



Interim Report
2024



中國石化上海石油化工股份有限公司
SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China)
Stock code: 00338 Hong Kong 600688 Shanghai

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IMPORTANT MESSAGE

1. The Board, the Supervisory Committee of Sinopec Shanghai Petrochemical Company Limited (the “Company”) and the Directors, Supervisors and senior management warrant the truthfulness, accuracy and completeness of the information contained in this 2024 interim report, and warrant that there are no false representations or misleading statements contained in, or material omissions from, the 2024 interim report of the Company, and severally and jointly accept legal responsibility.

2. Director who has not attended the Board meeting in person for considering and approving the 2024 interim report is:

Name of Director	Position	Reasons for Absence	Name of Proxy
Xie Zhenglin	Non-Executive Director	Business Engagement	Guo Xiaojun

3. The interim financial report for the six months ended 30 June 2024 (the “Reporting Period”) is unaudited.

4. Mr. Guo Xiaojun, Chairman and the responsible person of the Company; Mr. Du Jun, Director, Vice President and Chief Financial Officer overseeing the accounting department; and Ms. Fu Hejuan, person in charge of the Accounting Department (Accounting Chief) and Director of Finance Department hereby warrant the truthfulness, accuracy, and completeness of the financial statements contained in the 2024 interim report.

5. The Company did not distribute the half-year profit for 2024 nor was there any capitalization of capital reserves.

6. The statements regarding the Company’s plans for future development and operation are forward-looking statements and do not constitute any commitments to investors. Investors should pay attention to the relevant investment risks.

7. There was no incident of appropriation of funds by the controlling shareholder of the Company and its connected persons for non-operational purposes.

8. The Company did not provide external guarantees in violation of the required decision-making procedures.

9. **Reminder of Major Risks**

Potential risks are elaborated in this interim report. Please refer to “Management Discussion and Analysis” in section 2 of the “Report of the Directors” in chapter 3 for details of the potential risks arising from the future development of the Company.

10. The 2024 interim report is published in both Chinese and English. In the event of any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

DEFINITIONS

In this report, unless the context otherwise specifies, the following terms shall have the following meanings:

“Company” or “Sinopec Shanghai”	refers to	Sinopec Shanghai Petrochemical Company Limited
“Board”	refers to	the Board of Directors of the Company
“Director(s)”	refers to	the Director(s) of the Company
“Supervisory Committee”	refers to	the Supervisory Committee of the Company
“Supervisor(s)”	refers to	the Supervisor(s) of the Company
“PRC” or “China”	refers to	the People’s Republic of China
“Reporting Period”	refers to	the six months ended 30 June 2024
“Hong Kong Stock Exchange”	refers to	The Stock Exchange of Hong Kong Limited
“Shanghai Stock Exchange”	refers to	The Shanghai Stock Exchange
“Group”	refers to	the Company and its subsidiaries
“Sinopec Group”	refers to	China Petrochemical Corporation
“Sinopec Corp.”	refers to	China Petroleum & Chemical Corporation
“Sinopec Finance”	refers to	Sinopec Finance Co., Ltd.
“Hong Kong Listing Rules”	refers to	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Shanghai Listing Rules”	refers to	The Rules Governing the Listing of Securities on the Shanghai Stock Exchange
“Model Code for Securities Transactions”	refers to	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules
“Securities Law”	refers to	the PRC Securities Law
“Company Law”	refers to	the PRC Company Law
“CSRC”	refers to	China Securities Regulatory Commission
“Articles of Association”	refers to	the articles of association of the Company
“Hong Kong Stock Exchange website”	refers to	www.hkexnews.hk
“Shanghai Stock Exchange website”	refers to	www.sse.com.cn
“website of the Company”	refers to	www.spc.com.cn
“HSE”	refers to	Health, Safety and Environment
“COD”	refers to	Chemical Oxygen Demand
“VOCs”	refers to	Volatile Organic Compounds
“SFO”	refers to	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
“Corporate Governance Code”	refers to	the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules
“Share Option Incentive Scheme”	refers to	the A Share Share Option Incentive Scheme of the Company

CORPORATE INTRODUCTION AND MAJOR FINANCIAL INDICATORS

(1) Major Accounting Data and Financial Indicators (Prepared under China Accounting Standards for Business Enterprises (“CAS”))

Unit: RMB'000

Major accounting data	The Reporting Period (January to June)	Corresponding period of the previous year	Increase/decrease as compared to the corresponding period of the previous year (%)
Revenue	43,532,806	44,937,051	-3.12
Total profit/(loss)	37,495	-1,211,974	N/A
Net profit/(loss) attributable to equity shareholders of the Company	27,912	-988,277	N/A
Net profit/(loss) attributable to equity shareholders of the Company excluding extraordinary gains and losses	61,305	-972,150	N/A
Net cash flows generated from/(used in) operating activities	341,970	-226,882	N/A
	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease at the end of the Reporting Period as compared to the end of the previous year (%)
Net assets attributable to equity shareholders of the Company	24,782,456	24,824,929	-0.17
Total assets	42,941,617	39,658,244	8.28

Major Financial Indicators	The Reporting Period (January to June)	Corresponding period of the previous year	Increase/decrease as compared to the corresponding period of the previous year (%)
Basic earnings/(losses) per share (RMB/Share)	0.003	-0.092	N/A
Diluted earnings/(losses) per share (RMB/Share)	0.003	-0.092	N/A
Basic earnings/(losses) per share excluding extraordinary gains and losses (RMB/Share)	0.006	-0.090	N/A
Return/(loss) on net assets (weighted average) (%)*	0.113	-3.818	Increased by 3.931 percentage points
Return/(loss) on net assets excluding extraordinary gains and losses (weighted average) (%)*	0.247	-3.755	Increased by 4.002 percentage points

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

CORPORATE INTRODUCTION AND MAJOR FINANCIAL INDICATORS (continued)

(2) Differences between Financial Statements Prepared under CAS and International Financial Reporting Standards (“IFRS”)

Unit: RMB'000

	Net profit/(loss) attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	The Reporting Period	Corresponding period of the previous year	At the end of the Reporting Period	At the beginning of the Reporting Period
Prepared under CAS	27,912	-988,277	24,782,456	24,824,929
Prepared under IFRS	2,845	-966,688	24,769,448	24,810,916

For detailed differences between the financial statements prepared under CAS and IFRS, please refer to supplements to the financial statements prepared under CAS.

(3) Extraordinary Gains and Losses Items (Prepared under CAS)

Unit: RMB'000

Extraordinary gains and losses items	Amount
Disposal gains or losses of non-current assets, including the reversal of provision for impairment of assets	938
Government grants recognized in profit or loss, except for those which are closely related to the Company's normal operations, which the Company is entitled to under established standards in accordance with government policies and which have a continuing impact on the profits and losses of the Company	5,274
For a company which is not a financial institution, gains and losses arising from changes in the fair value of financial assets and financial liabilities held by the company, and those arising from the disposal of financial assets and financial liabilities, other than those held for effective hedging related to normal operations of the Company	606
Other non-operating income and expenses besides the items above	-44,837
Income tax effect amount	4,438
Effect on non-controlling interests after taxation	188
Total	-33,393

REPORT OF THE DIRECTORS

Section I Business Overview

(1) Description of the principal business, operating model and industry in which the Company operated during the Reporting Period

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

The Company's high-quality development is supported by the ever-increasing demand in the PRC for high-quality petrochemical products. Relying on the competitive advantage of its high degree of integration, the Company is optimizing its product mix, improving the quality and variety of its existing products, upgrading technology and promoting energy conservation and consumption reduction, and following the path of green and low-carbon development.

In 2024, the world's economic situation and challenges will become more complex amid rising uncertainties. The petrochemical industry will highlight high-quality development, innovation-driven, green and low-carbon transformation and digital upgrading. In the difficult period of "Bottoming out" (築底盤整) of the economic environment, the basic goal of production and operation this year is "maintaining production stability, safeguarding the market, overcoming the difficulties, strengthening internal strength and seeking for survival". The enterprises will accelerate the petrochemical industry towards a new type of industrialisation.

(2) Analysis of Core Competitiveness During the Reporting Period

As one of the major integrated petrochemical enterprises in China with an integrated refinery and petrochemical capacity, the Company possesses competitive business scale and strength, which made it a major manufacturer of refined oil and chemical products in China. The Company also has self-owned utilities and environmental protection systems, as well as sea transport, inland shipping, rail transport and road transport ancillary facilities.

The Company's major competitive advantages include quality, geographical location and its vertically integrated production. The Company has over 50 years of petrochemical production and management experience, and has accumulated extensive resources in the petrochemical industry. The Company has won several quality product awards from the central and local governments. Located at the core region of Yangtze River Delta, the most economically active region in China with a strong demand for petrochemical products, the Company has built a comprehensive logistics system and supporting facilities with close geographic proximity with most of its clients which enables the Company to enjoy the convenience of coastal and inland shipping. This gave the Company a competitive edge in terms of transportation costs and timely delivery. The Company has leveraged its advantages in integrated refinery and petrochemical capacity to actively readjust and promote product structure, while continuously improving products quality and variety. The Company has also improved production technology and boosted capacity of key upstream units to maximize the use and the efficiency in the utilization of its corporate resources, and is therefore able to achieve strong and sustainable development.

REPORT OF THE DIRECTORS *(continued)*

Section II Management Discussion and Analysis

(I) Management Discussion and Analysis of the Overall Operations during the Reporting Period

(The following discussion and analysis should be read in conjunction with the unaudited interim financial report of the Group and the notes in this interim report. Unless otherwise specified, certain financial data involved hereinafter are extracted from the unaudited interim financial report of the Group prepared in accordance with IFRS.)

1. Review of the Company's operations during the Reporting Period

In the first half of 2024, the complexity, severity, and the uncertainty in the external environment increased significantly, and the recovery of the global economic continued to be under pressure. China's GDP grew by 5.0% year-on-year, with overall stable operation and new progress made in high-quality development. Influenced by geopolitical fluctuations, OPEC+ production reduction, and other impacts, the price range of the international crude oil market widely oscillated, and the conflict between supply and demand in the market remained prominent, resulting in fierce competition in the petrochemical industry.

In the face of the increasingly severe and complicated domestic and international economic and industry situations, the Group has been concentrating on winning the "Three Battles" of safe production, turning losses into profits and high-quality development, focusing on safety and environmental protection, operation optimization, transformation and development, and deepening reforms, and advanced in an orderly manner in accordance with the predetermined goals in all aspects. As of 30 June 2024, the Group generated revenue of RMB43.490 billion, representing a decrease of RMB1.399 billion or 3.12%. Profit before taxation amounted to RMB0.012 billion (1H2023: loss before taxation of RMB1.190 billion), representing an increase of profit of RMB1.202 billion from the same period of last year. Profit after taxation and excluding non-controlling shareholders' interests was RMB0.003 billion (1H2023: loss of RMB0.967 billion), representing an increase of profit of RMB0.970 billion from the same period of last year.

In the first half of 2024, the total volume of goods within the main commodity categories produced by the Group decreased by 7.70% year-on-year to 5.8307 million tons. The Group processed a total of 6.6529 million tons of crude oil (of which 760.3 thousand tons were processed on order), representing a year-on-year decrease of 6.22%. Refined oil output amounted to 4.2847 million tons (of which 487.6 thousand tons were processed on order), representing an increase of 0.43% year-on-year. Among them, the gasoline production increased by 3.80% year-on-year to 1.6657 million tons, the diesel production decreased by 24.86% year-on-year to 1.3867 million tons, the jet fuel production increased by 51.00% year-on-year to 1.2323 million tons. Ethylene production decreased by 38.47% year-on-year to 219.8 thousand tons, and p-xylene production decreased by 1.52% year-on-year to 348.7 thousand tons. Production of plastics, resins and copolymers decreased by 6.21% year-on-year to 472.9 thousand tons. Production of synthetic fibres increased by 15.97% year-on-year to 13.8 thousand tons. The Group's product sale rate for the first half of this year was 99.04% and the payment return rate was 100% (excluding connected companies).

REPORT OF THE DIRECTORS *(continued)*

Safety and environmental protection were generally under control. The Group continuously improved the risk prevention and control system, deepened the construction of green enterprises, and continuously improved the level of intrinsic safety and environmental protection. The Group deepened the special rectification of hazardous chemical safety and prevented and resolved major risks and hidden dangers. The Group successfully promoted the rectified potential environmental hazards projects, established precise prevention and control mechanisms, and strengthened the whole process of waste gas and sewage control and flood and typhoon prevention and governance. The average value of VOCs concentration at the Company's boundary was $69.1\mu\text{g}/\text{m}^3$, representing a year-on-year decrease of 5.86%; the comprehensive compliance rate of industrial wastewater discharged outward reached 100%, the rate of controlled emissions reached 100%, and the rate of hazardous waste properly handled and disposed of was 100%, and the total amount of COD for major pollutants and ammonia and nitrogen discharged decreased by 0.12% and 0.44% respectively year-on-year.

Production operations were generally stable. The Group strengthened the professional management of process equipment, strove to promote the construction of process stability system, timed affairs, change risk control and anti-corruption management, and gradually established a standardised and normalised process technology management system. The Group strengthened equipment health monitoring and diagnosis, and vigorously promoted preventive maintenance. The Group implemented the standardization of construction site, quality control and key projects, and the overhauling of major plants was successfully completed. In the first half of the year, there were no unplanned shutdowns of second-tier or above, and the operation of major plants was generally stable. Among the 54 major technical and economic indicators under monitoring, 16 items reached the advanced level of the industry and the performance of 28 items was better than last year, with a year-on-year progress rate of 51.85%.

The results of cost reduction and efficiency enhancement were remarkable. The Group comprehensively improved the efficiency of the industrial chain. The Group has strengthened the dynamic calculation of benefits, and deeply optimized the plant load, repair schedule, processing route, and the structure of crude oil, raw materials, products and fuels, so as to strive for the optimal production operation cost and maximum benefits of the whole industrial chain. The Group increased efforts to expand market and sales. New synthetic resin products and high value-added products achieved efficiency gains, and new progress was made in the development of the carbon fibres market. The Group deepened the cost control. The Group adhered to the zero-based budget and implementing the reverse mechanism, thus procurement costs fell. The Group strengthened energy-saving management and technological transformation, and effectively improved the average thermal efficiency of the heating furnace of the whole plant.

Transformation and upgrading progressed at a steady pace. The Group has made every effort to promote comprehensive technological transformation and quality upgrading; the bidding for the cleanliness and efficiency improvement project for thermal power units has been completed; the Elastomer Project entered the civil works completion and installation peak phase; the transformation of 220KV System in East Area of Thermoelectric Department has been successfully put into operation and connected to the grid. The Group vigorously promoted carbon fibre technology and its application research, and actively participated in the preparation of national standards for carbon fibers and its composite materials. The trial production of high-permeability polypropylene products was successful and reached the industry benchmark level; and the trial production of speciality materials for anti-impact copolymer cast film was successful. At the same time, the Group actively explored foreign business and strengthened the digital intelligence construction.

REPORT OF THE DIRECTORS *(continued)*

Reformation and efficiency improvement accelerated. The Group continuously improved the corporate governance and enhanced the quality as a listed company. Focusing on the main responsibilities and business, the Group optimized the management system and mechanism, optimized the mechanism of external equity management and investment structure, strengthened the governance of enterprise running under deficit, and effectively improved the efficiency of state-owned capital allocation. The Group promoted standardised management of rules and regulations, strengthened and implemented the construction of culture, and implemented grid-based responsibility. The Group improved human resources management, promoted the dual contract management of “labour contract + induction agreement”, built a market-oriented mechanism for employment of “capable of entering and exiting”, and promoted the enhancement of employees’ ability and optimization of employment structure.

The following table sets forth the Group’s sales volume and net sales after business tax and surcharges for the Reporting Period:

	For the six months ended 30 June					
	2024			2023		
	Sales volume ('000 tons)	Net sales (RMB million)	%	Sales volume ('000 tons)	Net sales (RMB million)	%
Refined oil products	4,638.06	24,948.22	66.53	4,763.85	24,470.70	63.29
Chemical products	1,153.59	8,757.87	23.36	1,420.10	9,504.53	24.59
Trading of petrochemical products	-	3,144.79	8.39	-	4,257.24	11.01
Others	-	645.65	1.72	-	430.06	1.11
Total	5,791.65	37,496.53	100.00	6,183.95	38,662.53	100.00

In the first half of 2024, the Group achieved a total net sales of RMB37.497 billion, representing a decrease of 3.02% compared to the same period last year, of which the net sales of chemical products and trading of petrochemical products decreased by 7.86% and 26.13% respectively, while the net sales of refined oil products increased by 1.95%. Affected by the decline in product production, the sales volume of refined oil products and chemical products decreased by 2.64% and 18.77%, respectively. The weighted average selling prices of all sectors increased over the same period of last year due to the increase in crude oil prices. In the first half of 2024, the Group’s cost of sales was RMB37.562 billion, representing a decrease of 5.51% compared to the same period last year and accounting for 100.18% of net sales.

In the first half of 2024, the cost of crude oil processing amounted to RMB25.820 billion, representing a decrease of RMB2.347 billion compared to the same period of last year. Among them, the Group’s crude oil unit processing cost was RMB4,381.76/ton in the current period, representing an increase of RMB171.92/ton or 4.08% compared to the same period last year, and resulting in the cost increase of RMB1.013 billion. The crude oil processing volume (excluding processing on order) in the current period decreased by 798.2 thousand tons compared to the same period last year, resulting in cost reduction of RMB3.360 billion. Crude oil costs accounted for 68.74% of the Group’s cost of sales in the first half of the year.

REPORT OF THE DIRECTORS (continued)

In the first half of 2024, the Group's expenditure on other excipients was RMB4.146 billion, representing an increase of 11.26% compared to the same period last year. During the Reporting Period, the Group's depreciation and amortization expenses and maintenance expenses were RMB1,034 million and RMB326 million, respectively. Depreciation and amortization expenses increased by 5.19% year-on-year mainly due to the increase of depreciation expense for the Reporting Period as a result of the transfer of construction-in-progress projects into fixed assets, such as the third circuit 220KV power supply line project in the second half of 2023. Maintenance expenses reduced by 32.08% year-on-year mainly due to fewer overhaul projects in the current period as compared to the same period in 2023.

In the first half of 2024, the Group recorded selling and administrative expenses of RMB130 million, representing a decrease of 13.91% from RMB151 million in the same period last year mainly because the transportation fee decreased by RMB9 million due to optimization of the shipping process and the sales commission decreased by RMB4 million due to the decrease in agency sales during the Reporting Period.

In the first half of 2024, the Group's other operating income was RMB58 million, representing a decrease of RMB4 million compared to the same period last year mainly due to a decrease in rental income of RMB4 million during the Reporting Period.

In the first half of 2024, the Group's other operating expenses were RMB19 million, representing an increase of RMB4 million compared to the same period last year, which was mainly due to the payment of supplemental tax and late payment fee of RMB10 million during the Reporting Period.

In the first half of 2024, the Group reported a net financial income of RMB89 million, while the net financial income amounted to RMB130 million in the same period last year. The decrease was mainly due to an increase in interest expense of RMB36 million during the Reporting Period. In the first half of 2024, the Group achieved a profit after taxation excluding non-controlling interests of RMB3 million, representing a decrease of loss of RMB970 million from the loss of RMB967 million in the same period last year.

Liquidity and Capital Resources

In the first half of 2024, the Group's net cash inflow from operating activities was RMB251 million, compared with a net cash outflow of RMB280 million in the same period last year. This was mainly due to the decrease in payment for purchase of goods by the Group of RMB7,379 million, decrease in proceeds from sale of goods of RMB6,014 million and increase in payment of various taxes of RMB750 million during the Reporting Period as compared to the same period last year.

In the first half of 2024, the Group's net cash outflow from investment activities was RMB586 million, compared with a net cash inflow of RMB503 million in the same period last year. This was mainly due to the recovery of RMB1,000 million of time deposits purchased by the Group in previous years in the first half of 2023, and the recovery of time deposits of RMB200 million in the Reporting Period, which resulted in a decrease of RMB800 million of net cash inflow from time deposits in the Reporting Period as compared with the same period last year, and cash paid for additional investment in a joint venture of RMB150 million during the Reporting Period.

REPORT OF THE DIRECTORS (continued)

In the first half of 2024, the Group generated a net cash inflow of RMB1,435 million from financing activities, compared with a net cash inflow of RMB3,491 million in the same period last year. This was mainly due to an increase of RMB3,480 million in cash paid for repayment of borrowings and short-term bonds by the Group and an increase of RMB1,482 million in net cash flow generated from borrowings during the Reporting Period compared with the same period last year.

Borrowings and Debts

The Group's long-term borrowings are mainly used for capital expansion projects. The Group generally arranges long-term borrowings in accordance with capital expenditure plans. The short-term debt is used to supplement the working capital required by the normal production and operation of the Group. As at 30 June 2024, the total loan balance of the Group increased by RMB1,500 million from the opening balance, which was mainly because the short-term borrowings increased by RMB1,500 million. The balance of short-term borrowings amounted to RMB4,500 million while the balance of long-term borrowing with maturity within one year amounted to RMB700 million at the end of the Reporting Period. The Group had no short-term bonds during the Reporting Period. As of 30 June 2024, the Group's total principal of borrowings at fixed interest rates are RMB5,200 million.

Capital Expenditures

In the first half of 2024, the Group's capital expenditure was RMB357 million. It was mainly used for the construction of the supporting engineering project of 250,000 tons/year thermoplastic elastomer project and the cleanliness and efficiency improvement project for thermal power units of Shanghai Petrochemical.

In the second half of the year, the Group will continue to promote the cleanliness and efficiency improvement project for thermal power units of Shanghai Petrochemical and the implementation of the supporting engineering project of 250,000 tons/year thermoplastic elastomer project. The planned capital expenditure of the Group can be financed from operating cash and bank credit.

Gearing Ratio

As of 30 June 2024, the Group's gearing ratio was 41.96% (as of 30 June 2023: 38.97%). The gearing ratio was calculated as: total liabilities/total assets.

The Group's Employees

As at 30 June 2024, the number of registered employees of the Group was 7,124, among which 4,338 were production personnel, 1,977 were sales, finance and other personnel, and 809 were administrative personnel. 63.66% of the Group's employees were college graduates or above.

The Group determines the remuneration of its employees and directors on the basis of their position, performance, experience and current market pay trends. Other benefits include equity incentive plans and state-administered pension plans. The Group also provides professional and vocational training for its employees.

