshan District. The Company will develop wind, light, fire, and biological integrated power generation and green hydrogen production technology, and will realize the energy structure transformation from fossil energy to fossil energy combined with renewable energy to achieve energy saving and low carbon green development.

3. Management Plan

In 2024, the Group will adhere to the principle of seeking progress amidst stability and promoting stability through progress, fully implement the new development concept, serve and integrate into the new development pattern, co-ordinate development and safety, adhere to the combination of stable operation and transformation and development, and make every effort to conduct key tasks such as safety production, operation and efficiency creation, and high-quality development. In 2024, the Company plans to process a total of 14.3 million tons of crude oil, produce a total of 8.8 million tons of petroleum products, 671,000 tons of ethylene, 692,000 tons of p-xylene. In order to achieve the business objectives for 2024, the Group will focus on the following five areas of work:

(1) Consolidating the new situation of safe and stable operation via strict management

The Group will strengthen the demonstration and leadership to press down the HSE responsibility of all staff, the compliance with laws and regulations to implement the risk control and management, as well as the management of contractors and direct operations to ensure that the risks are under control. The Group will enhance process and equipment integrity management and be strict in exception management to ensure stable production operation. The Group will continuously promote the prevention and control of pollution, strive to achieve the goal of “zero pollution”, vigorously promote energy saving and carbon reduction, and continuously enhance the level of green and low-carbon development.

(2) Striving for new performance in production and operation via integrated optimization

The Group will promote the optimization of the annual overhaul programme, production operation, crude oil procurement strategy, refining product structure, chemical industry chain structure, etc., strengthen the development of new products and special materials as well as market expansion, and optimize production and operation to improve efficiency, with a view to further promoting energy saving management for consumption reduction and cost control for fee reduction.

(3) Commencing a new journey of transformation and upgrading via quality improvement and upgrading

The Group will anchor the direction of digital intelligence, green innovation and high-quality development so as to accelerate transformation and upgrading. Efforts will be made in speeding up the construction of high-quality development projects and industrial chain layout, and steadily pushing forward the construction of key projects such as comprehensive technological transformation and quality upgrading, thermoplastic elastomer, renovation project for power units cleaning and efficiency improving, and accelerating the development of carbon fibre and its composite material industry as well as the construction of digital intelligence to build intelligent factories.

(4) Achieving new enhancement in corporate governance via reform and innovation

The Group will solidly promote the enhancement action of deepening reform, focus on key reform and development tasks, optimize the institutional mechanism, deepen the strict management, strengthen the grass-roots construction, groundwork and basic training work, implement responsibility, strengthen the responsibility, and make every efforts to ensure the high-quality development of the Company. The Group will improve the organisational management mode and incentive and constraint mechanism, continue to deepen the reform of the personnel system, and continue to strengthen the management of investment project.

(5) Establishing a new image of the talent team via pragmatism and innovation

The Group will create an open and equal, competitive and merit-based hiring environment, and cultivate and build a talent team with excellent leadership, combat effectiveness and execution. Efforts will be made to enhance the competence of cadres at all levels, improve the management level of grassroots and front-line management, promote stratified and classified precision training for skilled operation personnel, deepen business competitions at all levels, and comprehensively improve the level of business skills and duty performance ability. A sound incentive mechanism will be established to value the contribution of employees, respect their efforts and stimulate their morale.

4. Possible Risks

(1) The cyclical characteristics of the petroleum and petrochemical products 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 operating income 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 an adverse 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 petroleum 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 sales 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 sales prices of the Group's petroleum products.

(3) Substantial 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 estimated capital expenditures amounts to approximately RMB2.889 billion in 2024, which will be met by financing activities and certain of own funds. 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 fundraising 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 an adverse 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.

(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, petrochemical products 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 substantial shareholder

Sinopec Corp., the controlling shareholder of the Company, owns approximately 5,459 million shares of the Company, which represents 50.55% 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 2023, the capital expenditures of the Group amounted to RMB1,454 million, representing a decrease of 57.88% as compared with RMB3,452 million in 2022. Major projects include the following:

| Major project | Total amount of project investment RMB'000 | Amount of project investment during the Reporting Period RMB'000 | Project progress as at 31 December 2023 |
|---|---|---|--|
| Shanghai Jinshan Baling New Material Co., Ltd. | 400,000 | – | Paid in RMB250 million |
| Sinopec Shanghai 24,000 T/A precursor fiber and 12,000 T/A 48K large tow carbon fiber project | 3,489,638 | 250,000 | Phase I in operation |
| SPC Renovation Project for Power Units Cleaning and Efficiency Improving | 3,388,540 | 24,962 | Preliminary design phase |
| Supporting engineering project of 250,000 tons/year thermoplastic elastomer project | 201,785 | 80,000 | Under construction |
| 100 ton high performance carbon fiber test plant | 566,183 | 50,000 | In operation |

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 RMB1,051 million.

The Group's capital expenditures for 2024 are estimated at approximately RMB2,889 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. The proposed amendments to the Articles of Association and its appendices were considered and approved at the annual general meeting of 2015 held on 15 June 2016. According to Article 206 of the Articles of Association currently in force and the relevant provisions of the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend of Listed Companies:

The profit distribution policy of the Company maintains consistency and steadiness, and considers the long-term interests of the Company, overall interests of all the shareholders and the sustainable development of the Company. The Company gives priority to adopting cash dividends for profit distribution, and is able to deliver an interim profit distribution. When the net profits and retained earnings of the Company are positive in current year, and in the event that the cash flow of the Company can satisfy the normal operation and sustainable development, the Company should adopt cash dividends, and the distribution profits in cash every year are no less than 30% of the net profits of the Company realised during the corresponding year.

The profit distribution plan of the Company for the corresponding year will be carried out in accordance with the policy and procedures stipulated in the Articles of Association, with the advice of minority shareholders being heard and considered. Meanwhile, the independent directors fulfilled their responsibilities and played their role.

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

In 2023, the net loss attributable to equity shareholders of the Company amounted to RMB1,405,876 thousand under CAS (net loss of RMB1,346,147 thousand under IFRS). The Board did not recommend distribution of annual dividends, and will not conduct capitalization of capital reserves.

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 distributed in other forms (such as share repurchase) | Total amount of cash dividend (including other forms) (including tax) | Net profit | Percentage of |
|--------------------------|--|--|--|---|---|---|--|
| | | | | | | attributable to ordinary shareholders of the listed company in the consolidated statement for the year (restated) | net profit attributable to ordinary shareholders of the listed company in the consolidated statement (%) |
| 2023 | 0 | 0 | 0 | 70,579.10 | 70,579.10 | -1,405,876 | N/A |
| 2022 | 0 | 0 | 0 | 25,688.59 | 25,688.59 | -2,871,969 | N/A |
| 2021 | 0 | 1.0 | 0 | 0 | 1,082,381.35 | 2,000,444 | 54.11 |

5.10 The Company's fulfillment of its corporate social responsibility

5.10.1 Fulfillment of corporate social responsibility

For the Company's performance of corporate social responsibility in 2023 and the Company's 2023 ESG Report, please refer to the "2023 Environmental, Social and Governance Report of Sinopec Shanghai Petrochemical Company Limited" ("2023 ESG Report") 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 polluting enterprises under Intensive Monitoring and Control by the State proclaimed by the Ministry of Environmental Protection. According to the Measures for Self-Monitoring and Information Disclosure of the Enterprises subject to Intensive Monitoring and Control by the State (Trial Implementation), the Company has disclosed to the public on the website of the Shanghai Municipal Bureau of Ecology and Environment about the sites of the pollution sources, the types and concentration of pollutants which are subject to intensive monitoring and control by the State.

