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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)

2021 Annual Results Announcement

1. IMPORTANT MESSAGE

- 1.1** The Board of Directors (the “Directors” or the “Board”) and the Supervisory Committee of Sinopec Shanghai Petrochemical Company Limited (the “Company” or “SPC”, together with its subsidiaries, the “Group”) as well as its Directors, Supervisors and senior management warrant the truthfulness, accuracy and completeness of the information contained in the 2021 Annual Report of the Company (the “2021 Annual Report”), and warrant that there are no false representations or misleading statements contained in, or material omissions from, the 2021 Annual Report, and severally and jointly accept responsibility.
- 1.2** This annual results announcement is extracted from the full text of the 2021 Annual Report. The Chinese version of the full report is published on the websites of the Shanghai Stock Exchange (“Shanghai Stock Exchange”), The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and the Company. For details, investors are advised to read the full text of the 2021 Annual Report.
- 1.3** Director(s) who has/have not attended in person the Board meeting for approving the 2021 Annual Report is/are:

<u>Name of Director</u>	<u>Position</u>	<u>Reasons for Absence</u>	<u>Name of Proxy</u>
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- 1.4 The financial statements for the year ended 31 December 2021 (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.
- 1.5 In 2021, the net profit attributable to equity shareholders of the parent company amounted to RMB2,000,506 thousand under CAS (net profit of RMB2,073,431 thousand attributable to shareholders of the Company under IFRS). According to the 2021 profit distribution plan approved by the Board on 23 March 2022, the Board proposed to distribute a dividend of RMB0.1 per share (including tax) (the “Final Dividend”) based on the total number of issued shares of the Company as at the record date for distributing dividend. The 2021 profit distribution plan will be implemented subject to approval of the Company’s 2021 annual general meeting (the “AGM”). The date and time of the AGM and book closure arrangement will be announced later. The notice of the AGM will be announced separately in accordance with the provisions of the Articles of Association of the Company. The notice of the AGM, the accompanying circular and proxy form will be dispatched to holders of H shares in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”).

If the Final Dividend is declared by the approval of the resolution by the shareholders of the Company at the AGM, the Final Dividend on H shares is expected to be distributed on or around Thursday, 28 July 2022 to shareholders whose names appear on the Register of Members of the Company’s H shares at the close of business on Tuesday, 5 July 2022. The Final Dividend is denominated and declared in Renminbi. The Final Dividend payable to the holders of the Company’s A shares shall be paid in Renminbi while those payable to the holders of the Company’s H shares shall be paid in Hong Kong dollars. The amount of Hong Kong dollars payable shall be calculated on the basis of the average closing exchange rates for Hong Kong dollars as announced by the Foreign Exchange Trading Centre of the PRC for one calendar week prior to the approval of the Final Dividend at the AGM.

The Company is expected to close the Register of Members of the Company’s H shares from Thursday, 30 June 2022 to Tuesday, 5 July 2022 (both days inclusive) in order to confirm the shareholders’ entitlement to receive the Final Dividend. The holders of the Company’s H shares who wish to receive the Final Dividend should lodge the completed transfer forms and relevant share certificates with Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong on or before 4:30 p.m. on Wednesday, 29 June 2022.

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

2. CORPORATE INFORMATION

2.1 Corporate information

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

2.2 Contact persons and contact details

	Secretary to the Board	Securities Affairs Representative
Name	Liu Gang	Yu Guangxian
Address	48 Jinyi Road, Jinshan District, Shanghai, PRC, Postal Code: 200540	48 Jinyi Road, Jinshan District, Shanghai, PRC, Postal Code: 200540
Tel	8621-57943143	8621-57933728
Fax	8621-57940050	8621-57940050
E-mail	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 Group is a highly integrated petrochemical enterprise which mainly processes crude oil into a broad range of petroleum products, intermediate petrochemicals, resins and plastics and synthetic fibres. 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 mix, 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)

Major accounting data	Unit:RMB' 000			
	2021	2020	Increase/ decrease compared to the previous year(%)	2019
Revenue	89,280,415	74,705,183	19.51	100,346,048
Total profit	2,648,161	573,816	361.50	2,654,116
Net profit attributable to shareholders of the Company	2,000,506	628,110	218.50	2,213,716
Net profit attributable to shareholders of the Company excluding non-recurring items	1,908,105	493,350	286.76	2,073,020
Net cash flows generated from operating activities	4,060,026	1,751,217	131.84	5,121,209
	End of 2021	End of 2020	Increase/ decrease compared to the previous year end (%)	End of 2019
Total equity attributable to equity shareholders of the Company	30,260,172	29,218,033	3.57	29,885,341
Total assets	47,038,622	44,749,173	5.12	45,636,128

3.2 Major financial indicators (Prepared under CAS)

Major financial indicators	2021	2020	Increase/ decrease compared to the previous year (%)	2019
Basic earnings per share (RMB/share)	0.185	0.059	213.56	0.205
Diluted earnings per share (RMB/share)	0.185	0.059	213.56	0.205
Basic earnings per share excluding non-recurring items (RMB/share)	0.176	0.047	274.47	0.193
Return on net assets (weighted average) (%)*	6.727	2.127	Increased by 4.60 percentage points	7.143
Return on net assets excluding non-recurring items (weighted average) (%)*	6.416	1.709	Increased by 4.71 percentage points	6.726
Net cash flow per share generated from operating activities (RMB/share)	0.375	0.162	131.48	0.473
			Increase/ decrease compared to the previous year end (%)	
	End of 2021	End of 2020		End of 2019
Net assets per share attributable to equity shareholders of the Company (RMB/share)*	2.796	2.699	3.59	2.761
Gearing ratio (%)	35.382	34.401	Increased by 0.98 percentage points	34.228

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

3.3 Non-recurring items (Prepared under CAS)

Non-recurring items	Unit: RMB' 000		
	2021	2020	2019
Gains on disposal of non-current assets	48,671	72,296	158,551
Losses on disposal of long-term equity investment	-	-	-60,951
Employee reduction expenses	-12,232	-20,060	-45,394
Government grants recognised through profit or loss (excluding government grants pursuant to the State's unified standard sum and quota closely related to the corporate business)	45,944	71,296	79,678
Net gains/(losses) on disposal of derivative financial instruments	9,859	-912	-15,316
Income from structured deposits	97,921	132,690	86,848
Loss on selling of financial assets at fair value through other comprehensive income	-4,685	-9,513	-19,513
Gains/(losses) from changes in fair value of financial assets and liabilities	8,987	-17,871	1,597
Other non-operating income and expenses other than those mentioned above	-57,733	-42,968	-42,322
Effect on non-controlling interests (after tax)	556	1,141	3,515
Tax effect for the above items	-44,887	-51,339	-5,997
Total	<u>92,401</u>	<u>134,760</u>	<u>140,696</u>

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

	Unit: RMB million				
Year ended 31 December	2021	2020	2019	2018	2017
Net sales	75,888.8	61,560.9	88,055.7	95,613.5	79,218.3
Profit before taxation	2,721.1	590.8	2,656.1	6,808.1	7,852.9
Profit for the year	2,076.6	656.4	2,227.2	5,336.2	6,154.2
Profit attributable to equity shareholders of the Company	2,073.4	645.1	2,215.7	5,336.3	6,143.2
Basic earnings per share (RMB/share)	0.192	0.060	0.205	0.493	0.569
Diluted earnings per share (RMB/share)	0.192	0.060	0.205	0.493	0.568
Basic and diluted earnings per share (RMB/share) (restated)*	N/A	N/A	N/A	N/A	N/A
As at 31 December:					
Total equity attributable to equity shareholders of the Company	30,242.1	29,198.0	29,863.3	30,346.1	28,230.2
Total assets	46,920.6	44,619.1	45,494.1	44,385.9	39,443.5
Total liabilities	16,543.2	15,284.2	15,500.2	13,923.5	10,927.9

* After the implementation of capitalisation of the capital reserve in December 2013, the total number of issued shares of the Company increased from 7,200 million shares to 10,800 million shares.

* The first tranche of the Company's Share Option Incentive Scheme was exercised in August 2017. As a result, the total number of issued shares of the Company increased by 14,176.6 thousand shares.

* The second tranche of the Company's Share Option Incentive Scheme was exercised in January 2018. As a result, the total number of issued shares of the Company increased by 9,636.9 thousand shares.

3.5 Major quarterly financial data in 2021 (Prepared under CAS)

	Unit: RMB' 000			
	First Quarter (January to March)	Second Quarter (April to June)	Third Quarter (July to September)	Fourth Quarter (October to December)
Revenue	20,379,079	16,757,527	24,726,487	27,417,322
Net profit attributable to equity shareholders of the Company	1,173,484	70,705	720,861	35,456
Net profit attributable to equity shareholders of the Company excluding non-recurring items	1,158,473	10,953	715,775	22,904
Net cash flows (used in)/ generated from operating activities	-322,532	-2,067,020	2,045,941	4,403,637

4. INFORMATION ON SHAREHOLDERS' SHAREHOLDING AND CONTROL

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

Number of shareholders as at the end of the Reporting Period **104,031**

Number of shareholders as at the end of the month immediately preceding the publication date of the annual report **102,649**

Shareholding of the top ten shareholders

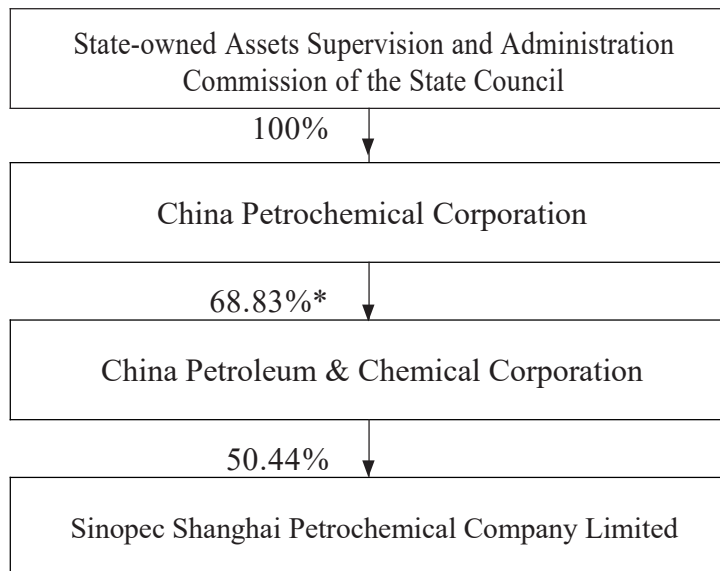
Full name of shareholder	Class of shares	Increase/ decrease of shareholding during the Reporting Period (Shares)	Number of shares held at the end of the Reporting Period (Shares)	Percentage of shareholding (%)	Number of shares held with selling restrictions (Shares)	Pledged/Marked/ Frozen		Nature of shareholder
						Status of Shares	Number of Shares	
China Petroleum & Chemical Corporation	A shares	0	5,459,453,000	50.44	0	None	0	State-owned legal person
HKSCC (Nominees) Limited	H shares	-42,000	3,453,839,030	31.91	0	Unknown	-	Overseas legal person
HKSCC Limited	A shares	50,747,993	115,149,708	1.06	0	None	0	Overseas legal person
Wang Lei	A shares	67,655,800	67,655,800	0.71	0	None	0	Domestic natural person
GF Fund – Agricultural Bank of China – GF CSI Financial Asset Management Plan	A shares	-13,275,420	64,401,715	0.42	0	None	0	Others
Dacheng Fund – Agricultural Bank of China – Dacheng CSI Financial Asset Management Plan	A shares	0	45,222,300	0.40	0	None	0	Others
Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Asset Management Plan	A shares	0	43,531,469	0.40	0	None	0	Others
E Fund Fund– Agricultural Bank of China – E Fund CSI Financial Asset Management Plan	A shares	0	43,083,750	0.40	0	None	0	Others
China EU Fund– Agricultural Bank of China – China EU CSI Financial Asset Management Plan	A shares	0	43,083,700	0.40	0	None	0	Others
Yinhua Fund– Agricultural Bank of China – Yinhua CSI Financial Asset Management Plan	A shares	0	43,083,700	0.40	0	None	0	Others
Southern Fund– Agricultural Bank of China – Southern CSI Financial Asset Management Plan	A shares	0	43,083,700	0.40	0	None	0	Others
ICBC Credit Suisse Fund– Agricultural Bank of China – ICBC Credit Suisse CSI Financial Asset Management Plan	A shares	0	43,083,700	0.40	0	None	0	Others

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

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

is not aware of any connected relationships among the other shareholders, or whether any other shareholder constitutes an act-in-concert party under the Administrative Measures on Acquisition of Listed Companies.