REPORT OF THE DIRECTORS *(continued)*

Income Tax

The Enterprise Income Tax Law of the PRC took effect from 1 January 2008, subsequent to which the income tax rate for enterprises was uniformly adjusted to 25%. As of the half year ended 30 June 2024, the income tax rate applicable to the Group is 25%.

Disclosure Required by the Hong Kong Listing Rules

Save as disclosed herein, pursuant to paragraph 40 of Appendix D2 to the Hong Kong Listing Rules, the Company confirms that there were no material differences between the existing information of the Company relating to the matters as set out in paragraph 32 of Appendix D2 to the Hong Kong Listing Rules and the relevant information disclosed in the Company's 2023 annual report.

2. Market Outlook and Work Plans for the Second Half of the Year

Looking ahead to the second half of the year, from the macro-economic perspective, the momentum of global economic growth is under pressure, and the downside risks continue to gather. China's economic uptrend remains unchanged, and supply and demand sides see growing new momentum and new advantages, with an obvious trend featured by high-end, intelligence and green transformation in manufacturing industry. From the industry perspective, the situation of strong supply and weak demand in the market is severe, the penetration rate of new energy vehicles is increasing, the demand in the existing market is being squeezed, and the chemical market is still in the trough of its cycle.

From the Group's own perspective, we are still confronting with a heavy and arduous task in terms of safety production, operation and efficiency, project promotion and deepening reform in the second half of the year. Overall, the production and operation situation faced by the Company remains complex and severe. In the second half of the year, the Group will focus on the following five aspects of work and make every effort to complete the annual objectives and tasks.

1. Reinforcing and consolidating the foundation, and focusing on creating a safe and stable development environment. The Group will strengthen the responsibilities of local grid management and professional management, and implement closed-loop management. The Group will insist on strengthening professional management, optimising the assessment mechanism for contractors, enhancing the control of direct operations, promoting the standardisation of daily operations and the normalization of major operation declarations, and continuing to promote the rectification of problems in old installations. The Group will adhere to pay close attention to source management, promote the construction of waste-free factories, and strive to become a Grade A green enterprise.
2. Tackling efficiency creation and making every effort to complete the goal of turning from losses into profits. Closely focusing on the on-site and the market, the Group will continuously refine our lean and efficient production organisation and plan execution capability, agile and high-quality product supply and technical service capability, as well as peer-leading product development and application expansion capability, and grasp the optimisation of refining and chemical integration to comprehensively enhance the overall efficiency of the industrial chain. The Group will continuously optimise crude oil procurement and feedstock structure, optimise ethylene feedstock structure and naphtha flow direction, increase refined oil production and optimise refined oil export pipeline. The Group will optimise product structure and increase the production of profitable products.

REPORT OF THE DIRECTORS *(continued)*

3. Keeping innovative development and comprehensively promoting the transformation and upgrading of quality and efficiency. The Group will focus on high-quality development, cultivate and enhance the new quality of productivity, accelerate the construction of key projects and continue to promote comprehensive technological transformation and quality upgrading: start the civil construction of the cleanliness and efficiency improvement project for thermal power units; complete the thermoplastic elastomer and its supporting projects; complete and put into use the experimental base of composite materials; and continue to implement the ten major production and operation optimisation and bottlenecking projects. The Group will accelerate the development of carbon fibre and its composite material industry; deepen the long-term strategic cooperation to further enhance the competitiveness and share of carbon fibre products in the market; promote research on key application areas of carbon fibre composites, and strive to form a carbon fibre-intermediate-composite material overall solution. The Group will also accelerate the construction of intelligent factories, and comprehensively improve the digital and intelligent production operation and control capabilities.
4. Deepening reform and promoting the optimisation of management system and mechanism in depth. The Group will continuously improve corporate governance, comprehensively push forward the action of deepening and improving reform, the action of value creation against world-class enterprises, as well as the work of improving the quality of listed companies, so as to push the level of corporate governance to a new level. The Group will optimise the organisational structure and the operation and management mechanism, and enhance the efficiency and level of organisational operation and management. The Group will continuously deepen the reform of market-oriented operation mechanism, improve the performance appraisal system and remuneration allocation mechanism, and mobilise work enthusiasm and creativity. The Group will fully promote the quality and efficiency of investment enterprises.
5. Building up momentum and gathering energy, and strengthening the construction of the talent team through various measures. The Group will optimise the training and talent management mechanism, further open up the vertical promotion and horizontal development of talents, enrich the diversity of growth paths, and create a sound atmosphere for all staff to compete for jobs and strive for excellence. The Group will grasp the ability to appraise and consolidate the “Three Basics” work. The Group will promote the construction of practical training base complex, and continuously develop simulation system. The Group will strengthen the basic skills training of the staff, actively organise and participate in all kinds of business competitions to enhance the ability of all staff.

REPORT OF THE DIRECTORS (continued)

(2) Analysis of the Company's Principal Performance during the Reporting Period (Certain of the following financial data is extracted from the unaudited interim financial report of the Group prepared under CAS)

1. Analysis of Changes in the Related Financial Data

The table below sets forth reasons for those changes where the fluctuation was more than 30% during the Reporting Period:

Unit: RMB'000

Item	For the six months ended 30 June		Change (%)	Reason for change
	2024	2023		
Research and development expenses	96,904	68,062	42.38	The increase in research and development projects during the Reporting Period, resulting in an increase in research and development expenses as compared to the same period last year.
Financial expenses ("-" for income)	-76,200	-125,281	N/A	The increase in borrowings during the Reporting Period, resulting in an increase in interest expenses compared to the same period last year.
Other income	12,915	7,399	74.55	Government grants received during the Reporting Period increased as compared to the same period last year.
Investment income ("-" for losses)	84,024	-120,360	N/A	The carrying value of the long-term equity investment in Shanghai SECCO Petrochemical Company Limited at the beginning of the Reporting Period was reduced to zero, and no further investment loss was recognised in respect of the excess loss, which resulted in an increase in investment income in the Reporting Period as compared with the same period last year.
Impairment losses on assets ("-" for losses)	-111,483	-190,486	N/A	During the Reporting Period, the gross profit of refined oil products and aromatic hydrocarbon products increased as compared with the same period last year, and the amount of provision for decline in value of refinery oil products and aromatic hydrocarbon products decreased year-on-year.
Income tax expenses/(benefits)	6,097	-226,288	N/A	The Group achieved profit for the Reporting Period, resulting in income tax expense.
Net profit attributable to shareholders of the Company ("-" for net losses)	27,912	-988,277	N/A	Gross margin of petrochemical products rose during the Reporting Period, resulting in a year-on-year increase in operating results.
Net cash flows generated from/ (used in) operating activities	341,970	-226,882	N/A	Cash paid for purchases of goods and services during the Reporting Period decreased as compared with the same period last year.
Net cash flows (used in)/generated from investing activities	-585,464	513,477	-214.02	The amount of recoveries of prior years' time deposits during the Reporting Period decreased as compared to the same period last year and cash paid for investments in a joint venture during the Reporting Period increased as compared to the same period last year.
Net cash flows generated from financing activities	1,342,692	3,427,414	-60.82	The net cash inflow from obtaining and repaid for borrowings by the Group during the Reporting Period decreased compared with the same period last year.

REPORT OF THE DIRECTORS (continued)

(3) Analysis of Business Operations by Industry, Product or Geographical Location Segment (Certain of the following financial data is extracted from the unaudited interim financial report of the Group prepared under CAS)

1. Principal Operations by Industry or Product

Unit: RMB'000

Business Segment/ Product Segment	Revenue	Operating cost	Gross profit margin (%)	Increase/decrease in revenue compared to corresponding period of the previous year (%)	Increase/decrease in operating cost compared to corresponding period of the previous year (%)	Increase/decrease in gross profit margin compared to corresponding period of the previous year
Refined oil products	30,856,418	24,056,481	22.04	0.59	-2.90	Increased by 2.80 percentage points
Chemical products	8,837,013	8,777,704	0.67	-7.18	-4.40	Decreased by 2.89 percentage points
Trading of petrochemical products	3,147,406	3,098,343	1.56	-26.13	-26.29	Increased by 0.21 percentage point
Others	264,739	259,972	1.80	4.72	4.32	Increased by 0.38 percentage point

Note: This gross profit margin is calculated according to the price of refined oil products which includes consumption tax. Gross profit margin of refined oil products after deducting consumption tax was 5.03%.

2. Revenue from Principal Operations by Geographical Location

Unit: RMB'000

Geographical location segment	Revenue from principal operations	Increase/decrease in revenue from principal operations as compared to corresponding period of the previous year (%)
Eastern China	40,396,934	-1.57%
Other regions in the PRC	295,567	-34.69%
Exports	2,413,075	-24.94%

REPORT OF THE DIRECTORS (continued)

(4) Analysis of Assets and Liabilities (Certain financial data presented in this section are derived from the Group's unaudited interim financial report prepared under CAS)

Unit: RMB'000

Item	As at 30 June 2024		As at 31 December 2023		Change of amount on 30 June 2024 compared to 31 December 2023 (%)	Main reason for change
	Amount	% of total assets	Amount	% of total assets		
Cash at bank and on hand	9,339,703	21.75	5,607,013	14.14	66.57	Time deposits maturing within one year at the end of the Reporting Period were reclassified from other non-current assets to cash at bank and on hand.
Derivative financial assets	13,509	0.03	-	-	N/A	Crude oil and refined oil product swap contracts were not settled at the end of the Reporting Period.
Trade receivables	4,135,451	9.63	1,448,947	3.65	185.41	Receivables due from sales of refined oil products increased.
Receivables under financing	347,417	0.81	236,487	0.60	46.91	The credit period for export sales by the trading segment at the end of the Reporting Period had not yet expired and therefore the sales had not yet been settled.
Prepayments	22,400	0.05	32,536	0.08	-31.15	Prepayments for natural gas purchases decreased.
Other receivables	521,337	1.21	352,064	0.89	48.08	The consumption tax refund receivable on imported naphtha increased.
Other current assets	298,167	0.69	26,098	0.07	1,042.49	Deductible value-added tax at the end of the Reporting Period increased.
Other non-current assets	-	-	2,782,500	7.02	-100.00	Time deposits maturing within one year at the end of the Reporting Period were reclassified from other non-current assets to cash at bank and on hand.
Short-term borrowings	4,500,000	10.48	3,000,000	7.56	50.00	Short-term borrowings increased during the Reporting Period to supplement funding needs.

REPORT OF THE DIRECTORS (continued)

Item	As at 30 June 2024		As at 31 December 2023		Change of amount on 30 June 2024 compared to 31 December 2023 (%)	Main reason for change
	Amount	% of total assets	Amount	% of total assets		
Derivative financial liabilities	17,047	0.04	-	-	N/A	As at the end of the Reporting Period, the derivative financial liabilities had not been settled.
Bills payable	5,583,518	13.00	1,535,334	3.87	263.67	The number of bills issued during the Reporting Period increased to pay for goods and expenses.
Contract liabilities	187,753	0.44	335,006	0.84	-43.96	Advance payments from customers decreased.
Other payables	787,641	1.83	1,144,683	2.89	-31.19	The settlement of payments for construction cost at the end of the previous year in the Reporting Period, resulting in a decrease in other payables.
Employee benefits payable	619,116	1.44	322,265	0.81	92.11	The year-end bonus accrued during the Reporting Period has not yet been fully paid, resulting in an increase in the balance of employee benefits payable.
Other current liabilities	26,475	0.06	43,819	0.11	-39.58	Outstanding VAT to be transferred decreased.
Treasury stock	-	-	70,579	0.18	-100.00	H ordinary shares repurchased were cancelled during the Reporting Period.

As of the end of the Reporting Period, there was no case where the Company's main assets were sealed up, seized, frozen, mortgaged or pledged, and there was no case or arrangement where the possession, use, income and disposal rights of main assets were subject to other restrictions.

Overseas assets

During the Reporting Period, the Company's overseas assets were RMB13,387 thousand, accounting for 0.03% of the total assets.

REPORT OF THE DIRECTORS (continued)

(5) Analysis of Investments (Certain of the following financial data is extracted from the unaudited interim financial report of the Group prepared under CAS)

1. Entrusted Wealth Managements and Entrusted Loans

(1) Entrusted Wealth Managements

The Company did not engage in entrusted wealth management during the Reporting Period.

(2) Entrusted Loans

The Company did not engage in entrusted loans during the Reporting Period.

2. Status of Use of Raised Funds

During the Reporting Period, the Company did not raise any funds, or no balance of funds raised in previous years was brought forward to the reporting period.

3. Analysis of the Companies in which the Company has Controlling Interests or Investment Interests

As at 30 June 2024, the Company had more than 50% equity interest in the following principal subsidiaries:

Company name	Place of registration	Principal activities	Place for principal activities	Type of legal person	Percentage of equity held by the Company (%)	Percentage of equity held by the Group (%)	Registered capital ('000)	Net (loss)/profit in the first half of 2024 (RMB'000)
Shanghai Petrochemical Investment Development Company Limited ("Shanghai Investment Development")	China	Investment management	China	Limited liability company	100.00	100.00	RMB2,100,000	19,817
China Jinshan Associated Trading Corporation ("Jinshan Associated Trading")	China	Import and export of petrochemical products and equipment	China	Limited liability company	67.33	67.33	RMB25,000	9,389
Shanghai Jinchang Engineering Plastics Company Limited ("Shanghai Jinchang")	China	Production of polypropylene compound products	China	Limited liability company	-	100.00	USD9,154	(4,991)
Shanghai Golden Phillips Petrochemical Company Limited ("Shanghai Golden Phillips")	China	Production of polyethylene products	China	Limited liability company	-	100.00	RMB415,623	(4,347)
Shanghai Jinshan Trading Corporation ("JMGJ")	China	Import and export of petrochemical products and equipment	China	Limited liability company	-	67.33	RMB100,000	1,703
Zhejiang Jinlian Petrochemical Storage and Transportation Co., Ltd. ("Jinlian")	China	Storage and transportation	China	Limited liability company	-	100.00	RMB400,000	(6,583)

Note: None of the subsidiaries has 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 RMB2,297 million.

REPORT OF THE DIRECTORS *(continued)*

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

In the first half of 2024, Shanghai Investment Development recorded a revenue of RMB39 million, and net profit after taxation amounted to RMB20 million.

In the first half of 2024, Jinshan Associated Trading recorded a revenue of RMB2,177 million, and net profit after taxation amounted to RMB9 million.

In the first half of 2024, Shanghai Jinchang recorded a revenue of RMB1 million, and net loss after taxation amounted to RMB5 million.

In the first half of 2024, Shanghai Golden Phillips recorded a revenue of RMB520 million, and net loss after taxation amounted to RMB4 million.

In the first half of 2024, Jinlian recorded a revenue of RMB5 million, and net loss after taxation amounted to RMB7 million.

In the first half of 2024, Chemical Industrial Park recorded a revenue of RMB1,000 million, profit after taxation attributable to shareholders of the company amounted to RMB183 million and gain attributable to the Company amounted to RMB70 million.

In the first half of 2024, Linde-SPC Gases Company Limited recorded a revenue of RMB163 million, profit after taxation amounted to RMB11.75 million and gain attributable to the Company amounted to RMB5.88 million.

In the first half of 2024, Shanghai Petrochemical Yangu Gas Development Company Limited recorded a revenue of RMB1.96 million, loss after taxation amounted to RMB8.88 million and loss attributable to the Company amounted to RMB4.44 million.

In the first half of 2024, Shanghai Azbil Automation Company Limited recorded a revenue of RMB189 million, profit after taxation amounted to RMB19.29 million and gain attributable to the Company amounted to RMB7.72 million.

In the first half of 2024, Shanghai Shidian Energy Company Limited recorded a revenue of RMB242 million, profit after taxation amounted to RMB11.41 million and gain attributable to the Company amounted to RMB6.10 million.

REPORT OF THE DIRECTORS (continued)

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

- a) In the first half of 2024, the net operating loss of Shanghai Jinchang decreased by 60.77% year on year, which was mainly due to the fact that Jinchang has been in a state of hiatus since October 2023, which resulted in a significant reduction in costs and expenses during the Reporting Period as compared to the first half of 2023, leading to a reduction in operating loss in the first half of 2024.
- b) In the first half of 2024, the net profit of Shanghai Golden Phillips decreased by 213.80% year on year, which was mainly due to the decrease in gross margin of polyethylene products, resulting in a decrease in operating results for the first half of 2024.
- c) In the first half of 2024, the net profit of Jinshan Associated Trading decreased by 58.14% year on year, which was mainly due to the decrease in export sales in the current period, resulting in a decrease in operating results for the first half of 2024.
- d) In the first half of 2024, the net profit of JMGJ decreased by 69.18% year on year, which was mainly due to the decrease in export sales in the current period, resulting in a decrease in operating results for the first half of 2024.

4. Projects Funded by Non-fundraising Capital

Major Project	Total project investment RMB'000	Amount of project investment in the Reporting Period RMB'000	Status as of 30 June 2024
Sinopec Shanghai precursor fiber (24,000 tons/year) and 48K large tow carbon fiber (12,000 tons/year) project	3,489,638	0	The first phase has been commissioned
The cleanliness and efficiency improvement project for thermal power units of Shanghai Petrochemical	3,287,711	62,790	Preliminary design phase
Supporting engineering project of 250,000 tons/year thermoplastic elastomer project	211,326	43,850	Under construction
First and second workshops of the storage and transportation department VOCs depth treatment project	55,118	37,290	Interim delivery

REPORT OF THE DIRECTORS (continued)

5. Financial Assets Measured at Fair Value

Unit: RMB'000

Project	Opening amount	Closing amount	Profit or loss from changes in fair value in the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	Source of funds
Financial assets measured at fair value with changes included in current profit or loss						
- Other non-current financial assets	36,500	36,500	-	-	-	Own capital
Financial assets measured at fair value with changes included in other comprehensive income						
- Receivables financing	236,487	347,417	-	-	-	Own capital
- Investment in other equity instruments	3,869	3,869	-	-	-	Own capital
Derivative financial assets						
- commodity swaps contracts	-	13,509	1,318	12,191	-	Own capital
Total	276,856	401,295	1,318	12,191	-	

REPORT OF THE DIRECTORS (continued)

6. Derivative investments for hedging purposes during the Reporting Period

Type of derivative investment	Initial investment amount	Opening book value	Profit or loss from changes in fair value for the period	Cumulative changes in fair value included in equity	Amount purchased during the Reporting Period	Amount disposed during the Reporting Period	Closing book value	Proportion of closing book value to net assets of the Company at the end of the Reporting Period (%)
Commodity swaps contracts	-	-	-	-4,171	-	-	-4,171	0.02
Total	-	-	-	-4,171	-	-	-4,171	0.02

The accounting policies, specific principles of accounting for hedging operations during the Reporting Period, and a statement of whether there are significant changes compared with the previous reporting period

No significant change.

Statement of actual profit or loss during the Reporting Period

The unrealized loss of the Company's commodity swap contracts was RMB4,171 thousand.

Statement of the effect of hedging

The Group engages in petrochemical business, which exposed the Group to commodity price risks related to the price of crude oil, refined oil and other chemical products. The fluctuation of the price of crude oil, refined oil and other chemical products may have a significant impact on the Group. The Group uses derivative financial instruments such as commodity swap contracts to manage such commodity price risks.

The Group has no recognized hedge ineffectiveness in January to June 2024 in relation to the commodity swap contracts.

Source of funds for derivative investment

Own capital.

Risk analysis and control measures (including but not limited to market risks, liquidity risks, credit risks, operational risks and legal risks) in respect of derivative positions during the Reporting Period

The Company's financial derivatives transactions are all for the purpose of locking in costs or profits, responding to market changes and hedging risks, and are in line with actual operational business needs, which help the Company to avoid the impact of risks and stabilize its operating results. From the perspective of financial derivatives business, there are certain risks, and the main risks are as follows:

1. market risk of loss due to changes in the price of the underlying assets that are contrary to expectations.
2. operational risk due to human error or system failure or control failure of trading or management personnel.

Risk control measures in respect of the Company's financial derivative transactions:

1. selecting trading products with simple structure, high liquidity and controllable risk, and conducting them only within the amount authorized by the Board and strictly controlling the scale of transactions.
2. formulating the standardized business operation procedures and authorization management system, arranging full-time personnel, clarifying job responsibilities, and strictly engaging in monetary financial derivatives business within the scope of authorization; improving business training, professional ethics and quality of relevant personnel, and establishing a timely reporting system for abnormal situations, so as to maximize the avoidance of operation risks.

The changes of market price of derivatives invested or the fair value of products during the Reporting Period. Specific usage and settings of relevant assumptions and parameters of the analysis on the fair value of derivatives shall be disclosed

The Group's analysis for the fair value of commodity swap contracts uses the price of the underlying commodity and the discount rate for counterparty credit risk.

Date of the announcement disclosing the approval of derivatives investment by the Board

20 March 2024

REPORT OF THE DIRECTORS *(continued)*

7. Derivative investment for speculative purposes during the Reporting Period

Not applicable

(6) Other Disclosure Items

1. Possible Risks

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

A large part of the Group's operating income is derived from the sales of refined oil and petrochemical products. Historically, such products have been cyclical in nature and relatively sensitive to macroeconomic changes, changes in regional and global economic conditions, productivity and output, prices and supply of raw materials, consumer demand and prices and supply of substitutes. 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, a substantial number of the Group's products will increasingly be subject to the cyclical impact in the regional and global markets. In addition, the prices of crude oil and petrochemical products will remain volatile and uncertain. Higher crude oil prices and lower petrochemical products prices are likely to have an adverse impact on the Group's business, operating results and financial condition.

- (ii) *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 the pricing mechanism of refined oil products. Since there is a time-lag between increases in crude oil prices and increases in petrochemical product prices, higher costs cannot be totally offset by raising the selling prices. In addition, the State also imposes control over the distribution of some refined oil products within China. For instance, some of the Group's refined oil 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 refined oil products.

REPORT OF THE DIRECTORS *(continued)*

- (iii) *Appropriate 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 in 2024 will be met by internal funding and bank loans. 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 an adverse impact on the Group's business, operating results and financial condition.

- (iv) *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.