The Company, as a manufacturing enterprise in the petrochemical industry, consistently places environmental protection as its priority. It has continually received ISO14001 Environmental Management System Certification. In January 2013, it obtained the certifications from the Shanghai Audit Center of Quality, including quality (GB/T19001: 2008), environment (GB/T24001: 2004) and occupational health and safety (GB/T28001: 2011). In December 2022, the Company was awarded the title "Sinopec Green Enterprise for 2022"; and continued to use the title "All-China Environmentally Friendly Enterprise" through the review of China's environmentally friendly enterprises on 8 December 2023. In 2023, Sinopec Shanghai was awarded the title "Class B of Sinopec Green Enterprise for 2023". In 2023, a total of 55 companies declared the establishment of green grass-roots units, and completed the cultivation of 51 green grass-roots units, of which 35 passed the review and 16 were successfully established. At present, Sinopec Shanghai has a green coverage area of 302.79 square meters, with a green space rate of 40.5% and a green coverage rate of 42.2%.

In 2023, the Company achieved a 100% comprehensive standard rate of effluents, a 100% standard rate of controlled exhaust gas discharge, and a 100% rate of proper disposal of hazardous waste.

The Company continued to progress the LDAR related work. In 2023, the Company tested a total of 2,949,012 sealing points of production units, detected 8,899 leak points and repaired 8,577 points, with a repair rate of 96.38%.

In 2023, the Company paid environmental tax totaling RMB9,874,700 to Jinshan District Tax Bureau.

5.10.3 Administrative penalties for environmental problems during the Reporting Period

On 27 September 2023, the Company received two Decisions of Administrative Penalties for environment protection issued by Shanghai Municipal Ecological Environment Bureau, with a total amount of RMB519,600.

Details for administrative penalties, please refer to Shanghai Municipal Ecological Environment Bureau website.

5.10.4 Construction and operation of pollution prevention facilities

| Main pollution facilities | Pollutant | Emission limits (mg/m ³) | Actual in 2023 (mg/m ³) | Reach (or not reach) the standard |
|---------------------------|--------------------------|---|--|---|
| Thermoelectric boiler | SO ₂ | 35 | 6.42 | Reach |
| | NO _x | 50 | 16.36 | Reach |
| | Particulate matter | 10 | 1.02 | Reach |
| 2#sulfur | SO ₂ | 100 | 15.21 | Reach |
| 3#sulfur | SO ₂ | 100 | 2.38 | Reach |
| 4#sulfur | SO ₂ | 100 | 26.59 | Reach |
| Catalytic cracking | SO ₂ | 50 | 6.54 | Reach |
| | NO _x | 100 | 8.73 | Reach |
| | Particulate matter | 30 | 7.78 | Reach |
| Process heating furnace | SO ₂ | 50 | 2.14 | Reach |
| | NO _x | 100 | 46.41 | Reach |
| | Particulate matter | 20 | 1.51 | Reach |
| Sewage treatment plant | CODmg/l | 60 | 26.87 | Reach |
| | Ammonia nitrogen mg/l | 8 | 0.44 | Reach |

5.10.5 Environmental impact assessment and other environmental protection administrative licensing of construction projects

According to the requirements of laws and regulations such as the Environmental Impact Assessment Law, the Classified Management Directory of Environmental Impact Assessment of Construction Projects and the Implementation Specifications on Classified Management Directory of Environmental Impact Assessment of Construction Projects in Shanghai (2021), the Company implemented classification management in consideration of the impact of Company's construction projects on the environment. The Company also strictly verified the implementation of environmental protection measures during different stages such as feasibility study, design, construction and confirmation of trial production conditions etc.

Five projects, including the Shanghai Petrochemical Thermal Power Unit Cleaning and Efficiency Improvement Renovation Project and the 250,000 tons/year thermoplastic elastomer project supporting project (dock part), have received environmental impact assessment approval. Two projects, including the 110KV transformer and distribution station project supporting the Shanghai Petrochemical Large Tow Project and the 24,000 tons/year raw silk and 12,000 tons/year 48K large tow carbon fiber projects (Stage I), have completed completion acceptance.

Due to the coordinated treatment on transporting waste gas to the boiler of combined heat-and-power plant from the product oil tank area in the Sixth Workshop of the Storage and Transportation Department, the Company completed twice re-applications for the sewage discharge permit, respectively on 28 June and on 18 September in 2023.

5.10.6 Emergency response plan for emergent environmental incidents

The Company completed the revision of the "Shanghai Petrochemical's Comprehensive Emergency Response Plan for Environmental Emergencies" and filed a report to Shanghai Municipal Bureau of Ecology and Environment in December 2022. Its emergency response plan for environmental emergencies covers 7 areas, including "General Principles", "Emergency Organization and Responsibility", "Environmental Risk Analysis and Forewarning", "Emergency Response" and "Subsequent Work". The specific emergency plan includes 9 contingency plans, including "Specific Emergency Plan for Water Environment Risk", "Specific Emergency Plan for Long-Distance Pipeline Leakage", "Specific Emergency Response Plan for Fire and Explosion Accidents", "Specific Emergency Response Plan for Hazardous Chemicals Leakage Incident", "Specific Plan for Pipe Gallery Leakage Incident", "Specific Emergency Response Plan for Oil and Gas Pipeline Leakage Incident", "Specific Emergency Plan for Soil (Underground Water) Pollution Prevention", "Shanghai Petrochemical Specific Emergency Plan for Hazardous Waste Disposal" and "Specific Emergency Response Plan for Trans-Regional (Jiaxing, Zhejiang) Environmental Emergencies".

In the first half of 2023, the Company studied the “Notice on Completing Risk Assessment of Environmental Incidents in 2022”, the “Sinopec’s Guide on Risk Assessment of Environmental Incidents (March 2022)” and the “Evaluation Form on Risk Index for Environmental Incidents (March 2022)” issued by Sinopec Group and re-arranged the assessment work of the Environmental Risks Source Index. At present, the Company has 0 extremely high environmental risk source, 16 high environmental risk sources, 51 relatively high environmental risk sources, 77 medium environmental risk sources, and 15 low environmental risk sources. Total environmental risk sources are 159.

On 22 May 2023, the Company conducted the emergency response drill for T-20 Tank fire incident in the Seventh Workshop under the Storage and Transportation Department. This drill was based on the “Comprehensive Emergency Response Plan of Shanghai Petrochemical”, the “Specific Emergency Response Plan for Fire and Explosion Accidents”, and the “Specific Emergency Response Plan for Oil and Gas Pipeline Leakage Incident”. The incident handling procedure was rehearsed through a simulated large-scale tank fire accident caused by lightning strike under realistic scenarios, combining with the experience and achievements of the desktop drill, so as to improve the decision making and execution ability of relevant personnel to deal with emergencies quickly. The drill proved that the aforementioned emergency plans were sufficient and effective.

5.10.7 Environmental self-monitoring programme

According to the environmental monitoring plan for 2023 formulated by the Company, the environmental monitoring station basically organized to complete a number of daily monitoring tasks such as clearing water, atmospheric environment, exhaust gas, and noise.

In 2023 a total of 80,618 water quality monitoring data was collected, including 1,138 outsourced projects; a total of 10,947 air and exhaust gas monitoring data was collected, including 6,555 outsourced projects; and a total of 408 noise monitoring data was collected.