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



* Including 623,454,000 H shares in China Petrochemical Group Corporation Limited ("Sinopec Group") 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 2021, 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

Name of shareholders	Interests held or deemed as held (shares)	Note	Percentage of total issued shares of the Company (%)	Percentage of total issued shares of the relevant class (%)	Capacity
China Petroleum & Chemical	5,460,000,000A shares (L) Shares of legal person	(1)	50.44(L)	74.50(L)	Beneficial owner
The Bank of New York Mellon Corporation	337,085,754 H shares (L) 313,998,300 H shares (S) 22,527,454 H shares (P)	(2)	3.11(L) 2.90(S) 0.21(P)	9.64(L) 8.98(S) 0.64(P)	Interests of controlled corporation
BlackRock, Inc.	204,771,117 H shares (L)	(3)	1.89(L)	5.86(L)	Interests of controlled corporation
Corn Capital Company Limited	211,008,000 H shares (L) 200,020,000 H shares (S)	(4)	1.95(L) 1.85(S)	6.04(L) 5.72(S)	Beneficial owner
Hung Hin Fai	211,008,000 H shares (L) 200,020,000 H shares (S)	(4)	1.95(L) 1.85(S)	6.04(L) 5.72(S)	Interests of controlled corporation
Yardley Finance Limited	200,020,000 H shares (L)	(5)	1.85(L)	5.72(L)	Secured equity holders
Chan Kin Sun	200,020,000 H shares (L)	(5)	1.85(L)	5.72(L)	Interests of controlled corporation

(L): Long position; (S): Short position; (P): Lending pool

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 68.83% of the issued share capital of Sinopec Corp. as at 31 December 2021. By virtue of such relationship, Sinopec Group is deemed to have an interest in the 5,460,000,000 A shares of the Company directly owned by Sinopec Corp.
- (2) All the 337,085,754 H shares (long position) and 313,998,300 H shares (short position) are deemed to be held by The Bank of New York Mellon Corporation, due to control of multiple companies (among which 313,998,300 H shares (short position) are held through physical settlement unlisted derivatives). Below are the companies indirectly or wholly owned by The Bank of New York Mellon Corporation:
 - (2.1) All the 30,000 H shares (long position) are held by BNY MELLON, NATIONAL ASSOCIATION. Since BNY MELLON, NATIONAL ASSOCIATION is wholly owned by The Bank of New York Mellon Corporation, The Bank of New York Mellon Corporation is deemed to have an interest in the 30,000 H shares (long position) of the Company held by BNY MELLON, NATIONAL ASSOCIATION.
 - (2.2) All the 337,055,754 H shares (long position) and 313,998,300 H shares (short position) are held by The Bank of New York Mellon. Since The Bank of New York Mellon is wholly owned by The Bank of New York Mellon Corporation, The Bank of New York Mellon Corporation is deemed to have an interest in the 337,055,754 H shares (long position) and 313,998,300 H shares (short position) of the Company held by The Bank of New York Mellon.
- (3) All the 204,771,117 H shares (long position) (among which 110,000 H shares (long position) are held through cash settled unlisted derivatives) are deemed to be held by BlackRock, Inc., due to control of multiple companies. Below are the companies indirectly wholly owned by BlackRock, Inc:
 - (3.1) All the 6,252,700 H shares (long position) are held by BlackRock Financial Management, Inc. Since BlackRock Financial Management, Inc. is indirectly wholly owned by BlackRock, Inc., BlackRock, Inc. is deemed to have an interest in the 6,252,700 H shares (long position) of the Company held by BlackRock Financial Management, Inc. In addition, BlackRock Financial Management, Inc. is interested in the shares of the Company through the following companies:
 - (3.1.1) 29,936,000 H shares (long position) are held by BlackRock Institutional Trust Company, National Association.
 - (3.1.2) 26,462,000 H shares (long position) are held by BlackRock Fund Advisors.
 - (3.2) 86% of interest in BR Jersey International Holdings L.P. are indirectly held by BlackRock, Inc. BR Jersey International Holdings L.P. is interested in the shares of the Company through the following companies:
 - (3.2.1) 25,194,604 H shares (long position) are held by BlackRock Japan Co., Ltd..
 - (3.2.2) 522,000 H shares (long position) are held by BlackRock Asset Management Canada Limited.
 - (3.2.3) 579,497 H shares (long position) are held by BlackRock Asset Management North Asia Limited.

- (3.2.4) 926,000 H shares (long position) are held by BlackRock Investment Management (Australia) Limited.
- (3.2.5) 1,370,000 H shares (long position) are held by BlackRock (Singapore) Limited.
- (3.3) 100% of interest in BlackRock Group Limited is indirectly held by BR Jersey International Holdings L.P. (See (3.2) above). BlackRock Group Limited is interested in the shares of the Company through the following companies, which are directly or indirectly wholly owned by BlackRock Group Limited:
 - (3.3.1) 396,248 H shares (long position) are held by BlackRock Investment Management (UK) Limited.
 - (3.3.2) 8,512,171 H shares (long position) are held by BlackRock Fund Managers Limited.
 - (3.3.3) 2,750,936 H shares (long position) are held by BlackRock Life Limited.
 - (3.3.4) 10,411,981 H shares (long position) and 186,000 H shares (short position) are held by BlackRock (Netherlands) B.V.
 - (3.3.5) 48,174,000 H shares (long position) and 186,000 H shares (short position) are held by BLACKROCK (Luxembourg) S.A.
 - (3.3.6) 26,474,265 H shares (long position) are held by BlackRock Asset Management Ireland Limited.
- (3.4) BlackRock Investment Management, LLC is indirectly wholly owned by BlackRock, Inc., BlackRock Investment Management, LLC is indirectly interested in the shares of the Company through the following companies:
 - (3.4.1) 16,808,715 H shares (long position) are held by Aperio Group, LLC.
- (4) 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.
- (5) 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 2021, 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

The year 2021 was a year of rapid recovery since the global economy experienced its biggest recession after World War II, but the economic recovery of countries and regions is severely differentiated. Among advanced economies, the economic growth rate of Germany and Japan was much slower than that of the United States and Eurozone. Asia has seen the strongest economic recovery among the emerging market and developing countries, while the sub-Saharan Africa’s economic growth performance was less than expected. China has maintained a worldwide leading in economic development and epidemic prevention and control, and the overall national economy is running in an appropriate range. Throughout 2021, China’s Gross Domestic Product (GDP) increased by 8.1%, an increase of 5.8 percentage points over the previous year, becoming a leader of global economy recovery. The petrochemical industry development maintained stable, and the major economic indicators grew rapidly. From the perspective of trend, it shows a feature of “high before and low after”, indicating the increase of the market volatility and downward pressure.

In 2021, facing the profound changes and epidemic that unseen in a century, the Group promoted the operation of the Health, Safety and Environment (HSE) management system, focused on system optimization, reform management, technological innovation and completed the production and operation goals and tasks relatively well. The total volume of crude oil processed for the year was 13.7644 million tons, a year-on-year decrease of 6.18%; the volume of refined oil produced for the year was 7.9688 million tons, representing a year-on-year decrease of 4.90%; the total volume of goods within the main commodities categories was 13.4468 million tons, representing a year-on-year decrease of 3.66%. In 2021, the Company’s turnover was RMB89,198 million, representing a year-on-year increase of 19.53%. The product sale rate was 100.05% and the payment return rate was 100%. Product quality continued to be well maintained and stable.

(i) Steadily Implement the HSE System

In 2021, the Group launched a special safety campaign, released the HSE management system, and promoted the deepening of the system. The Group strictly implemented the production and operation management rules, continued to promote operation limit management, process alarm management and change management, strengthened preventive maintenance, and carried out in-depth investigation and management of invisible dangers. The annual general device operation rate reached 97.84%; unplanned lockout happened 8 times, decreased by 52.94%.

The Group continued to fight against pollution, conducted Leak Detection and Repair (LDAR) testing work and established tracing mechanism of the Volatile Organic Compounds (VOCs) boundary pollutant alarm. The annual average value of VOCs concentration at plant boundary reached 104.09 micrograms per cubic meter. The Group intensified efforts to conserve energy and reduce carbon emission, implemented energy efficiency improvement projects and carried out energy-saving renovation of heating furnaces. The energy consumption per RMB10,000 in output value was reduced by 7.12 percentage points, the carbon emission intensity was reduced by 9.08 percentage points and 2.13 million tons of water was saved. The Group managed to reduce carbon emission compliance costs by RMB20.95 million. In 2021, the Company's total comprehensive energy consumption was 6.323 million tons of standard coal. The comprehensive output value consumption was 0.991 tons of standard coal/ RMB10,000, representing 49.02 million tons reduce over last year. The annual Chemical Oxygen Demand (COD) emissions decreased by 1.92%, sulfur dioxide emissions decreased by 4.96% and nitrogen oxide emission decreased by 12.78%, as compared with the same period last year. The comprehensive compliance rate of effluent wastewater was 99.95%, the compliance rate of controlled waste gas was 100%, and the rate of proper treatment and disposal of hazardous waste was 100%.

The Group successfully completed overhaul transformation through carefully confirming the shutdown plan, approving the maintenance project, implementing the contractor, and purchasing key materials. The Group realized zero confirmed or suspected confirm case by implementing the routine Covid-19 control measures and promoting the vaccination, the vaccination rate of employees was 91.01%.

(ii) The Imbalance between Supply and Demand and Other Factors Drive the Oil and Petrochemical Products Price Upwards.

Driven by factors such as the imbalance between supply and demand and the excessive issuance of currency, the domestic oil and petrochemical products price rose significantly, and the price of some major chemicals hit a record high. As of 31 December 2021, the weighted average prices (excluding tax) of the Company's synthetic fibers, resins and plastics, intermediate petrochemical products, and petroleum products had increased by 38.58%, 14.89%, 43.12% and 31.43%, respectively as compared with the previous year.

(iii) Overall Increase in International Crude Oil Price with a Drop in the Volume of Crude Oil Processed.

In 2021, the international crude oil prices was on a volatile upward trend, the oil demand drove up the price. The disturbance brought by the epidemic was difficult to stop the process of demand recovery.

As of 31 December 2021, the Company had processed a total of 13.7644 million tons of crude oil (of which 404.7 thousand tons were processed on order), indicating a year-on-year decrease of 6.18%, mainly due to the implementation of the largest overhaul in the Company's history this year. The cost of crude oil processing for the year 2021 was RMB3,232.29/ton, representing an increase of RMB852.27/ton or 35.81% year-on-year. The total cost of crude oil processing for the year increased by RMB9,222 million, or 27.15%, compared with the same period last year, accounting for 58.12% of the total cost of sales.

(iv) Continuous Improvement in System Optimization

In 2021, the Group prioritized effectiveness and emphasized the optimization of the whole chain of production, purchase, sale, storage and transportation. The Group adjusted the proportion of light and heavy crude oil procurement, and improve the flexibility and processing alternatives of the crude oil procurement. In order to ensure the energy supply, adjustments were introduced timely into plant operation, product structure, production in jet fuel, diesel oil and liquefied gas, and the fuel blending scheme for low-sulfur heavy ships was optimized. While the crude oil processing volume dropped by 6.18%, the gasoline production increased by 123,400 tons year-on-year; the diesel-gasoline ratio was 1.00, representing a year-on-year decrease of 0.22; the high-grade gasoline accounted for 43.17% with an increase of 8.19 percentage point year-on-year.

By optimizing the production plan, adjusting product structures, increasing the output and proportion of high value-added, new and differentiated products, and effectively utilizing the production capacity of profitable devices, the Group successfully increased production of propylene to 6,838 tons, hyperbaric polyethylene to 7,493 tons, and ethylene oxide to 22,600 tons and increased the yield of chemical light oil by 0.75 percentage points. The Group further deepened the integration of production, marketing, research and application, broadened sale channels of new products. The Group realized its first export of No.92 automotive gasoline and low-sulfur aviation coal with a total export of 39,100 tons and 46,500 tons respectively. The Group continued to conduct cost control, improved the efficiency of input and output of costs, strengthened the management of funds at all levels, and refined the overall planning of funds. By accelerating the promotion of smart warehousing, Since April 2021, plastic products were fully used in shared trays.

(v) Innovation and Development Brought Vitality to the Company

In 2021, the Group issued the 14th Five-Year Plan Outline, specifying the development strategy of oil refining to chemical industry, chemical industry to materials production, materials production to high-end quality, and parks to ecology. The oxidation carbonization production line in 1,500 tons/year PAN-based Carbon Fiber Phase II Project was completed in May 2021, and the trial loading of the hydrogen fuel battery supply centre (phase I) was complete by the end of December 2021. The Group completed the mass production of the carbon fiber torch, Feiyang, in Beijing 2022 Winter Olympics. The carbon fiber composite material was certified by the aerospace quality management system, and was successfully applied to the high-speed rail for the first time. The demonstration photovoltaic power station was successfully connected to the grid for power generation, creating a new engine for the transformation and development of the company.

In 2021, the Group established a carbon fiber company, a joint laboratory for Hydrogen Energy was established with East China University of Science and Technology, and a joint innovation laboratory with Donghua University. A total of 21 strategic cooperation agreements have been signed, and the pace of Industry, Academia, Research and Application has been accelerated. The Group adopted on-site safety control projects to help standardize the construction operation billing process, and officially put intelligent robots into use to improve the fine management of the warehouse.

(vi) Breakthrough in Reform Management

In 2021, the Group comprehensively promoted the three-year action of deepening reforms, deepened the management improvement actions based on the world-class standard, expanded the connotation of Do It Right Now, and improved the level of information-based management. The Group comprehensively promoted the construction of standardized teams, standardized sites and standardized positions, started 5S (SEIRI, SEITON, SEISO, SEIKETSU and SHITSUKE) management work, and improved the appearance and working environment.

In 2021, the Group adjusted and optimized the management system, established a carbon fiber industry development center, completed the integration of the polyester department and the plastic department, and optimized the organizational management system and operation mechanism of the Refining Department, in order to improve the efficiency of organization operation. The Group also optimized and adjusted management functions and organizational structures such as joint ventures and cooperation, retiree management, and business research, etc.

In 2021, the Group explored the professional manager system, formulated the business performance assessment and salary management measures of management members, and completed the term system and contract signing of members of the management of the Company. The Group developed the construction of cadre competence model and improved the mechanism of open recruitment for cadres. The Group also explored a new mechanism of salary distribution for researchers, promoted market compensation benchmarking, and formulated an incentive implementation plan for the project chief responsibility system.

As of 31 December 2021, the net reduction of employees of the Group was 236 (including voluntary resignation and retirees), accounting for 2.79% of the total 8,466 employees registered at the beginning of the year.

5.2 Accounting judgements and estimates

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

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

(i) 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, does the amount of prepayment only reflect 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.

(ii) 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 shown at the lower of cost and net realizable value.

(iii) 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 value in use. 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. In particular, in determining the value in use 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.

(iv) 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.