REPORT OF THE DIRECTORS *(continued)*

- (v) *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 exchange rate 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 exchange rate of the Renminbi against the US dollar fluctuates daily. In addition, the Chinese government has been under international pressure to further ease its exchange rate policy, and may as a result further change its currency policy. A small portion of our cash and cash equivalents are denominated in foreign currencies, including the US dollar. Any increase in the value of Renminbi against other currencies, including the US dollar, may decrease the Renminbi value of our cash and cash equivalents that are denominated in foreign currencies. On the other hand, most of our revenue is denominated in Renminbi, but a major part of our procurement of crude oil, certain equipment and certain debt repayments are denominated in foreign currencies. Any devaluation of Renminbi in the future will increase our costs and jeopardize profitability. Any devaluation of Renminbi may also have an adverse impact on the value of dividends payable in foreign currencies by the Group for H shares.

- (vi) *Connected transactions may have an adverse impact on the Group's business and economic benefits*

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

- (vii) *Risks associated with control by the majority shareholder*

Sinopec Corp., the controlling shareholder of the Company, owns 5,459 million shares of the Company, which represents 51.14% 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.

MAJOR EVENTS

(1) Brief introduction of general meeting

Session of the meeting	Convening date	Titles of resolutions of the meeting	Status of the resolutions	Designated websites for publication of resolutions	Date of publication of resolutions
The Annual General Meeting for 2023, the First A Shareholders Class Meeting for 2024 and the First H Shareholders Class Meeting for 2024	6 June 2024	<ol style="list-style-type: none"> 1. The 2023 Work Report of the board of directors; 2. The 2023 Work Report of the supervisory committee; 3. The 2023 Audited Financial Statements; 4. The 2023 Profit Distribution Plan; 5. The 2024 Financial Budget Report; 6. The re-appointment of the domestic and international accounting firms for the year 2024 and the authorization of the board of directors to fix their remuneration; 7. The authorization to the Board of Directors to decide on the registration and issuance of medium-term notes and ultra short-term debt financing bonds; 8. The amendments to the articles of association and its appendix; 9. The proposal to the shareholders at the general meeting to authorize the Board of Directors to repurchase domestic shares and/or overseas-listed foreign shares of the Company; 10. THAT the election of Guo Xiaojun as the non-independent director of the Eleventh Session of the board of directors of the Company. 	Passed	The Shanghai Stock Exchange website, the Hong Kong Stock Exchange website and the website of the Company	7 June 2024

For details of the above meetings, please refer to the resolution announcement published by the Company in Securities Times, the Shanghai Stock Exchange website and the Hong Kong Stock Exchange website.

(2) Plan for Profit Distribution of Ordinary Shares or Capital Reserves Capitalization

1. Cash Dividend Policy and its Formulation, Implementation or Adjustment

The 2023 Profit Distribution Plan was considered and approved at the 2023 Annual General Meeting held on 6 June 2024 that the Company will not distribute dividend or capitalize capital reserves for the year of 2023. The relevant announcement was published in Securities Times on 7 June 2024 and was uploaded to the websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange on 6 June 2024.

2. Plan for Profit Distribution or Capital Reserves Capitalization during the Reporting Period

Nil.

MAJOR EVENTS *(continued)*

(3) Performance of Undertakings

1. Undertakings Made by De Facto Controller, Shareholders, Connected Parties and Purchasers of the Company and the Company itself during the Reporting Period or Continuing up to the Reporting Period

Background	Type of undertakings	Undertaking party	Contents of undertakings	Date of undertakings	Any deadline for performance	Duration of undertakings	Whether timely and strictly performed	In case of failure to perform in time, the specific reasons for the incomplete performance shall be stated	In case of failure to perform in time, future plans shall be described
Undertaking in relation to the share reform scheme	Other	Sinopec Corp.	Sinopec Corp. shall continue to support the development of Shanghai Petrochemical upon the completion of the share reform scheme, and shall use Sinopec Shanghai as a platform for the development of related businesses in the future.	20 June 2013	No	No	Yes	-	-

For details, please refer to “The Explanatory Memorandum for the Share Reform Scheme of the Company” (the Revised Draft) (Full Version) published in Shanghai Securities News and China Securities Journal on 20 June 2013, as well as the relevant announcements uploaded to the Shanghai Stock Exchange website, the Hong Kong Stock Exchange website and the website of the Company.

The share reform scheme was reviewed and approved at the A shares shareholders’ meeting held on 8 July 2013. After the implementation of the share reform scheme on 20 August 2013, the Company’s A shares resumed trading, and non-circulating shares previously held by non-circulating shares shareholders attained the right of circulation. For details of the implementation of the share reform scheme, please refer to the “Implementation Report of Sinopec Shanghai Petrochemical Company Limited Share Reform Scheme” published in China Securities Journal and Shanghai Securities News on 14 August 2013 and the relevant announcement uploaded to the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

(4) Appointment and Dismissal of Accounting Firm

During the Reporting Period, the Company had not changed its auditors.

(5) Material Lawsuits or Arbitration

During the Reporting Period, the Company had no material lawsuits or arbitration.

MAJOR EVENTS *(continued)*

(6) Punishment and Reprimand of the Listed Company and its Directors, Supervisors, Senior Management, Controlling Shareholder, De Facto Controller and Purchaser

During the Reporting Period, none of the Company and its Directors, Supervisors, senior management, controlling shareholder, de facto controller and purchaser were subject to any penalties.

(7) Credit Status of the Company and its Controlling Shareholder and De Facto Controller during the Reporting Period

During the Reporting Period, the Company and its controlling shareholder and de facto controller of the Company were not involved in any events regarding failure to perform obligations under a judgement of courts, nor have they had any relatively large amount of debts which have become due and outstanding.

(8) Share Option Incentive Scheme of the Company

During the Reporting Period, the Company did not grant A-share stock options under the Share Option Incentive Plan, nor did the granted persons exercise A-share stock options, and no A-share stock options were cancelled or lapsed. No H-share stock options were granted, exercised or cancelled.

(9) Major Connected Transactions

1. Connected Transactions in relation to Daily Operations

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

The Board of the Company considered and approved on 10 November 2022 the entering into a Mutual Product Supply and Sales Services Framework Agreement and a Comprehensive Services Framework Agreement among the Company, Sinopec Group and Sinopec Corp., which are valid for three years until 31 December 2025. The Company entered into a Financial Services Framework Agreement with Sinopec Group, the de facto controller of the Company on 27 November 2023. Accordingly, Sinopec Finance, a subsidiary and an associate of Sinopec Group, provides financial services to the Company, including but not limited to loans, collection and payment, discount, settlement and entrusted loan, and other financial services from Sinopec Finance allowed under relevant laws and regulations, with the service period from 1 January 2024 to 31 December 2025, and the maximum annual transaction fee is RMB200 million. The Company has disclosed aforementioned three agreements and the continuing connected transactions thereunder in the announcements dated 10 November 2022 and 25 October 2023, and considered and approved the Mutual Product Supply and Sales Services Framework Agreement, the Comprehensive Services Framework Agreement and the continuing connected transactions thereunder, as well as the annual caps for the years 2023 to 2025 at the third extraordinary general meeting of the Company in 2022. For definitions and details, please refer to the announcements and circular of the Company on the website of the Hong Kong Stock Exchange dated 10 November 2022, 30 November 2022 and 25 October 2023.

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

MAJOR EVENTS (continued)

The table below sets out the amounts of the continuing connected transactions of the Company with Sinopec Corp., Sinopec Group and their associates during the Reporting Period:

Unit: RMB'000

Type of connected transaction	Connected person	Annual cap for 2024	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	124,513,000	28,871,300	79.85%
Sales of petroleum products and petrochemicals	Sinopec Corp. and its associates	93,169,000	33,358,512	76.63%
Agency sales of petrochemical products	Sinopec Corp. and its associates	216,000	46,185	100.00%
Comprehensive Services Framework Agreement				
Construction, installation and engineering design services	Sinopec Group and its associates	1,542,000	65,079	9.74%
Petrochemical industry insurance services	Sinopec Group	130,000	64,248	100.00%
Property leasing	Sinopec Corp. and its associates	43,000	16,829	38.00%
Comprehensive services	Sinopec Group and its associates	49,000	14,428	0.04%
Financial Services Framework Agreement				
Financial services	Associate of Sinopec Group (Sinopec Finance)	200,000	3,826	2.12%
Storage services agreement				
Storage services	Associate of Sinopec Group (Baishawan Branch)	114,000	57,000	88.05%

The transactions between the Company and Sinopec Group, Sinopec Corp. and their associates as disclosed in Note 19 to the financial statements prepared under IFRS in the 2024 Interim report of the Company constituted connected transactions under Chapter 14A of the Hong Kong Listing Rules. The above-mentioned continuing connected transactions have been carried out and disclosed in accordance with Chapter 14A of the Hong Kong Listing Rules.

MAJOR EVENTS *(continued)*

2. Connected Transactions Related to Acquisition or Disposal of Assets or Equity Interests

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

As considered and approved at the 6th meeting of the eleventh session of the Board, the Company entered into the relevant Technology Development Documents with Sinopec Corp., Sinopec Shanghai Engineering Co., Ltd. (hereinafter referred to as “Sinopec Shanghai Engineering”), Sinopec (Shanghai) Petrochemical Research Institute Co., Ltd. (hereinafter referred to as “Sinopec Shanghai Research Institute”), Sinopec Hunan Petrochemical Co., Ltd. (hereinafter referred to as “Hunan Petrochemical”), Sinopec Beijing Research Institute of Chemical Industry CO., Ltd. (hereinafter referred to as “Sinopec Beijing Research Institute”), and other entities. Sinopec Corp. entrusted the entrusted parties (including the Company) to research and develop the topic of industrialized complete set of high-strength medium-modulus SCF55H carbon fiber technology and its application research, the topic of process optimization technology of thermoplastic composite material preparation for aerospace applications, the topic of production technology development of a pilot plant for the production of thermoplastic carbon fiber composite materials for aerospace applications, the topic of a new generation of coarse denier, high compression strength, high tensile strength, medium modulus SCF56 carbon fibers, and the topic of the development and application of domestic carbon fibers in the technology of electrode plates for new carbon- carbon composite materials for heaters. A total of RMB114.75 million was required to be paid to the Company. Sinopec Corp. is the controlling shareholder of the Company, Sinopec Shanghai Engineering, which is an indirect non-wholly owned subsidiary of Sinopec Group, the de facto controller of the Company, Sinopec Shanghai Research Institute and Sinopec Beijing Research Institute, which are direct wholly-owned subsidiaries of Sinopec Corp., and Hunan Petrochemical, which is a direct non-wholly owned subsidiary of Sinopec Corp., thus the transaction involved in the foregoing constitutes a connected transaction of the Company. Since the Technology Development Documents were entered into with the same connected person and are similar in nature, the highest applicable percentage ratio of the above Technology Development Documents on an aggregated basis shall exceed 0.1% but is less than 5% in accordance with the relevant requirements of Rule 14A.81 of the Hong Kong Listing Rules. Entering into the Technology Development Documents is subject to the reporting and announcement requirements but is exempted from the independent shareholders’ approval under Chapter 14A of the Hong Kong Listing Rules. Related announcements were published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 21 March 2024 and 20 March 2024, respectively.

As considered and approved at the 7th meeting of the eleventh session of the Board, the Company entered into the Procurement Contract for Precious Metal Containing Spent Catalyst with Precious Metals Branch of Sinopec Catalyst Company Limited (hereinafter referred to as “Precious Metals Branch”), the Company proposed to sell the 139.5715 tons of silver-containing spent catalyst it held to Precious Metals Branch, and Precious Metals Branch shall pay the consideration of RMB236.23 million (including tax in total) to Shanghai Petrochemical by way of settlement by tranches. Precious Metals Branch is a branch of Sinopec Catalyst Company Limited, which is a wholly-owned subsidiary of Sinopec Corp., the controlling shareholder of the Company, thus the transaction involved in the foregoing constitutes a connected transaction of the Company. According to Chapter 14A of the Hong Kong Listing Rules, as the applicable percentage ratio of the aforesaid connected transaction exceeds 0.1% but is less than 5%, it is subject to the reporting and announcement requirements but is exempted from the independent shareholders’ approval requirement under Chapter 14A of the Hong Kong Listing Rules. Related announcements were published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 25 April 2024 and 24 April 2024, respectively.

MAJOR EVENTS *(continued)*

3. Material connected transactions of joint external investment

During the Reporting Period, the Company had no material connected transactions of joint external investment.

4. Credits and Liabilities with Connected Parties

Unit: RMB'000

Connected party	Connected relationship	Funds provided to connected parties			Funds provided by connected parties to the listed company		
		Opening balance	Amount of transaction	Closing balance	Opening balance	Amount of transaction	Closing balance
Sinopec Corp., its subsidiaries, joint ventures and associates & Sinopec Group and its subsidiaries	Controlling shareholder, de facto controller and their connected parties	2,729	2,259	4,988	982,634	(94,718)	887,916

Note1: The balance as at the end of the period of the funds provided by the Group to the connected parties was mainly the unsettled receivables arising from services rendered by the Group to Sinopec Corp. and its subsidiaries and associates.

Note 2: The balance as at the end of the period of the funds provided by the connected parties to the Group was mainly unsettled payables arising from the provision of construction, installation and engineering design services by Sinopec Group and its subsidiaries as well as the long-term borrowings not due within one year generated by the Group's acceptance of loans from Sinopec Corp. and its subsidiaries.

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

MAJOR EVENTS *(continued)*

5. Financial Business between the Company and the Related Financial Company, the Company's Holding Financial Company and Related Parties

(1) Deposit business

Unit: RMB0'000

Related Party	Relationship	Maximum daily deposit limit	Deposit interest rate range	Opening balance	Amount incurred in the current period		Closing balance
					Total deposit amount in the current period	Total withdrawn amount in the current period	
Sinopec Finance	Subsidiary of the ultimate holding company	None	0.35%-1.15%	-	8,283,581.76	8,283,581.76	-
Total	/	/	/	-	8,283,581.76	8,283,581.76	-

Note: As of 30 June 2024, the deposit amount and closing balance between the Company and its subsidiaries and Sinopec Finance were all current deposits.

(2) Loan business

Unit: RMB0'000

Related Party	Relationship	Loan limit	Loan interest rate range	Opening balance	Amount incurred in the current period		Closing balance
					Total loan amount in the current period	Total repayment amount of the current period	
Sinopec Finance	Subsidiary of the ultimate holding company	70,000.00	1.08%	70,000.00	-	-	70,000.00
Total	/	/	/	70,000.00	-	-	70,000.00

(10) Material Contracts and Their Performances

1. Entrustments, Sub-contracts and Lease Arrangements

During the Reporting Period, the Company had no entrustments, sub-contracts or lease arrangements that generated 10% or more (including 10%) of the gross profit of the Company for the Reporting Period.

2. Guarantees

The Company did not provide guarantees during the Reporting Period.

3. Other Material Contracts

There were no other material contracts during the Reporting Period.

MAJOR EVENTS *(continued)*

(11) USE OF PROCEEDS

N/A

(12) OTHER SIGNIFICANT MATTERS

On 12 August 2022, the Company announced that it would voluntarily delist its American Depositary Receipts from the New York Stock Exchange. On 26 August 2022, the Company filed Form 25 with the U.S. Securities and Exchange Commission to cancel the listing and registration of the Company's American Depositary Receipts. On 6 September 2022, the delisting of the Company's American Depositary Receipts from the New York Stock Exchange took effect. On 15 March 2024, the Company submitted Form 15F to the U.S. Securities and Exchange Commission to cancel the registration of the American Depositary Receipts and terminate reporting obligations. This form became effective 90 days after submission.

(13) Environmental Information and Social Responsibilities

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

The Company is one of the polluting enterprises under Intensive Monitoring and Control by the State proclaimed by the Ministry of Environmental Protection. According to the Measures for Self-Monitoring and Information Disclosure of the Enterprises subject to Intensive Monitoring and Control by the State (Trial Implementation), the Company has disclosed to the public on the website of the National Pollution Source Monitoring Information Management and Sharing Platform about the sites of the pollution sources, the types and concentration of pollutants which are subject to intensive monitoring and control by the state.

The Company, as a manufacturing enterprise in the petrochemical industry, consistently places environmental protection as its priority. It has continually received ISO14001 Environmental Management System Certification. In January 2013, it obtained the certifications from the Shanghai Audit Center of Quality, including quality (GB/T19001: 2008), environment (GB/T24001: 2004) and occupational health and safety (GB/T28001: 2011). In December 2022, the Company was awarded the title "Sinopec Green Enterprise for 2022"; and continued to use the title "All-China Environmentally Friendly Enterprise" through the review of China's environmentally friendly enterprises on 8 December 2023.

In the first half of the year, Sinopec Shanghai continued to drive its pollution prevention and control efforts, to create odorless factories. It strictly grasped the risk control and adhered to the bottom line of legal compliance. By focusing on abnormal management and risk control, the Company will promote the transformation of environmental governance to environmental management, with a view to realizing the goal of "zero pollution". It will consolidate the foundation of enterprise green construction, continue to make precise efforts to implement the second round of green enterprise construction, promote green and low-carbon development, and strive for the creation of A-grade green enterprises. It will also strengthen the management of solid waste in accordance with the law and create "Waste-free Factories".

MAJOR EVENTS *(continued)*

2. Pollutant treatment information

(a) Details of air pollutant emissions¹

No.	Category of pollutant	Discharge outlet ²	Discharge method ³	Emission standard under implementation ⁴	Permissible concentration limit ⁵	Actual average concentration of the first half of the year ⁶	Approved actual emissions of the first half of the year	Emission standard compliance in the first half of the year
1	SO ₂	72	Continuous	Air Pollutant Emission Standard for Coal-fired Power Plants in Shanghai (DB31/963-2016), Air Pollutant Emission Standard for Coal-fired Power Plants (GB 13223-2011), Air Pollutant Emission Standard (DB31/933- 2015), Shanghai Municipal Emission Standards for Boiler Pollutants (DB31/387-2018), Pollutant Emission Standards for Petroleum Refining Industry (GB31570-2015), Pollutant Emission Standard for Petrochemical Industry (GB31571-2015), Pollutant Emission Standards for Synthetic Resin Industry (GB31572-2015)	10-100 mg/m ³	0.01-58mg/m ³	92.99 tons	Standard compliance rate: 100%, subject to the announcement of the competent department of ecological environment.
2	NO _x	69	Continuous	Air Pollutant Emission Standard for Coal-fired Power Plants in Shanghai (DB31/963-2016), Air Pollutant Emission Standard for Coal-fired Power Plants (GB 13223-2011), Air Pollutant Emission Standard (DB31/933-2015), Shanghai Municipal Emission Standards for Boiler Pollutants (DB31/387-2018), Pollutant Emission Standards for Petroleum Refining Industry (GB31570-2015), Pollutant Emission Standard for Petrochemical Industry (GB31571-2015), Pollutant Emission Standards for Synthetic Resin Industry (GB31572-2015)	50-150mg/m ³	0.1-98mg/m ³	478.41 tons	Standard compliance rate: 100%, subject to the announcement of the competent department of ecological environment.

Note 1: This report discloses the exhaust emissions that the Company has included in the key management items of pollution discharge permits. The data is calculated based on self-monitoring data, and the final data released by the local ecological environment department shall prevail.

Note 2: This item is designed to count the number of organized discharge outlets in relation to respective pollutant.

Note 3: Some outlets discharge intermittently.

Note 4: For the names of the main industry emission standards, the local emission standards and other standards under implementation, please refer to the public information of the ecological environment department.

Note 5: The industry discharge standard concentration prevails, and for other standard concentrations implemented, please refer to the public information of the ecological environment department.

Note 6: The annual average discharge concentrations of major discharge outlets in the first half of the year are all within the corresponding range as disclosed. For details, please refer to the public information of the ecological environment department.

MAJOR EVENTS *(continued)*

(b) Details of water pollutant emissions ¹

No.	Category of pollutant	Discharge outlet	Discharge method	Emission standard under implementation ²	Permissible concentration limit ³	Actual average concentration of the first half of the year ⁴	Approved actual emissions of the first half of the year	Emission standard compliance in the first half of the year
1	COD	2	Intermittent	Pollutant Emission Standards for Petroleum Refining Industry (GB31570-2015), Pollutant Emission Standard for Petrochemical Industry (GB31571-2015), Pollutant Emission Standards for Synthetic Resin Industry (GB31572-2015)	60mg/L	18-40 mg/L	298.88 tons	100% up-to-standard daily average.
2	Ammonia nitrogen	2	Intermittent	Pollutant Emission Standards for Petroleum Refining Industry (GB31570-2015), Pollutant Emission Standard for Petrochemical Industry (GB31571-2015), Pollutant Emission Standards for Synthetic Resin Industry (GB31572-2015)	8mg/L	0.02-1mg/L	2.26 tons	100% up-to-standard daily average.

Note 1: This report discloses the exhaust emissions that the Company has included in the key management items of pollution discharge permits. The data is calculated based on self-monitoring data, and the final data released by the local ecological environment department shall prevail.

Note 2: For the names of the main industry emission standards, the local emission standards and other standards under implementation, please refer to the public information of the ecological environment department.

Note 3: The industry discharge standard concentration prevails, and for other standard concentrations implemented, please refer to the public information of the ecological environment department.

Note 4: The average discharge concentrations of major discharge outlets in the first half of the year are all within the corresponding range as disclosed. For details, please refer to the public information of the ecological environment department.

MAJOR EVENTS *(continued)*

3. Construction and operation of pollution prevention facilities

Main pollution facilities	Pollutant	Emission limits (mg/m ³)	Actual in 1H 2024 (mg/m ³)	Reach (or not reach) the standard
Thermoelectric boiler	SO ₂	35	6.84	Reach
	NO _x	50	14.77	Reach
	Particulate matter	10	1.43	Reach
2#sulfur	SO ₂	100	25.77	Reach
3#sulfur	SO ₂	100	3.65	Reach
4#sulfur	SO ₂	100	29.93	Reach
Catalytic cracking	SO ₂	50	8.14	Reach
	NO _x	100	17.64	Reach
	Particulate matter	30	8.55	Reach
Process heating furnace	SO ₂	50	1.90	Reach
	NO _x	100	29.65	Reach
	Particulate matter	20	1.15	Reach
Sewage treatment plant	COD mg/l	60	25.31	Reach
	Ammonia nitrogen mg/l	8	0.18	Reach

MAJOR EVENTS *(continued)*

4. 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 Regulations on Environmental Protection Management of Construction Projects and the Classified Management Directory of Environmental Impact Assessment of Construction Projects, the Company actively promoted the triple simultaneous working principles for environmental protections in tandem with construction projects. In the first half of 2024, five projects, including Shanghai Petrochemical's project of addition of feedstock and effluent component refinement in clean gasoline components units of oil refining department, were approved by Shanghai Jinshan Ecological Environment Bureau, details of which are set out in the table below.