5.10.8 Measures and effects taken to reduce carbon emissions during the Reporting Period

| | |
|--|--|
| Whether to take carbon reduction measures | Yes |
| Emission reduction of CO ₂ equivalent (in tons) | 40,249 |
| Type of carbon reduction measures (such as using clean energy to generate electricity, using carbon reduction technologies in the production process, developing and producing new products that help reduce carbon emissions, etc.) | <ol style="list-style-type: none">1. Increase the purchase of green power, and the purchased green power was 46.02 million kilowatt hours in 2023, equivalent to reducing carbon emission by 19,317 tons. (note: accounted by the carbon emission factors of purchased electricity in Shanghai)2. Promote the construction of photovoltaic projects in an orderly manner: independently invest in the construction of a 1.51MW Huanjiang Road warehouse rooftop distributed photovoltaic power generation project, an 8.73MW Nansuitang River and Acrylic Department rooftop distributed photovoltaic power generation project, and a 5.25MW large tow rooftop distributed photovoltaic power generation project. The photovoltaic power generation was 7.7775 million kilowatt hours and the carbon emission reduced by 3,266 tons in 2023. (Note: Calculated on the carbon emission factors of purchased electricity in Shanghai)3. The low-temperature heat utilization project (Phase I) of arene was used, recycling 105,700 GJ of heat and reducing carbon emission by 11,627 tons. (Note: Calculated on the carbon factor of thermoelectric spontaneous steam)4. In 2023, 4,065 tons of thermoelectric biomass fuel was combusted throughout the year, reducing carbon emission by 6,039 tons. |

5.10.9 Consolidate and expand the poverty alleviation and rural revitalization

Poverty alleviation and Rural

| <u>Revitalization projects</u> | <u>Number/Content</u> | <u>Explanation</u> |
|---|---|--|
| Total investment (RMB in ten thousand) | 289.95 | Including: RMB500,000 for supporting local government in poverty alleviation and rural revitalization projects; Donation of RMB1,000,000 to Bange Middle School in Tibet; RMB1,399,500 of working capitals for donations of books to, building reading rooms, repairing the stadium in Bange Middle School in Tibet. |
| Number of beneficiaries(per) | 1,740 | Beneficiaries in education assistance |
| Forms of poverty alleviation (such as industry, employment, education poverty alleviation, etc.) | Education assistance, Industry development | - |

§ 6 MAJOR ITEMS AND OTHERS

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

The Board of the Company considered and approved on 10 November 2022 the entering into a Mutual Product Supply and Sales Services Framework Agreement and a Comprehensive Services Framework Agreement among the Company and Sinopec Group and Sinopec Corp., which are valid for three years until 31 December 2025; and the entering into a Financial Services Framework Agreement between the Company and Sinopec Group, which is valid for one year until 31 December 2023. The Company has disclosed three agreements and the continuing connected transactions thereunder in the announcement dated 10 November 2022, and considered and approved the Mutual Product Supply and Sales Services Framework Agreement, the Comprehensive Services Framework Agreement and the continuing connected transactions thereunder, as well as the annual caps for the years 2023 to 2025 at the third extraordinary general meeting of the Company in 2022. For definitions and details, please refer to the announcements of the Company on the website of the Hong Kong Stock Exchange dated 10 November 2022 and 30 November 2022.

The Company entered into a new Financial Services Framework Agreement with Sinopec Group, the de facto controller of the Company on 27 November 2023. Accordingly, Sinopec Finance, a subsidiary of Sinopec Group and its associate, provides financial services to the Company, including but not limited to loan, collection and payment, discount, settlement and entrusted loan, and other financial services from Sinopec Finance allowed under relevant laws and regulations, with the service period from 1 January 2024 to 31 December 2025, and the maximum annual transaction fee is RMB200 million.

For definitions and details, please refer to the announcements of the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange dated 25 October 2023.

On 31 December 2020, the Company entered into a storage service agreement with Sinopec Petroleum Reserve Company Limited, a wholly-owned subsidiary of Sinopec Group, the de facto controller of the Company, and its Baishawan branch (“**Baishawan Branch**”). Accordingly, Baishawan Branch provides storage services to the Company, with the service period from 1 January 2021 to 31 December 2023. On 29 December 2023, the Company renewed the storage service agreement with Sinopec Petroleum Reserve Company Limited and its Baishawan Branch with the service period from 1 January 2024 to 31 December 2024. Under the aforesaid storage service agreements, the maximum annual storage service fee is RMB114 million (including value-added tax). For details, please refer to the announcements of the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange dated 8 December 2020 and 14 December 2023.

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

| <u>Type of connected transaction</u> | <u>Connected person</u> | <u>Annual cap for 2023</u> | Unit: RMB’000 | |
|---|---|----------------------------|---|---|
| | | | <u>Transaction amount during the Reporting Period</u> | <u>Percentage of the transaction amount of the same type of transaction (%)</u> |
| Mutual Product Supply and Sales Services Framework Agreement | | | | |
| Purchases of raw materials | Sinopec Group, Sinopec Corp. and their associates | 121,171,000 | 64,082,737 | 82.09% |
| Sales of petroleum products and petrochemicals | Sinopec Corp. and its associates | 91,003,000 | 69,523,450 | 74.79% |
| Agency sales of petrochemical products | Sinopec Corp. and its associates | 212,000 | 99,026 | 100.00% |
| Comprehensive Services Framework Agreement | | | | |
| Construction, installation and engineering design services | Sinopec Group, Sinopec Corp. and their associates | 1,548,000 | 213,613 | 49.74% |
| Petrochemical industry insurance services | Sinopec Group and its associates | 120,000 | 114,350 | 100.00% |
| Property leasing | Sinopec Corp. and its associates | 42,000 | 33,921 | 40.89% |
| Comprehensive services | Sinopec Group, Sinopec Corp. and their associates | 58,000 | 33,092 | 0.04% |
| Financial Services Framework Agreement | | | | |
| Financial services | Associate of Sinopec Group (Sinopec Finance) | 200,000 | 7,693 | 2.00% |
| Storage Services Agreement | | | | |
| Storage services | Associate of Sinopec Group (Baishawan Branch) | 114,000 | 114,000 | 83.28% |

The prices of continuing connected transactions among the Company, Sinopec Group, Sinopec Corp. and their associates are based on: 1) national pricing; or 2) national guidance price; or 3) the market price is determined by both parties through negotiation, and the conclusion of the connected transaction agreement is based on the needs of the Company's production and operation. Therefore, the above continuing connected transactions do not have a significant impact on the independence of the Company.

The independent non-executive directors of the Company have reviewed the continuing connected transactions of the Group and confirmed that: The above continuing connected transactions have been entered into: 1) in the ordinary and usual course of business of the Company; 2) on normal commercial terms or better; 3) according to the relevant agreement terms that are fair and reasonable and in the interests of the shareholders as a whole; and 4) have not exceeded the annual caps.

Pursuant to Article 14A.56 of the Listing Rules, the Company has engaged its independent external auditor, KPMG, to perform the engagement in accordance with the Hong Kong Standard on Assurance Engagement No. 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised), Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants, that was, to perform the assurance engagement regarding the continuing connected transactions of the Group for the year ended 31 December 2023, and KPMG has issued a letter to the Board to confirm that, no following matters regarding the continuing connected transactions: (1) the transactions were not approved by the Board; (2) for transactions involving the provision of goods or services by the Group, such transactions were not carried out, in all material aspects, in accordance with the pricing policy of the Group; (3) the transactions were not entered into, in all material aspects, in accordance with the agreement related to such transactions; and (4) the amount of the transactions exceeded the annual caps.

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

As considered and approved at the 26th meeting of the tenth session of the Board, the Company entered into the Assets Transfer Agreement for Shanghai Petrochemical EVA Plant with ZhongKe (Guangdong) Refinery & Petrochemical Company Limited ("**ZhongKe Refinery & Petrochemical**"). The Company proposed to transfer the equipment and technologies purchased in advance for 100,000 T/Y EVA plant held by SPC to ZhongKe Refinery & Petrochemical, and ZhongKe Refinery & Petrochemical shall pay the transfer price of RMB263.29 million (including tax in total) to the Company by way of installment payments. ZhongKe Refinery & Petrochemical is a controlled subsidiary of Sinopec Corp., the controlling shareholder of the Company. The aforesaid transaction constitutes a connected transaction of the Company. According to Chapter 14A of the Hong Kong Listing Rules, as the applicable percentage ratio of the aforesaid transaction exceeds 0.1% but is less than 5%, it is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcements of the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange dated 19 January 2023 and 18 January 2023. The above agreement has now been executed.