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								
	2021			2020			2019		
	Sales volume ('000 tons)	Net sales (RMB million)	%	Sales volume ('000 tons)	Net sales (RMB million)	%	Sales volume ('000 tons)	Net sales (RMB million)	%
Synthetic fibres	101.9	1,374.8	1.8	151.4	1,472.4	2.4	177.9	2,158.9	2.5
Resins and plastics	1,254.9	9,962.7	13.1	1,365.4	9,419.7	15.3	1,292.4	9,979.9	11.3
Intermediate petrochemical products	1,989.1	10,780.5	14.2	2,168.0	8,205.8	13.3	2,193.7	10,313.6	11.7
Petroleum products	10,065.0	41,884.4	55.2	10,347.7	30,139.6	49.0	10,294.6	43,125.9	49.0
Trading of petrochemical products	-	11,051.4	14.6	-	11,577.3	18.8	-	21,690.7	24.6
Other segments	-	835.0	1.1	-	746.1	1.2	-	786.7	0.9
Total	13,410.9	75,888.8	100.0	14,032.5	61,560.9	100.0	13,958.6	88,055.7	100.0

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					
	2021		2020		2019	
	RMB million	% of net sales	RMB million	% of net sales	RMB million	% of net sales
Synthetic fibres						
Net sales	1,374.8	1.8	1,472.4	2.4	2,158.9	2.5
Cost of sales and operating expenses	<u>(2,228.9)</u>	(2.9)	<u>(1,836.6)</u>	(3.0)	<u>(2,699.2)</u>	(3.1)
Segment loss from operations	<u>(854.1)</u>	(1.1)	<u>(364.2)</u>	(0.6)	<u>(540.3)</u>	(0.6)
Resins and plastics						
Net sales	9,962.7	13.1	9,419.7	15.3	9,979.9	11.3
Cost of sales and operating expenses	<u>(9,910.5)</u>	(13.1)	<u>(8,157.6)</u>	(13.3)	<u>(9,578.5)</u>	(10.9)
Segment profit from operations	<u>52.2</u>	0.1	<u>1,262.1</u>	2.0	<u>401.4</u>	0.4
Intermediate petrochemical products						
Net sales	10,780.5	14.2	8,205.8	13.3	10,313.6	11.7
Cost of sales and operating expenses	<u>(11,415.6)</u>	(15.0)	<u>(7,624.2)</u>	(12.4)	<u>(9,899.6)</u>	(11.2)
Segment (loss)/profit from operations	<u>(635.1)</u>	(0.8)	<u>581.6</u>	0.9	<u>414.0</u>	0.5
Petroleum products						
Net sales	41,884.4	55.2	30,139.6	49.0	43,125.9	49.0
Cost of sales and operating expenses	<u>(38,917.4)</u>	(51.3)	<u>(32,338.3)</u>	(52.5)	<u>(42,420.4)</u>	(48.2)
Segment profit/(loss) from operations	<u>2,967.0</u>	3.9	<u>(2,198.7)</u>	(3.5)	<u>705.5</u>	0.8
Trading of petrochemical products						
Net sales	11,051.4	14.6	11,577.3	18.8	21,690.7	24.6
Cost of sales and operating expenses	<u>(11,007.7)</u>	(14.5)	<u>(11,535.3)</u>	(18.7)	<u>(21,637.5)</u>	(24.5)
Segment profit from operations	<u>43.7</u>	0.1	<u>42.0</u>	0.1	<u>53.2</u>	0.1

	For the years ended 31 December					
	2021		2020		2019	
	RMB million	% of net sales	RMB million	% of net sales	RMB million	% of net sales
Other segments						
Net sales	835.0	1.1	746.1	1.2	786.7	0.9
Cost of sales and operating expenses	<u>(976.5)</u>	(1.3)	<u>(535.1)</u>	(0.9)	<u>(500.0)</u>	(0.6)
Segment (loss)/profit from operations	<u>(141.5)</u>	(0.2)	<u>211.0</u>	0.3	<u>286.7</u>	0.3
Total						
Net sales	75,888.8	100.0	61,560.9	100.0	88,055.7	100.0
Cost of sales and operating expenses	<u>(74,456.6)</u>	(98.1)	<u>(62,027.1)</u>	(100.8)	<u>(86,735.2)</u>	(98.5)
Operating profit/(loss)	<u>1,432.2</u>	1.9	<u>(466.2)</u>	(0.8)	<u>1,320.5</u>	1.5
Net finance income	414.6	0.5	332.3	0.5	363.0	0.4
Share of profit of associates and joint ventures	<u>874.3</u>	1.2	<u>724.7</u>	1.2	<u>972.6</u>	1.1
Profit before taxation	2,721.1	3.6	590.8	0.9	2,656.1	3.0
Income tax	<u>(644.5)</u>	(0.9)	<u>65.6</u>	0.1	<u>(429.0)</u>	(0.5)
Profit for the year	<u>2,076.6</u>	2.7	<u>656.4</u>	1.0	<u>2,227.1</u>	2.5
Attributable to:						
Equity shareholders of the Company	2,073.4	2.7	645.1	1.0	2,215.7	2.5
Non-controlling interests	<u>3.2</u>	0.0	<u>11.3</u>	0.0	<u>11.4</u>	0.0
Profit for the year	<u><u>2,076.6</u></u>	2.7	<u><u>656.4</u></u>	1.0	<u><u>2,227.1</u></u>	2.5

5.3.2 Comparison and analysis

Comparison between the year ended 31 December 2021 and the year ended 31 December 2020 is as follows:

5.3.2.A Operating results

(1) Net sales

In 2021, net sales of the Group amounted to RMB75,888.8 million, an increase of 23.27% from the previous year's RMB61,560.9 million. As of 31 December 2021, the weighted average prices (excluding tax) of synthetic fibers, resins and plastics, intermediate petrochemical products and petroleum products of the Group increased by 38.73%, 15.08%, 43.19% and 42.87% year-on-year respectively.

(i) Synthetic fibres

In 2021, the Group's net sales of synthetic fiber products amounted to RMB1,374.8 million, representing a decrease of 6.63% from the previous year's RMB1,472.4 million, which was mainly due to the reduction in production resulted from the overhaul and perennial loss of acrylic fiber, and the lower sales during the Reporting Period resulted from the decrease of sales of synthetic fiber products. Sales volume of synthetic fibers decreased by 32.69% year-on-year, while the weighted average sales price increased by 38.73%. Meanwhile, the sales volume of acrylic fibers, the main product of the synthetic fibers segment, decreased by 36.90% year-on-year. Net sales of acrylic fibers, polyester fibers and other products accounted for 84.10%、12.11% and 3.79% of the total sales of synthetic fibers segment respectively.

Net sales of synthetic fibers accounted for 1.8% of the Group's net sales in the current year, representing a decrease of 0.6 percentage points from the previous year.

(ii) Resins and plastics

In 2021, the Group's net sales of resins and plastics products amounted to RMB9,962.7 million, an increase of 5.76% from the previous year's RMB9,419.7 million, which was mainly due to the scene of the downstream market rebounded, and the sales prices of resin and plastic products generally rose, resulting in the increase of sales during the Reporting Period. The weighted average sales price of resins and plastics increased by 15.08%, while the sales volume of resins and plastics products decreased by 8.09% year-on-year. Meanwhile, the weighted average sales price of polyethylene and polypropylene increased by 18.23% and 11.68%, and the weighted average sales price of polyester chips increased by 28.93% year-on-year. The sales of polyethylene, polypropylene, polyester chips and other products accounted for 43.23%, 36.57%, 16.89% and 3.31% of the total sales of resins and plastics segment respectively.

The net sales of resins and plastics accounted for 13.10% of the Group's net sales in the current year, a decrease of 2.2 percentage points from the previous year.

(iii) Intermediate petrochemical products

In 2021, the Group's net sales of intermediate petrochemical products amounted to RMB10,780.5 million, an increase of 31.38% from the previous year's RMB8,205.8 million, which was mainly due to the sharp rise in unit price of intermediate petrochemical products driven by the sharp rise in international crude oil prices. The weighted average sales price of intermediate petrochemical products increased by 43.19% year-on-year, and its sales volume decreased by 8.25% year-on-year. The sales of p-xylene, ethylene oxide, pure benzene, ethylene glycol and other products accounted for 24.24%, 20.52%, 17.01%, 1.78% and 36.45% of the total sales of intermediate petrochemical products respectively.

The net sales of intermediate petrochemical products accounted for 14.2% of the Group's net sales in the current year, an increase of 0.9 percentage points from the previous year.

(iv) Petroleum products

In 2021, the Group's net sales of petroleum products amounted to RMB41,884.4 million, an increase of 38.97% from the previous year's RMB30,139.6 million, which was mainly due to the rise in the price of petroleum products driven by the sharp rise in international crude oil prices. The weighted average sales price of petroleum products increased by 42.87% year-on-year, and sales volume decreased by 2.73%.

The net sales of petroleum products accounted for 55.2% of the Group's net sales in the current year, an increase of 6.2 percentage points from the previous year.

(v) Trading of petrochemical products

In 2021, the Group's net sales of trading of petrochemical products amounted to RMB11,051.4 million, a decrease of 4.54% from the previous year's RMB11,577.3 million. Mainly due to the decrease in customer purchase demand of the subsidiary China Jinshan Associated Trading Corporation and Shanghai Jinshan Trading Corporation, the sales of this year decreased by RMB57 million and RMB769 million respectively.

The net sales of trading of petrochemical products accounted for 14.6% of the Group's net sales in the current year, a decrease of 4.2 percentage points from the previous year.

(vi) Others

In 2021, the Group's net sales of other products amounted to RMB835.0 million, an increase of 11.92% from the previous year's RMB746.1 million.

The net sales of other products accounted for 1.1% of the Group's net sales in the current year, a decrease of 0.1 percentage points from the previous year.

(2) Cost of sales and operating expenses

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

In 2021, the Group's cost of sales and expenses amounted to RMB74,456.6 million, an increase of 20.04% from RMB62,027.1 million in 2020. Cost of sales and expenses of synthetic fibers, resins and plastics, intermediate petrochemical products, petroleum products, petrochemical products and other products amounted to RMB2,228.9 million, RMB9,910.5 million, RMB11,415.6 million, RMB38,917.4 million, RMB11,007.7 million and RMB976.5 million respectively, representing an increase of 21.36%, an increase of 21.49%, an increase of 49.73%, an increase of 20.34%, a decrease of 4.57% and an increase of 82.49% year-on-year respectively.

Compared with the last year, the cost of sales and expenses of synthetic fibers, resins and plastics, intermediate petrochemical products, petroleum products, petrochemical products increased this year, which was mainly due to the sharp increase in crude oil prices and thus the increase in corresponding costs.

– **Cost of sales**

In 2021, the Group's cost of sales amounted to RMB74,298.0 million, an increase of 20.03% from previous year's RMB61,901.1 million, which was mainly due to the rise in crude oil prices leading to the rise in costs and the lower-than-expected operating benefits of certain production facilities in 2021, and a number of production facilities were idle or backward production technology, resulting in the provision for impairment of long-term assets of RMB587.6 million. Cost of sales accounted for 97.90% of the net sales this year.

– **Selling and administrative expenses**

In 2021, the Group's sales and administrative expenses amounted to RMB368.2 million, a decrease of 24.29% from the previous year's RMB486.3 million. This was primarily due to the handling and miscellaneous handling fees with amount of RMB 120.9 million were reclassified to cost of sales.

– **Other operating income**

In 2021, the Group's other operating income amounted to RMB125.3 million, a decrease of 15.74% from previous year's RMB148.7 million. This was mainly due to the decrease of RMB25 million in subsidies of R&D projects, leading to a reduction in other operating income.

– **Other operating expenses**

In 2021, the Group's other operating expenses amounted to RMB44.7 million, an increase of 80.97% from previous year's RMB24.7 million. This was primarily due to an increase in other operating expenses as a result of the increase of RMB17.0 million for the purchases of rights of carbon emission during the year.

(3) Profit from operations

In 2021, the Group's operating profit amounted to RMB1,432.2 million, an increase of RMB1,898.4 million from the operating loss of RMB466.2 million in the previous year. Profit from operations was significantly higher as a result of the increase in the price of crude oil and the impact of the domestic economy recovers from COVID-19's influence on downstream demand.

(i) Synthetic fibres

In 2021, the operating loss of synthetic fibers amounted to RMB854.1 million, an increase of RMB489.9 million from the operating loss of RMB364.2 million in the previous year. The weak market demand of the textile industry, the downstream market of synthetic fibers segment, together with the low capacity utilization rate impacted from major overhaul resulted in increase of operating losses in the synthetic fibers sector during the Reporting Period. Due to a number of production facilities were idle or backward production technology, the long-term asset impairment provision of RMB135.7 million was made for the synthetic fiber segment in 2021.

(ii) Resins and plastics

In 2021, the operating profit of resins and plastics amounted to RMB52.2 million, a decrease of RMB1,209.9 million from the operating profit of RMB1,262.1 million in the previous year. The decrease in operating profit in the year was mainly because the rise in international crude oil prices resulted in the sharp rise in costs while the supply in the downstream market was saturated, and thus the increase in sales price was lower than that in cost price.

(iii) Intermediate petrochemical products

In 2021, the operating loss of intermediate petrochemical products amounted to RMB635.1 million, a decrease of RMB1,216.7 million from the operating profit of RMB581.6 million in the previous year. The decrease in gross profit of petrochemical products as compared with the previous period was mainly because the rise in international crude oil prices resulted in the sharp rise in costs while the supply in the downstream market was saturated, and thus the increase in sales price was lower than that in cost price. In 2021, provision for impairment of long-term assets of RMB296.3 million was made for some devices as increasing production cost is not expected to be covered by the estimated selling price of the products due to deteriorating market conditions.

(iv) Petroleum products

In 2021, the operating profit of petroleum products amounted to RMB2,967.0 million, an increase of RMB5,165.7 million from the operating loss of RMB2,198.7 million in the previous year. The increase in operating profit in the year was mainly due to an increase of sales price driven by a rise in international crude oil price.

(v) Trading of petrochemical products

In 2021, the operating profit of the trading of petrochemical products amounted to RMB43.7 million, an increase of RMB1.7 million from the operating profit of RMB42.0 million in the previous year, which was no significant change compared with the previous year

(vi) Others

In 2021, the Group's other operating loss amounted to RMB141.5 million, a decrease of RMB352.5 million from the other operating profit of RMB211.0 million in the previous year, this was primarily due to higher gross loss on spontaneous power sales driven by the rise of coal prices.

(4) Net finance income

In 2021, the Group's net financial income amounted to RMB414.6 million, an increase of RMB82.3 million from the net financial income of RMB332.3 million in the previous year, mainly due to an increase in the average balance of deposit during the Reporting Period, resulting in an increase of our interest income by RMB77.6 million from RMB431.2 million in 2020 to RMB508.8 million in 2021.

(5) Profit before taxation

In 2021, the Group's profit before taxation amounted to RMB2,721.1 million, an increase of RMB2,130.3 million from the profit before taxation of RMB590.8 million in the previous year.