No.	Project	The approval time of the environmental assessment	The approval of the environmental assessment
1	Project of addition of feedstock and effluent component refinement in clean gasoline components units of oil refining department	22 January 2024	Jin Huan Xu [2024] No.20
2	Project of deep purification of fuel gas of oil refining department	5 February 2024	Jin Huan Xu [2024] No.26
3	Project of optimization of trimerization products resource utilization of C5 combined unit chemical department	10 February 2024	Jin Huan Xu [2024] No.38
4	Project of storing vinyl acetate with the diethylene glycol tank for marine transportation of sales centres of Shanghai Petrochemical	10 February 2024	Jin Huan Xu [2024] No.39
5	Supporting power transformation and transmission project of the cleanliness and efficiency improvement for thermal power units of Shanghai Petrochemical	13 May 2024	Jin Huan Xu [2024] No.3

The Company's existing sewage discharge licence is valid from 23 May 2024 to 22 May 2029. In 2024, the Company carried out self-monitoring, reporting of pollutant discharge permit implementation reports and information disclosure to strictly comply with the management requirements of sewage discharge licence.

In the first half of the year, due to the coordinated treatment on transporting tank emissions and dock emissions to thermoelectric boiler in the First and Second Workshop of the Storage and Transportation Department, the Company completed the re-application for the sewage discharge permit on 7 April and 23 May 2024, respectively.

MAJOR EVENTS *(continued)*

5. Emergency response plan for emergent environmental incidents

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

During the Reporting Period, the Company had 0 extremely high environmental risk source, 16 high environmental risk sources, 51 relatively high environmental risk sources, 77 medium environmental risk sources, and 15 low environmental risk sources. Total environmental risk sources were 159.

The Company carried out regular environmental emergency drills. On 12 June 2024, the Company conducted the “Chemical Department of Shanghai Petrochemical 1# Ethylene Glycol Combined Unit Chemical Disaster Fire Extinguishing and Rescue Drill”. This drill applied the “Chemical Department 1# Ethylene Glycol Combined Unit Chemical Disaster Fire Extinguishing and Rescue Drill Plan”, the “Comprehensive Emergency Response Plan of Shanghai Petrochemical”, the “Specific Emergency Response Plan for Fire and Explosion Accidents of Shanghai Petrochemical”, the “Specific Emergency Response Plan for Oil and Gas Pipeline Leakage Incident”, and the “Comprehensive Emergency Response Plan for Environmental Emergencies of Shanghai Petrochemical”. The drill proved that the aforementioned emergency plans were sufficient and effective.

6. Environmental self-monitoring programme

In accordance with the requirements of Sinopec Shanghai’s “Self-Monitoring Program for Pollutant Discharge Permit”, “Sinopec’s Provisions on the Management of Environmental Monitoring” and “Sinopec Shanghai’s Provisions on the Management of Environmental Monitoring”, the Company compiled at the end of 2023 and published the Shanghai Petrochemical’s 2024 Environmental Monitoring Plan and Environmental Protection Internal Control Monitoring Plan. The monitoring includes wastewater (discharged wastewater, stormwater, wastewater type I pollutant) monitoring, fixed pollution source of waste gas monitoring, unorganized emission monitoring, noise monitoring, soil monitoring, groundwater monitoring, circulating water monitoring, effluents monitoring, sludge monitoring, etc., which covers the Company’s effluents, stormwater, waste gas, noise and other sources of pollution monitoring as well as the monitoring of the quality of the environment such as the air, soil, groundwater, etc. In the first half of 2024, a total of 3,592 items of water quality data (including 191 items from outsourced projects), 1,235 items of air and waste gas data (including 794 items from outsourced projects) and 59 items of noise data were monitored, with a standard compliance rate of 100%.

MAJOR EVENTS *(continued)*

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

During the Reporting Period, the Thermal Power Department applied 1,327.5 tons of biomass fuel-blended combustion for CFB boiler, and the carbon emission was reduced by approximately 1,990 tons. The Company's 1-5# Photovoltaic Power Plants generated a total of 6,230,986 kWh, reducing carbon emissions by approximately 3,554 tons. The Company proactively purchased green power and reduced the purchase of thermal power. In the first half of the year, a total of 88,489,831 kWh of green power was purchased, reducing carbon emission by approximately 50,500 tons.

During the Reporting Period, the Company strengthened its energy-saving management and control and actively promoted energy-saving renovation projects and energy-saving measures. (1) Taking advantage of the opportunity of overhaul, the Company implemented the 3# reforming project of four-in-one furnace residual heat recovery systems. At the end of May, after the start-up of the four-in-one furnace, flue gas temperature reduced from 125℃ before the renovation to 90℃, the thermal efficiency of the heating furnace increased from 92% to 94%, the average fuel gas consumption of the four-in-one furnace was reduced by about 350Nm³/h compared with the pre-stopping. (2) After the trial run of arene 2# catalytic oxidation "diesel absorption" project in March, the amount of nitrogen required for dilution fell to more than 200 cubic meters per hour while giving priority to ensure the stability of the process conditions and environmental protection emissions, the amount of nitrogen stabilized at more than 30 cubic meters per hour after formal operation, nitrogen-saving effect was obvious. Synergistic effect of energy saving and pollution reduction was realized. (3) The Company continuously promoted the integration and optimization of circulating water system to save electricity consumption. In the first half of the year, the Company completed the air separation circulating water plant 1#, and 2# tower horizontal change reversal work, which are expected to save 1.008 million kWh/year; completed the reforming of 4# refinery 2# circulating water plant, 5# refinery circulating water plant, achieving a stable external supply of storage and transportation and polyester area, which is expected to save 3.924 million kWh/year; implemented the P-601 circulating water pump impeller ternary flow transformation in the air separation circulating water plant, resulting in an energy saving rate of 15%.

8. Administrative penalties for environmental problems during the Reporting Period

During the Reporting Period, the Company was not subject to administrative punishment for environmental problems.

9. Consolidate and expand the achievements in poverty alleviation and Rural Revitalization

The Company partnered with Bange Middle School in Tibet for education assistance. In the first half of the year, the Company completed on-site research and the third batch of backbone teachers' training in Shanghai, donated RMB1 million in cash, donated books, organized a series of activities for party building and collaboration (calligraphy competition, party class) and campus cultural activities (red song competition and "Tibetan Antelope-Petrochemical Cup" basketball competition), and completed the activity room project of "Spring Buds Gas Station" (春蕾加油站) in cooperation with Sinopec Group.

CHANGE IN SHARE CAPITAL OF ORDINARY SHARES AND SHAREHOLDERS

(1) Changes in Share Capital of Ordinary Shares during the Reporting Period

	Before changes		Changes	After changes	
	Number	Percentage (%)		Number ^{note}	Number
Ordinary shares denominated in RMB	7,328,813,500	67.86%	–	7,328,813,500	68.65%
Domestically listed foreign shares	–	–	–	–	–
Overseas listed foreign shares	3,470,472,000	32.14%	(124,058,000)	3,346,414,000	31.35%
Others	–	–	–	–	–
Total number of shares	10,799,285,500	100%	(124,058,000)	10,675,227,500	100%

Note: On 17 June 2024, the Company cancelled all H shares repurchased up to that date totaling 124,058,000 shares. There was no issuance of new shares, stock dividend or capital reserve capitalisation during the Reporting Period.

(2) Issue of Shares

1. Issue of Shares during the Reporting Period

During the Reporting Period, the Group didn't issue any shares.

2. Changes in the Company's Total Number of Ordinary Shares, Shareholding Structure and the Structure of the Company's Assets and Liabilities

During the Reporting Period, save as disclosed above, there was no change in the Company's total number of shares, shareholding structure and the structure of the Company's assets and liabilities due to reasons such as stock dividend and allotment of shares.

3. Employees Shares

The Company had no employee's shares as at the end of the Reporting Period.

(3) Shareholders

1. Total Number of Shareholders

Total number of shareholders of ordinary shares as at the end of the Reporting Period	92,225
Total number of preferred shareholders with voting rights restored as at the end of the Reporting Period	0

CHANGE IN SHARE CAPITAL OF ORDINARY SHARES AND SHAREHOLDERS (continued)

2. Shareholding of the Top Ten Shareholders and Top Ten Shareholders with Tradable Shares (or Shareholders with Unrestricted Shares) as at the end of the Reporting Period

Unit: Share

Shareholding of the top ten shareholders (excluding shares lent through securities lending and refinancing)

Name of shareholders (Full name)	Class of shares	Increase/decrease of shareholding		Percentage of Shareholding (%)	Number of shares held with selling restrictions (shares)	Pledged/frozen		Nature of shareholders
		Reporting Period (shares)	Number of shares held at the end of the Reporting Period (shares)			Status of shares	Number of shares	
China Petroleum & Chemical Corporation	A shares	0	5,459,455,000	51.14%	0	None	0	State-owned legal person
HKSCC (Nominees) Limited	H shares	-148,209,250	3,303,196,780	30.94%	0	Unknown	-	Overseas legal person
HKSCC Limited	A shares	-40,209,350	55,167,595	0.52%	0	None	0	Overseas legal person
Southern Fund- Agricultural Bank of China - Southern CSI Financial Asset Management Plan	A shares	0	39,031,700	0.37%	0	None	0	Others
GF Fund - Agricultural Bank of China - GF CSI Financial Asset Management Plan	A shares	0	38,039,800	0.36%	0	None	0	Others
Yinhua Fund- Agricultural Bank of China - Yinhua CSI Financial Asset Management Plan	A shares	0	37,251,516	0.35%	0	None	0	Others
Dacheng Fund - Agricultural Bank of China - Dacheng CSI Financial Asset Management Plan	A shares	0	37,028,669	0.35%	0	None	0	Others
Bosera Fund - Agricultural Bank of China - Bosera CSI Financial Asset Management Plan	A shares	0	28,377,600	0.27%	0	None	0	Others
Wang Lei	A shares	-18,085,100	28,035,200	0.26%	0	None	0	Domestic natural person
Harvest Fund- Agricultural Bank of China - Harvest CSI Financial Asset Management Plan	A shares	0	25,583,100	0.24%	0	None	0	Others

CHANGE IN SHARE CAPITAL OF ORDINARY SHARES AND SHAREHOLDERS (continued)

Shareholding of the top ten shareholders with unrestricted shares (excluding shares lent through securities lending and refinancing and locked shares held by the senior management)

Name of shareholders	Number of unrestricted tradable shares	Type and quantity of shares	
		Type of shares	Quantity
China Petroleum & Chemical Corporation	5,459,455,000	Ordinary shares denominated in RMB	5,459,455,000
HKSCC (Nominees) Limited	3,303,196,780	Overseas listed foreign shares	3,303,196,780
HKSCC Limited	55,167,595	Ordinary shares denominated in RMB	55,167,595
Southern Fund– Agricultural Bank of China – Southern CSI Financial Asset Management Plan	39,031,700	Ordinary shares denominated in RMB	39,031,700
GF Fund – Agricultural Bank of China – GF CSI Financial Asset Management Plan	38,039,800	Ordinary shares denominated in RMB	38,039,800
Yinhua Fund– Agricultural Bank of China – Yinhua CSI Financial Asset Management Plan	37,251,516	Ordinary shares denominated in RMB	37,251,516
Dacheng Fund – Agricultural Bank of China – Dacheng CSI Financial Asset Management Plan	37,028,669	Ordinary shares denominated in RMB	37,028,669
Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Asset Management Plan	28,377,600	Ordinary shares denominated in RMB	28,377,600
Wang Lei	28,035,200	Ordinary shares denominated in RMB	28,035,200
Harvest Fund– Agricultural Bank of China – Harvest CSI Financial Asset Management Plan	25,583,100	Ordinary shares denominated in RMB	25,583,100
The buyback account information of the top ten shareholders	Not involved		
The explanation of above shareholders' entrustment voting right, entrusted voting right and abandonment of voting right	Not involved		
Note on connected relations or acting in concert of the above shareholders	Among the above-mentioned shareholders, Sinopec Corp., a State-owned legal person, does not have any connected relationship with the other shareholders, and does not constitute an acting-in-concert party under the Administrative Measures on Acquisition of Listed Companies. Among the above-mentioned shareholders, HKSCC (Nominees) Limited is a nominee. HKSCC Limited is the nominal holder for Shanghai-Hong Kong Stock Connect Program of the Company. Apart from the above shareholders, the Company is not aware of any connected relationship among the other shareholders, or whether any other shareholder constitutes an acting-in-concert party under the Administrative Measures on Acquisition of Listed Companies.		
Preferred shareholders with voting rights restored and their shareholding	Not involved		

Note: Sinopec Group held 44,660,000 H shares of the Company through its overseas wholly-owned subsidiary Sinopec Century Bright Capital Investment Limited, accounting for 0.4184% of the total shares of the Company. These shares were included in the total shares held by HKSCC (Nominees) Limited.

CHANGE IN SHARE CAPITAL OF ORDINARY SHARES AND SHAREHOLDERS *(continued)*

Shareholders holding more than 5% of the shares, the top ten shareholders and the top ten shareholders of unrestricted shares engaging in lending shares through securities lending and refinancing business

N/A

Changes in the top ten shareholders and the top ten shareholders of unrestricted shares from the previous period due to lending/returning shares through securities lending and refinancing

N/A

Number of shares held by top ten holders of shares subject to trading moratorium and trading moratorium

N/A

(4) Strategic Investors or General Legal Persons becoming Top Ten Shareholders because of the New Share Placing

N/A

(5) Change in Controlling Shareholder or De Facto Controller

During the Reporting Period, there was no change in the controlling shareholder or the de facto controller of the Company.

(6) Interests and Short Positions of the Substantial Shareholders of the Company in Shares and Underlying Shares of the Company

As at 30 June 2024, 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 SFO or as recorded in the register of interests required to be kept under Section 336 of the SFO were as set out below:

CHANGE IN SHARE CAPITAL OF ORDINARY SHARES AND SHAREHOLDERS (continued)

Interests in ordinary shares of the Company

Name of shareholders	Interests held or deemed as held (shares)	Note	Percentage of	Percentage of	Capacity
			total issued shares of the Company (%)	total issued shares of the relevant class (%)	
China Petroleum & Chemical Corporation	5,459,455,000 A shares (L) Shares of legal person	(1)	51.14	74.49	Beneficial owner
Corn Capital Company Limited	211,008,000 H shares (L)	(2)	1.98	6.31	Beneficial owner
	200,020,000 H shares (S)		1.87	5.98	
Hung Hin Fai	211,008,000 H shares (L)	(2)	1.98	6.31	Interests of controlled corporation
	200,020,000 H shares (S)		1.87	5.98	
Yardley Finance Limited	200,020,000 H shares (L)	(3)	1.87	5.98	Secured equity holders
Chan Kin Sun	200,020,000 H shares (L)	(3)	1.87	5.98	Interests of controlled corporation

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

Notes:

- (1) Based on the information obtained by the Directors of the Company from the Hong Kong Stock Exchange website and as far as to the knowledge of the Directors, Sinopec Group directly and indirectly owned 68.98% of the issued share capital of Sinopec Corp. as of 30 June 2024. By virtue of such relationship, Sinopec Group is deemed to have an interest in the 5,459,455,000 A shares of the Company directly owned by Sinopec Corp.
- (2) These shares were held by Corn Capital Company Limited. Hung Hin Fai held 100% interests in Corn Capital Company Limited. Pursuant to the SFO, Hung Hin Fai was deemed to be interested in the shares held by Corn Capital Company Limited.
- (3) These shares were held by Yardley Finance Limited. Chan Kin Sun held 100% interests in Yardley Finance Limited. Pursuant to the SFO, Chan Kin Sun was deemed to be interested in the shares held by Yardley Finance Limited.

Save as disclosed above, as at 30 June 2024, 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 or 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND OTHERS

(1) Changes in Shareholdings

1. Changes in Shareholdings of the Current Directors, Supervisors and Senior Management and those Resigned during the Reporting Period

Unit: Shares

Name	Position	Number of shares held at the beginning of the Reporting Period	Number of shares held at the end of the Reporting Period	Change in number of shares during the Reporting Period
Guo Xiaojun	Executive Director and Chairman	Nil	Nil	No change
Guan Zemin	Executive Director, Vice Chairman and President	Nil	Nil	No change
Du Jun	Executive Director, Vice President and Chief Financial Officer	Nil	Nil	No change
Huang Xiangyu	Executive Director and Vice President	140,000	140,000	No change
Xie Zhenglin	Non-executive Director	Nil	Nil	No change
Qin Zhaohui	Non-executive Director	Nil	Nil	No change
Tang Song	Independent Non-executive Director	Nil	Nil	No change
Chen Haifeng	Independent Non-executive Director	Nil	Nil	No change
Yang Jun	Independent Non-executive Director	Nil	Nil	No change
Zhou Ying	Independent Non-executive Director	Nil	Nil	No change
Huang Jiangdong	Independent Non-executive Director	Nil	Nil	No change
Xie Li	Supervisor and Chairman of the Supervisory Committee	Nil	Nil	No change
Zhang Feng	Supervisor	10,000	10,000	No change
Chen Hongjun	Supervisor	31,400	31,400	No change
Zhang Xiaofeng	Supervisor	Nil	Nil	No change

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND OTHERS (continued)

Name	Position	Number of shares held at the beginning of the Reporting Period	Number of shares held at the end of the Reporting Period	Change in number of shares during the Reporting Period
Zheng Yunrui	Independent Supervisor	Nil	Nil	No change
Choi Ting Ki	Independent Supervisor	Nil	Nil	No change
Huang Fei	Vice President	Nil	Nil	No change
Li Shantao	Vice President	Nil	Nil	No change
CHAU Kwok Ming	Vice President	Nil	Nil	No change
Liu Gang	Joint Company Secretary, Board Secretary, General Manager Assistant and General Counsel	Nil	Nil	No change
Wan Tao	Resigned Executive Director and Chairman	Nil	Nil	No change

(2) Share Options Held by the Directors, Supervisors and Senior Management during the Reporting Period

During the Reporting Period, the Company's Directors, Supervisors and senior management did not hold the Company's share options.

(3) Changes in Directors, Supervisors and Senior Management during the Reporting Period

Name	Position	Change	Date of change	Reason
Guo Xiaojun	Executive Director and Chairman	Elected	6 June 2024	–
CHAU Kwok Ming	Vice President	Appointed	24 April 2024	–
Wan Tao	Executive Director and Chairman	Resigned	12 April 2024	work arrangement

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND OTHERS (continued)

(4) Interests and Short Positions of the Directors, Chief Executives and Supervisors in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations

As at 30 June 2024, the interests and short positions of the directors, chief executive and supervisors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or to be recorded in the register of interests required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the “Model Code for Securities Transactions” set out in Appendix C3 to the Hong Kong Listing Rules were as follows:

Interests in the Shares and Underlying Shares of the Company

Name	Position	Number of shares held (shares)	Percentage of total issued shares of the Company (%)	Percentage of total issued A shares (%)	Capacity
Huang Xiangyu	Executive Director and Vice President	140,000A shares (L)	0.0013	0.0019	Beneficial owner
Zhang Feng	Supervisor	10,000A shares (L)	0.0001	0.0001	Beneficial owner
Chen Hongjun	Supervisor	31,400A shares (L)	0.0003	0.0004	Beneficial owner

(L): Long position

Save as disclosed above, as at 30 June 2024, so far as was known to the Directors, chief executive and Supervisors of the Company, none of the Directors, chief executive or Supervisors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations which were required to be disclosed or recorded pursuant to the SFO and the Hong Kong Listing Rules as mentioned above.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND OTHERS

(continued)

(5) Changes in Directors' and Supervisors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the directors since the publication of the Company's 2023 Annual Report are set out below:

Mr. Wan Tao, a former executive Director of the Company, resigned as an executive Director, the chairman of the Board, the chairman of the Strategy and ESG Committee and a member of the Nomination Committee of the Company with effect from 12 April 2024.

Mr. Guo Xiaojun has been appointed as an executive Director, the chairman of the Board, the chairman of the Strategy and ESG Committee and a member of the Nomination Committee of the Company with effect from 6 June 2024.

Save as disclosed above, during the Reporting Period, there was no change in the information of Directors and Supervisors in accordance with Rule 13.51B(1) of the Hong Kong Listing Rules that needs to be disclosed.

(6) Audit and Compliance Committee

On 20 August 2024, the Audit and Compliance Committee of the Eleventh Session of the Board held its fifth meeting, primarily to review the financial report of the Group for the Reporting Period, and discussed matters relating to the risk management, internal control, compliance management and financial reporting.

(7) Purchase, Sale and Redemption of the Company's Securities

On 28 June 2023, the Company's 2022 Annual General Meeting, the First A Shareholders Class Meeting for 2023 and the First H Shareholders Class Meeting for 2023 considered and approved the "Proposal to the Shareholders at the General Meeting to Authorize the Board to Repurchase the Domestic Shares and/or Overseas listed Foreign Shares of the Company", authorizing the Board (or the directors authorized by the Board) to repurchase not more than 10% of the issued H shares of the Company. During the Reporting Period, the Company repurchased a total of 53,866,000 H shares from the Hong Kong Stock Exchange for a consideration of RMB53,425,000. The details of share repurchase are as follows:

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND OTHERS (continued)

Repurchase month	Number of shares repurchased	Purchase Price per Share		Total price (HK \$)
		Highest price (HK \$/share)	Lowest price (HK \$/share)	
January 2024	23,840,000	1.17	1.01	26,224,743.4
February 2024	17,358,000	1.09	1.02	18,359,206.6
April 2024	4,646,000	1.08	1.05	5,005,173.6
May 2024	5,384,000	1.15	1.13	6,188,706.2
June 2024	2,638,000	1.15	1.13	3,023,224.0

The shares repurchased by the Company in November and December 2023 together with the repurchased shares abovementioned, a total of 124,058,000 shares, were cancelled on 17 June 2024. Save as disclosed in this report, the Group did not purchase, sell or redeem any of the Group's securities (for the definition of "securities", please refer to paragraph 1 of Appendix D2 to the Hong Kong Listing Rules).

(8) Compliance with Corporate Governance Code

During the Reporting Period, the Company applied and complied with all code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Hong Kong Listing Rules.