The Board of the Company approved that the Company entered into the Technology Development Documents with Sinopec Corp. and Sinopec Shanghai Engineering Co., Ltd. (“Sinopec Shanghai Engineering”) on 25 December, 2023. Among them, Technology Development Document I: Sinopec Corp. entrusted the Company and Sinopec Shanghai Engineering to research and develop the industrialized technology upgrades for large-tow carbon fiber and raw fiber as well as the localized optimization of equipment, and deliver the research and development results, including research reports and test reports in December 2025. Sinopec Corp. will pay RMB39 million, RMB33.95 million and RMB10.5 million to the Company in 2023, 2024 and 2025 respectively, in a sum of RMB83.45 million and a total of RMB3 million to Sinopec Shanghai Engineering. Technology Development Document II: Sinopec Corp. entrusted the Company to research and develop the industrialized technology optimization for 24K sodium thiocyanate wet SCF49S carbon fiber, and deliver the research and development results, including research reports and test reports in December 2025. Sinopec Corp. will pay RMB13 million, RMB22.9 million and RMB8.5 million to the Company in 2023, 2024 and 2025, respectively, in a sum of RMB44.4 million. Sinopec Corp. is the controlling shareholder of the Company, and Sinopec Shanghai Engineering is an indirect non wholly-owned subsidiary of Sinopec Group, the de facto controller of the Company. Therefore, they are connected parties of the Company. Related announcements were published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 25 December 2023 and 26 December 2023, respectively.

The connected transactions among the Group and Sinopec Group, and Sinopec Corp. and their associates, as disclosed in Note 33 to the financial statements prepared under IFRS in the 2023 annual report of the Company constituted connected transactions under Chapter 14A of the Hong Kong Listing Rules. The relevant connected transactions have been disclosed in accordance with Chapter 14A of the Hong Kong Listing Rules.

6.2 Compliance of corporate governance code

The Company has applied the principles set out in part 2 of the Corporate Governance Code.

In the opinion of the Directors, throughout the Reporting Period, the Company has complied with all applicable code provisions set out in the Corporate Governance Code.

In the opinion of the Directors, throughout the Reporting Period, the Company has complied with all the reporting principles and the “comply or explain” provisions set out in the Environmental, Social and Governance Reporting Guide, details of which are set out in the Company’s “2023 ESG Report”.

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 inside 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

On 28 June 2023, SPC’s 2022 Annual General Meeting, the First A Shareholders Class Meeting for 2023 and the First H Shareholders Class Meeting for 2023 considered and approved the “Proposal to the Shareholders at the General Meeting to Authorize the Board to Repurchase the Domestic Shares and/or Overseas listed Foreign Shares of the Company”, authorizing the Board (or the directors authorised by the Board) to repurchase not more than 10% of the issued H shares of the Company. During the Reporting Period, the Company repurchased a total of 70,192,000 H shares from the Hong Kong Stock Exchange for a consideration of RMB70,579,000. The details of share repurchase is as follows:

| <i>Repurchase month</i> | <i>Number of shares repurchased</i> | <i>Price Paid per Share</i> | | <i>Total Consideration</i> | |
|-------------------------|-------------------------------------|---------------------------------|--------------------------------|----------------------------|--------------------------|
| | | <i>Highest price</i> (HK \$) | <i>Lowest price</i> (HK \$) | <i>(HK \$)</i> | <i>(RMB in thousand)</i> |
| 2023 | | | | | |
| November | 41,342,000 | 1.15 | 1.07 | 46,064,234.00 | 41,570 |
| December | 28,850,000 | 1.12 | 1.07 | 31,819,087.00 | 29,009 |
| Total | 70,192,000 | – | – | 77,883,321.00 | 70,579 |

6.5 Audit and compliance committee

The audit and compliance 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 reviewed the financial statements of the Company for the year ended 31 December 2023.

7.1 Financial statements prepared under CAS

Consolidated balance sheet As at 31 December 2023

| | 31 Dec 2023 | 31 Dec 2022 (Restated) |
|---|--------------------------|---------------------------|
| Assets | <u>RMB'000</u> | <u>RMB'000</u> |
| Current assets | | |
| Cash at bank and on hand | 5,607,013 | 3,998,332 |
| Accounts receivable | 1,448,947 | 2,512,362 |
| Receivables under financing | 236,487 | 582,354 |
| Prepayments | 32,536 | 67,008 |
| Other receivables | 352,064 | 190,579 |
| Inventories | 7,751,687 | 7,294,060 |
| Other current assets | <u>26,098</u> | <u>1,121,187</u> |
| Total current assets | <u>15,454,832</u> | <u>15,765,882</u> |
| Non-current assets | | |
| Long-term equity investments | 3,351,941 | 3,594,393 |
| Investments in other equity instruments | 3,869 | 5,000 |
| Other non-current financial asset | 36,500 | – |
| Investment properties | 321,037 | 336,863 |
| Fixed assets | 14,190,827 | 12,195,527 |
| Construction in progress | 1,200,602 | 3,748,461 |
| Right-of-use assets | 8,295 | 16,085 |
| Intangible assets | 352,672 | 372,640 |
| Long-term deferred expenses | 641,328 | 776,480 |
| Deferred tax assets | 1,313,841 | 991,892 |
| Other noncurrent assets | <u>2,782,500</u> | <u>3,439,559</u> |
| Total non-current assets | <u>24,203,412</u> | <u>25,476,900</u> |
| Total assets | <u><u>39,658,244</u></u> | <u><u>41,242,782</u></u> |

| | 31 December 2023 | 31 December 2022 (Restated) |
|---|-----------------------------|--|
| | RMB'000 | RMB'000 |
| Liabilities and shareholders' equity | | |
| Current liabilities | | |
| Short-term loans | 3,000,000 | 1,550,000 |
| Bills payable | 1,535,334 | 40,951 |
| Accounts payable | 6,296,912 | 9,144,554 |
| Contract liabilities | 335,006 | 383,246 |
| Employee benefits payable | 322,265 | 317,891 |
| Taxes payable | 1,187,075 | 889,856 |
| Other payables | 1,144,683 | 1,618,352 |
| Non-current liabilities due within one year | 707,515 | 8,738 |
| Other current liabilities | <u>43,819</u> | <u>44,750</u> |
| Total current liabilities | <u>14,572,609</u> | <u>13,998,338</u> |
| Non-current liabilities | | |
| Long-term loans | – | 700,000 |
| Lease liabilities | 942 | 7,513 |
| Deferred income | 110,222 | 134,608 |
| Deferred tax liabilities | <u>31,564</u> | <u>30,898</u> |
| Total non-current liabilities | <u>142,728</u> | <u>873,019</u> |
| Total liabilities | <u>14,715,337</u> | <u>14,871,357</u> |

| | 31 December 2023 | 31 December 2022 (Restated) |
|--|-----------------------------|--|
| | <u>RMB'000</u> | <u>RMB'000</u> |
| Shareholders' equity | | |
| Share capital | 10,799,286 | 10,823,814 |
| Capital reserve | 609,166 | 610,327 |
| Less: Treasury stock | 70,579 | 25,689 |
| Other comprehensive income | (887) | (806) |
| Specific reserve | 298,137 | 240,418 |
| Surplus reserve | 6,672,634 | 6,672,634 |
| Retained earnings | <u>6,517,172</u> | <u>7,923,048</u> |
| Total equity attributable to equity shareholders of the Company | <u>24,824,929</u> | <u>26,243,746</u> |
| Non-controlling interests | <u>117,978</u> | <u>127,679</u> |
| Total Shareholders' Equity | <u>24,942,907</u> | <u>26,371,425</u> |
| Total liabilities and shareholders' equity | <u><u>39,658,244</u></u> | <u><u>41,242,782</u></u> |

These financial statements have been approved by the Board on 20 March 2024.