(6) Income tax

The income tax expense of the Group amounted to RMB644.5 million in 2021 and the income tax benefit amounted to RMB65.6 million in 2020. This was primarily due to an increase in the profit before taxation of the Company which lead to a rise in tax payable.

In accordance with The Enterprise Income Tax Law of the PRC (amended in 2018), the income tax rate applicable to the Group in 2021 is 25% (2020: 25%).

(7) Profit for the year

In 2021, the Group's profit after tax amounted to RMB2,076.6 million, an increase of RMB1,420.2 million from the profit after tax of RMB656.4 million in the previous year.

5.3.2.B Liquidity and capital sources

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

(1) Capital sources

(i) Net cash flow generated from operating activities

In 2021, the Group's net cash inflows generated from operating activities amounted to RMB3,950.0 million, representing an increase of RMB2,270.2 million from the net cash inflows of RMB1,679.8 million in the previous year. During the Reporting Period, with profitability in operating, the Group's cash inflows generated from operating activities in 2021 amounted to RMB4,411.7 million, representing an increase of RMB2,416.6 million from the cash inflows generated from operating activities of RMB1,995.1 million in the previous year. The income tax was paid in 2021 amounted to RMB351.6 million, an increase of RMB107.7 million from the income tax payment of RMB243.9 million in the previous year.

(ii) Borrowings

By the end of 2021, the Group's total borrowings decreased by RMB2,306.0 million to RMB2,259.8 million as compared to the end of last year, mainly due to the decrease of short-term bonds and short-term borrowings by RMB3,017.8 million and RMB8.0 million, respectively, and the increase of long-term borrowings by RMB700.0 million as well as the increase of long-term borrowings due within one year by RMB19.8 million.

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

(2) Gearing ratio

As of 31 December 2021, the Group's gearing ratio was 35.26% (2020: 34.25%). The ratio is calculated using this formula: total liabilities/total assets multiply by 100%.

5.3.2.C Research and development, patents and licenses

The Group owns various technology development departments, including Advanced Materials Innovation Research Institute, Petrochemical Research Institute, Plastic Research Institute and Environmental Protection Research Institute, which are responsible for research and development of new technologies, products, processes, equipment and environmental protection. The Group's research and development expenses for 2019, 2020 and 2021 amounted to RMB93.0 million, RMB110.6 million and RMB94.3 million, respectively. The decrease was mainly due to the decrease in material cost for research and development of technology in equipment and products.

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 full text of the 2021 Annual Report for details of the Group's capital commitments. The Group did not provide any guarantee to external parties during the Reporting Period.

5.3.2.E Contractual obligations

The following table sets forth the Group's obligations to repay loan principal in future as at 31 December 2021:

	Payment due and payable by the following period as at 31 December 2021				
	Total (RMB' 000)	Within 1 year (RMB' 000)	After 1 year but within 2 years (RMB' 000)	After 2 years but within 5 years (RMB' 000)	Over 5 years (RMB' 000)
Contractual obligations					
Short term borrowings	1,559,800	1,559,800	–	–	–
Long term borrowings	700,000	–	–	700,000	–
Total contractual obligations	<u>2,259,800</u>	<u>1,559,800</u>	<u>–</u>	<u>700,000</u>	<u>–</u>

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

As at 31 December 2021, the Company had more than 50% equity interest in the following principal subsidiaries:

Company name	Place of registration	Principal activities	Place for principal activities	Type of legal person	Percentage of equity held by the Company (%)	Percentage of equity held by the Group (%)	Paid in capital	Net profit/(loss) for the year 2021 (RMB' 000)
Shanghai Petrochemical Investment Development Company Limited (“Shanghai Investment Development”)	China	Investment management	China	Limited company	100.00	100.00	RMB1,000,000	126,415
China Jinshan Associated Trading Corporation (Jinshan Associated Trading)	China	Import and export of petrochemical products and equipment	China	Limited company	67.33	67.33	RMB25,000	32,195
Shanghai Jinchang Engineering Plastics Company Limited (“Shanghai Jinchang”)	China	Production of polypropylene compound products	China	Limited company	-	74.25	USD9,154	(32,624)
Shanghai Golden Phillips Petrochemical Company Limited (“Shanghai Golden Phillips”)	China	Production of polypropylene products	China	Limited company	-	100.00	RMB415,623	29,679
Shanghai Jinshan Trading Corporation (“JMGJ”)	China	Import and export of petrochemical products and equipment	China	Limited company	-	67.33	RMB100,000	10,509
Zhejiang Jinlian Petrochemical Storage and Transportation Co., Ltd. (“Jinlian”)	China	Trading of Petrochemical Products	China	Limited company	-	100.00	RMB400,000	(19,528)

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

The Group’s share of interests in associates comprises a 38.26% interest in the Shanghai Chemical Industry Park Development Co., Ltd (“Chemical Industrial Park”) established in the PRC in the amount of RMB2,023.6 million, and a 20% interest in the Shanghai SECCO Petrochemical Company Limited (“Shanghai SECCO”) established in the PRC in the amount of RMB1,270.4 million. The principal businesses of the Chemical Industry Park Development Co., Ltd., include the planning, development and operation a chemical industrial park located in Shanghai of the PRC. The principal business of the Shanghai SECCO is the production and distribution of petrochemical products.

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

In 2021, Shanghai SECCO recorded a revenue of RMB29,723.2 million, and its profit after tax reached RMB3,125.9 million, among which RMB633.4 million was attributed to the Company.

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

- (a) The operating results of Shanghai Investment Development decreased by 40.86% in 2021 as compared to the previous year, which was mainly due to the disposal of auxiliary plant resulting in an increase in gains from disposal of assets of RMB87.1 million in 2020, resulting in a decrease in the operating profit in 2021.
- (b) In 2021, the operating performance of Shanghai Jinchang decreased by 924.67% year on year which was primarily due to the increase in price of polypropylene, the main raw materials required by Shanghai Jinchang.
- (c) The operating performance of Shanghai Golden Phillips has seen a decrease of 71.49% year on year, which was mainly due to an increase in price of Ethylene, the main raw materials required by Shanghai Golden Phillips. This resulted in a decrease in operating results for 2021.
- (d) The operating performance of Zhejiang Jinlian has seen a decrease of 77.14% year on year, which was mainly due to the reconstruction project of Zhejiang Jinlian reservoir area has not been completed, resulting in operating losses.

5.3.2.G Major suppliers and customers

The Group's top five suppliers in 2021 were China International United Petroleum & Chemical Co., Ltd., Sinochem Oil Co. Ltd., Shanghai SECCO, East China Branch of Sinopec Sales Company Limited, and Sinopec Commercial Reserve Co., Ltd.. Total procurement costs involving these five suppliers, which amounted to RMB48,010.6 million, accounted for 69.01% of the total procurement costs of the Group for the year. Among the top five suppliers, the purchase amount of related parties was RMB44,075.2 million, accounting for 63.36% of the total annual purchase amount. The procurement from the largest supplier amounted to RMB35,378.0 million, representing 50.85% of the total costs of purchases by the Group for the year.

The Group's top five customers in 2021 were East China Branch of Sinopec Sales Co., Ltd., China International United Petroleum & Chemical Co., Ltd., Shanghai SECCO, Sinopec Sales Company Limited and Sinopec Refinery Sales Co., Ltd.. Total sales to these five customers amounted to RMB57,169.8 million, representing 64.09% of the Group's total turnover for the year. Among the sales of the top five customers, the sales of related parties was RMB57,169.8 million, accounting for 64.09% of the total annual sales. Sales to the Group's largest customer amounted to RMB44,565.3 million, representing 49.96% 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 Company Limited; Shanghai SECCO is an associate company of the Company; China International United Petroleum & Chemical Co., Ltd., East China Branch of Sinopec Sales Company Limited, East China Branch of Sinopec Sales Co., Ltd., Sinopec Sales Company Limited and Sinopec Refinery Sales Co., Ltd. are subsidiaries of Sinopec Corp., a controlling shareholder of the Company. Sinopec Commercial Reserve Co., Ltd. is a subsidiary of Sinopec Group, the ultimate 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 major businesses

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

Item	Unit: RMB' 000		
	Amount for the year ended 31 December 2021	Amount for the year ended 31 December 2020	Increase/ decrease (%)
Revenue	89,280,415	74,705,183	19.51
Cost of sales	71,675,646	59,089,119	21.30
Selling and distribution expenses	362,334	479,260	-24.40
General and administrative expenses	1,842,087	2,459,328	-25.10
Financial expenses (“-” for financial income)	-406,799	-337,459	20.55
Research and Development Expenditure	94,295	110,625	-14.76
Net cash inflow generated from operating activities (“-” for net outflow)	4,060,026	1,751,217	Inflow increased by 131.84%
Net cash inflow generated from investing activities (“-” for net outflow)	-2,359,421	-3,887,528	Outflow decreased by 39.31%
Net cash inflow generated from financing activities (“-” for net outflow)	-3,503,142	1,610,421	Inflow decreased by 317.53%

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
	2021	2020			
Impairment losses	-766,897	-308,458	-458,439	-148.62	Due to the rise in crude oil prices led to the rise in costs and the lower than expected operating benefits of certain production facilities in 2021, and a number of production facilities were idle or backward production technology, resulting in the provision for impairment of long-term assets of RMB587.6 million.
Operating profit	2,725,595	636,660	2,088,935	328.11	The market demand for petroleum and petrochemical products has improved significantly during the Reporting Period, the product price has increased, and the Company's profit has increased significantly.
Total profit	2,648,161	573,816	2,074,345	361.50	
Net profit	2,003,681	639,436	1,364,245	213.35	
Income tax expense/(benefit)	644,480	-65,620	710,100	1,082.14	The Company has realized operating profits, resulting in a corresponding increase in income tax expenses.

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
	2021	2020			
Net cash inflow generated from operating activities	4,060,026	1,751,217	Inflow increased by 2,308,809	Inflow increased by 131.84	A significant increase in demand for the market demand for petroleum and petrochemical products for the year has led to an increase in revenue-related sales and other inflows.
Net cash inflow generated from investing activities (“-” for net outflow)	-2,359,421	-3,887,528	Outflow decreased by 1,528,107	Outflow decreased by 39.31	Proceeds from capital reduction of an associate for the year, resulting in a decrease in net cash outflow from investing activities.
Net cash inflow generated from financing activities (“-” for net outflow)	-3,503,142	1,610,421	Outflow decreased by 5,113,563	Outflow decreased by 317.53	During the Reporting Period, short-term financing bonds amounting to RMB3,000 million were paid, resulting in the net cash inflow in financing activities last year has turned into a net outflow.

5.4.1.B Revenue

(1) Analysis of factors causing the changes in revenue

The weighted average prices (exclude VAT) of the Group's synthetic fibres, resins and plastics, intermediate petrochemical products and petroleum products increased by 38.58%, 14.89%, 43.12% and 31.43% respectively, bringing a higher revenue in 2021 compared with the previous year.

(2) Major customers

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

5.4.1.C Cost of sales

(1) Analysis of cost of sales

In 2021, the Group's costs of sales were RMB71,675.6 million, an increase of 21.30% from the previous year's RMB59,089.1 million. This was mainly due to the rise in international crude oil price in the year, which lead to an increase in cost.

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

	For the years ended 31 December				Increase/ decrease (%)
	2021		2020		
	RMB million	% of total cost of sales	RMB million	% of total cost of sales	
Cost of raw materials					
Crude oil	43,182.3	60.25	33,960.6	57.48	27.15
Other raw materials, auxiliary materials and power	11,275.3	15.73	8,121.7	13.74	38.83
Depreciation and amortisation	1,779.1	2.48	1,430.1	2.42	24.40
Staff costs	2,357.5	3.29	2,109.9	3.57	11.74
Costs of trade	10,929.1	15.25	11,467.4	19.41	-4.69
Others	2,152.3	3.00	1,999.4	3.38	7.65
Total	<u>71,675.6</u>	<u>100.00</u>	<u>59,089.1</u>	<u>100.00</u>	<u>21.30</u>

(2) Major suppliers

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

5.4.1.D Expenses

Please refer to 5.4.1.A “Analysis of Changes in the Consolidated Income Statement and the Consolidated Cash Flow Statement” for details of the changes in expenses of the Group for the Reporting Period.

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

(1) R&D expenditure

	Unit: RMB ‘000
Expensed R&D expenditure during the Reporting Period	94,294.9
Capitalised R&D expenditure during the Reporting Period	-
Total R&D expenditure	94,294.9
% of R&D expenditure to revenue	0.11
% of capitalised R&D expenditures	-

(2) R&D personnel

Number of R&D personnel	169
% of number of R&D personnel to total number of staff	2.02

Educational structure of R & D personnel

Education structure category	Education structure number
Doctor	12
Master	30
Undergraduate	68
professional training	27
High school and below	32

Age structure of R & D personnel

Age structure category	Age structure number
Under 30 years old (excluding 30 years old)	15
30-40 years old (including 30 years old and excluding 40 years old)	33
40-50 years old (including 40 years old and excluding 50 years old)	46
50-60 years old (including 50 years old and excluding 60 years old)	75
Over 60 years old	0

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

5.4.1.F Cash Flow

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

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

5.4.2.A Principal operations by industry or product

Unit: RMB' 000

By industry	Revenue	Cost of sales	Gross profit/(loss) margin (%)	Increase/decrease of revenue as compared to the previous year	Increase/decrease of cost of sales as compared to the previous year	Change of gross profit margin as compared to the previous year (percentage point)
Petroleum products ^(Note)	55,074,158	38,276,985	30.50	27.84%	23.59%	Increased by 2.39 percentage points
Intermediate petrochemical products	10,835,074	10,359,666	4.39	31.31%	50.84%	Decreased by 12.38 percentage points
Trading of petrochemical products	11,060,133	10,929,127	1.18	-4.53%	-4.69%	Increased by 0.16 percentage points
Resins and plastics	10,006,030	9,227,408	7.78	5.59%	25.81%	Decreased by 14.82 percentage points
Synthetic fibres	1,380,998	1,911,682	-38.43	-6.73%	8.34%	Decreased by 19.25 percentage points
Others	435,309	577,485	-32.66	3.04%	39.08%	Decreased by 34.37 percentage points

Note: Gross profit margin is calculated according to the price of petroleum products, which includes consumption tax. Gross profit margin of petroleum products after deducting consumption tax amounted to 11.89%.