(9) Compliance with Model Code for Securities Transactions

The Company has adopted and implemented the Model Code for Securities Transactions to regulate the securities transactions of the directors and supervisors. After making specific enquiries with all directors and supervisors, the Company has obtained written confirmation from all the directors and supervisors as to their full compliance with the Model Code for Securities Transactions during the Reporting Period.

The Model Code for Securities Transactions is also applicable to the senior management who may be in possession of unpublished inside information of the Company. The Company is not aware of any incident of non-compliance with the Model Code for Securities Transactions by the senior management of the Company.



Review report

to the board of directors of Sinopec Shanghai Petrochemical Company Limited

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 51 to 88 which comprises the consolidated statement of financial position of Sinopec Shanghai Petrochemical Company Limited (the "Company") as of 30 June 2024 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting* issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 August 2024

A. Condensed Consolidated Interim Financial Information Prepared under International Financial Reporting Standards (unaudited)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024 – UNAUDITED

(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	3	43,489,664	44,889,109
Taxes and surcharges		(5,993,136)	(6,226,581)
Net sales		37,496,528	38,662,528
Cost of sales		(37,562,456)	(39,752,809)
Gross loss		(65,928)	(1,090,281)
Selling and administrative expenses		(130,014)	(150,736)
Other operating income		57,637	62,021
Other operating expenses		(19,467)	(14,878)
Other losses – net	4(b)	(9,594)	(12,653)
Loss from operations	3	(167,366)	(1,206,527)
Finance income	4(a)	180,835	185,052
Finance expenses	4(a)	(91,904)	(55,547)
Finance income – net		88,931	129,505
Share of net gains/(losses) of associates and joint ventures accounted for using the equity method		90,863	(113,363)
Profit/(loss) before taxation	3	12,428	(1,190,385)
Income tax	5	(6,097)	226,288
Profit/(loss) for the period		6,331	(964,097)
Attributable to:			
– Equity shareholders of the Company		2,845	(966,688)
– Non-controlling interests		3,486	2,591
		6,331	(964,097)
Earning/(losses) per share			
Basic	6	RMB0.0003	RMB (0.0895)
Diluted	6	RMB0.0003	RMB (0.0895)

The notes on pages 60 to 88 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024 – UNAUDITED

(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Profit/(loss) for the period	6,331	(964,097)
Other comprehensive income for the period (after tax and reclassification adjustments)		
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Share of other comprehensive income of associates accounted for using the equity method	–	(21)
Losses on cash flow hedges	(4,171)	–
Income tax relating to these items	1,043	–
Other comprehensive income for the period	(3,128)	(21)
Total comprehensive income for the period	3,203	(964,118)
Attributable to:		
– Equity shareholders of the Company	(283)	(966,709)
– Non-controlling interests	3,486	2,591
Total comprehensive income for the period	3,203	(964,118)

The notes on pages 60 to 88 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024 – UNAUDITED

(Expressed in Renminbi Yuan)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	8	13,701,006	14,176,814
Right-of-use assets		346,320	354,971
Investment property		312,656	321,037
Construction in progress	8	1,129,493	1,200,602
Investments accounted for using the equity method		3,397,560	3,271,941
Financial assets at fair value through other comprehensive income	9	3,869	3,869
Financial assets measured at fair value through profit or loss	13	36,500	36,500
Deferred tax assets		1,312,116	1,313,841
Time deposits with banks	10	–	2,782,500
Other non-current assets		485,923	647,324
		20,725,443	24,109,399
Current assets			
Derivative financial assets		13,509	–
Inventories	11	7,450,182	7,751,687
Trade receivables	12	4,579	115
Other receivables	12	517,905	350,891
Amounts due from related parties	12,19(c)	4,145,593	1,453,864
Prepayments		39,481	39,553
Value added tax recoverable		269,797	15,222
Financial assets measured at fair value through other comprehensive income	9	347,417	236,487
Time deposits with banks	10	3,329,749	700,645
Restricted cash and bank deposits	14	3,844	–
Cash and cash equivalents	14	6,006,110	4,906,368
		22,128,166	15,454,832

The notes on pages 60 to 88 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

AT 30 JUNE 2024 – UNAUDITED

(Expressed in Renminbi Yuan)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Current liabilities			
Derivative financial liabilities		17,047	–
Trade and other payables	15	3,662,738	3,832,858
Contract liabilities		184,172	323,279
Amounts due to related parties	15,19(c)	7,208,330	5,155,798
Staff salaries and welfares payable		619,116	322,265
Borrowings	16	5,200,000	3,700,000
Lease liabilities		5,983	7,515
Income tax payable		2,453	2,369
Current tax liabilities		1,018,380	1,228,525
		17,918,219	14,572,609
Net current assets			
		4,209,947	882,223
Total assets less current liabilities			
		24,935,390	24,991,622
Non-current liabilities			
Lease liabilities		735	942
Deferred tax liabilities		31,126	31,564
Deferred income		32,371	30,222
		64,232	62,728
NET ASSETS			
		24,871,158	24,928,894

The notes on pages 60 to 88 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

AT 30 JUNE 2024 – UNAUDITED

(Expressed in Renminbi Yuan)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
CAPITAL AND RESERVES			
Share capital		10,675,228	10,799,286
Reserves	17	14,094,220	14,011,630
Total equity attributable to equity shareholders of the Company		24,769,448	24,810,916
Non-controlling interests		101,710	117,978
TOTAL EQUITY		24,871,158	24,928,894

Approved and authorized for issue by the Board of Directors on 21 August 2024.

Guo Xiaojun
Directors

Du Jun
Directors

The notes on pages 60 to 88 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024 – UNAUDITED

(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Note	Share capital	Other reserves	Retained earnings	Total	RMB'000		
		RMB'000	RMB'000	RMB'000	RMB'000			
Balance at 1 January 2023		10,823,814	7,007,142	8,396,767	26,227,723	127,679	26,355,402	
Changes in equity for the six months ended 30 June 2023:								
(Loss)/profit for the period		–	–	(966,688)	(966,688)	2,591	(964,097)	
Other comprehensive income		–	(21)	–	(21)	–	(21)	
Total comprehensive income for the period		–	(21)	(966,688)	(966,709)	2,591	(964,118)	
Appropriation of safety production fund	17	–	20,584	(20,584)	–	–	–	
Cancellation of repurchased own shares	17	(24,528)	24,528	–	–	–	–	
Balance at 30 June 2023		10,799,286	7,052,233	7,409,495	25,261,014	130,270	25,391,284	
Changes in equity for the six months ended 31 December 2023:								
Loss for the period		–	–	(379,459)	(379,459)	(5,758)	(385,217)	
Other comprehensive income		–	45,770	–	45,770	–	45,770	
Total comprehensive income for the period		–	45,770	(379,459)	(333,689)	(5,758)	(339,447)	
Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	(45,830)	–	(45,830)	–	(45,830)	
Dividends paid by subsidiaries to non-controlling interests		–	–	–	–	(6,534)	(6,534)	
Purchase of own shares		–	(70,579)	–	(70,579)	–	(70,579)	
Appropriation of safety production fund	17	–	37,135	(37,135)	–	–	–	
Balance at 31 December 2023		10,799,286	7,018,729	6,992,901	24,810,916	117,978	24,928,894	

The notes on pages 60 to 88 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024 – UNAUDITED

(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company						
	Note	Share	Other	Retained	Total	Non-	Total equity
		capital	reserves	earnings		controlling	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2024		10,799,286	7,018,729	6,992,901	24,810,916	117,978	24,928,894
Changes in equity for the six months ended 30 June 2024:							
Profit for the period		-	-	2,845	2,845	3,486	6,331
Other comprehensive income		-	(3,128)	-	(3,128)	-	(3,128)
Total comprehensive income for the period		-	(3,128)	2,845	(283)	3,486	3,203
Dividends paid by subsidiaries to non-controlling interests		-	-	-	-	(7,514)	(7,514)
Purchase of equity interests from non-controlling interests	17	-	12,240	-	12,240	(12,240)	-
Purchase of own shares	17	-	(53,425)	-	(53,425)	-	(53,425)
Cancellation of repurchased own shares	17	(124,058)	124,058	-	-	-	-
Utilisation of safety production fund	17	-	(26,072)	26,072	-	-	-
Balance at 30 June 2024		10,675,228	7,072,402	7,021,818	24,769,448	101,710	24,871,158

The notes on pages 60 to 88 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2024 – UNAUDITED

(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Operating activities		
Cash generated from/(used in) operations	345,653	(167,151)
Interest paid	(91,429)	(53,368)
Income tax paid	(3,683)	(59,732)
Net cash generated from/(used in) operating activities	250,541	(280,251)
Investing activities		
Cash received from time deposits with maturity less than one year	200,000	1,000,000
Dividends received from joint ventures and associates	115,244	92,000
Interest received	13,252	58,168
Net proceeds from disposal of property, plant and equipment	10,800	24,589
Payment for the purchase of property, plant and equipment and other long-term assets	(775,718)	(693,175)
Payment for investment in a joint venture	(150,000)	–
Net losses from settlement of derivative financial instruments	(27)	–
Cash payment for redeemable preference share investments	–	(26,500)
Cash received from refund of investment deposits	–	50,000
Other cash flows arising from investing activities	–	(1,997)
Net cash (used in)/generated from investing activities	(586,449)	503,085

The notes on pages 60 to 88 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024 – UNAUDITED

(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
Financing activities			
Proceeds from borrowings		17,500,000	16,018,000
Repayments of borrowings		(16,000,000)	(12,520,000)
Principal elements of lease payments		(4,973)	(6,825)
Dividends paid by subsidiaries to non-controlling interests		(7,514)	–
Dividends paid to ordinary shares		(245)	–
Payment for repurchase of shares		(52,162)	–
Net cash generated from financing activities		1,435,106	3,491,175
Net increase in cash and cash equivalents		1,099,198	3,714,009
Cash and cash equivalents at 1 January		4,906,368	889,413
Effect of foreign exchange rates changes		544	7,336
Cash and cash equivalents at 30 June	14	6,006,110	4,610,758

The notes on pages 60 to 88 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1 General Information and basis of preparation

Sinopec Shanghai Petrochemical Company Limited (“the Company”), located in Jinshan District of Shanghai, is one of the largest refining-chemical integrated petrochemical companies in China. It is one of the subsidiaries of China Petroleum & Chemical Corporation (“Sinopec Corp.”). The Company and its subsidiaries (“the Group”) are principally engaged in processing the crude oil into synthetic fibres, resins and plastics, intermediate petrochemical and petroleum products.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (“IASB”). It was authorized for issue on 21 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The Interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on Page 50.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“2020 amendments”)
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“2022 amendments”)
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows and IFRS7, Financial instruments: Disclosures-Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IAS 1, *Presentation of financial statements* (“2020 and 2022 amendments”, or collectively the “IAS 1 amendments”)

The IAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions in a full set of financial statements.

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current and did not identify any reclassification to be made.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Changes in accounting policies *(continued)*

Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. Since those disclosures are not required for any interim period presented within the annual reporting period in which the amendments are initially applied, the Group has not made additional disclosures in this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Segment information and revenue

3.1 Segment information

The Group manages its business by divisions, which are organized by business lines. In view of the fact that the Company and its subsidiaries operate mainly in the PRC, no geographical segment information is presented.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker, Board of Directors, for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

The basis of segmentation and the basis of measurement of segment profits or losses, and assets and liabilities are consistent with those of the annual financial statements for the year ended 31 December 2023.

Six months ended	Trading of				Total
	Petroleum products	Chemical products	petrochemical product	Others	
30 June 2024	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment revenue	39,248,963	13,202,713	3,715,652	983,459	57,150,787
Inter segment revenue	(8,392,545)	(4,365,700)	(568,246)	(334,632)	(13,661,123)
Revenue from external customers	30,856,418	8,837,013	3,147,406	648,827	43,489,664
Timing of revenue recognition					
– At a point in time	30,856,418	8,837,013	3,129,382	648,827	43,471,640
– Over time	–	–	18,024	–	18,024
	30,856,418	8,837,013	3,147,406	648,827	43,489,664
Segment result – profit/(loss) from operations	752,152	(1,040,475)	10,044	110,913	(167,366)
Impairment of plant and machinery	–	–	–	–	–
As at 30 June 2024					
Segment assets	17,172,460	7,756,668	771,786	2,751,271	28,452,185
Segment liabilities	9,264,924	2,772,027	646,167	51,160	12,734,278

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Segment information and revenue (continued)

3.1 Segment information (continued)

Six months ended 30 June 2023	Petroleum products RMB'000	Chemical products RMB'000	Trading of petrochemical product RMB'000	Others RMB'000	Total RMB'000
Total segment revenue	41,283,131	14,585,439	4,492,096	857,330	61,217,996
Inter segment revenue	(10,607,395)	(5,064,757)	(231,132)	(425,603)	(16,328,887)
Revenue from external customers	30,675,736	9,520,682	4,260,964	431,727	44,889,109
Timing of revenue recognition					
– At a point in time	30,675,736	9,520,682	4,230,925	431,727	44,859,070
– Over time	–	–	30,039	–	30,039
	30,675,736	9,520,682	4,260,964	431,727	44,889,109
Segment result – (loss)/profit from operations	(475,365)	(685,398)	5,808	(51,572)	(1,206,527)
Impairment of plant and machinery	–	–	–	–	–
As at 30 June 2023					
Segment assets	15,060,217	7,751,389	1,036,357	2,687,982	26,535,945
Segment liabilities	7,036,540	2,207,916	1,073,207	35,702	10,353,365

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Segment information and revenue *(continued)*

3.1 Segment information *(continued)*

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Segment result – profit/(loss) from operations		
Petroleum products	752,152	(475,365)
Chemical products	(1,040,475)	(685,398)
Trading of petrochemical products	10,044	5,808
Others	110,913	(51,572)
Segment result – loss from operations	(167,366)	(1,206,527)
Finance income – net	88,931	129,505
Share of net gains/(losses) of associates and joint ventures accounted for using the equity method	90,863	(113,363)
Profit/(loss) before taxation	12,428	(1,190,385)

3.2 Revenue

The Group's revenue from external customers are substantially all within Chinese Mainland for the six months ended 30 June 2024 and 2023. As at 30 June 2024 and 31 December 2023, assets are also substantially all within Mainland China.

Revenue of approximate RMB31,275,863 thousand (six months ended 30 June 2023: RMB31,462,732 thousand) are derived from a single customer. These revenues are attributable to the petroleum products and other business.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Finance income – net

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Interest income from time deposits with maturity more than 3 months	57,726	116,491
Interest income from time deposits with maturity less than 3 months	120,780	66,336
Others	2,329	2,225
Finance income	180,835	185,052
Interest and finance charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	(92,889)	(65,940)
Less: interest expense capitalized into construction in progress	985	10,393
Finance expenses	(91,904)	(55,547)
Finance income – net	88,931	129,505

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

4 Loss before taxation *(continued)*

(b) Other losses – net

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Net gains/(losses) on disposal of property, plant and equipment	938	(8,876)
Net foreign exchange losses	(9,326)	(1,780)
Net gains on commodity swaps contracts not qualified for hedging accounting	633	–
Net losses on foreign exchange forward contracts	(27)	–
Net losses on selling of financial assets at fair value through other comprehensive income (“FVOCI”)	(1,812)	(1,997)
	(9,594)	(12,653)

(c) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Depreciation of property, plant and equipment	887,929	811,678
Depreciation of right-of-use assets	15,468	15,710
Depreciation of investment properties	7,562	7,650
Amortization of other non-current assets	123,268	146,944
Research and development costs (other than depreciation and amortization)	88,114	66,689
Provision of inventory write-down	111,483	190,486

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Income tax

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Current tax:		
Provision for PRC current income tax for the period	(3,762)	(7,429)
Tax filing difference	(5)	227
	(3,767)	(7,202)
Deferred tax:		
Origination and reversal of temporary differences	(2,330)	233,490
	(6,097)	226,288

The provision for PRC income tax is calculated at the rate of 25% (six months ended 30 June 2023: 25%) on the estimated taxable income of the six months ended 30 June 2024 determined in accordance with relevant income tax rules and regulations. The Company did not carry out business overseas and therefore does not incur overseas income taxes.

6 Earning/(losses) per share

(a) Basic earning/(losses) per share

The calculation of basic earning/(losses) per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2024 of RMB2,845 thousand (six months ended 30 June 2023: loss of RMB966,688 thousand) and 10,686,232 thousand shares (six months ended 30 June 2023: 10,799,286 thousand shares) in issue during the interim period.

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Profit/(loss) attributable to equity shareholders of the Company	2,845	(966,688)
Weighted average number of ordinary shares in issue (thousands of shares)	10,686,232	10,799,286
Basic earning/(losses) per share (RMB per share)	RMB0.0003	RMB (0.0895)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

6 Earning/(losses) per share *(continued)*

(b) Diluted earning/(losses) per share

There were no dilutive potential ordinary shares for the six months ended 30 June 2024 and 2023, therefore diluted earning/(losses) per share is the same as basic earning/(losses) per share.

7 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

The Board of Directors did not propose any dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
No final dividend in respect of the previous financial year was approved during the following interim period (six months ended 30 June 2023: Nil)	-	-

8 Property, plant and equipment and construction in progress

(a) Acquisitions and disposals of owned assets

During the six months ended 30 June 2024, acquisitions of property, plant and equipment and additions of construction in progress of the Group amounted to RMB124,550 thousand (six months ended 30 June 2023: RMB64,251 thousand) and RMB232,557 thousand (six months ended 30 June 2023: RMB300,493 thousand), respectively.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

9 Financial assets measured at fair value through other comprehensive income

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Trade and bills receivable (i)	347,417	236,487
Equity investments	3,869	3,869
	351,286	240,356

(i) As at 30 June 2024 and 31 December 2023, certain trade receivables and bills receivable were classified as financial assets at FVOCI, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets.

(ii) As at 30 June 2024, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognized these bills receivable and the payables to suppliers in their entirety. These derecognized bank acceptance bills had a maturity date less than twelve months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit rating and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 30 June 2024, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amounts payable by the Group to banks or suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB273,100 thousand and RMB92,229 thousand (31 December 2023: RMB398,230 thousand and RMB95,477 thousand) respectively.

10 Time deposits with banks

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Time deposits with maturity		
– More than three months and less than one year	3,329,749	700,645
– More than one year	–	2,782,500
	3,329,749	3,483,145

As at 30 June 2024, interest rates of time deposits with maturity more than three months and less than one year ranged from 3.55% to 4.2% per annum (31 December 2023: 3.85% to 4.2% per annum), which were presented as current assets. As at 31 December 2023, time deposits with maturity of more than one year were time deposits to be matured in January 2025 with the interest rates of 3.55% per annum, which were presented as non-current assets in the statement of financial position.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

11 Inventories

(a) Inventories in the consolidated statements of financial position comprise:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Raw materials	5,400,461	6,006,611
Work in progress	728,874	678,639
Finished goods	1,152,877	908,989
Spare parts and consumables	167,970	157,448
	7,450,182	7,751,687

(b) The analysis of the amount of inventories recognized as expenses and included in profit or loss is as follows:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Carrying amount of inventories sold	36,044,751	38,159,523
Provision of inventory write-down	111,483	190,486
Cost of inventories directly recognized as research and development expenses	16,589	10,027
	36,172,823	38,360,036

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

12 Trade and other receivables

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Trade receivables	6,693	2,229
Less: loss allowance	(2,114)	(2,114)
	4,579	115
Amounts due from related parties excluded prepayments and bills receivable (*)	4,138,658	1,454,410
Less: loss allowance (*)	(2,798)	(2,849)
	4,140,439	1,451,676
Other receivables	519,920	352,827
Less: loss allowance	(2,015)	(1,936)
	517,905	350,891
Financial assets measured at amortized cost	4,658,344	1,802,567
Amounts due from related parties – prepayments (*)	9,733	2,303
	4,668,077	1,804,870
Amounts due from related parties (summary of *)	4,145,593	1,453,864

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

12 Trade and other receivables *(continued)*

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 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Within one year	4,140,439	1,451,676
Over one year within two years	–	–
	4,140,439	1,451,676

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Balance at 1 January	6,899	7,494
Impairment losses recognized during the period	79	19
Recoveries or reversals during the period	(51)	(186)
Balance at 30 June	6,927	7,327

As at 30 June 2024 and 31 December 2023, no trade receivable was pledged as collateral.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

13 Financial assets measured at fair value through profit or loss

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Redeemable preference share investments	36,500	36,500

As at 30 June 2024, financial assets at fair value through profit or loss represent redeemable preference share investments, which are presented as non-current assets since the management does not have intention to dispose of the investments within one year.

14 Cash and cash equivalents

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Cash at bank and on hand	6,009,954	4,906,368
Less: Restricted cash and bank deposits (i)	(3,844)	–
Cash and cash equivalents (ii)	6,006,110	4,906,368

i. As at 30 June 2024, cash and cash equivalents did not include housing maintenance funds of RMB3,844 thousand (31 December 2023: Nil), which were owned by the property owners but were deposited in the bank accounts in the name of the Group. Such deposits can be used by the Group for the purpose of public maintenance expenditures to be incurred at the sole discretion and approval of the relevant government authorities.

ii. As at 30 June 2024, cash and cash equivalents situated in Chinese Mainland amounted to RMB6,006,110 thousand (31 December 2023: RMB4,906,368 thousand). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

15 Trade and other payables

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Trade payables	2,015,692	1,569,521
Bills payable	1,047,321	1,401,288
Amounts due to related parties exclude advances received (*)	7,204,749	5,144,071
	10,267,762	8,114,880
Dividends payable	31,386	31,631
Construction payable	345,309	655,224
Accrued expenses	147,022	128,671
Other liabilities	76,008	46,523
	599,725	862,049
Financial liabilities measured at amortized cost	10,867,487	8,976,929
Amounts due to related parties – advances received (*)	3,581	11,727
	10,871,068	8,988,656
Less: total amount due to related parties (summary of *)	7,208,330	5,155,798
Trade and other payables – amounts due to third parties	3,662,738	3,832,858

As at 30 June 2024 and 31 December 2023, 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.