Consolidated Income Statement
For the year ended 31 December 2023

| Items | Year ended 31 December | |
|---|------------------------|-----------------------|
| | 2023 | 2022 |
| | RMB'000 | (Restated) RMB'000 |
| 1. Operating income | 93,013,595 | 82,518,315 |
| Less: Operating costs | 79,157,873 | 73,518,024 |
| Taxes and surcharges | 12,853,851 | 9,788,593 |
| Selling and distribution expenses | 315,853 | 282,841 |
| General and administrative expenses | 1,827,268 | 1,795,867 |
| Research and development expenses | 186,978 | 130,516 |
| Finance income | (228,627) | (459,437) |
| Including: Interest expenses | 145,313 | 98,502 |
| Interest income | 383,988 | 541,830 |
| Add: Other income | 38,095 | 30,320 |
| Investment loss | (155,531) | (191,800) |
| Including: Loss from investment in associates and joint ventures | (151,128) | (183,616) |
| Gains/(losses) from changes in fair value | 10,000 | (8,987) |
| Reversal/(provision) of credit impairment losses | 5,455 | (5,366) |
| Impairment losses | (476,569) | (811,529) |
| Gains/(losses) from asset disposals | 923 | (1,231) |
| 2. Operating loss | <u>(1,677,228)</u> | <u>(3,526,682)</u> |
| Add: Non-operating income | 39,337 | 21,826 |
| Less: Non-operating expenses | 77,245 | 94,714 |
| 3. Total loss | <u>(1,715,136)</u> | <u>(3,599,570)</u> |
| Less: Income tax benefit | (306,093) | (731,460) |
| 4. Net loss | <u>(1,409,043)</u> | <u>(2,868,110)</u> |
| (1) Net loss classified by continuity of operations: | | |
| 1. Net loss from continuing operations | (1,409,043) | (2,868,110) |
| 2. Net loss from discontinued operations | - | - |
| (2) Net loss classified by ownership: | | |
| 1. Shareholders of the Company | (1,405,876) | (2,871,969) |
| 2. Non-controlling interests | (3,167) | 3,859 |

| Items | Year ended 31 December | |
|---|------------------------|-----------------------|
| | 2023 | 2022 |
| | RMB'000 | (Restated) RMB'000 |
| 5. Other comprehensive income, net of tax | <u>45,749</u> | <u>177,748</u> |
| (1) Other comprehensive income (net of tax) attributable to shareholders of the Company | <u>45,749</u> | <u>177,748</u> |
| Items that will not be reclassified to profit or loss: | (848) | – |
| a. Equity investments at FVOCI – net movement in fair value reserves | (848) | |
| Items that may be reclassified to profit or loss | 46,597 | 177,748 |
| a. Other comprehensive income recognised under equity method | 767 | (23,771) |
| b. Cash flow hedge reserve | <u>45,830</u> | <u>201,519</u> |
| (2) Other comprehensive income (net of tax) attributable to non-controlling interests | <u>–</u> | <u>–</u> |
| 6. Total comprehensive income | <u>(1,363,294)</u> | <u>(2,690,362)</u> |
| (1) Attributable to shareholders of the Company | (1,360,127) | (2,694,221) |
| (2) Attributable to non-controlling interests | <u>(3,167)</u> | <u>3,859</u> |
| 7. Losses per share | | |
| (1) Basic losses per share (RMB Yuan) | <u>(0.130)</u> | <u>(0.265)</u> |
| (2) Diluted losses per share (RMB Yuan) | <u>(0.130)</u> | <u>(0.265)</u> |

These financial statements have been approved by the Board on 20 March 2024.

7.2 Financial statements prepared under IFRS

Consolidated statement of profit or loss For the year ended 31 December 2023

| | Year ended 31 December | |
|-------------------------------------|-----------------------------|-----------------------------|
| | 2023 | 2022 |
| | (RMB'000) | (Restated) (RMB'000) |
| | <u> </u> | <u> </u> |
| Revenue | 92,931,608 | 82,443,156 |
| Taxes and surcharges | <u>(12,853,851)</u> | <u>(9,788,593)</u> |
| Net Sales | 80,077,757 | 72,654,563 |
| Cost of sales | <u>(81,612,566)</u> | <u>(76,265,940)</u> |
| Gross loss | <u>(1,534,809)</u> | <u>(3,611,377)</u> |
| Selling and administrative expenses | (315,537) | (294,067) |
| Other operating income | 131,749 | 110,641 |
| Other operating expenses | (20,162) | (25,775) |
| Other (losses)/gains-net | <u>(14,195)</u> | <u>(22,788)</u> |
| Loss from operations | <u>(1,752,954)</u> | <u>(3,843,366)</u> |
| Finance income | 383,988 | 541,830 |
| Finance expenses | <u>(145,313)</u> | <u>(98,502)</u> |
| Financial income-net | <u>238,675</u> | <u>443,328</u> |

| | Year ended 31 December | |
|--|-------------------------------|---------------------------|
| | 2023 | 2022 |
| | RMB'000 | (Restated) |
| | <u>RMB'000</u> | <u>RMB'000</u> |
| Share of net losses of associates and joint ventures accounted for using the equity method | <u>(141,128)</u> | <u>(173,616)</u> |
| Loss before taxation | (1,655,407) | (3,573,654) |
| Income tax | <u>306,093</u> | <u>731,460</u> |
| Loss for the year | <u>(1,349,314)</u> | <u>(2,842,194)</u> |
| Loss attributable to: | | |
| – Equity shareholders of the Company | (1,346,147) | (2,846,053) |
| – Non-controlling interests | <u>(3,167)</u> | <u>3,859</u> |
| Loss for the year | <u><u>(1,349,314)</u></u> | <u><u>(2,842,194)</u></u> |
| Losses per share attributable to equity shareholders of the Company for the year (expressed in RMB per share) | | |
| Basic losses per share | <u>RMB(0.125)</u> | <u>RMB(0.263)</u> |
| Diluted losses per share | <u>RMB(0.125)</u> | <u>RMB(0.263)</u> |

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2023

| | Year ended 31 December | |
|---|-------------------------------|--------------------|
| | 2023 | 2022 |
| | | (Restated) |
| | RMB'000 | RMB'000 |
| Loss for the year | (1,349,314) | (2,842,194) |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss: | | |
| Equity investments at FVOCI – net movement in fair value reserves (non-recycling) | (848) | – |
| Items that are or may be reclassified subsequently to profit or loss: | | |
| Share of other comprehensive income of associates accounted for using the equity method | 767 | (23,771) |
| Cash flow hedges: net movement in hedging reserve | <u>45,830</u> | <u>201,519</u> |
| Other comprehensive income for the year, net of tax | <u>45,749</u> | <u>177,748</u> |
| Total comprehensive income for the year | <u>(1,303,565)</u> | <u>(2,664,446)</u> |
| Attributable to: | | |
| – Equity shareholders of the Company | (1,300,398) | (2,668,305) |
| – Non-controlling interests | <u>(3,167)</u> | <u>3,859</u> |
| Total comprehensive income for the year | <u>(1,303,565)</u> | <u>(2,664,446)</u> |