5.4.2.B Revenue by geographical location

Unit: RMB' 000

Geographical location	Revenue	Increase/decrease of revenue compared with the previous year (%)
Eastern China	79,779,058	22.59%
Other regions in China	1,258,596	-35.46%
Exports	8,242,761	7.38%

5.4.3 Analysis of assets and liabilities

Unit: RMB' 000

Item	As at 31 December 2021		As at 31 December 2020		Change of amount on 31 December 2021 compared to 31 December 2020 (%)	Major reason of the change
	Amount	% of total assets	Amount	% of total assets		
Cash at bank and on hand	12,498,617	26.57	7,920,852	16.84	57.79	Time deposits with maturity less than one year increased.
Inventories	5,923,525	12.59	3,888,746	8.69	52.32	As a result of the rise in international crude oil prices, the Company's crude oil inventory unit cost increased sharply.
Other current assets	17,329	0.04	3,057,587	6.50	-99.43	Time deposits with maturity less than one year at 31 December 2020 matured and redeemed during 2021.
Construction in progress	3,293,177	7.00	1,710,124	3.82	92.57	Raw silks (24,000 ton/year), 48K large-tow carbon fiber (12,000 ton/year) project and third circuit 220kV power incoming line project were accelerated for the year.
Long-term deferred expenses	775,963	1.65	410,191	0.92	89.17	The Company conducted major overhaul and increased catalyst procurement for the year.
Bills payable	830,006	1.76	139,360	0.30	495.58	More bills were issued by the Group to settle the payments for procurement of goods and service
Other current liabilities	1,441,320	3.06%	3,072,150	6.87	-53.08	The balance of ultra short-term financing bonds decreased by RMB3,000 million, while the amount payable to related parties increased by RMB1,400 million.
Long-term loans	700,000	1.49	-	-	100	Long-term loan of RMB700 million was borrowed specially for building Raw silks (24,000 ton/year) and 48K large-tow carbon fiber (12,000 ton/year) project.

5.5 Others

(1) Employees of the Group

	<u>Number (Person)</u>
Number of employees of the Company	8,156
Number of employees of the subsidiaries	74
Total number of employees of the Group	8,230
Number of retired workers whose retirement costs are borne by the Group	19,274

Professionals

Category of professionals

Production personnel	5,070
Sales staff	75
Technical staff	1,962
Financial staff	79
Administrative staff	1,044
<u>Total</u>	<u>8,230</u>

Education level

Educational attainment

Technical secondary school graduate and below	5,582
Bachelor's degree	2,349
Master's degree and above	299
<u>Total</u>	<u>8,230</u>

The remuneration packages of employees of the Company include salary, share options and allowances. In accordance with relevant laws and regulations of China, the Company contributes to the employees' social insurance in proportion to their monthly salary according to the social insurance schemes implemented by relevant government agencies, and employees of the Company can also enjoy supplementary medical insurance, enterprise annuity, retirement pensions and other benefits. During the Reporting Period, the staff remuneration of the Company amounted to RMB3,456,764.45 thousand. In consideration of the 2021 annual training plan implementation and the missions of being targeted, systematic and forward-looking, the Company took the "detailed customization from the bigger picture" as the main goal, the "effective training on a case-by-case basis" as the main principle, the "goal-oriented and problem-oriented" as the main requirements. The Company therefore organized staff training at three levels, in all units of the Company and dispatched personnel to participate in the headquarters and external institutions, so as to improve the quality of staff, to enhance their professional quality and to ensure high-quality development.

(2) Purchase, sale and investment

Save and except as disclosed in the 2021 Annual Report, there was no material purchase or sale of the Group's subsidiaries, associates or joint ventures or any other material investments in 2021.

(3) Pledge of assets

As at 31 December 2021, no fixed assets were pledged by the Group (as at 31 December 2020: Nil).

(4) Material events after the Reporting Period

The Board of directors 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 2021, bank deposits, trade receivables, other receivables, trade payables and other payables, and other financial asset and liabilities denominated in foreign currencies held by the Group equivalent to RMB61,114 thousand.

5.7 Discussion and analysis on future development of the Company

1. Industry competition and development trends

Since the action of global “carbon peak, carbon neutrality” to combat climate change bring great challenges to the development of global energy and petrochemical industry, countries have paid more attention to the energy transformation, the development of bio-based and other renewable energy sources and the digital transformation. As the traditional petrochemical industry is facing unprecedented pressure of transformation and upgrading, multinational oil giant have proposed green oil and gas transformation plans, and some enterprises plan to withdraw from traditional petrochemical business.

After China put forward the “3060” goal, China’s petrochemical industry’s efforts on promoting safe, environmentally friendly, green and low-carbon development can be reflected in the following aspects. First, the industry is transforming to the model of less oil and more chemical materials and is focusing on the latest process of directly producing chemicals from crude oil. Second, it is trying to reduce the diesel-gasoline ratio in the oil structure of the oil refining unit. Third, the traditional fossil energy industry focuses on the research and quality improvement on low-carbon energy-saving and emission-reduction, and strengthens the management of carbon assets. Fourth, the petrochemical industry is being marginalized by substitute derivatives as the battery industry and shale gas supply continue to grow in the market. Fifth, it is optimizing the strategy to develop high-end chemical industry. Sixth, the establishment of green supply chain in the petrochemical industry. Seventh, enterprises have actively participated in the standards making and pilot demonstration to implement carbon peak and carbon neutral target action plans.

There are three engines and three drivers in the world petrochemical industry. The three engines are North America, Northeast Asia and the Gulf. North America is represented by the United States, and the Gulf region is represented by Saudi Arabia. These two engines have benefited from the advantages of abundant low-cost oil and gas resources, and have become large-scale refining and chemical integrated units with the rapid development of olefins, polyolefins and the high-performance materials. Northeast Asia is represented by China and based on huge market demand for the production capacity of major petrochemical products. The three engines account for more than 60 percent of the global production capacity, production and consumption respectively, or even more than 80 percent. The three drivers refer to North America, Northeast Asia and Europe. North America is represented by the United States, Northeast Asia is represented by Japan, and Europe is represented by Germany, Britain, France and the Netherlands. The comprehensive manifestation of the three drivers is the overall high technical level and strong corporate competitiveness, typically such as the United States, Germany and Japan, whose petrochemical industry technology level, innovation ability, and corporate competitiveness belong to the world's first class. A significant manifestation is that the proportion of high-end materials and cutting-edge products such as new chemical materials and specialty chemicals with high technical requirements is much higher than that of other regions in the world.

With the rapid advancement of private-financed refining and chemical projects, the accelerated entry of large foreign-founded companies, the market participants diversified, the industrial concentration degree will be improved constantly, the domestic petrochemical production capacity will enter the excess stage, and the market competition will be more intensive. Meanwhile, the low operating rate in sites with inefficient production capacity will be an increasingly severe problem, and the low-cost scale competition of private-financed production capacity and the advantages of the downstream industrial chain will bring a new shake-out. The leading effect of integrated refining and chemical enterprises with the advantages of the whole industry chain, large scale, high utilization rate of raw material oil, and diversified products will become more prominent. More enterprises will try to continue to extend upstream and downstream chains, and to realize the integrated layout of the whole industry chain, so that enterprises can form a comprehensive competitive advantage in terms of cost, product variety and efficiency.

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 wide product chain, diversified products and close monitoring of the market to enhance competitiveness. Under the guidance of the development strategy, according to the requirements of North-South Transformation raised by Shanghai Government, the Company will actively 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 to better meet the market needs. The Company will strengthen the core industries of mid-to-high-end new materials such as carbon fiber, and take polyester, 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. Through diversified industrial linkage development and cluster agglomeration, the Company will build an industrial base with green energy, fine chemical, and high-end material on the north bank of Hangzhou Bay with world-scale and first-class competitiveness.

3. Business plans

In 2022, the Group will continue to adhere to the principle of making improvements while maintaining stability during based on the new development stage, will build a solid base for environmental protection, will adhere to the benefit orientation to complete SOE three-year reform tasks and will achieve high-quality transformation and development. In 2022, the Company is looking to process a total of 13.65 million tons of crude oil and produce a total of 7.57 million tons of refined oil, 0.8252 million tons of ethylene, 0.666 million tons of paraxylene, 0.431 million tons of polyethylene, 0.453 million tons of polypropylene, 0.103 million tons of ethylene glycol and 0.021 million tons of acrylic fiber. In order to realize the operation goals of 2022, the Group will put its mind on the following tasks:

(1) To consolidate environmental protection

With the effective operation of the Company's new HSE management system to consolidate environmental protection, to firmly establish the systematic thinking, to strengthen the process control of key parts and to improve the stable operation of the devices, the Company shall focus on safety improvement and try to comply with the relative law and regulations. The Company will pay its attention on staff skills training, continue to carry out Good Day activities to effectively improve employees' job norms.

(2) To adhere to be benefit-orientated

The Company will adhere to the benefit-oriented budget management and control to minimize costs and expenses. The Company will be devoted to optimizing and adjusting product structure in a timely manner to produce more high-tech, market-competitive, high-value-added products, and to scientifically formulate maintenance plans in line with the market demands. The Company will promote the cleanliness of fossil energy, the scale of clean energy and the low-carbon production process, and improve the level of energy conservation and consumption reduction to build an all-round optimization pattern for employees, the producing chain and the system, and to strive to achieve better business performance.

(3) To advance reformations further

The Company will finish tasks raised by the SOE three-year reform plan and the campaign to benchmark against world-class management, and accelerate the improvement of the modern enterprise system with Chinese characteristics. The Company will fully implement the tenure system and contractual management of management members, optimize the management system for scientific and technological innovation, and enhance the ability of independent innovation. To optimize the organizational structure, establish a flexible and efficient organizational operation system, strengthen the process control of investment enterprises, and improve the return on investment, the Company will comprehensively carry out 5S management to improve working environment and to ensure the safety of construction sites.

- (4) To focus on technology innovation so as to accelerate the layout of industrial chain

The Company will accelerate the research on carbon fiber core technology to make sure the 1,500-ton/year PAN-based carbon fiber production line will be operated steadily. The Company will try its best to make breakthrough in the composite material forming technology based on large-tow carbon fiber as soon as possible. The Company will gradually smoothen the whole process from basic research, technology research and development, engineering research to industrialization. The Company will strengthen collaborative research with universities, research institutions, and science and technology enterprises to speed up the research on application of carbon fiber and its composite materials in different fields and to enhance the incubation and transformation of research achievements, and to promote the integration and connection of the innovation chain and the industrial chain. The Company will accelerate the layout of industrial chain. The Company will start construction of the elastomer project, pay more attention to the rubber industry, and extend the Company's industrial chain. During the "14th Five-Year Plan" period, the Company will accelerate the implementation of comprehensive technological transformation and quality improvement. The Company will strive to build an industrial base with green energy, fine chemical, and high-end materials on the north bank of Hangzhou Bay with world-scale and first-class competitiveness.

- (5) To practice the goal of “carbon peak, carbon neutrality” and implement in transformation and development

In accordance with the “3060” national carbon emission requirement, the Company will conduct transformation and upgrading of carbon reduction process, optimize structure and control carbon emission, and strengthen the low-carbon competitiveness. The Company will strictly control the total consumption of coal and reduce the proportion of high-carbon energy sources such as coal coke. The Company will focus on promoting Nansuitang River projects and acrylic fiber roof photovoltaic projects, develop wind, solar, coal, and biochemistry integrated power generation and green hydrogen manufacturing technology, and realize the energy structure transformation from fossil energy to fossil energy and renewable energy. The product structure has changed from the traditional thermal power plant with a “heat, electricity and water” structure to the new comprehensive energy supply center with a “heat, electricity, cooling, water, vapour, and hydrogen”. The Company strives to become the Shanghai City Green Hydrogen Supply Center. The Company will accelerate the construction of the energy management system, carry out the exploration and application of CCUS technology (carbon capture, utilization and storage technology), continue to improve the professional management level of carbon assets, and ensure carbon quotas and carbon trading.

- (6) To keep on talents team building

The Company will strengthen exchanges among cadres on temporary posts and encourage young cadres to take temporary posts in batches and build a strong contingent of reserve cadres and talents. The Company promote the work of “five understandings, five abilities and five capacities”, pay close attention to the basic skills training of safety production skills, solidly carry out on-the-job training, deputy class learning and other work, and continue to carry out various business competitions. The Company strengthen the support capacity and mechanism construction of employees’ life logistics services, and care for employees’ mental health, take multiple measures to improve the happiness index of employees, and pay further attention to the construction of a workforce.

4. Risk exposure

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

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

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

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

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

The petrochemical industry is a capital-intensive industry. The Group's ability to maintain and raise income, net income and cash flows is closely connected with ongoing capital expenditures. The Group's capital expenditures are estimated to amount to approximately RMB3,500 million in 2022, which will be met by financing activities and by internal funding. The Group's effective capital expenditures may vary significantly due to the Group's ability to generate sufficient cash flows from operations, investments and other factors that are beyond control. Furthermore, there is no assurance as to the completion, cost or outcome of the Group's fund-raising projects.

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

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

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

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

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

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

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

- (7) Risks associated with control by the majority shareholder

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

5.8 Non-fundraising projects

In 2021, the capital expenditures of the Group amounted to RMB3,533.0 million, representing an increase of 67.68% as compared with RMB2,107.0 million in 2020. 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 2021
Shanghai Jinshan baling New Material Co., Ltd	400,000	50,000	Paid in RMB50 million
Sinopec Shanghai raw silks (24,000 ton/year) and 48K large-tow carbon fiber (12,000 ton/year) project	3,489,638	999,999	Under construction
Oil cleaning project 400,000 tons/year clean gasoline components units	781,657	39,999	Put into operation
Second stage of PAN (Polyacrylonitrile) based carbon fiber project with annual production of 1,500 tons	847,794	8,400	Put into operation
Security risk rectification project of the central control room of the olefin section	99,944	32,500	Under construction
Shanghai Petrochemical third circuit 220kV power incoming line project	507,120	250,000	Under construction
Energy saving transformation of three GK-VI cracking furnaces in the old area of No. 2 olefin unit of olefin Department	92,255	70,936	Put into operation
Seawall safety hazard treatment project	256,118	150,057	Under construction

Note: In addition to the major capital expenditure items disclosed in the above table, the total capital expenditure of other projects of the Company is RMB1,931 million.