As at 30 June 2024 and 31 December 2023, 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 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Within one year	10,248,578	8,100,809
Between one and two years	5,113	4,506
Over two years	14,071	9,565
	10,267,762	8,114,880

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 Borrowings

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Credit loans due within one year		
– Short-term bank loan	4,500,000	3,000,000
– Long-term bank loan due within one year (note 19(c))	700,000	700,000
	5,200,000	3,700,000

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

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Within 1 year or on demand	5,200,000	3,700,000

The weighted average interest rate for the Group's short-term bank loan was 2.05% as at 30 June 2024 (31 December 2023: 1.98%). The interest rate of the Group's long-term borrowings was 1.08% as at 30 June 2024 (31 December 2023: 1.08%).

As at 30 June 2024 and 31 December 2023, no borrowings were secured by property, plant and equipment.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

17 Reserves

	Legal surplus (note(a)) RMB'000	Capital surplus (note(b)) RMB'000	Surplus reserve (note(c)) RMB'000	Other reserve (note(d)) RMB'000	Hedging reserve RMB'000	Share premium (note(e)) RMB'000	Safety production fund (note(f)) RMB'000	Treasury shares (note(g)) RMB'000	Retained earnings (note(h)) RMB'000	Total RMB'000
Balance at 1 January 2023	6,571,279	13,739	101,355	(806)	-	106,846	240,418	(25,689)	8,396,767	15,403,909
Total comprehensive income for the period										
attributable to shareholders of the Company	-	-	-	(21)	-	-	-	-	(966,688)	(966,709)
Cancellation of repurchased own shares	-	-	-	-	-	(1,161)	-	25,689	-	24,528
Appropriation of safety production fund	-	-	-	-	-	-	20,584	-	(20,584)	-
Balance at 30 June 2023 and 1 July 2023	6,571,279	13,739	101,355	(827)	-	105,685	261,002	-	7,409,495	14,461,728
Total comprehensive income for the period										
attributable to shareholders of the Company	-	-	-	(60)	45,830	-	-	-	(379,459)	(333,689)
Amounts transferred from hedging reserve to initial carrying amount of hedged items	-	-	-	-	(45,830)	-	-	-	-	(45,830)
Purchase of own shares	-	-	-	-	-	-	-	(70,579)	-	(70,579)
Appropriation of safety production fund	-	-	-	-	-	-	37,135	-	(37,135)	-
Balance at 31 December 2023 and 1 January 2024	6,571,279	13,739	101,355	(887)	-	105,685	298,137	(70,579)	6,992,901	14,011,630
Total comprehensive income for the period										
attributable to shareholders of the Company	-	-	-	-	(3,128)	-	-	-	2,845	(283)
Purchase of equity interests from non-controlling interests	-	12,240	-	-	-	-	-	-	-	12,240
Purchase of own shares	-	-	-	-	-	-	-	(53,425)	-	(53,425)
Cancellation of repurchased own shares	-	-	-	-	-	54	-	124,004	-	124,058
Utilisation of safety production fund	-	-	-	-	-	-	(26,072)	-	26,072	-
Balance at 30 June 2024	6,571,279	25,979	101,355	(887)	(3,128)	105,739	272,065	-	7,021,818	14,094,220

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

17 Reserves *(continued)*

Notes:

- (a) Under PRC rules and regulations, the Company and its PRC subsidiaries are required to set aside 10% of the net income determined in accordance with the PRC accounting rules and regulations to a legal surplus reserve. The transfer to this reserve must be made before distribution of any dividend to shareholders.

The legal surplus reserve is non-distributable other than in liquidation and can be used to make good of previous years' losses, if any, and may be utilized for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issuance is not less than 25% of the registered capital.

In accordance with PRC rules and regulations, the Company has set aside RMB6,571,279 thousand of legal surplus as of 30 June 2024.

- (b) The capital surplus comprises the following:
- i. gifts or grants received from China Petrochemical Corporation, the ultimate parent company and which are required to be included in this reserve fund by PRC regulations;
 - ii. the differences between the cost of purchase of equity interests from non-controlling interests in subsidiaries and the carrying amount of the net assets additionally acquired.

On 29 February 2024, the Group purchased additional 25.75% of the issued shares of Shanghai Jinchang Engineering Plastics Co., Ltd. ("Jinchang") for RMB2, a subsidiary of the Group. Immediately prior to the purchase, the carrying amount of the existing 25.75% non-controlling interest in Jinchang was RMB12,240 thousand. The Group recognized a decrease in non-controlling interests of RMB12,240 thousand and an increase in capital surplus of RMB12,240 thousand.

- (c) The transfer to this reserve from the retained profits is subject to the approval by shareholders at general meetings. Its usage is similar to that of legal surplus reserve.
- (d) Other reserve comprises share of post-acquisition movements in other comprehensive income from associates and joint ventures using the equity methods of accounting with a corresponding adjustment to the carrying amount of the investment.
- (e) The application of the share premium account is governed by Sections 213 and 214 of the PRC Company Law.

According to Section 213 of the PRC Company Law, the Company's share premium arose from the issuance of stocks at a price above the par value of the stocks.

- (f) According to the relevant PRC regulations, the Group is required to transfer an amount to specific reserve for the safety production fund based on the turnover of certain refining and chemicals products. This reserve represents unutilized safety production fund.
- (g) The proposal to authorize the board of directors to repurchase domestic shares and/or overseas-listed foreign shares of the Company was approved at the 2022 Annual General Meeting, the First A Shareholders Class Meeting for 2023 and the First H Shareholders Class Meeting for 2023 on 28 June 2023. According to the authorization, the Company repurchased shares in call auction since 3 November 2023. As of 5 June 2024, the Company has repurchased 124,058,000 H-share ordinary shares on the Hong Kong Stock Exchange for an aggregate consideration of RMB124,004 thousand.

On 17 June 2024, the Company cancelled 124,058,000 H shares repurchased. After the cancellation, the total number of issued share capital reduced by RMB124,004 thousand, and the share premium increased by RMB54 thousand.

- (h) According to the Company's Articles of Association, the reserve available for distribution is the lower of the amount determined under China Accounting Standards for Business Enterprises and the amount determined under IFRS. The Board of Directors did not propose any dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

18 Fair value measurement of financial instruments

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2024 and 31 December 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 Fair value measurement of financial instruments (continued)

					As at 30 June 2024				
					Recurring fair value measurements				
	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000				
Financial assets									
Financial assets measured at fair value through profit or loss									
– Other non-current financial assets	13	–	–	36,500	36,500				
– Commodity swaps contracts		–	1,318	–	1,318				
Financial assets at fair value through other comprehensive income									
– Trade and bills receivable	9	–	347,417	–	347,417				
– Equity investments	9	–	–	3,869	3,869				
– Commodity swaps contracts		–	12,191	–	12,191				
		–	360,926	40,369	401,295				
Financial liabilities									
Financial liabilities measured at fair value through profit or loss									
– Commodity swaps contracts		–	685	–	685				
Financial liabilities at fair value through other comprehensive income									
– Commodity swaps contracts		–	16,362	–	16,362				
		–	17,047	–	17,047				

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 Fair value measurement of financial instruments (continued)

As at 31 December 2023					
Recurring fair value measurements					
Note	Level 1	Level 2	Level 3	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets					
Financial assets measured at fair value through profit or loss					
– Other non-current financial assets	13	–	–	36,500	36,500
Financial assets at fair value through other comprehensive income					
– Trade and bills receivable	9	236,487	–	–	236,487
– Equity investments	9	–	3,869	–	3,869
		–	236,487	40,369	276,856

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of commodity swaps contract is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account the current interest rates and the current creditworthiness of the swap counterparties.

The fair value of trade and bills receivable is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date.

Valuation techniques and inputs used in Level 3 fair value measurements

For other non-current assets, the fair value is determined using most recent transaction price.

For equity investment, as the operating environment, operating status and financial position of the investee do not have significant change, the fair value remains unchanged.

During the six month period ended 30 June 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 Fair value measurement of financial instruments (continued)

Valuation techniques and inputs used in Level 3 fair value measurements (continued)

The following table presents the changes in level 3 items for the period ended 30 June 2024:

	Equity investments RMB'000	Other non-current financial assets RMB'000	Total RMB'000
As at 1 January 2023	5,000	–	5,000
Acquisitions	–	26,500	26,500
Disposals	–	–	–
Fair value change	–	–	–
As at 30 June 2023	5,000	26,500	31,500
Acquisitions	–	–	–
Disposals	–	–	–
Fair value change	(1,131)	10,000	8,869
As at 31 December 2023	3,869	36,500	40,369
Acquisitions	–	–	–
Disposals	–	–	–
Fair value change	–	–	–
As at 30 June 2024	3,869	36,500	40,369

Financial assets and financial liabilities not measured at fair value mainly represent trade receivables, other receivables, amounts due from related parties excluded prepayments, trade payables, amounts due to related parties, other payables (except for the staff salaries and welfare payables and taxes payables) and borrowings. The carrying amounts of these financial assets and liabilities not measured at fair value are a reasonable approximation of their fair value.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

19 Related-party transactions

The following is a list of the Group's major related parties:

Names of related parties	Relationship with the Company
China Petrochemical Corporation ("Sinopec Group")	Ultimate parent company
Sinopec Corp.	Immediate parent company
Sinopec Chemical Commercial Holding Company Limited	Subsidiary of the immediate parent company
China International United Petroleum and Chemical Company Limited	Subsidiary of the immediate parent company
China Petrochemical International Company Limited	Subsidiary of the immediate parent company
Sinopec Chemical Commercial Company Limited	Subsidiary of the immediate parent company
Sinopec Refinery Product Sales Company Limited	Subsidiary of the immediate parent company
Sinopec Petroleum Commercial Reserve Company Limited	Subsidiary of the ultimate parent company
Sinopec Finance Company Limited ("Sinopec Finance")	Subsidiary of the ultimate parent company
Shanghai Secco Petrochemical Co., Ltd. ("Shanghai Secco")	Associate of the Group
Shanghai Nanguang Petrochemical Co., Ltd.	Associate of the Group
Linde-SPC Gases Company Limited	Joint venture of the Group

The following is a summary of significant balances and transactions between the Group and its related parties except for the dividends payable as disclosed in Note 7 and Note 15.

Most of the transactions undertaken by the Group during the six months ended 30 June 2024 have been affected on such terms as determined by Sinopec Corp. and relevant PRC authorities.

Sinopec Corp. negotiates and agrees the terms of crude oil supply with suppliers on a group basis, which is then allocated among its subsidiaries, including the Group, on a discretionary basis. Sinopec Corp. also owns a widespread petroleum products sales network and possesses a fairly high market share in domestic petroleum products market, which is subject to extensive regulation by the PRC government.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

19 Related-party transactions *(continued)*

The Group has entered into a mutual product supply and sales services framework agreement with Sinopec Corp. Pursuant to the agreement, Sinopec Corp. provides the Company with crude oil, other petrochemical raw materials and agent services. On the other hand, the Group provides Sinopec Corp. with petroleum products, petrochemical products and property leasing services.

The pricing policy for these services and products provided under the agreement is as follows:

- if there are applicable State (central and local government) tariffs, the pricing shall follow the State tariffs;
- if there are no State tariffs, but there are applicable State's guidance prices, the pricing shall follow the State's guidance prices; or
- if there are no State tariffs or State's guidance prices, the pricing shall be determined in accordance with the prevailing market prices (including any bidding prices).

(a) Transactions between the Group and Sinopec Corp, its subsidiaries and joint ventures during the six months ended 30 June 2024 and the six months ended 30 June 2023 were as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Sales of petroleum products	25,984,502	26,956,045
Sales other than petroleum products	5,808,310	4,679,998
Purchases of crude oil	23,167,858	25,775,081
Purchases other than crude oil	4,451,407	3,548,884
Sales commissions	46,185	50,602
Rental income	17,254	17,011

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

19 Related-party transactions *(continued)*

- (b) Other transactions between the Group and Sinopec Group and its subsidiaries, associates and joint ventures of the Group during the six months ended 30 June 2024 and the six months ended 30 June 2023 were as follows:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Sales of goods and service fee income		
– Sinopec Group and its subsidiaries	56,427	29,289
– Associates and joint ventures of the Group	1,668,566	1,054,742
	1,724,993	1,084,031
Purchases		
– Sinopec Group and its subsidiaries	1,133,933	1,163,231
– Associates and joint ventures of the Group	189,530	218,022
	1,323,463	1,381,253
Insurance premium expenses		
– Sinopec Group and its subsidiaries	64,248	58,121
Addition to right-of-use assets		
– Sinopec Group and its subsidiaries	2,388	1,388
Interest expense of lease liabilities		
– Sinopec Group and its subsidiaries	142	290
– Joint ventures of the Group	2	6
	144	296
Interest expense		
– Sinopec Finance	3,822	3,801
Interest income		
– Sinopec Finance	4	176
Construction and installation cost		
– Sinopec Group and its subsidiaries	63,875	93,856
– Sinopec Corp., its subsidiaries and joint ventures	1,204	3,516
	65,079	97,372
Rental income		
– Associates and joint ventures of the Group	9,776	12,573
– Sinopec Group and its subsidiaries	239	239
	10,015	12,812

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

19 Related-party transactions *(continued)*

- (b) Other transactions between the Group and Sinopec Group and its subsidiaries, associates and joint ventures of the Group during the six months ended 30 June 2024 and the six months ended 30 June 2023 were as follows: *(continued)*

The directors of the Company are of the opinion that the transactions with Sinopec Corp., its subsidiaries and joint ventures, Sinopec Group and its subsidiaries, associates and joint ventures of the Group as disclosed in Notes 19(a) and 19(b) were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

- (c) The relevant amounts due from/to Sinopec Corp., its subsidiaries and joint ventures, Sinopec Group and its subsidiaries, associates and joint ventures of the Group, arising from purchases, sales and other transactions as disclosed in Notes 19(a) and 19(b), are summarized as follows:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Amounts due from related parties		
– Sinopec Corp., its subsidiaries and joint ventures	4,095,063	1,376,284
– Associates and joint ventures of the Group	50,530	77,580
	4,145,593	1,453,864
Amounts due to related parties		
– Sinopec Corp., its subsidiaries and joint ventures	6,915,345	4,702,463
– Sinopec Group and its subsidiaries	178,320	263,157
– Associates and joint ventures of the Group	114,665	190,178
	7,208,330	5,155,798
Lease liabilities		
– Sinopec Group and its subsidiaries	3,993	6,506
– Joint ventures of the Group	139	138
	4,132	6,644
Long-term borrowings due within one year		
– Sinopec Finance	700,000	700,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

19 Related-party transactions *(continued)*

(d) Key management personnel compensation, post-employment benefit plans and share options

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The key personnel compensations are as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Short-term employee benefits	6,933	8,189
Post-employment benefits	262	368
	7,195	8,557

(e) Commitments with related parties

(i) Construction and installation cost

	As at	As at
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Sinopec Group and its subsidiaries	819,358	810,730

Except for the above, the Group had no other material commitments with related parties as at 30 June 2024 and 31 December 2023, which are contracted, but not included in the interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 Related-party transactions (continued)

(f) Investment commitments with related parties

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Capital contribution to Baling Materials (i)	–	150,000

(i) Sinopec Hunan Petrochemical Co., Ltd. (formerly known as "Sinopec Baling Petrochemical Co., Ltd.") and the Company jointly established Baling Materials on 7 September 2021, each with a cash contribution of RMB400,000 thousand.

During the six-month period ended 30 June 2024, the Company made a paid-up capital contribution of RMB150,000 thousand. As at 30 June 2024, the Company has fully contributed RMB400,000 thousand to Baling Materials.

Except for the above disclosed in Notes 19(e) and 19(f), the Group had no other material commitments with related parties as at 30 June 2024, which are contracted, but not included in the financial statements.

20 Commitments

Capital commitments outstanding at 30 June 2024 not provided for in the interim financial report

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Property, plant and equipment contracted for	1,527,707	1,736,358



REVIEW REPORT

畢馬威華振專字第2403177號

The Shareholders of Sinopec Shanghai Petrochemical Company Limited:

We have reviewed the accompanying financial statements of Sinopec Shanghai Petrochemical Company Limited (“Sinopec Shanghai”), which comprise the consolidated and company balance sheets as of 30 June 2024, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders’ equity for the period from 1 January 2024 to 30 June 2024, and the notes to the financial statements. The Management of Sinopec Shanghai is responsible for the preparation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises. Our responsibility is to issue a review report based on our review.

We conducted the review in accordance with Chinese Certified Public Accountants Review Standards No. 2101-Review of financial statements. The standards require that we plan and perform the review to obtain limited assurance as to whether the financial statements are free from material misstatement. A review is limited primarily to inquiries of SPC personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China, and cannot present fairly, in all material respects, the consolidated and the company’s financial position of Sinopec Shanghai as at 30 June 2024, and their financial performance and cash flows for the period from 1 January 2024 to 30 June 2024.

KPMG Huazhen LLP

Certified Public Accountants
Registered in the People’s Republic of China

Wang Weni
(Engagement Partner)

Beijing, China

Zhang Lin
21 August 2024

B. Interim Financial Statements Prepared under China Accounting Standards for Business Enterprises (unaudited)

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

Assets	Note	30 June 2024 (unaudited) Consolidated	31 December 2023 Consolidated	30 June 2024 (unaudited) Company	31 December 2023 Company
Current Assets					
Cash at bank and on hand	V.1	9,339,703	5,607,013	9,183,684	5,235,586
Derivative financial assets	V.2	13,509	–	13,509	–
Accounts receivable	V.3, XIII.1	4,135,451	1,448,947	3,987,421	1,324,693
Receivables under financing	V.4, XIII.2	347,417	236,487	96,707	75,238
Prepayments	V.5	22,400	32,536	17,427	31,176
Other receivables	V.6, XIII.3	521,337	352,064	508,180	336,033
Inventories	V.7	7,450,182	7,751,687	7,299,681	7,514,146
Other current assets	V.8	298,167	26,098	284,400	9,350
Total Current Assets		22,128,166	15,454,832	21,391,009	14,526,222
Non-Current Assets					
Long-term equity investments	V.9, XIII.4	3,472,560	3,351,941	4,745,193	4,594,033
Investments in other equity instruments		3,869	3,869	–	–
Other non-current financial assets	V.10	36,500	36,500	–	–
Investment properties	V.11	312,656	321,037	339,338	348,253
Fixed assets	V.12, XIII.5	13,714,014	14,190,827	13,323,181	13,782,626
Construction in progress	V.13	1,129,493	1,200,602	1,129,282	1,192,629
Right-of-use assets	V.14	8,166	8,295	6,902	7,303
Intangible assets	V.15	342,688	352,672	243,003	249,146
Long-term deferred expenses	V.16	481,389	641,328	478,298	637,572
Deferred tax assets	V.17	1,312,116	1,313,841	1,307,119	1,309,022
Other non-current assets	V.18	–	2,782,500	–	2,782,500
Total Non-current Assets		20,813,451	24,203,412	21,572,316	24,903,084
Total Assets		42,941,617	39,658,244	42,963,325	39,429,306
Liabilities and shareholders' equity					
Current Liabilities					
Short-term loans	V.20	4,500,000	3,000,000	4,500,000	3,000,000
Derivative financial liabilities	V.2	17,047	–	17,047	–
Bills payable	V.21	5,583,518	1,535,334	5,572,373	1,492,983
Accounts payable	V.22	4,496,328	6,296,912	3,931,138	5,731,500
Contract liabilities	V.23	187,753	335,006	124,144	223,517
Employee benefits payable	V.24	619,116	322,265	604,974	316,661
Taxes payable	V.25	994,358	1,187,075	984,922	1,175,345
Other payables	V.26	787,641	1,144,683	2,061,487	2,267,858
Non-current liabilities due within one year	V.27	705,983	707,515	705,233	706,940
Other current liabilities	V.28	26,475	43,819	19,521	34,355
Total Current Liabilities		17,918,219	14,572,609	18,520,839	14,949,159

The notes on pages 100 to 253 form part of these financial statements.

CONSOLIDATED AND COMPANY BALANCE SHEETS (continued)

AS AT 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

Liabilities and shareholders' equity	Note	30 June 2024 (unaudited) Consolidated	31 December 2023 Consolidated	30 June 2024 (unaudited) Company	31 December 2023 Company
Non-Current Liabilities					
Lease liabilities	V.29	735	942	589	539
Deferred income	V.30	107,371	110,222	107,241	110,091
Deferred tax liabilities	V.17	31,126	31,564	-	-
Total Non-Current Liabilities		139,232	142,728	107,830	110,630
Total Liabilities		18,057,451	14,715,337	18,628,669	15,059,789
Shareholders' equity					
Share capital	I, V.31	10,675,228	10,799,286	10,675,228	10,799,286
Capital reserve	V.32	621,460	609,166	599,661	599,607
Less: Treasury stock	V.33	-	70,579	-	70,579
Other comprehensive income	V.34	(4,015)	(887)	(3,167)	(39)
Specific reserve	V.35	272,065	298,137	272,060	298,132
Surplus reserve	V.36	6,672,634	6,672,634	6,672,634	6,672,634
Retained earnings	V.37	6,545,084	6,517,172	6,118,240	6,070,476
Total equity attributable to shareholders of the Company		24,782,456	24,824,929	-	-
Non-controlling interests	V.38	101,710	117,978	-	-
Total Shareholders' Equity		24,884,166	24,942,907	24,334,656	24,369,517
Total Liabilities and Shareholders' Equity		42,941,617	39,658,244	42,963,325	39,429,306

These financial statements were approved by the Board of Directors of the Company on 21 August 2024.

Guo Xiaojun
Chairman

Du Jun
Director and Chief Financial Officer

Fu Hejuan
Accounting Chief

The notes on pages 100 to 253 form part of these financial statements.