Consolidated statement of financial position
As at 31 December 2023

| | As at 31 December | |
|--|--------------------------|--------------------------|
| | 2023 | 2022 |
| | | (Restated) |
| | RMB'000 | RMB'000 |
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 14,176,814 | 12,179,504 |
| Right-of-use assets | 354,971 | 379,805 |
| Investment properties | 321,037 | 336,863 |
| Construction in progress | 1,200,602 | 3,748,461 |
| Investments accounted for using the equity method | 3,271,941 | 3,504,393 |
| Financial assets at fair value through other comprehensive income | 3,869 | 5,000 |
| Financial assets measured at fair value through profit or loss | 36,500 | – |
| Time deposits with banks | 2,782,500 | 3,389,559 |
| Deferred tax assets | 1,313,841 | 991,892 |
| Other non-current assets | 647,324 | 835,400 |
| | <u>24,109,399</u> | <u>25,370,877</u> |
| Current assets | | |
| Inventories | 7,751,687 | 7,294,060 |
| Financial assets at fair value through other comprehensive income | 236,487 | 582,354 |
| Trade receivables | 115 | 69,351 |
| Other receivables | 350,891 | 107,507 |
| Prepayments | 39,553 | 17,832 |
| Value added tax recoverable | 15,222 | 1,057,463 |
| Amounts due from related parties | 1,453,864 | 2,638,983 |
| Cash and cash equivalents | 4,906,368 | 889,413 |
| Time deposits with banks | 700,645 | 3,108,919 |
| | <u>15,454,832</u> | <u>15,765,882</u> |
| Total assets | <u><u>39,564,231</u></u> | <u><u>41,136,759</u></u> |

| | As at 31 December | |
|--|-----------------------------|-------------------------------|
| | 2023 | 2022 |
| | RMB'000 | (Restated) RMB'000 |
| | <u> </u> | <u> </u> |
| Equity and liabilities | | |
| Equity attributable to equity shareholders of the Company | | |
| Share capital | 10,799,286 | 10,823,814 |
| Reserves | <u>14,011,630</u> | <u>15,403,909</u> |
| | 24,810,916 | 26,227,723 |
| Non-controlling interests | <u>117,978</u> | <u>127,679</u> |
| Total equity | <u><u>24,928,894</u></u> | <u><u>26,355,402</u></u> |
| Liabilities | | |
| Non-current liabilities | | |
| Borrowings | – | 700,000 |
| Lease liabilities | 942 | 7,513 |
| Deferred tax liabilities | 31,564 | 30,898 |
| Deferred income | <u>30,222</u> | <u>44,608</u> |
| | <u>62,728</u> | <u>783,019</u> |
| Current liabilities | | |
| Borrowings | 3,700,000 | 1,550,000 |
| Lease liabilities | 7,515 | 8,738 |
| Contract liabilities | 323,279 | 372,760 |
| Trade and other payables | 3,832,858 | 2,926,534 |
| Amounts due to related parties | 5,155,798 | 7,887,809 |
| Current tax liabilities | 1,228,525 | 931,852 |
| Staff salaries and welfares payable | 322,265 | 317,891 |
| Income tax payable | <u>2,369</u> | <u>2,754</u> |
| | <u>14,572,609</u> | <u>13,998,338</u> |
| Total liabilities | <u>14,635,337</u> | <u>14,781,357</u> |
| Total equity and liabilities | <u><u>39,564,231</u></u> | <u><u>41,136,759</u></u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1 CHANGES IN ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Incomes taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Incomes taxes: International tax reform-Pillar Two model rules*

Except for Amendments to IAS 12, *Incomes taxes: Deferred tax related to assets and liabilities arising from a single transaction*, none of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IAS 12, *Incomes taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group applied the initial recognition exemption to lease transactions and has not recognized the related deferred tax. Following the amendments, the Group has determined the temporary difference in relation to right-of-use assets and lease liabilities separately. This change in policy has been applied retrospectively by restating the balances at 1 January 2022 and 31 December 2022, with consequential adjustments to comparatives for the period ended 31 December 2022 as follows:

| | As previously reported RMB'000 | Effect of adoption of amendments to IAS 12 RMB'000 | As restated RMB'000 |
|--|---|---|--------------------------------|
| Consolidated statement of profit or loss for the year ended 31 December 2022: | | | |
| Income tax | (731,354) | (106) | (731,460) |
| Loss for the year | (2,842,300) | 106 | (2,842,194) |
| Attributable to: | | | |
| – Equity shareholders of the Company | (2,846,156) | 103 | (2,846,053) |
| – Non-controlling interests | 3,856 | 3 | 3,859 |
| Basic losses per share | RMB(0.263) | – | RMB(0.263) |
| Diluted losses per share | RMB(0.263) | – | RMB(0.263) |
| Consolidated statement of financial position as at 31 December 2022: | | | |
| Deferred tax assets | 991,850 | 42 | 991,892 |
| Total non-current assets | 25,370,835 | 42 | 25,370,877 |
| Deferred tax liabilities | 30,895 | 3 | 30,898 |
| Net assets | 26,355,363 | 39 | 26,355,402 |
| Reserves | 15,403,868 | 41 | 15,403,909 |
| Total equity attributable to equity shareholders of the Company | 26,227,682 | 41 | 26,227,723 |
| Non-controlling interests | 127,681 | (2) | 127,679 |
| Total equity | 26,355,363 | 39 | 26,355,402 |

| | As previously reported RMB'000 | Effect of adoption of amendments to IAS 12 RMB'000 | As restated RMB'000 |
|---|---|---|--------------------------------|
| Consolidated statement of financial position as at 1 January 2022: | | | |
| Deferred tax liabilities | 33,344 | 67 | 33,411 |
| Total non-current liabilities | 747,448 | 67 | 747,515 |
| Net assets | 30,377,398 | (67) | 30,377,331 |
| Reserves | 19,418,325 | (62) | 19,418,263 |
| Total equity attributable to equity shareholders of the Company | 30,242,139 | (62) | 30,242,077 |
| Non-controlling interests | 135,259 | (5) | 135,254 |
| Total equity | 30,377,398 | (67) | 30,377,331 |

(b) Segment reporting

With the optimisation and adjustment of the Group's operating strategy, the Group has decided to adjust its internal reporting method of segments from 2023.

Before the change, the Group principally operates in five segments. On the basis of the operating segments, the Group has identified five reportable segments, namely petroleum products, intermediate petrochemicals, synthetic fibres, resins and plastics and trading of petrochemical products.

After the change, the Group principally operates in three segments. On the basis of the operating segments, the Group has identified three reportable segments, namely petroleum products, chemical products and trading of petrochemical products. The adjusted chemicals segment essentially covers the pre-adjusted intermediate petrochemicals, synthetic fibres, resins and plastics segments.

This change does not affect the financial statement data and presentation, and it only affects the presentation of segment reporting. The comparative amounts have been reclassified in accordance with the segment presentation requirements. Details of which are included in note 5 to the financial statements.