The Group's capital expenditures for 2022 are estimated at approximately RMB3,500 million.

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

5.9.1 Cash Dividend Policy and its formulation, implementation or adjustment

In 2016, the Company made amendments to its cash dividend policy in the Articles of Association of Sinopec Shanghai Petrochemical Company Limited (the “**Articles of Association**”) and its appendices. The proposed amendments to the Articles of Association were considered and approved at the annual general meeting of 2015 held on 15 June 2016. According to Article 206 of the Articles of Association:

1. The Company should place emphasis on delivering reasonable return on investments to the investors. The Company shall pay due attention to the opinions of minority shareholders through various channels when allocating its profits. The profits distribution policy of the Company shall be consistent and stable, taking into account the long-term interests of the Company, the overall interests of all shareholders and the Company’s sustainable development.
2. The Company may distribute dividends in the following forms: cash, shares or other forms permitted by laws, administrative rules, regulations of competent authorities and regulatory provisions in the place where the Company’s shares are listed. The Company shall give priority to the distribution of dividends in cash. The Company may make interim dividends distribution.

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

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

5. The management of the Company shall formulate the annual profits distribution plan and submit such plan to the Board for consideration. Independent directors shall issue independent opinions on such plan and the Board shall form a resolution which shall be submitted for approval by shareholders' meeting. If the conditions for the distribution of cash dividends have been satisfied and the Company does not propose a cash dividends distribution plan or does not propose such plan in compliance with the sub-paragraph (3) of this Article, independent directors shall issue independent opinions whilst the Board shall give specific explanation regarding such arrangement and form a resolution which shall be submitted to shareholders' meeting for approval and make relevant disclosures. The plan for half-yearly dividends distribution of the Company shall comply with Article 214 of the Articles of Association.

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

In 2021, the net profit attributable to equity shareholders of the Company amounted to RMB2,000,506 thousand under CAS (net profit of RMB2,073,431 thousand under IFRS). In accordance with the 2021 Profit Distribution Plan approved by the Board on 23 March 2022, the Company proposed to distribute a Final Dividend of RMB0.1 per share (including tax) based on the total issued share as at dividend payout date. The 2021 Profit Distribution Plan will be implemented subject to approval at the AGM. The date and time of the AGM and the book closure arrangement will be announced later. The Notice of the AGM will be announced separately in accordance with the Articles of Association of the Company. The Notice of the AGM, the accompanying circular and proxy form will be dispatched to holders of H shares in accordance with the Hong Kong Listing Rules.

Subject to the passing of the resolution by the shareholders of the Company at the AGM, the Final Dividend is expected to be distributed on or around Thursday, 28 July 2022 to shareholders whose names appear on the register of members of the Company's H shares at the close of business on Tuesday, 5 July 2022. The Final Dividend is denominated and declared in Renminbi. The Final Dividend payable to the holders of the Company's A shares shall be paid in Renminbi while those payable to the holders of the Company's H shares shall be paid in Hong Kong dollars. The amount of Hong Kong dollars payable shall be calculated on the basis of the average closing exchange rates for Hong Kong dollars as announced by the Foreign Exchange Trading Centre of the PRC one calendar week prior to the approval of the Final Dividend at the AGM.

The Company is expected to close the register of members of the Company's H shares from Thursday, 30 June 2022 to Tuesday, 5 July 2022 (both days inclusive), during which period no transfer of H shares will be registered in order to confirm the shareholders' entitlement to receive the Final Dividend. The holders of the Company's H shares who wish to receive the Final Dividend should lodge the transfer documents and relevant share certificates with the Company's H shares share registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 4:30 p.m. on Wednesday, 29 June 2022.

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

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

Unit: RMB' 000

Year of dividend payment	Amount of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (RMB) (including tax)	Amount of capitalization for every 10 shares (share)	Amount of cash dividend (including tax)	Net profit attributable to owners of the listed company in the consolidated statement for the year	Percentage of net profit attributable to equity shareholders of the listed company in the consolidated statement (%)
2021	0	1.0	0	1,082,381.35	2,000,506	54.11
2020	0	1.0	0	1,082,381.35	628,110	172.32
2019	0	1.2	0	1,298,857.62	2,213,716	58.67

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

5.10.1 Fulfillment of corporate social responsibility

For the Company's performance of corporate social responsibility in 2021 and the Company's 2021 Environmental, Social and Governance Report, please refer to the "2021 Corporate Social Responsibility Report of Sinopec Shanghai Petrochemical Company Limited" published by the Company on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

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

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

The Company, as a manufacturing enterprise in the petrochemical industry, consistently places environmental protection as its priority. It continues to receive ISO14001 Environmental Management System Certification. In January 2013, it received certifications from the Shanghai Audit Center of Quality including quality (GB/T19001: 2008), environment (GB/T24001: 2004) and occupational health and safety (GB/T28001: 2011). On 16 September 2019, the continued use of the title "All-China Environmentally Friendly Enterprise" was approved. In 2019, the Company was awarded the title "Sinopec Green Enterprise for 2019". In 2020, the Company continued to maintain the title of "Green Enterprise", and successfully completed 27 green base-level establishments. In 2021, the Company further consolidated the original green foundation, and expanded its establishment scale, with a total of 37 green foundations being built successfully.

In 2021, the Company actively put the concept of green development into practice, continued to strengthen pollution prevention and control, consolidated the establishment of green enterprise, continued to promote green base-level construction, and made satisfying efforts in the dual control of total pollutant emission reduction and concentration compliance, as well as environmental risk management and control. The Company also adhered to environmental protection with stricter national, industrial and local standards, increased emission reduction of waste gas and wastewater pollutants, made greater contributions to the improvement of regional ecological environment quality, and strove to create a “domestically-leading and world-class” refining and chemical company with good performance in HSSE.

In 2021, the Company clarify assigned tasks, analyzed control indicators, and implemented detailed assessment rules to accelerate the key emission reduction projects, and to strengthen the stable and efficient operation of established environmental protection facilities. In 2021, the emission volume of COD, ammonia nitrogen, sulfur dioxide and nitrogen oxide decreased by 1.92%, 19.32%, 4.96% and 12.78%, respectively compared to the last year.

In 2021, the compliance rate on waste water was 99.95%, and the compliance rate on waste gas emission were 100%, and all hazardous wastes were disposed of properly with a rate of 100%.

The Company continuously implemented LDAR work. In 2021, the Company had inspected a total of 2,994,011 points/times for the sealing points in production equipment, and the number of leaking points detected was 9,561, of which 9,481 points were repaired, achieving a repair rate of 99.20%.

In 2021, the Company paid RMB11.4466 million of environmental tax to the Tax Bureau of Jinshan District.

5.10.3 Administrative penalties for environmental problems during the reporting period

In 2021, the Company received 2 administrative penalty decisions issued by the Shanghai Municipal Bureau of Ecology and Environment, involving a fine of RMB0.3798 million. The main reason for the penalty was that the inadequate operation and maintenance of environmental protection online facilities, the COD of outlet water quality caused by the rainstorm the day before yesterday was not found and inspected in time.

No.	Event	Rectification
1	The normal operation of the monitoring equipment is not guaranteed	<p>(1) Strengthened the study of HJ353-2019 and HJ355-2019, carried out daily operation and maintenance according to the new specifications, compiled a complete set of operation and maintenance records and forms, and filled in carefully.</p> <p>(2) Collected the sewage water quality online automatic monitoring equipment operation and maintenance personnel qualification and made public announcing.</p> <p>(3) In order to ensure the data accuracy and instrument reliability, a qualified third party was hired to help compare the data.</p>
2	2# pump, total sewage outlet COD exceeds the standard	<p>(1) Strictly implemented the “Shanghai Petrochemical Water Quality Management and Control Plan”, implemented the requirements in the plan for production sewage treatment management and control, sewage cleaning and diversion arrangements, rainwater discharge and Suitang River water body management and control, and ensured that the effluent of the sewage treatment plant and the drainage quality outside the Suitang River meet the standards control.</p> <p>(2) Through the implementation of the “Shanghai Petrochemical Rainwater and Sewage System Rectification Plan”, the project was transformed and upgraded in terms of sewage removal and diversion, water risk prevention and control, and sewage upgrading so as to improve the discharge level of Shanghai Petrochemical’s rainwater and sewage system, and enhance the ability to prevent and control water risks.</p>

5.10.4 Construction and operation of pollution prevention facilities

Main pollution facilities	Pollutant	Emission limits (mg/m ³)	Actual in 2021 (mg/m ³)	Reach (or not reach) the standard
Thermoelectric boiler	SO ₂	35	6.58	Reach
	NO _x	50	18	Reach
	Particulate matter	10	0.79	Reach
2#sulfur	SO ₂	100	19.59	Reach
3#sulfur	SO ₂	100	4.19	Reach
4#sulfur	SO ₂	100	20.82	Reach
Catalytic cracking	SO ₂	50	7.13	Reach
	NO _x	100	11.64	Reach
	Particulate matter	30	9.62	Reach
Process heating furnace	SO ₂	50	1.52	Reach
	NO _x	100	86.74	Reach
	Particulate matter	20	1.51	Reach
Sewage treatment plant	COD mg/l	60	33.8	Reach
	Ammonia nitrogen mg/l	8	2.12	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. In 2021, the Supporting 110KV Power Transformation and Distribution Station Project of the Large Tow Project, 100 level high-performance carbon fiber project, and the upgrading project of sewage biochemical treatment system, were approved by Ecology and Environmental Bureau. The two projects of the Crude Oil Blending and Optimization System Project of the Storage and Transportation Department and the Shanghai Petrochemical Oil Product Cleaning Project of Jinshan District Comprehensive Environmental Improvement have completed the acceptance and information announcement.

In June 2021, due to the start of 1,500 ton/year PAN based carbon fiber project (phase II), 3# refining and hydrotreating unit heater, waste heat recovery system transformation and other reasons, the Company submitted an application for pollutant discharge permit amendment to Shanghai Municipal Bureau of Ecology and Environment, which has been approved by Municipal Bureau of Ecology and Environment. In November 2021, No. 4 pumping station (emergency discharge) was changed from online monitoring to setting the current signal of the external discharge lift pump, which was approved in December 2021.

5.10.6 Emergency environmental incidents response project

The Company continued to conduct major environmental risks assessments. In accordance with the requirements of “Notice on Printing and Distributing the Sinopec Environmental Risk Assessment Guide” ([2019]29) and key points of Environmental Risk Downgrading in the 2020 Green Enterprise Evaluation Indicators, the Company carried out environmental risks identification and assessment, and re-assessed the environmental risk by following the Sinopec Environmental Risk Assessment Guide (2019). A total of 165 environmental risk sources were assessed, of which none was level I environmental risk source, 52 were level II environmental risk sources. Since R value can not be adjusted, the current level of level II risk cannot be downgraded to level III risk, and 113 were level III environmental risk sources.

The Company carried out regular environmental protection emergency drills. On June 29, 2021, the “emergency drill for T-191 tank fire and explosion accident in workshop 1 of storage and transportation department” was carried out by the Company. Through the drill, the transmission of alarm information and the initial emergency response capability of the first workshop of the storage and transportation department, as well as the information communication between the storage and transportation department and the company's dispatching about emergencies, environmental monitoring and polluted wastewater collection, transfer and dispatch were verified through the drill. On December 1, 2021, the "Shanghai Petrochemical to SECCO Mutual Supply Pipeline Leakage Accident Drill" was carried out, and the drill further improved the staff from on-site detection, confirmation, alarm, on-site alert, reporting to the activation of emergency plans, to carry out emergency response and emergency response capabilities; on the afternoon of December 30, 2021, the Company and the Jinshan District Ecological Environment Bureau held the “Three Workshop Leakage Accident Environmental Emergency Drill” in the Storage and Transportation Department. Through the drill, Shanghai Petrochemical and government departments have improved the ability of emergency linkage response and the emergency response ability of the storage and transportation department to emergency environmental incidents have verified the practicability and operability of the emergency response plan of the storage and transportation department, ensuring the safe operation of the storage and transportation department and the control of environmental risks.

5.10.7 Environmental self-monitoring programme

In accordance with the requirements of pollutant discharge permits, relevant governmental environmental monitoring management, Sinopec Regulations on Environmental Monitoring Management and the need of the Company's environmental monitoring, the Annual Environmental Monitoring Plan and Emission Implementation Standards of Shanghai Petrochemical were compiled and issued in early 2021, the monitoring content includes: clean sewage, air, waste gas, waste water, groundwater, soil, noise, etc. The Company timely organized personnel to update the monitoring plan once the Pollutant Discharge Permit and environmental protection standards were revised and updated, so as to ensure transparency of the environmental monitoring data and government departmental information as well as consistency between environmental protection tax reporting requirements, thereby providing data support for the Company's various pollution indices to meet the emission standards.

In 2021, a total of 22,724 water quality monitoring data, including 1,824 outsourcing projects, 9,493 air and waste gas monitoring data, including 1,322 outsourcing projects, and 304 noise monitoring data were completed, with the compliance rate of 100%.

5.10.8 Measures taken to reduce carbon emissions and its effects during the reporting period

The Company adopted measures such as optimizing the product structure, stopping or limiting the production of some units with large carbon emission per unit, improving energy efficiency and reducing energy consumption, promoting technical energy conservation and management energy conservation measures, reducing energy waste and improving energy utilization efficiency. In 2021, 13 energy saving technical transformation projects, 3 oil refining energy-saving technical transformation projects, and 1 contract energy management project will be completed. Focusing on carbon recovery and carbon capture, the Company currently sells the CO₂ generated by ethylene glycol unit to Sinopec Shanghai Yangu Gas Development Co., Ltd. to produce food grade CO₂, with an annual recovery of 91654 tons, and actively carries out carbon capture CCUS technology exchange and reserve.