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	Six months ended 30 June		Twelve months ended 31 December	
		2024	2023	2024	2023
		(unaudited) Consolidated	(unaudited) Consolidated	(unaudited) Company	(unaudited) Company
I. Operating income	V.39, XIII.6	43,532,806	44,937,051	40,213,880	40,895,068
Less: Operating costs	V.39, XIII.6	36,439,910	38,555,927	33,207,016	34,593,186
Taxes and surcharges	V.40	5,993,136	6,226,581	5,987,346	6,220,308
Selling and distribution expenses	V.41	126,581	148,459	95,061	107,411
General and administrative expenses	V.42	887,095	958,227	838,962	911,458
Research and development expenses	V.43	96,904	68,062	96,904	65,181
Financial expenses ("-" for income)	V.44	(76,200)	(125,281)	(78,224)	(118,283)
Including: Interest expense		91,904	55,547	91,778	54,622
Interest income		180,835	185,052	173,430	173,082
Add: Other income	V.45	12,915	7,399	11,867	5,481
Investment income ("-" for losses)	V.46, XIII.7	84,024	(120,360)	85,236	(145,974)
Including: Gains/Losses from investment in associates and joint ventures		85,863	(118,363)	70,793	(144,851)
Gains from changes in fair value ("-" for losses)	V.47	633	-	633	-
Credit losses ("-" for losses)	V.48	(28)	167	(26)	(13)
Impairment losses ("-" for losses)	V.49	(111,483)	(190,486)	(111,483)	(190,486)
Gains from asset disposals ("-" for losses)	V.50	1,729	434	2,533	-
II. Operating profit ("-" for loss)		53,170	(1,197,770)	55,575	(1,215,185)
Add: Non-operating income	V.51	16,640	14,505	16,578	8,920
Less: Non-operating expenses	V.52	32,315	28,709	21,443	28,688
III. Profit before income tax ("-" for loss)		37,495	(1,211,974)	50,710	(1,234,953)
Less: Income tax benefits/(expenses)	V.53	6,097	(226,288)	2,946	(234,848)
IV. Net profit ("-" for net loss)		31,398	(985,686)	47,764	(1,000,105)
(1) Net profit classified by continuity of operations:					
1. Net profit from continuing operations ("-" for net losses)		31,398	(985,686)	47,764	(1,000,105)
2. Net profit from discontinued operations ("-" for net losses)		-	-	-	-
(2) Net profit classified by ownership:					
1. Shareholders of the Company ("-" for net losses)	V.37	27,912	(988,277)	-	-
2. Non-controlling interests ("-" for net losses)		3,486	2,591	-	-

The notes on pages 100 to 253 form part of these financial statements.

CONSOLIDATED AND COMPANY INCOME STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	Six months ended 30 June		Twelve months ended 31 December	
		2024 (unaudited) Consolidated	2023 (unaudited) Consolidated	2024 (unaudited) Company	2023 (unaudited) Company
V. Other comprehensive income, net of tax		(3,128)	(21)	(3,128)	(21)
(1) Other comprehensive income (net of tax) attributable to shareholders of the Company		(3,128)	(21)	(3,128)	(21)
Items that may be reclassified to profit or loss		(3,128)	(21)	(3,128)	(21)
1. Other comprehensive income recognized under equity method		-	(21)	-	(21)
2. Cash flow hedge reserve	V.34	(3,128)	-	(3,128)	-
(2) Other comprehensive income (net of tax) attributable to non-controlling interests		-	-	-	-
VI. Total comprehensive income		28,270	(985,707)	44,636	(1,000,126)
(1) Attributable to shareholders of the Company		24,784	(988,298)	-	-
(2) Attributable to non-controlling interests		3,486	2,591	-	-
VII. Gains per share					
(1) Basic gains/(losses) per share (RMB Yuan)	V.54	0.003	(0.092)	-	-
(2) Diluted gains/(losses) per share (RMB Yuan)	V.54	0.003	(0.092)	-	-

These financial statements were approved by the Board of Directors of the Company on 21 August 2024.

Guo Xiaojun
Chairman

Du Jun
Director and Chief Financial Officer

Fu Hejuan
Accounting Chief

The notes on pages 100 to 253 form part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	Six months ended 30 June		Six months ended June	
		2024 (unaudited) Consolidated	2023 (unaudited) Consolidated	2024 (unaudited) Company	2023 (unaudited) Company
I. Cash flows generated from/(used in) operating activities					
Proceeds from sale of goods and rendering of services		44,431,901	50,445,781	40,957,321	45,897,646
Refund of taxes		42,812	241,174	-	143,615
Proceeds from other operating activities	V.56	207,840	131,515	390,445	119,982
Sub-total of cash inflows		44,682,553	50,818,470	41,347,766	46,161,243
Sub-total of cash outflows					
Payment for goods and services		(36,162,628)	(43,541,676)	(32,779,982)	(39,086,208)
Payment to and for employees		(1,398,860)	(1,407,170)	(1,332,672)	(1,330,011)
Payment of various taxes		(6,594,868)	(5,844,435)	(6,579,695)	(5,810,905)
Payment for other operating activities	V.56	(184,227)	(252,071)	(75,246)	24,177
Sub-total of cash outflows		(44,340,583)	(51,045,352)	(40,767,595)	(46,202,947)
Net cash flows generated from/(used in) operating activities	V.57, XIII.8	341,970	(226,882)	580,171	(41,704)
II. Cash flows (used in)/generated from investing activities					
Cash received from recovery of investment	V.56	-	50,000	-	-
Cash received from returns on investments	V.56	115,244	92,000	85,119	46,262
Net cash received from disposal of fixed assets and other long-term assets		10,800	24,589	9,834	23,654
Proceeds from other investing activities	V.56	213,252	1,058,167	10,675	1,054,114
Sub-total of cash inflows		339,296	1,224,756	105,628	1,124,030
Sub-total of cash outflows					
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(774,733)	(682,782)	(771,677)	(678,135)
Cash paid to acquire investments	V.56	(150,000)	(26,500)	(150,000)	-
Payment for other investing activities	V.56	(27)	(1,997)	-	(1,123)
Sub-total of cash outflows		(924,760)	(711,279)	(921,677)	(679,258)
Net cash flows (used in)/generated from investing activities		(585,464)	513,477	(816,049)	444,772

The notes on pages 100 to 253 form part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	Six months ended 30 June		Six months ended June	
		2024 (unaudited) Consolidated	2023 (unaudited) Consolidated	2024 (unaudited) Company	2023 (unaudited) Company
III. Cash flows generated from financing activities					
Proceeds from borrowings		17,500,000	16,018,000	17,500,000	16,000,000
Sub-total of cash inflows		17,500,000	16,018,000	17,500,000	16,000,000
Repayments of borrowings		(16,000,000)	(12,520,000)	(16,000,000)	(12,500,000)
Payment for dividends, profit distributions or interest		(83,405)	(63,761)	(75,891)	(62,864)
Including: Dividends paid by subsidiaries to non-controlling interests		(7,759)	-	-	-
Payment for other financing activities	V.56	(73,903)	(6,825)	(73,081)	(5,198)
Sub-total of cash outflows		(16,157,308)	(12,590,586)	(16,148,972)	(12,568,062)
Net cash flows generated from financing activities		1,342,692	3,427,414	1,351,028	3,431,938
IV. Effect of foreign exchange rate changes on cash and cash equivalents		544	7,336	-	-
V. Net increase in cash and cash equivalents ("-" for decrease)		1,099,742	3,721,345	1,115,150	3,835,006
Add: Cash and cash equivalents at the beginning of the period	V.57, XIII.8	4,906,368	889,413	4,734,945	671,538
VI. Cash and cash equivalents at the end of the period	V.57, XIII.8	6,006,110	4,610,758	5,850,095	4,506,544

These financial statements were approved by the Board of Directors of the Company on 21 August 2024.

Guo Xiaojun
Chairman

Du Jun
Director and Chief Financial Officer

Fu Hejuan
Accounting Chief

The notes on pages 100 to 253 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

Note	Attributable to equity shareholders of the Company								Non-controlling interests	Total
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Sub-total		
I. Balance at 1 January 2024	10,799,286	609,166	70,579	(887)	298,137	6,672,634	6,517,172	24,824,929	117,978	24,942,907
II. Changes in equity from 1 January 2024 to 30 June 2024 (unaudited) ("-" for decreases)										
(1) Total comprehensive income										
1. Net profit ("-" for net loss)	-	-	-	-	-	-	27,912	27,912	3,486	31,398
2. Other comprehensive income	V.34	-	-	(3,128)	-	-	-	(3,128)	-	(3,128)
(2) Shareholders' contributions and decreases in capital										
1. Treasury stock repurchase	-	-	53,425	-	-	-	-	(53,425)	-	(53,425)
2. Cancellation of treasury stock repurchase	V.33	(124,058)	54	(124,004)	-	-	-	-	-	-
3. Purchase of minority shareholder equity	V.38	-	12,240	-	-	-	-	12,240	(12,240)	-
(3) Appropriation of profits										
1. Distributions to shareholders	-	-	-	-	-	-	-	-	(7,514)	(7,514)
(4) Specific reserve										
1. Accrued	V.35	-	-	-	91,195	-	-	91,195	-	91,195
2. Utilized	V.35	-	-	-	(117,267)	-	-	(117,267)	-	(117,267)
III. Balance at 31 June 2024 (unaudited)	10,675,228	621,460	-	(4,015)	272,065	6,672,634	6,545,084	24,782,456	101,710	24,884,166

These financial statements were approved by the Board of Directors of the Company on 21 August 2024.

Guo Xiaojun
Chairman

Du Jun
Director and Chief Financial Officer

Fu Hejuan
Accounting Chief

The notes on pages 100 to 253 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	Attributable to equity shareholders of the Company								Non-controlling interests	Total
		Share capital	Capital reserve	Treasury stock	Less: comprehensive income	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings		
I. Balance at 1 January 2023		10,823,814	610,327	25,689	(806)	240,418	6,672,639	7,923,002	26,243,705	127,681	26,371,386
Add: Changes in accounting policies		-	-	-	-	-	(5)	46	41	(2)	39
Adjusted balance at the beginning of the current period		10,823,814	610,327	25,689	(806)	240,418	6,672,634	7,923,048	26,243,746	127,679	26,371,425
II. Changes in from 1 January 2023 to 30 June 2023 (unaudited)											
(“-” for decreases)											
1. Total comprehensive income											
(1) Net profit (“-” for net loss)		-	-	-	-	-	-	(988,277)	(988,277)	2,591	(985,686)
(2) Other comprehensive income	V.34	-	-	-	(21)	-	-	-	(21)	-	(21)
2. Shareholders' decreases in capital											
(1) Cancellation of treasury stock repurchase	V.33	(24,528)	(1,161)	(25,689)	-	-	-	-	-	-	-
3. Appropriation of profits											
(1) Distributions to shareholders	V.37	-	-	-	-	-	-	-	-	-	-
4. Specific reserve											
(1) Accrued	V.35	-	-	-	-	76,290	-	-	76,290	-	76,290
(2) Utilized	V.35	-	-	-	-	(55,706)	-	-	(55,706)	-	(55,706)
III. Balance at 30 June 2023 (unaudited)		10,799,286	609,166	-	(827)	261,002	6,672,634	6,934,771	25,276,032	130,270	25,406,302

These financial statements were approved by the Board of Directors of the Company on 21 August 2024.

Guo Xiaojun
Chairman

Du Jun
Director and Chief Financial Officer

Fu Hejuan
Accounting Chief

The notes on pages 100 to 253 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Total
I. Balance at the beginning of 1 January 2024	10,799,286	599,607	70,579	(39)	298,132	6,672,634	6,070,476	24,369,517
II. Changes in from 1 January 2024 to 30 June 2024 (unaudited) ("-" for decreases)								
(1) Total comprehensive income								
1. Net profit ("-" for net loss)	-	-	-	-	-	-	47,764	47,764
2. Other comprehensive income	-	-	-	(3,128)	-	-	-	(3,128)
(2) Shareholders' contributions and decreases in capital								
1. Treasury stock repurchase	-	-	53,425	-	-	-	-	(53,425)
2. Cancellation of treasury stock repurchase	(124,058)	54	(124,004)	-	-	-	-	-
(3) Specific reserve								
1. Accrued	-	-	-	-	87,000	-	-	87,000
2. Utilized	-	-	-	-	(113,072)	-	-	(113,072)
III. Balance at 30 June 2024 (unaudited)	10,675,228	599,661	-	(3,167)	272,060	6,672,634	6,118,240	24,334,656

These financial statements were approved by the Board of Directors of the Company on 21 August 2024.

Guo Xiaojun
Chairman

Du Jun
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Accounting Chief

The notes on pages 100 to 253 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Total
I. Balance at 1 January 2023	10,823,814	600,768	25,689	(806)	239,689	6,672,639	7,339,125	25,649,540
Add: Changes in accounting policies	-	-	-	-	-	(5)	45	40
Adjusted balance at the beginning of the current period	10,823,814	600,768	25,689	(806)	239,689	6,672,634	7,339,170	25,649,580
II. Changes in from 1 January 2023 to 30 June 2023 (unaudited) ("-" for decreases)								
1. Total comprehensive income								
(1) Net profit ("-" for net loss)	-	-	-	-	-	-	(1,000,105)	(1,000,105)
(2) Other comprehensive income	-	-	-	(21)	-	-	-	(21)
2. Shareholders' decreases in capital								
(1) Cancellation of treasury stock repurchase	(24,528)	(1,161)	(25,689)	-	-	-	-	-
3. Specific reserve								
(1) Accrued	-	-	-	-	73,200	-	-	73,200
(2) Utilized	-	-	-	-	(51,893)	-	-	(51,893)
III. Balance at 30 June 2023 (unaudited)	10,799,286	599,607	-	(827)	260,996	6,672,634	6,339,065	24,670,761

These financial statements were approved by the Board of Directors of the Company on 21 August 2024.

Guo Xiaojun
Chairman

Du Jun
Director and Chief Financial Officer

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Accounting Chief

The notes on pages 100 to 253 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

I. General information

Sinopec Shanghai Petrochemical Company Limited (“the Company”), formerly Shanghai Petrochemical Company Limited, was established in the People’s Republic of China (“the PRC”) on 29 June 1993 with registered capital of RMB4,000,000,000, invested by its holding company-China National Petrochemical Corporation (“Sinopec Group”); these shares were converted from assets of former Shanghai Petrochemical Complex.

H shares were listed on the Hong Kong Stock Exchange on 26 July 1993 and listed on the New York Stock Exchange in the form of American Depositary Shares at the same time; the A shares were listed on the Shanghai Stock Exchange on 8 November 1993.

Sinopec Group completed its reorganisation on 25 February 2000. After the reorganisation, China Petroleum & Chemical Corporation (“Sinopec Corp.”) was established. As part of the reorganisation, Sinopec Group transferred its 4,000,000,000 of the Company’s state-owned legal shares, which represented 55.56 percent of the issued share capital of the Company, to Sinopec Corp. Sinopec Corp. became the largest shareholder of the Company. The Company changed its name to Sinopec Shanghai Petrochemical Company Limited on 12 October 2000.

Additional A shares of RMB14,176,600 and RMB9,636,900 were registered on 27 September 2017 and 12 January 2018.

On 12 August 2022, the Company announced its voluntary delisting of American Depositary Receipts from the New York Stock Exchange. On 26 August 2022, the Group submitted Form 25 to the U.S. Securities and Exchange Commission to delist and deregister the Group’s American Depositary Receipts. On 6 September 2022, the Group’s American Depositary Receipts were delisted from the New York Stock Exchange. On 15 March 2024, the Group submitted Form 15F to the U.S. Securities and Exchange Commission to deregister the Group’s American Depositary Receipts and terminate reporting obligations. The form became effective 90 days after submission.

On 22 June 2022, the 2021 General Meeting of shareholders, the 2022 Second General Meeting of A-share Shareholders, and the 2022 Second General Meeting of H-share Shareholders approved the proposal to authorize the board of directors to repurchase domestic shares or overseas listed foreign shares of the company. According to this authorization, at 17 February 2023 the company cancelled 24,528,000 H-shares that had been repurchased, accounting for 0.23% of the total issued shares of the company.

On 28 June 2023, the 2022 General Meeting of shareholders, the 2023 First General Meeting of A-share Shareholders, and the 2023 First General Meeting of H-share Shareholders approved the proposal to authorize the board of directors to repurchase domestic shares or overseas listed foreign shares of the company. According to this authorization, on 17 June 2024 the company cancelled all 124,058,000 H-shares that had been repurchased, accounting for 1.15% of the total issued shares of the company.

As of 30 June 2024, total share capital of the Company was RMB10,675,227,500, with RMB1 Yuan per share. Detailed changes to share capital refers to Note V.31.

The Company and its subsidiaries (“the Group”) is a highly integrated entity which processes crude oil into synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products.

Details of the Company’s principal subsidiaries are set out in Note VI.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

II. Basis of preparation

The financial statements have been prepared on the going concern basis.

III. Summary of significant accounting policies and accounting estimates

Accounting policies for the provision for the recognition and measurement of bad debt provisions for receivables, the measurement of inventory issuance and the depreciation of fixed assets of the Group are adopted according to the specific characteristics of the Group's operations. Please refer to the relevant notes on accounting policies.

1. Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business. These financial statements present truly and completely the consolidated financial position and financial position of the Company as of 30 June 2024, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year from 1 January 2024 to 30 June 2024.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No.15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2023.

2. Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

3. Operating cycle

The Company takes the period from the acquisition of assets for processing to until the ultimate realization of cash or cash equivalents as a normal operating cycle. The operating cycle of the Company is usually less than 12 months.

4. Functional currency

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the primary economic environment in which they operate.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

5. Method for determining materiality standards and basis for selection

Item	Materiality standards
Significant construction in progress	Amount at the end of the period or change during the year of construction projects in progress \geq RMB30 million
Significant joint arrangements or associates	Carrying amount of long-term equity investment or the impact of the current year's income statement \geq RMB30 million
Significant non-wholly-owned subsidiaries	Amount at the end of the period or change during the period of minority shareholder equity \geq RMB30 million

6. Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the Group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition-date fair values. It is not required to apply the accounting of business combination described as below.

(1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognized in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognized amounts of the equity or debt securities.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

6. Accounting treatments for business combinations involving entities under common control and not under common control *(continued)*

(2) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill. If (1) is less than (2), the difference is recognized in profit or loss for the current period. The costs of issuing equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognized in profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognized by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognizes any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognized in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss are transferred to investment income at the date of acquisition; Any previously-held equity interest that is designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognized in prior reporting periods is transferred to retained earnings and surplus reserve at the date of acquisition.

7. Judgmental criteria for control and consolidated financial statements

(1) General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

7. Judgmental criteria for control and consolidated financial statements *(continued)*

(1) General principles *(continued)*

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealized profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains, unless they represent impairment losses that are recognized in the financial statements. Unrealized profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and non-controlling interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealized profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and non-controlling interests in accordance with the allocation proportion of the parent in the subsidiary. If the accounting treatment of a transaction which considers the Group as an accounting entity is different from that considers the Company or its subsidiaries as an accounting entity, it is adjusted from the perspective of the Group.

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

7. Judgmental criteria for control and consolidated financial statements *(continued)*

(3) Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognized as investment income for the current period. The remaining equity interests is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognized as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, the following are considered to determine whether the Group should account for the multiple transactions as a bundled transaction:

- arrangements are entered into at the same time or in contemplation of each other;
- arrangements work together to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note III.7(4)).

If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognized in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

(4) Changes in non-controlling interests

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

8. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

9. Foreign currency transactions

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognized in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition of qualifying assets (see Note III.16). Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Effect of foreign exchange rate changes on cash is presented separately in the cash flow statement.

10. Financial instruments

Financial instruments include cash at bank and on hand, account receivables, accounts receivable financing, other equity instrument investments, other non-current financial assets, account payables, borrowings, and share capital, etc.

(1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognized in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial asset or financial liability is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable, without significant financing component or practical expedient applied for one year or less contracts, is initially measured at the transaction price in accordance with Note III.22.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortized cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income, and listed them as other equity instrument investments. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer. The relevant dividend income of such financial assets is included in the current profit and loss.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(2) Classification and subsequent measurement of financial assets *(continued)*

(a) Classification of financial assets (continued)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(b) Subsequent measurement of financial assets

– Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss unless the financial assets are part of a hedging relationship. Those maturing more than one year from the balance sheet date and expected to be held for more than one year shall be listed as other non-current financial assets, while the rest shall be listed as trading financial assets.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(2) Classification and subsequent measurement of financial assets *(continued)*

(b) Subsequent measurement of financial assets (continued)

– Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. A gain or loss on a financial asset that is measured at amortized cost and is not part of a hedging relationship shall be recognized in profit or loss when the financial asset is derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses. Such financial assets mainly include cash at bank and on hand, accounts receivable, other receivables and investments in debt securities, etc. The Group shall list the investments in debt securities that is due within one year (including one year) from the date of balance sheet as non-current assets that are due within one year; The investments in debt securities that is due within one year (including one year) at the time of acquisition is listed as other current assets. The investments in debt securities that is due more than one year from the date of balance sheet is listed as other non-current assets.

– Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss. Such financial assets are listed as receivables under financing, other investments in debt securities, and other investments in debt securities that are due within one year (including one year) from the date of balance sheet are listed as non-current assets that are due within one year; Other investments in debt securities with a maturity of one year (including one year) at the time of acquisition are listed as other current assets.

– Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL, or financial liabilities measured at amortized cost.

– *Financial liabilities at FVTPL*

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss, unless the financial liabilities are part of a hedging relationship.

– *Financial liabilities measured at amortized cost*

These financial liabilities are subsequently measured at amortized cost using the effective interest method.

The financial liabilities of the Group are mainly financial liabilities measured by amortized cost, including bills payable and accounts payable, other payables, borrowings, etc. Such financial liabilities are initially measured according to their fair value after deducting transaction costs and are subsequently measured by the effective interest rate method. Where the term is less than one year (including one year), it shall be listed as current liabilities; If the term is more than one year, but the term is due within one year (including one year) from the balance sheet date, it shall be listed as non-current liabilities that are due within one year; The rest are shown as non-current liabilities.

(4) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognized amounts;
- the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(5) Derecognition of financial assets and financial liabilities

Financial asset is derecognized when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or;
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognized directly in other comprehensive income for the part derecognized.

The Group derecognizes a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished. The difference between the carrying amount of the part to be recognized and the consideration paid shall be recorded into the profit and loss of the current period.

(6) Impairment

The Group recognizes loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI.

Financial assets measured at fair value, including equity securities designated at FVOCI, derivative financial assets and other non-current financial assets, are not subject to the ECL assessment.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(6) Impairment *(continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for trade receivables formed from daily operations such as sales of goods and rendering of services are always measured at an amount equal to lifetime ECL. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

Except for trade receivables, the Group measures loss allowance at an amount equal to 12-month ECL for the following financial instruments, and at an amount equal to lifetime ECL for all other financial instruments.

- If the financial instrument is determined to have low credit risk at the balance sheet date;
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(6) Impairment *(continued)*

Provision for bad debts for trade receivables

- (a) Categories of items for which bad debt provisioning is made based on a combination of credit risk characteristics and the basis.