2 FINANCE INCOME AND EXPENSES

| | 2023 | 2022 |
|--|------------------|-----------------|
| | RMB'000 | RMB'000 |
| Interest income from time deposits with maturity more than 3 months | 189,600 | 410,652 |
| Interest income from time deposits with maturity less than 3 months | 188,480 | 124,468 |
| Others | 5,908 | 6,710 |
| Finance income | 383,988 | 541,830 |
| Interest and finance charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss | (157,013) | (122,638) |
| Less: interest expense capitalized into construction in progress | 11,700 | 24,136 |
| Finance expenses | (145,313) | (98,502) |
| Finance income – net | 238,675 | 443,328 |

3 EXPENSE BY NATURE

| | 2023 | 2022 |
|--|----------------|----------------|
| | RMB'000 | RMB'000 |
| Cost of raw materials | 65,553,670 | 55,997,717 |
| Cost of trading products | 8,070,375 | 11,910,488 |
| Employee benefit expenses | 3,479,098 | 3,545,720 |
| Depreciation and amortization: | | |
| Property, plant and equipment | 1,685,008 | 1,494,176 |
| Investment properties | 15,270 | 15,323 |
| Other non-current assets | 256,198 | 270,881 |
| Right-of-use assets | 32,305 | 32,918 |
| Repairs and maintenance expenses | 1,095,884 | 1,513,812 |
| Changes of work in progress and finished goods | (154,992) | (78,255) |
| Transportation costs | 202,856 | 193,144 |
| Inventory write-down | 446,719 | 525,269 |
| External processing fee | 179,934 | 192,288 |
| Commission expense | 99,026 | 90,341 |
| Impairment loss of property, plant and equipment | 29,850 | 286,260 |
| Auditors' remuneration – audit services | 6,837 | 6,837 |
| Auditors' remuneration – non-audit services | 129 | 129 |
| Expenses relating to short-term leases | 14,764 | 14,774 |

4 INCOME TAX

| | 2023 | 2022 |
|--------------------|-----------------------|-----------------------|
| | RMB'000 | (Restated) |
| | <u> </u> | <u> </u> |
| Current income tax | (14,907) | (66,649) |
| Deferred taxation | <u>321,000</u> | <u>798,109</u> |
| Income tax | <u><u>306,093</u></u> | <u><u>731,460</u></u> |

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

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| | RMB'000 | (Restated) |
| | <u> </u> | <u> </u> |
| Loss before income tax | <u>(1,655,407)</u> | <u>(3,573,654)</u> |
| Expected PRC income tax at the statutory tax rate of 25% | 413,852 | 893,414 |
| Tax effect of share of net losses of investments accounted for using the equity method | (38,665) | (46,787) |
| Tax effect of other non-taxable income | 6,484 | 8,496 |
| Tax effect of additional deductions for R&D expenses | 21,369 | 17,779 |
| Additional deduction of wages for disabled employees | 1,268 | 1,394 |
| Tax effect of non-deductible loss, expenses and costs | (65,148) | (67,330) |
| True up for final settlement of enterprise income taxes in respect of previous years | 227 | (54,017) |
| Tax losses for which no deferred income tax asset was recognized | (29,676) | (24,948) |
| Utilization of previously unrecognized tax losses | 519 | 3,353 |
| Derecognition of previously recognized tax losses | (4,074) | – |
| Tax effect of changes in accounting policies | <u>(63)</u> | <u>106</u> |
| Actual income tax benefits | <u><u>306,093</u></u> | <u><u>731,460</u></u> |

The provision for PRC income tax is calculated at the rate of 25% (2022: 25%) on the estimated taxable income of the year ended 31 December 2023 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.

5 LOSSES PER SHARE

(a) Basic losses per share

Basic losses per share is calculated by dividing the loss attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

| | 2023 | 2022 |
|---|-------------------|-------------------------------|
| | RMB'000 | (Restated) RMB'000 |
| Net loss attributable to equity shareholders of the Company | (1,346,147) | (2,846,053) |
| Weighted average number of ordinary shares in issue (thousand of shares) | <u>10,792,977</u> | <u>10,819,622</u> |
| Basic losses per share (RMB per share) | <u>RMB(0.125)</u> | <u>RMB(0.263)</u> |

Weighted average number of ordinary shares

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | '000 | '000 |
| Issued ordinary shares at 1 January | 10,799,286 | 10,823,814 |
| Effect of shares repurchased | <u>(6,309)</u> | <u>(4,192)</u> |
| Weighted average number of ordinary shares at 31 December | <u>10,792,977</u> | <u>10,819,622</u> |

(b) Diluted losses per share

There were no dilutive potential ordinary shares for the years ended 31 December 2023 and 2022, therefore diluted losses per share is the same as basic losses per share.

6 LEASES

(a) Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

| | As at 31 December | |
|----------------------------|-------------------|----------------|
| | 2023 | 2022 |
| | <u>RMB'000</u> | <u>RMB'000</u> |
| Right-of-use assets | | |
| Land use rights | 346,676 | 363,720 |
| Buildings | 6,801 | 14,540 |
| Equipment | 980 | 373 |
| Others | <u>514</u> | <u>1,172</u> |
| | <u>354,971</u> | <u>379,805</u> |
| Lease liabilities | | |
| Current | 7,515 | 8,738 |
| Non-current | <u>942</u> | <u>7,513</u> |
| | <u>8,457</u> | <u>16,251</u> |

For the year ended 31 December 2023, additions to the right-of-use assets were RMB7,672 thousand (2022: RMB27,275 thousand).

At 31 December 2023, the lease liabilities were repayable as follows:

| | 2023 |
|----------------------------------|----------------|
| | <u>RMB'000</u> |
| Within 1 year | 7,878 |
| After 1 year but within 2 years | 857 |
| After 2 years but within 5 years | <u>201</u> |
| | <u>8,936</u> |

(b) **Amounts recognized in the consolidated statement of profit or loss**

The consolidated statement of profit or loss shows the following amounts relating to leases:

| | 2023 | 2022 |
|--|-----------------|-----------------|
| | RMB'000 | RMB'000 |
| Depreciation charge of right-of-use assets | | |
| Land use rights | (17,044) | (17,044) |
| Buildings | (13,519) | (14,089) |
| Equipment | (592) | (547) |
| Others | (1,150) | (1,238) |
| | <u>(32,305)</u> | <u>(32,918)</u> |
| Interest expense (included in Finance expenses) | (695) | (1,039) |
| Expense relating to short-term leases (included in Cost of sales) | (14,764) | (14,774) |

The total cash outflow for leases in 2023 was RMB30,699 thousand (2022: RMB27,843 thousand).

7 DIVIDEND

(a) **Dividends payable to equity shareholders of the Company attributable to the year:**

| | 2023 | 2022 |
|---|----------------|----------------|
| | RMB'000 | RMB'000 |
| No final dividend proposed after the end of the reporting period (2022: Nil) | <u>—</u> | <u>—</u> |

The final dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(b) **Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year**

| | 2023 | 2022 |
|---|----------------|------------------|
| | RMB'000 | RMB'000 |
| No final dividend in respect of the previous financial year was approved during the year (2022: RMB0.10) | <u>—</u> | <u>1,082,381</u> |

8 TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|--------------------------|-------------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | <u> </u> | <u> </u> |
| Trade receivables | 2,229 | 72,110 |
| Less: loss allowance | <u>(2,114)</u> | <u>(2,759)</u> |
| | 115 | 69,351 |
| Amounts due from related parties excluded prepayments and bills receivable (*) | 1,454,410 | 2,583,289 |
| Less: loss allowance (*) | <u>(2,849)</u> | <u>(2,802)</u> |
| Total trade receivables | <u>1,451,676</u> | <u>2,649,838</u> |
| Other receivables | 352,827 | 109,440 |
| Less: loss allowance | <u>(1,936)</u> | <u>(1,933)</u> |
| | <u>350,891</u> | <u>107,507</u> |
| Financial assets measured at amortized cost | 1,802,567 | 2,757,345 |
| Amounts due from related parties – prepayments (*) | <u>2,303</u> | <u>58,496</u> |
| | <u>1,804,870</u> | <u>2,815,841</u> |
| Amounts due from related parties (summary of *) | <u><u>1,453,864</u></u> | <u><u>2,638,983</u></u> |

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

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 and amounts due from related parties excluded prepayments and bills receivable (net of allowance for doubtful debts) is as follows:

| | As at 31 December | |
|------------------------------------|--------------------------|-------------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | <u> </u> | <u> </u> |
| Within one year | 1,451,676 | 2,649,673 |
| Over one year but within two years | <u> </u> | <u>165</u> |
| | <u><u>1,451,676</u></u> | <u><u>2,649,838</u></u> |

Movements in the loss allowance account in respect of trade and other receivables during the period is as follows:

| | As at 31 December | |
|--|--------------------------|----------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Balance at 1 January | 7,494 | 2,128 |
| Impairment losses recognized during the year | 50 | 5,366 |
| Recoveries or reversals during the year | (645) | – |
| Balance at 31 December | 6,899 | 7,494 |

As at 31 December 2023 and 31 December 2022, no trade receivable was pledged as collateral.