5.10.9 Consolidate and expand the poverty alleviation and Rural Revitalization

The Company took multiple measures at the same time, making positive contributions to helping win the battle against poverty, actively carried out the Company's consumption poverty alleviation work, actively interacted with Jinshan government, and focused on poverty alleviation in the poverty-stricken areas of Yunnan Province and Gansu Province. A total of RMB7,766,000 of consumption poverty alleviation was completed. The Company also took action to help the junior middle school in Bange County, Tibet, and helped the rural revitalization.

The basic unit of Shanghai Petrochemical and 53 villages in Jinshan District, Pinghu City carried out party building pairings and co-construction activities, and reported 48 public welfare projects for village residences and contributed funds of RMB1,821,000.

6 MAJOR EVENTS AND OTHERS

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

The Company entered into the Mutual Product Supply and Sales Services Framework Agreement and Comprehensive Services Framework Agreement (the “Framework Agreement”) with Sinopec Corp., the controlling shareholder of the Company, and Sinopec Group, the actual controller of the Company on 23 October 2019. Pursuant to the Framework Agreement, The Company conducted a series of continuing connected transactions related to daily operation with Sinopec Group, Sinopec Corp. and their associates. The Framework Agreement is valid for three years and expires on 31 December 2022. The Framework Agreement and the transaction ceiling for 2020-2022 have been deliberated and approved at the first extraordinary general meeting of the Company in 2019. 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 23 October 2019.

The Company entered into a storage service agreement with Sinopec Commercial Reserve Co., Ltd., a wholly-owned subsidiary of Sinopec Group, the actual controller of the Company, and its subsidiary Baishawan branch (“Baishawan branch”) on 31 December 2020. Accordingly, Baishawan branch provides storage services to the Company, with the service period from 1 January 2021 to 31 December 2023, and 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.

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:

Unit: RMB' 000				
Type of connected transaction	Connected person	Annual cap for 2021	Transaction amount during the Reporting Period	Percentage of the transaction amount of the same type of transaction (%)
Mutual Product Supply and Sales Services Framework Agreement				
Purchases of raw materials	Sinopec Group, Sinopec Corp. and their associates	74,111,000	51,521,921	74.21%
Sales of petroleum products and petrochemicals	Sinopec Group, Sinopec Corp. and their associates	66,021,000	60,926,642	68.30%
Property leasing	Sinopec Group, Sinopec Corp. and their associates	37,000	35,403	43.21%
Agency sales of petrochemical products	Sinopec Corp. and its associates	168,000	110,552	100.00%
Comprehensive Services Framework Agreement				
Construction, installation and engineering design services	Sinopec Group, Sinopec Corp. and their associates	1,074,000	785,216	50.89%
Petrochemical industry insurance services	Sinopec Group and its associates	130,000	108,850	100.00%
Financial services	Associate of Sinopec Group (Sinopec Finance)	200,000	824	0.16%
Storage services agreement				
Storage services	Associate of Sinopec Group (Baishawan Branch)	114,000	114,000	83.01%

The prices of continuing connected transactions between the Company and 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 related party 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 director of the Company has reviewed the continuing connected transactions of the Group and confirmed that: the above continuing connected transactions 1) are entered into in the daily business of the Company; 2) generally or better; 3) according to the agreement on the transaction, the terms are fair and reasonable and in line with the overall interests of the shareholders of the Company; and 4) the transaction amount in the Reporting Period was within the annual maximum limit.

KPMG, the Company's overseas auditor, has carried out the test work on the continuous connected transactions of the company during the reporting period in accordance with the Hong Kong assurance business Standards No. 3000 "assurance business other than the audit or review of historical financial information" issued by the Hong Kong Institute of certified public accountants and with reference to the "auditor's letter on continuous Connected Transactions described in the Hong Kong Listing Rules" No. 740 of the practice notes. The auditor has complied with rule 14A of the Hong Kong listing rules Article 56 and issued an unqualified letter containing its findings and conclusions.

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

On 25 August 2021, the Company and Sinopec Baling Petrochemical Limited (“Baling Petrochemical”) was entered into a joint venture agreement to set up a joint venture company, Shanghai Jinshan Baling New Materials Co., Ltd.. The Company subscribed for and contributed RMB400 million of capital in cash, accounting for 50% of the total registered capital, and holds 50% of the equity of the joint venture company. Baling Petrochemical subscribed for and contributed RMB400 million of capital in cash, accounting for 50% of the total registered capital, and holds 50% of the equity of the joint venture company. Baling Petrochemical is a subsidiary of China Petroleum & Chemical Corporation, which is the controlling shareholder of the Company, and so that is a related party of the Company. Related announcements were published on the official websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 25 August 2021, as well as on “Shanghai Securities News” and “China Securities Journal” on 26 August 2021.

The transactions between the Company and Sinopec Group, Sinopec Corp. and their associates as disclosed in Note 28 to the financial statements prepared under IFRS in the 2021 annual report of the Company constituted continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. The above-mentioned continuing connected transactions have been disclosed in accordance with Chapter 14A of the Hong Kong Listing Rules.

6.2 Compliance of code of corporate governance practices

The Company has applied the principles set out in the Corporate Governance Code (the Corporate Governance Code before the amendments take effect on 1 January 2022). On 1 January 2022, the amendments to the Corporate Governance Code (the “New CG Code”) came into effect and the requirements under the New CG code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

The Directors are of the opinion that, during the Reporting Period, the Company complied with all applicable code provisions set out in the Corporate Governance Code.

The Directors are of the opinion that, during the Reporting Period, the Company complied with all applicable code provisions set out in the “Environment, Social and Governance Reporting Guide” contained in Appendix 27 to the Hong Kong Listing Rules. Please refer to the “2021 Corporate Social Responsibility Report” of the Company for more details.

6.3 Compliance of Model Code for Securities Transactions

The Company has adopted and implemented the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules (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 listed securities

During the Reporting Period, the Group did not purchase, sell or redeem any of the Company’s listed securities.

6.5 Audit Committee

The audit committee of the Company has reviewed with the management the accounting principles and standards adopted by the Company, discussed matters regarding auditing, risk management, internal control and financial reporting, and reviewed the financial statements of the Company for the year ended 31 December 2021.

7 Financial Statements

7.1 Financial statements prepared under CAS

Consolidated balance sheet As at 31 December 2021

	31 Dec 2021	31 Dec 2020
Assets	RMB'000	RMB'000
Current assets		
Cash at bank and on hand	12,498,617	7,920,852
Derivative financial assets	81,405	-
Accounts receivable	1,169,405	1,145,504
Receivables under financing	1,072,690	1,217,114
Prepayments	60,577	33,741
Other receivables	108,728	41,299
Inventories	5,923,525	3,888,746
Other current assets	17,329	3,057,587
Total current assets	20,932,276	17,304,843
Non-current assets		
Long-term equity investments	4,188,888	5,497,834
Investments in other equity instruments	5,000	5,000
Investment properties	352,188	367,586
Fixed assets	11,328,065	11,733,065
Construction in progress	3,293,177	1,710,124
Right-of-use assets	4,879	12,993
Intangible assets	392,608	412,576
Long-term deferred expenses	775,963	410,191
Deferred tax assets	184,143	252,121
Other noncurrent assets	5,581,435	7,042,840
Total non-current assets	26,106,346	27,444,330
Total assets	47,038,622	44,749,173

Consolidated Balance Sheet (Continued)
As at 31 December 2021

	31 Dec 2021	31 Dec 2020
	RMB' 000	RMB' 000
Liabilities and shareholders' equity		
Current liabilities		
Short-term loans	1,540,000	1,548,000
Derivative financial liabilities	23,804	-
Bills payable	830,006	139,360
Accounts payable	5,888,879	4,671,635
Contract liabilities	430,882	496,521
Employee benefits payable	260,096	244,506
Taxes payable	4,070,663	3,385,910
Other payables	1,287,064	1,664,812
Non-current liabilities due within one year	23,029	9,352
Other current liabilities	1,441,320	3,072,150
Total current liabilities	15,795,743	15,232,246
Non-current liabilities		
Long-term loans	700,000	-
Lease liabilities	1,384	3,119
Deferred income	112,720	123,433
Deferred tax liabilities	33,344	35,357
Total non-current liabilities	847,448	161,909
Total liabilities	16,643,191	15,394,155
Shareholders' equity		
Share capital	10,823,814	10,823,814
Capital reserve	610,327	610,327
Other comprehensive income	59,425	6,326
Specific reserve	216,512	145,597
Surplus reserve	6,672,639	6,474,103
Retained earnings	11,877,455	11,157,866
Total equity attributable to equity shareholders of the company	30,260,172	29,218,033
Non-controlling interests	135,259	136,985
Total Shareholders' Equity	30,395,431	29,355,018
Total liabilities and shareholders' equity	47,038,622	44,749,173

These financial statements have been approved by the Board on 23 March 2022.

Consolidated Income Statement
For the year ended 31 December 2021

Items	Year ended 31 December	
	2021	2020
	RMB' 000	RMB' 000
1. Operating income	89,280,415	74,705,183
Less: Operating costs	71,675,646	59,089,119
Taxes and surcharges	13,309,688	13,062,710
Selling and distribution expenses	362,334	479,260
General and administrative expenses	1,842,087	2,459,328
Research and development expenses	94,295	110,625
Finance income	(406,799)	(337,459)
Including: Interest expenses	94,186	93,440
Interest income	508,755	431,228
Add: Other income	35,231	60,859
Investment income	967,380	837,005
Including: Income from investment in associates and joint ventures	864,285	714,740
Gains / (losses) from changes in fair value	8,987	(17,871)
(Provision) / reversal of credit impairment losses	(1,355)	120,916
Asset impairment losses	(766,897)	(308,458)
Gains from asset disposals	79,085	102,609
2. Operating profit	2,725,595	636,660
Add: Non-operating income	27,783	16,209
Less: Non-operating expenses	105,217	79,053
3. Total profit	2,648,161	573,816
Less: Income tax expense/(benefit)	644,480	(65,620)
4. Net profit	2,003,681	639,436
(1) Net profit classified by continuity of operations:		
1. Net profit from continuing operations	2,003,681	639,436
2. Net profit from discontinued operations	-	-
(2) Net profit classified by ownership:		
1. Shareholders of the Company	2,000,506	628,110
2. Non-controlling interests	3,175	11,326

Consolidated Income Statement (continued)
For the year ended 31 December 2021

Items	Year ended 31 December	
	2021	2020
	RMB' 000	RMB' 000
5. Other comprehensive income, net of tax	2,145,479	627,924
(1) Other comprehensive income (net of tax) attributable to shareholders of the Company	141,798	(11,512)
Items that may be reclassified to profit or loss	141,798	(11,512)
a. Other comprehensive income recognised under equity method	16,639	(11,512)
b. Cash flow hedge reserve	125,159	-
(2) Other comprehensive income (net of tax) attributable to non-controlling interests	-	-
6. Total comprehensive income	2,145,479	627,924
(1) Attributable to shareholders of the Company	2,142,304	616,598
(2) Attributable to non-controlling interests	3,175	11,326
7. Earnings per share		
(1) Basic earnings per share (RMB Yuan)	0.185	0.058
(2) Diluted earnings per share (RMB Yuan)	0.185	0.058

These financial statements have been approved by the Board on 23 March 2022.

7.2 Financial statements prepared under IFRS

Consolidated statement of profit or loss For the year ended 31 December 2021

	Year ended 31 December	
	2021 RMB' 000	2020 RMB' 000
Revenue	89,198,492	74,623,575
Taxes and surcharges	(13,309,688)	(13,062,710)
Net Sales	75,888,804	61,560,865
Cost of sales	(74,298,048)	(61,901,114)
Gross profit/(loss)	1,590,756	(340,249)
Selling and administrative expenses	(368,243)	(486,323)
(Provision)/ reversal of impairment losses on financial assets	(1,355)	120,916
Other operating income	125,305	148,676
Other operating expenses	(44,712)	(24,686)
Other gains-net	130,481	115,430
Profit/(loss) from operations	1,432,232	(466,236)
Finance income	508,755	431,228
Finance expenses	(94,186)	(98,954)
Financial income-net	414,569	332,274
Share of net profit of associates and joint ventures accounted for using the equity method	874,285	724,740
Profit before taxation	2,721,086	590,778
Income tax (expenses)/ benefits	(644,480)	65,620
Profit for the year	2,076,606	656,398
Profit attributable to:		
– Equity shareholders of the Company	2,073,431	645,072
–Non-controlling interests	3,175	11,326
Profit for the year	2,076,606	656,398
Earnings per share attributable to equity shareholders of the Company for the year (expressed in RMB per share)		
Basic earnings per share	RMB 0.192	RMB 0.060
Diluted earnings per share	RMB 0.192	RMB 0.060

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit for the year	2,076,606	656,398
Other comprehensive income		
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	16,639	(11,512)
Cash flow hedges: net movement in hedging reserve	125,159	-
Other comprehensive income for the year, net of tax	<u>141,798</u>	<u>(11,512)</u>
Total comprehensive income for the year	<u><u>2,218,404</u></u>	<u><u>644,886</u></u>
Attributable to:		
– Equity shareholders of the Company	2,215,229	633,560
– Non-controlling interests	<u>3,175</u>	<u>11,326</u>
Total comprehensive income for the year	<u><u>2,218,404</u></u>	<u><u>644,886</u></u>

Consolidated statement of financial position
As at 31 December 2021

	As at 31 December	
	2021	2020
	RMB' 000	RMB' 000
Assets		
Non-current assets		
Property, plant and equipment	11,310,032	11,713,022
Right-of-use assets	385,643	410,801
Investment properties	352,188	367,586
Construction in progress	3,293,177	1,710,124
Investments accounted for using the equity method	4,088,888	5,387,834
Financial assets at fair value through other comprehensive income	5,000	5,000
Time deposits with banks	5,581,435	7,042,840
Deferred tax assets	184,143	252,121
Other non-current assets	787,807	424,959
	<u>25,988,313</u>	<u>27,314,287</u>
Current assets		
Inventories	5,923,525	3,888,746
Financial assets at fair value through other comprehensive income	1,047,690	1,207,114
Derivative financial instruments	81,405	-
Trade receivables	77,425	113,163
Other receivables	47,597	18,101
Prepayments	43,686	19,552
Amounts due from related parties	1,212,331	1,092,316
Cash and cash equivalents	5,112,010	6,916,408
Time deposits with banks	7,386,607	4,049,443
	<u>20,932,276</u>	<u>17,304,843</u>
Total assets	<u><u>46,920,589</u></u>	<u><u>44,619,130</u></u>
Equity and liabilities		
Equity attributable to equity shareholders of the Company		
Share capital	10,823,814	10,823,814
Reserves	19,418,325	18,374,176
	<u>30,242,139</u>	<u>29,197,990</u>
Non-controlling interests	135,259	136,985
Total equity	<u><u>30,377,398</u></u>	<u><u>29,334,975</u></u>

Consolidated statement of financial position (Continued)
As at 31 December 2021

	As at 31 December	
	2021	2020
	RMB' 000	RMB' 000
Liabilities		
Non-current liabilities		
Borrowings	700,000	–
Lease liabilities	1,384	3,119
Deferred tax liabilities	33,344	35,357
Deferred income	12,720	13,433
	<u>747,448</u>	<u>51,909</u>
Current liabilities		
Borrowings	1,559,800	1,548,000
Short-term bonds	–	3,017,811
Lease liabilities	3,229	9,352
Derivative financial instruments	23,804	–
Contract liabilities	424,607	495,404
Trade and other payables	3,095,694	2,820,083
Amounts due to related parties	6,304,816	3,656,841
Current tax liabilities	3,865,231	3,420,824
Staff salaries and welfares payable	260,096	244,506
Income tax payable	258,466	19,425
	<u>15,795,743</u>	<u>15,232,246</u>
Total liabilities	<u>16,543,191</u>	<u>15,284,155</u>
Total equity and liabilities	<u><u>46,920,589</u></u>	<u><u>44,619,130</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

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:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform — phase 2

Amendments to IFRS 16, Covid-19-related rent concessions beyond 30 June 2021

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.