Sale to third parties is 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. Sale to third parties is generally on cash basis or on letter of credit.

9 BORROWINGS

| | As at 31 December 2023 RMB'000 | As at 31 December 2022 RMB'000 |
|---|---|---|
| Credit loans due within one year | | |
| – Short-term bank loan | 3,000,000 | 1,550,000 |
| – Long-term bank loan due within one year | 700,000 | – |
| Borrowings – current | 3,700,000 | 1,550,000 |
| Credit loans due over one year but within three years | | |
| – Long-term borrowing from a related | – | 700,000 |
| Borrowings – non-current | – | 700,000 |
| Total borrowings | 3,700,000 | 2,250,000 |

(a) The analysis of the repayment schedule of borrowings are as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|------------------------------------|-------------------------|-------------------------|
| Within 1 year or on demand | 3,700,000 | 1,550,000 |
| Over one year but within two years | – | 700,000 |
| | 3,700,000 | 2,250,000 |

The weighted average interest rate for the Group's short-term bank loan was 1.98% as at 31 December 2023 (31 December 2022: 2.35%). The interest rate of the Group's long-term borrowings was 1.08% as at 31 December 2023 (31 December 2022: 1.08%).

As at 31 December 2023 and 31 December 2022, no borrowings were secured by property, plant and equipment.

10 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|--|--------------------------|-------------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Trade payables | 1,569,521 | 1,818,453 |
| Bills payables | 1,401,288 | 24,951 |
| Amounts due to related parties exclude advances received (*) | <u>5,144,071</u> | <u>7,877,323</u> |
| | <u>8,114,880</u> | <u>9,720,727</u> |
| Dividends payable | 31,631 | 31,631 |
| Construction payable | 655,224 | 831,422 |
| Accrued expenses | 128,671 | 143,299 |
| Other liabilities | <u>46,523</u> | <u>76,778</u> |
| | <u>862,049</u> | <u>1,083,130</u> |
| Financial liabilities measured at amortized cost | 8,976,929 | 10,803,857 |
| Amounts due to related parties – advances received (*) | <u>11,727</u> | <u>10,486</u> |
| | <u>8,988,656</u> | <u>10,814,343</u> |
| Total amount due to related parties (summary of *) | <u><u>5,155,798</u></u> | <u><u>7,887,809</u></u> |

All trade and other payables (including amounts due to related parties) are expected to be settled or recognized as income within one year or are repayable on demand.

As at 31 December 2023 and 31 December 2022, 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 2023 and 31 December 2022, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) and bills payable based on invoice date were as follows:

| | As at 31 December | |
|------------------------------------|--------------------------|------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Within one year | 8,100,809 | 9,708,441 |
| Over one year but within two years | 4,506 | 2,524 |
| Over two years | <u>9,565</u> | <u>9,762</u> |
| | <u>8,114,880</u> | <u>9,720,727</u> |

11 SEGMENT INFORMATION AND REVENUE

11.1 Segment Information

| 2023 | Petroleum | Chemical | Trading of | Others | Total |
|--|--------------|--------------|---------------|-----------|--------------|
| | products | products | petrochemical | | |
| | RMB'000 | RMB'000 | products | RMB'000 | RMB'000 |
| | | | RMB'000 | | |
| Total segment revenue | 77,077,668 | 35,744,930 | 9,073,844 | 1,700,498 | 123,596,940 |
| Inter segment revenue | (12,435,124) | (16,633,628) | (894,509) | (702,071) | (30,665,332) |
| Revenue from external customers | 64,642,544 | 19,111,302 | 8,179,335 | 998,427 | 92,931,608 |
| Timing of revenue recognition | | | | | |
| – At a point in time | 64,642,544 | 19,111,302 | 8,123,135 | 998,427 | 92,875,408 |
| – Over time | – | – | 56,200 | – | 56,200 |
| | 64,642,544 | 19,111,302 | 8,179,335 | 998,427 | 92,931,608 |
| Segment result – (loss)/profit from operations | (230,020) | (1,497,511) | 41,765 | (67,188) | (1,752,954) |
| | | | | | |
| 2022 | Petroleum | Chemical | Trading of | Others | Total |
| | products | products | petrochemical | | |
| | RMB'000 | RMB'000 | products | RMB'000 | RMB'000 |
| | | | RMB'000 | | |
| Total segment revenue | 62,729,318 | 33,943,253 | 12,938,629 | 1,641,535 | 111,252,735 |
| Inter segment revenue | (11,575,451) | (15,608,413) | (922,043) | (703,672) | (28,809,579) |
| Revenue from external customers | 51,153,867 | 18,334,840 | 12,016,586 | 937,863 | 82,443,156 |
| Timing of revenue recognition | | | | | |
| – At a point in time | 51,153,867 | 18,334,840 | 11,917,827 | 937,863 | 82,344,397 |
| – Over time | – | – | 98,759 | – | 98,759 |
| | 51,153,867 | 18,334,840 | 12,016,586 | 937,863 | 82,443,156 |
| Segment result – profit/(loss) from operations | 972 | (3,724,426) | 12,838 | (132,750) | (3,843,366) |

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | RMB'000 | RMB'000 |
| Segment result – (loss)/profit from operations | | |
| Petroleum products | (230,020) | 972 |
| Chemical products | (1,497,511) | (3,724,426) |
| Trading of petrochemical products | 41,765 | 12,838 |
| Others | (67,188) | (132,750) |
| Loss from operations | (1,752,954) | (3,843,366) |
| Finance income – net | 238,675 | 443,328 |
| Share of net losses of investments accounted for using the equity method | (141,128) | (173,616) |
| Loss before taxation | (1,655,407) | (3,573,654) |

11.2 REVENUE

The Group's revenue from external customers are substantially all within Mainland China in 2023 and 2022. As at 31 December 2023 and 31 December 2022, assets are also substantially all within Mainland China.

Revenue of approximately RMB66,435,767 thousand (2022: RMB52,190,120 thousand) are derived from a single customer. These revenues are attributable to the petroleum products and others segments.

12 RECONCILIATION BETWEEN FINANCIAL STATEMENTS PREPARED UNDER CAS AND IFRS

The Company is listed on the Stock Exchange of Hong Kong. The Group prepared financial statements under International Financial Reporting Standards (“IFRS”) which has been audited by KPMG. 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 losses | | Net assets | |
|---|--------------------|--------------------|-------------------|-------------------|
| | 2023 | 2022 | 31 December 2023 | 31 December 2022 |
| | (Restated) | (Restated) | (Restated) | (Restated) |
| Under CAS | (1,409,043) | (2,868,110) | 24,942,907 | 26,371,425 |
| The reconciliation items and the amount | | | | |
| Adjustments under IFRS | | | | |
| Government grants (a) | 2,010 | 2,010 | (14,013) | (16,023) |
| Safety production Costs (b) | 57,719 | 23,906 | – | – |
| Under IFRS | (1,349,314) | (2,842,194) | 24,928,894 | 26,355,402 |

Notes in relation to 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
Sinopec Shanghai Petrochemical Company Limited
Liu Gang
Joint Company Secretary

Shanghai, the PRC, 20 March 2024

As at the date of this announcement, the executive directors of the Company are Wan Tao, Guan Zemin, Du Jun and Huang Xiangyu; the non-executive directors of the Company are Xie Zhenglin and Qin Zhaohui; and the independent non-executive directors of the Company are Tang Song, Chen Haifeng, Yang Jun, Zhou Ying and Huang Jiangdong.