2 FINANCE INCOME AND EXPENSES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Interest income from time deposits with maturity more than 3 months	424,696	339,595
Interest income from time deposits with maturity less than 3 months	71,402	83,812
Others	12,657	7,821
Finance income	508,755	431,228
Interest and finance charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	(106,827)	(101,732)
Less: interest expense capitalized into construction in progress	12,641	8,292
Net interest expenses	(94,186)	(93,440)
Net foreign exchange losses	–	(5,514)
Finance expenses	(94,186)	(98,954)
Finance income - net	414,569	332,274

3 EXPENSE BY NATURE

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Cost of raw materials	54,457,558	42,082,307
Cost of trading products	10,929,127	11,467,420
Employee benefit expenses	3,456,765	3,143,219
Depreciation and amortization:		
Property, plant and equipment	1,621,459	1,553,039
Investment properties	15,325	15,184
Other non-current assets	294,617	226,263
Right-of-use assets	34,307	32,653
Repairs and maintenance expenses	1,587,955	1,060,624
Changes of work in progress and finished goods	(235,402)	862,652
Transportation costs	238,405	274,002
Inventory write-down	150,883	220,888
External processing fee	213,691	215,467
Commission expense	110,552	104,598
Impairment loss of property, plant and equipment	587,622	87,570
Impairment loss of investments accounted for using equity method	28,392	–
Auditors' remuneration - audit services	6,837	7,800
Expenses relating to short-term leases	6,938	3,731

4 INCOME TAX(EXPENSES)/ BENEFITS

	As at 31 December	
	2021	2020
	RMB' 000	RMB' 000
Current income tax	(590,668)	(37,027)
Deferred taxation	(53,812)	102,647
Income tax (expenses)/ benefits	(644,480)	65,620

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:

	As at 31 December	
	2021	2020
	RMB' 000	RMB' 000
Profit before income tax	2,721,086	590,778
Expected PRC income tax at the statutory tax rate of 25%	(680,272)	(147,695)
Tax effect of share of profit of investments accounted for using the equity method	214,750	178,685
Tax effect of other non-taxable income	10,782	54,379
Tax effect of additional deductions for R&D expenses	12,168	11,863
Tax effect of non-deductible loss, expenses and costs	(185,945)	(51,543)
True up for final settlement of enterprise income taxes in respect of previous years	-	9,188
Tax losses for which no deferred income tax asset was recognized	(21,225)	(2,821)
Utilization of previously unrecognized tax losses	157	13,564
Tax effect of additional deduction for purchasing environmental protection equipment	12,446	-
Derecognition of previously recognized tax losses	(7,341)	-
Actual income tax (expenses)/ benefits	(644,480)	65,620

The provision for PRC income tax is calculated at the rate of 25% (2020: 25%) on the estimated taxable income of the year ended 31 December 2021 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 EARNINGS PER SHARE

(a) Basic earnings per share

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Net profit attributable to equity shareholders of the Company	2,073,431	645,072
Weighted average number of ordinary shares in issue (thousand of shares)	10,823,814	10,823,814
Basic earnings per share (RMB per share)	<u>RMB 0.192</u>	<u>RMB 0.060</u>

(b) Diluted earnings per share

There were no dilutive potential ordinary shares for the years ended 31 December 2021 and 2020, therefore diluted earnings per share is the same as basic earnings per share.

6 LEASES

(a) Amounts recognized in the statement of financial position

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Right-of-use assets		
Land use rights	380,764	397,808
Buildings	3,288	11,221
Equipment	625	879
Others	966	893
	<u>385,643</u>	<u>410,801</u>
Lease liabilities		
Current	3,229	9,352
Non-current	1,384	3,119
	<u>4,613</u>	<u>12,471</u>

For the year ended 31 December 2021, additions to the right-of-use assets were RMB9,534 thousand (2020: RMB 109,238 thousand, including 102,283 thousand generated by the acquisition of a subsidiary).

At 31 December 2021, the lease liabilities were repayable as follows:

	2021
	RMB'000
Within 1 year	3,229
After 1 year but within 2 years	672
After 2 years but within 5 years	712
	<u>4,613</u>

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

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land use rights	(17,044)	(15,965)
Buildings	(15,677)	(15,481)
Equipment	(399)	(449)
Others	(1,187)	(758)
	<u>(34,307)</u>	<u>(32,653)</u>
Interest expense (included in Finance expenses)	(537)	(887)
Expense relating to short-term leases (included in Cost of sales)	<u>(6,938)</u>	<u>(3,731)</u>

The total cash outflow for leases in 2021 was RMB24,482 thousand (2020: RMB20,204 thousand).

7 DIVIDEND

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

	2021 RMB'000	2020 RMB'000
Final dividend proposed after the end of the reporting period of RMB 0.10 per ordinary share (2020: RMB 0.10 per ordinary share)	<u>1,082,381</u>	<u>1,082,381</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

	2021 RMB'000	2020 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB 0.10 per share (2020: RMB 0.12)	<u>1,082,381</u>	<u>1,298,858</u>

8 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables	79,413	113,797
Less: loss allowance	<u>(1,988)</u>	<u>(634)</u>
	<u>77,425</u>	<u>113,163</u>
Amounts due from related parties excluded prepayments and bills receivable	<u>1,153,111</u>	<u>1,055,539</u>
Total trade receivables	<u>1,230,536</u>	<u>1,168,702</u>
Other receivables	47,737	18,240
Less: loss allowance	<u>(140)</u>	<u>(139)</u>
	<u>47,597</u>	<u>18,101</u>
Financial assets measured at amortized cost	1,278,133	1,186,803
Amounts due from related parties - prepayments	34,220	26,777
Amounts due from related parties - bills receivables	<u>25,000</u>	<u>10,000</u>
	<u>1,337,353</u>	<u>1,223,580</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	
	2021	2020
	RMB'000	RMB'000
Within one year	1,230,360	1,167,222
Over one year within two years	27	1,480
Over two years	149	-
	<u>1,230,536</u>	<u>1,168,702</u>

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Balance at 1 January	773	139
Impairment losses recognized during the year	1,355	634
Balance at 31 December	<u>2,128</u>	<u>773</u>

As at 31 December 2021 and 31 December 2020, 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.

9 BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
	<u> </u>	<u> </u>
Credit loans due within one year		
- Short term bank loans	1,559,800	1,548,000
Credit loans due over one year but within three years		
- Long-term borrowing from a related party	700,000	-
	<u>2,259,800</u>	<u>1,548,000</u>

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

	2021	2020
	RMB'000	RMB'000
	<u> </u>	<u> </u>
Within 1 year or on demand	1,559,800	1,548,000
Over one year but within two years	-	-
Over two years but within three years	700,000	-
	<u>2,259,800</u>	<u>1,548,000</u>

The weighted average interest rate for the Group's short-term bank loan was 2.74% as at 31 December 2021 (31 December 2020: 2.79%). The interest rate of the Group's long-term borrowings was 1.08% as at 31 December 2021 (31 December 2020: Nil).

As at 31 December 2021, no borrowings were secured by property, plant and equipment (31 December 2020: Nil).

10 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables	1,527,706	1,294,138
Bills payables	562,593	26,196
Amounts due to related parties exclude advances received	4,910,255	3,655,724
	<u>7,000,554</u>	<u>4,976,058</u>
Dividends payable	30,577	29,522
Construction payable	487,283	299,205
Oil price risk reserve	-	546,055
Accrued expenses	400,391	518,333
Other liabilities	87,144	106,634
	<u>1,005,395</u>	<u>1,499,749</u>
Financial liabilities measured at amortized cost	8,005,949	6,475,807
Amounts due to related parties – advances received	6,275	1,117
Amounts due to related parties – measured at fair value through profit or loss (FVPL) (i)	1,388,286	-
	9,400,510	6,476,924
Total amount due to related parties	<u><u>6,304,816</u></u>	<u><u>3,656,841</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.

(i) Amounts due to related parties – measured at FVPL represents the obligation that the Company needs to return the crude oil to its related party with maturity of less than 1 year, which is measured at fair value through profit or loss.

As at 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020, 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	
	2021	2020
	RMB'000	RMB'000
Within one year	6,990,653	4,973,711
Over one year within two years	9,527	1,973
Over two years	374	374
	<u>7,000,554</u>	<u>4,976,058</u>

11 SEGMENT INFORMATION AND REVENUE

11.1 SEGMENT INFORMATION

2021	Petroleum	Intermediate	Resins and	Synthetic	Trading of	Others	Total
	products	petrochemicals	plastics	fibres	petrochemical		
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	products	RMB' 000	RMB' 000
Total segment revenue	65,528,687	26,454,844	10,176,285	1,381,443	12,972,922	1,625,705	118,139,886
Inter segment revenue	<u>(10,454,529)</u>	<u>(15,619,770)</u>	<u>(170,255)</u>	<u>(445)</u>	<u>(1,912,789)</u>	<u>(783,606)</u>	<u>(28,941,394)</u>
Revenue from external customers	<u>55,074,158</u>	<u>10,835,074</u>	<u>10,006,030</u>	<u>1,380,998</u>	<u>11,060,133</u>	<u>842,099</u>	<u>89,198,492</u>
Timing of revenue recognition							
- At a point in time	55,074,158	10,835,074	10,006,030	1,380,998	11,020,323	842,099	89,158,682
- Over time	-	-	-	-	39,810	-	39,810
	<u>55,074,158</u>	<u>10,835,074</u>	<u>10,006,030</u>	<u>1,380,998</u>	<u>11,060,133</u>	<u>842,099</u>	<u>89,198,492</u>
Segment result – profit/(loss) from operations	<u>2,967,030</u>	<u>(635,155)</u>	<u>52,215</u>	<u>(854,077)</u>	<u>43,729</u>	<u>(141,510)</u>	<u>1,432,232</u>

2020	Petroleum products RMB' 000	Intermediate petrochemicals RMB' 000	Resins and plastics RMB' 000	Synthetic fibres RMB' 000	Trading of petrochemical products RMB' 000	Others RMB' 000	Total RMB' 000
Total segment revenue	49,711,547	19,777,574	9,576,944	1,480,576	12,023,744	1,583,236	94,153,621
Inter segment revenue	(6,631,343)	(11,526,322)	(101,057)	-	(438,634)	(832,690)	(19,530,046)
Revenue from external customers	43,080,204	8,251,252	9,475,887	1,480,576	11,585,110	750,546	74,623,575
Timing of revenue recognition							
- At a point in time	43,080,204	8,251,252	9,475,887	1,480,576	11,583,709	750,546	74,622,174
- Over time	-	-	-	-	1,401	-	1,401
	43,080,204	8,251,252	9,475,887	1,480,576	11,585,110	750,546	74,623,575
Segment result – profit/(loss) from operations	(2,198,705)	581,597	1,262,029	(364,211)	42,039	211,015	(466,236)

2021
RMB'000

2020
RMB'000

Segment result - profit/(loss) from operations

Petroleum products	2,967,030	(2,198,705)
Intermediate petrochemicals	(635,155)	581,597
Resins and plastics	52,215	1,262,029
Synthetic fibres	(854,077)	(364,211)
Trading of petrochemical products	43,729	42,039
Others	(141,510)	211,015
Profit/(loss) from operations	1,432,232	(466,236)
Finance income – net	414,569	332,274
Share of profit of investments accounted for using the equity method	874,285	724,740
Profit before taxation	2,721,086	590,778

11.2 REVENUE

The Group's revenue from external customers is substantially all within Mainland China in 2021 and 2020. As at 31 December 2021 and 31 December 2020, assets are also substantially all within Mainland China.

Revenue of approximate RMB59,766,489 thousand (2020: RMB38,651,385 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 Stoke 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 profit		Net assets	
	2021	2020	31 December 2021	31 December 2020
Under CAS	2,003,681	639,436	30,395,431	29,355,018
Adjustments under IFRS				
Government grants (a)	2,010	2,010	(18,033)	(20,043)
Safety production Costs (b)	70,915	88,460	-	-
Others	-	(73,508)	-	-
Under IFRS	<u>2,076,606</u>	<u>656,398</u>	<u>30,377,398</u>	<u>29,334,975</u>

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, 23 March 2022

As at the date of this announcement, the executive directors of the Company are Wu Haijun, Guan Zemin, Du Jun and Huang Xiangyu; the non-executive directors of the Company are Xie Zhenglin and Peng Kun; and the independent non-executive directors of the Company are Li Yuanqin, Tang Song, Chen Haifeng, Yang Jun and Gao Song.