Bills receivable Based on the differences in credit risk characteristics of the acceptors, the Group classifies notes receivable into two portfolios, bankers' acceptances and commercial acceptances.

Trade receivable Based on the Group's historical experience, there is no significant difference in the incidence of losses incurred by different segments of customer groups, therefore, the Group treats the entire trade receivable as a portfolio and does not further differentiate between different groups of customers in calculating the bad debt provision for accounts receivable.

Receivables under financing The Group's receivables under financing is bank acceptance bills receivable and trade receivable with dual holding purpose. As the accepting banks of the bills of exchange are banks with high credit ratings and the assigning banks of the trade receivable are non-recourse, the Group uses all the receivables under financing as a portfolio.

Other receivable The Group's other receivables mainly include receivables from consumption tax refunds and export tax refunds, receivables from related parties. Based on the nature of the receivables and the credit risk characteristics of different counterparties, the Group classifies other receivables into three portfolios, specifically: tax refund receivable portfolio, related party current receivable portfolio and others.

- (b) Individual provisioning judgment criteria according to individual provision for bad debts

The Group generally measures its provision for losses on bills receivable, trade receivable, receivables under financing and other receivables on the basis of a combination of credit risk characteristics. If the credit risk characteristics of a counterparty are significantly different from those of other counterparties in the portfolio, or if there is a significant change in the credit risk characteristics of that counterparty, provision for bad debts is made on an individual basis for receivables from that counterparty. For example, when a counterparty is in severe financial difficulty and the expected rate of credit loss on receivables from that counterparty is significantly higher than the expected rate of credit loss for the ageing range in which the counterparty is organized, a separate provision for bad debts is made.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(6) Impairment *(continued)*

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(6) Impairment *(continued)*

Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortized cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(7) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognized in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Company repurchases its own shares, those shares are treated as treasury shares. All expenditure relating to the repurchase is recorded in the cost of the treasury shares, with the transaction recording in the share register. Treasury shares are excluded from profit distributions and are presented as a deduction under shareholders' equity in the balance sheet.

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is deducted from capital reserve (share premium), surplus reserve and retained earnings sequentially. If the cost of treasury shares cancelled is less than the total par value, the difference is credited to the capital reserve (share premium).

When treasury shares are disposed of, any excess of proceeds above cost is recognized in capital reserve (share premium); otherwise, the shortfall is deducted against capital reserve (share premium), surplus reserve and retained earnings sequentially.

11. Inventories

(1) Classification

Inventories include raw materials, work in progress, semi-finished goods, finished goods and reusable materials. Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets.

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition. In addition to the purchase cost of raw materials, work in progress and finished goods include direct labor costs and an appropriate allocation of production overheads.

(2) Measurement method of cost

Cost of inventories recognized is calculated using the weighted average method.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

11. Inventories *(continued)*

(3) Amortization methods of low value consumables and packaging materials

Reusable materials including low-value consumables and packaging materials are charged to profit or loss upon receipt. The amortization charge is included in the cost of the related assets or recognized in profit or loss for the current period.

(4) Criteria for determining and method for provision for obsolete inventories

At the balance sheet date, inventories are carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realizable value of materials held for use in the production is measured based on the net realizable value of the finished goods in which they will be incorporated. The net realizable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices.

Any excess of the cost over the net realizable value of each item of inventories is recognized as a provision for obsolete inventories, and is recognized in profit or loss.

(5) Inventory count system

The Group maintains a perpetual inventory system.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

12. Long-term equity investments

(1) Investment cost of long-term equity investments

(a) Long-term equity investments acquired through a business combination

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings. For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a bundled transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.
- For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

(b) Long-term equity investments acquired other than through a business combination

- A long-term equity investment acquired other than through a business combination is initially recognized at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

12. Long-term equity investments *(continued)*

(2) Subsequent measurement of long-term equity investment

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognizes its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

For the impairment of the investments in subsidiaries, refer to Note III.19.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note III.6.

(b) Investment in joint ventures and associates

A joint venture is an arrangement whereby the Group and other parties have joint control (see Note III.12(3)) and rights to the net assets of the arrangement.

An associate is an entity over which the Group has significant influence (see Note III.12(3)).

A long-term investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

12. Long-term equity investments *(continued)*

(2) Subsequent measurement of long-term equity investment *(continued)*

(b) Investment in joint ventures and associates (continued)

The accounting treatments under the equity method adopted by the Group are as follows:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognized at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognized at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognized in profit or loss.
- After the acquisition of the investment, the Group recognizes its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), is recognized directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.
- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognizes investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealized profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealized losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealized gains but only to the extent that there is no impairment.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

12. Long-term equity investments *(continued)*

(2) Subsequent measurement of long-term equity investment *(continued)*

(b) Investment in joint ventures and associates (continued)

- The Group discontinues recognizing its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognizing the investment losses and the provisions. If the joint venture or associate subsequently reports net profits, the Group resumes recognizing its share of those profits only after its share of the profits has fully covered the share of losses not recognized.

For the impairment of the investments in joint ventures and associates, refer to Note III.19.

(3) Criteria for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's related activities unilaterally;
- Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

13. Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation, amortization and impairment losses. The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated or amortized using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale. For the impairment of the investment properties, refer to Note III.19.

Class	Estimated useful life (years)	Residual value rate (%)	Depreciation rate (%)
Plant and buildings	30-40 years	3%	2.4%-3.2%

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer.

The investment property's estimated useful life, net residual value and depreciation method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

14. Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods, providing services, or for administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note III.15. The fixed assets injected by the state-owned shareholder during the restructuring were initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

14. Fixed assets *(continued)*

(1) Recognition of fixed assets *(continued)*

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognized as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognized as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day maintenance of fixed assets are recognized in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life.

The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

	Estimated useful life (years)	Residual value rate (%)	Depreciation rate (%)
Buildings	12-40 years	0%-5%	2.4%-8.3%
Plant and machinery	5-20 years	0%-5%	4.8%-20.0%
Vehicles and other equipment	4-20 years	0%-5%	4.8%-25.0%

Useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

(3) For the impairment of the fixed assets, refer to Note III.19.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

14. Fixed assets *(continued)*

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognized:

- when the fixed asset is holding for disposal; or
- when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognized in profit or loss on the date of retirement or disposal.

15. Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalized borrowing costs (see Note III.16), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is classified as construction in progress and transferred to fixed asset when it is ready for its intended use, and depreciation begins from the following month. No depreciation is provided against construction in progress.

The criteria and point in time for carrying forward each type of construction in progress to fixed assets are as follows:

Class	Criteria	Time
Machinery and others	(1) A single set of devices can be put into operation alone, and independent of other devices or processes to produce qualified products, the relevant departments to issue a test report; (2) The joint device can be successful joint commissioning, normal production of qualified products, the relevant departments to issue a commissioning report; (3) Ancillary facilities are completed at the point when the combined plant is completed as a whole and reaches its intended useable state.	Ready for the intended use
Plant and buildings	The relevant departments have completed on-site acceptance and are in a position to use the site.	Ready for the intended use

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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III. Summary of significant accounting policies and accounting estimates *(continued)*

15. Construction in progress *(continued)*

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note III.19).

The Group sells the products or by-products produced before the fixed assets are ready for their intended use. In accordance with CAS No.14 – Revenue, CAS No.1 – Inventory and other standards, the relevant income and cost are accounted for separately and recognized in profit or loss.

16. Borrowing costs

Borrowing costs incurred directly attributable to the acquisition and construction of a qualifying asset are capitalized as part of the cost of the asset. Other borrowing costs are recognized as financial expenses when incurred.

During the capitalization period, the amount of interest (including amortization of any discount or premium on borrowing) to be capitalized in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition, and construction or production of a qualifying asset, the amount of interest to be capitalized is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.
- To the extent that the Group borrows funds generally and uses them for the acquisition, and construction or production of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognized amount of the borrowings.

During the capitalization period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalized as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognized as a financial expense when incurred.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

16. Borrowing costs *(continued)*

The capitalization period is the period from the date of commencement of capitalization of borrowing costs to the date of cessation of capitalization, excluding any period over which capitalization is suspended. Capitalization of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition and construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalization of borrowing costs is suspended when the acquisition and construction activities are interrupted abnormally for a period of more than three months.

17. Intangible assets

(1) Useful life and amortization methods

Intangible assets are stated in the balance sheet at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note III.19). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortized using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale. The intangible assets injected by the state-owned shareholder during the restructuring were initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

The respective useful life and its determination basis and amortization methods for intangible assets are as follows:

Item	Estimated useful life (years)	Determination basis	Amortization methods
Land-use right	20-50 years	Duration stated on the land certificate	straight-line method
Other intangible assets	2-28 years	Actual useful life of past intangible assets of similar nature and function	straight-line method

Useful lives and amortization methods of intangible asset with finite useful life are reviewed at least at each year-end.

An intangible asset is regarded as having an indefinite useful life and is not amortized when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group does not have any intangible assets with indefinite useful lives.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

17. Intangible assets *(continued)*

(2) Research and development expenditure

Expenditure on an internal research and development project is classified into expenditure incurred during the research phase and expenditure incurred during the development phase.

Expenditure during the research phase is expensed when incurred. Expenditure during the development phase is capitalized if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete the development. Capitalized development costs are stated in the balance sheet at cost less impairment losses (see Note III.19). Other development expenditure is recognized as an expense in the period in which it is incurred.

For the external sales of products or by-products produced in the research and development process, the relevant income and cost are accounted for separately and recognized in profit or loss in accordance with CAS No.14 – Revenue, CAS No.1 – Inventory and other standards.

18. Long-term deferred expenses

Long-term prepaid expenses mainly include the catalyst expenditures, leasehold improvements and other expenditures that have been incurred but should be recognized as expenses over more than one year in the current and subsequent periods.

Long-term deferred expenses are amortized using a straight-line method within the benefit period. The respective amortization periods for such expenses are as follows:

<u>Item</u>	<u>Amortization period</u>
Catalysts	1.5-10 years
Leasehold improvements	15-27 years

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

19. Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- right-of-use assets
- intangible assets
- investment properties measured using a cost model
- long-term equity investments
- long-term deferred expenses, etc.

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of intangible assets not ready for use at least annually at each year-end, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note III.20) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

19. Impairment of assets other than inventories and financial assets *(continued)*

An impairment loss is recognized in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognized accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognized, it is not reversed in a subsequent period.

20. Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

21. Provisions

A provision is recognized for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

21. Provisions *(continued)*

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate. The estimated liabilities expected to be paid within one year from the balance sheet date are listed as current liabilities.

22. Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognized when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Obligation of performance refers to the contractual commitment of the Group to transfer clearly distinguishable goods to the customer. Commodities promised by the Group to customers are treated as clearly distinguishable commodities if the following conditions are simultaneously met: first, the customer is able to benefit from the commodity itself or from the use of the commodity in conjunction with other readily available resources; and second, the Group's promise to transfer the commodity to the customer is separately distinguishable from the other promises in the contract.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognizes as revenue the amount of the transaction price that is allocated to each performance obligation. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group considers all information that is reasonably available to the entity, maximizes the use of observable inputs to estimate the stand-alone selling price.

For the contract with a warranty, the Group analyses the nature of the warranty provided, if the warranty provides the customer with a distinct service in addition to the assurance that the product complies with agreed-upon specifications, the Group recognizes for the promised warranty as a performance obligation. Otherwise, the Group accounts for the warranty in accordance with the requirements of CAS No.13 – Contingencies.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

22. Revenue recognition *(continued)*

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognizes the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognizes the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortized using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the customer can control the asset created or enhanced during the Group's performance; or
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

22. Revenue recognition *(continued)*

For performance obligation satisfied at a point in time, the Group recognizes revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;
- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- the customer has accepted the goods or services, etc.

The Group determines whether it is a principal or an agent, depending on whether it obtains control of the specified good or service before that good or service is transferred to a customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and recognizes revenue in the gross amount of consideration to which it has received (or receivable). Otherwise, the Group is an agent, and recognizes revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration, or is the established amount or proportion.

Circumstances in which the Group is able to control a commodity before transferring it to a customer include:

- The Group obtains control of goods or other assets from third parties and then transfers them to customers;
- The Group is able to lead third parties to provide services to clients on the Group's behalf;
- After the Group obtains control of a commodity from a third party, it transfers the commodity to the customer by providing major services that integrate the commodity with other commodities into a certain combination of outputs.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

22. Revenue recognition *(continued)*

In making specific judgments about whether the Group has control over a commodity before transferring it to a customer, the Group considers all relevant facts and circumstances together, including:

- The Group's primary responsibility for the transfer of goods to customers;
- The Group assumes the inventory risk of the commodity before or after the transfer of the commodity;
- The Group has the right to independently determine the prices of the commodities traded, etc.

Accounts receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is the description of accounting policies regarding revenue from the Group's principal activities:

(1) Sale of goods

Revenue from sale is recognized when all of the general conditions stated above and the following conditions are satisfied: the significant risks and rewards of ownership of goods have been transferred to the buyer, as well as the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. The Group recognizes revenue when goods are sent to designated place or customer take delivery of the goods from Group's designated warehouse, and confirmed receipt by customers according to the terms of contract. Revenue from sale excludes VAT and has been deducted from estimated sales discounts.

The Group provides discounts based on the sales amount, and recognizes revenue based on the contract value exclude expected discounts.

(2) Rendering of overseas shipping services

Revenue from the rendering of overseas shipping services is recognized using the percentage of completion method, with the stage of completion being determined based on proportion of shipping time incurred to date to the estimated total shipping time.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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III. Summary of significant accounting policies and accounting estimates *(continued)*

23. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (e.g., sales commission). The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labor, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
- the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future;
- the costs are expected to be recovered.

Assets recognized for the incremental costs of obtaining a contract and assets recognized for the costs to fulfil a contract (the “assets related to contract costs”) are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognized in profit or loss for the current period. The Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

The Group recognizes an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates;
- the costs that relate directly to providing those goods or services that have not yet been recognized as expenses.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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III. Summary of significant accounting policies and accounting estimates *(continued)*

24. Employee benefits

(1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognized as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Employee benefits which are non-monetary benefits are measured at fair value.

(2) Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. Basic pension insurance contributions payable are recognized as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognized with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Termination benefits expected to be paid in one year are listed as employee benefits payable.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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III. Summary of significant accounting policies and accounting estimates *(continued)*

25. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of “capital reserve” are dealt with as capital contributions, are not regarded as government grants.

A government grant is recognized when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is offset against the carrying amount of the related asset or recognized as deferred income and amortized over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognized as deferred income, and included in other income or non-operating income offset against related expense in the periods in which the expenses or losses are recognized. Or included in other income or non-operating income offset against the related expenses directly. The Group uses the same reporting method for similar government subsidies.

Government subsidies related to daily activities are included in operating profit, while government subsidies unrelated to daily activities are included in non-operating income and expenditure.

26. Specific reserve

The Group recognizes a safety fund in the specific reserve pursuant to relevant government regulations, with a corresponding increase in the costs of the related products or expenses, and accrues in the specific reserve.

When the safety fund is subsequently used for revenue expenditure, the specific reserve is reduced accordingly. On utilization of the safety fund for fixed assets, the specific reserve is reduced as the fixed assets are recognized, which is the time when the related assets are ready for their intended use; in such cases, an amount that corresponds to the reduction in the specific reserve is recognized in accumulated depreciation with respect to the related fixed assets. As a consequence, such fixed assets are not depreciated in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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III. Summary of significant accounting policies and accounting estimates *(continued)*

27. Income tax

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is not recognized for the temporary differences arising from a single transaction that is not a business combination, affects neither accounting profit nor taxable profit (or deductible loss) and the initial recognition of the assets and liabilities does not result in taxable temporary differences and deductible temporary differences in equal amounts. Deferred tax is not recognized for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered, or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that the related tax benefits will be utilized. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognized.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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III. Summary of significant accounting policies and accounting estimates *(continued)*

27. Income tax *(continued)*

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;
- they relate to income taxes levied by the same tax authority on either:
 - the same taxable entity; or
 - different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

28. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct, but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

28. Leases *(continued)*

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate lease components from non-lease components and account for the lease and non-lease components as a single lease component. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lessor allocates the consideration in the contract in accordance with the accounting policy in Note III.22.

(1) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note III.19.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease payments include fixed payments and payments to be made if it is reasonably determined that the option to buy or to terminate the lease option will be exercised. The variable rent, which is determined by a certain percentage of sales, is not included in the lease payment and is recorded into the current profit and loss when it actually occurs. The Group will be paid from the balance sheet date within one year (including one year) of the lease liabilities, as a non-current liability due within one year. Discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

28. Leases *(continued)*

(1) As a lessee *(continued)*

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets which the value of brand-new individual asset is low. The Group recognizes the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) As a lessor

All lease contracts where the Group is a lessor are operating leases.

Lease receipts from operating leases is recognized as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalized and subsequently amortized in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognized as income as they are earned.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

29. Hedge accounting

Hedge accounting is a method which recognizes in profit or loss (or other comprehensive income) the gain or loss on the hedging instrument and the hedged item in the same accounting period(s) to represent the effect of risk management.

Hedged items are items that expose the Group to risks of changes in cash flows and that are designated as being hedged and can be reliably measured. The Group's hedged items include a forecast transaction that is settled with an undetermined future market price and exposes the Group to risk of variability in cash flows, etc.

A hedging instrument is a designated financial instrument whose changes in cash flows are expected to offset changes in the fair value or cash flows of the hedged item.

The Group assesses at the inception of a hedging relationship, and on an ongoing basis, whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship is regarded as having met the hedge effectiveness requirements if all of the following conditions are satisfied:

- There is an economic relationship between the hedged item and the hedging instrument. The economic relationship causes the value of the hedging instrument and the hedged item to move in opposite directions due to the same exposure to the hedged risk;
- The effect of credit risk does not dominate the value changes that result from the economic relationship;
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

When a hedging relationship no longer meets the hedge effectiveness requirements due to the hedge ratio, but the risk management objective of the designated hedging relationship remains unchanged, the Group rebalances the hedging relationship. Rebalancing refers to the adjustments made to the designated quantities of the hedged item or the hedging instrument of an already existing hedging relationship for the purpose of maintaining a hedge ratio that complies with the hedge effectiveness requirements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

29. Hedge accounting *(continued)*

The Group discontinues applying hedge accounting in any of the following circumstances:

- The hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting;
- The hedging instrument expires or is sold, terminated or exercised;
- There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship;
- The hedging relationship no longer meets other criteria for applying hedge accounting.

(1) Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows. The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income as a cash flow hedge reserve. The amount of the cash flow hedge reserve is adjusted to the lower of the following (in absolute amounts):

- the cumulative gain or loss on the hedging instrument from inception of the hedge;
- the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

The change in the amount of the cash flow hedge reserve is recognized in other comprehensive income in each period.

The portion of the gain or loss on the hedging instrument that is determined to be ineffectiveness is recognized in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes that amount from the cash flow hedge reserve and includes it in the initial cost or other carrying amount of the asset or liability. This is not a reclassification adjustment and will not affect other comprehensive income.

For cash flow hedges other than those covered above, that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

29. Hedge accounting *(continued)*

(1) Cash flow hedges *(continued)*

When the Group discontinues hedge accounting for a cash flow hedge, the amount of the accumulated cash flow hedge reserve recognized in other comprehensive income is accounted for as follows:

- If the hedged future cash flows are still expected to occur, that amount will remain in the cash flow hedge reserve and be accounted for in accordance with the above policy;
- If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

30. Profit distributions

Dividends or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognized as a liability at the balance sheet date but are disclosed in the notes separately.

31. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

32. Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organization, management requirements and internal reporting system after taking the materiality principle into account. An operating segment is a component of the Group that satisfies all of the following conditions:

- the component is able to earn revenues and incur expenses from its ordinary activities;
- whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance;
- for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. The Group determines the reporting segments based on the operating segments and the principle of materiality.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

33. Significant accounting estimates and judgements

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

(1) Significant accounting estimates

(a) Accounting estimate of Inventory provision

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

33. Significant accounting estimates and judgements *(continued)*

(1) Significant accounting estimates *(continued)*

(b) Impairment of assets other than inventories and financial assets

As described in Note III.19, 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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

33. Significant accounting estimates and judgements *(continued)*

(2) Significant accounting judgements

(a) 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 of managing financial assets at the level of financial asset portfolio, taking into account such factors as the way of evaluating and reporting the performance of financial assets to key managers, the risk and management methods that affect the performance of financial assets, and the ways in which relevant business managers are paid, etc.

When the Group evaluates whether the contract cash flow of financial assets is consistent with the basic lending arrangement, there are the following main judgments: whether the time distribution or amount of principal may change within the duration due to prepayment or other reasons; Does interest include only the time value of money, credit risk, other basic lending risks, and consideration of costs and profits? For example, does the prepayment amount reflect only the principal outstanding and the interest based on the principal outstanding, as well as the reasonable compensation paid for the early termination of the contract.

34. Changes in significant accounting policies and accounting estimates

(1) Description of and reasons for changes in accounting policies

In 2024, the Group has adopted the accounting requirements and guidance under CAS newly issued by the Ministry of Finance:

- “Classification of current liabilities and non-current liabilities” in CAS Bulletin No.17 (Caikuai [2023] No.21)
- “Disclosure of supplier financing arrangements” in CAS Bulletin No.17
- “Accounting treatment of sale and leaseback transactions” in CAS Bulletin No.17
- “Presentation of guaranteed warranty expenses” in Accounting Standards for Business Enterprises – Application Guide (Caikuai [2024])

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

34. Changes in significant accounting policies and accounting estimates *(continued)*

(1) Description of and reasons for changes in accounting policies *(continued)*

(a) Classification of current liabilities and non-current liabilities

In accordance with CAS No. 17, when the Group classifies the liquidity of liabilities, it only considers whether the Group has a material right at the balance sheet date to postpone the settlement of liabilities to more than one year after the balance sheet date (right to postpone the settlement of liabilities), and does not consider whether the Group has a subjective possibility to exercise the said right.

For liabilities arising from the Group's loan facilities, if the Group's right to postpone the repayment of liabilities depends on whether the Group has complied with the conditions specified in the loan facilities (contractual conditions), the Group shall only consider the contractual conditions to be complied with on or before the balance sheet date when dividing the liquidity of the relevant liabilities, without regard to the effect of contractual conditions to be followed by the Group after the balance sheet date.

For the liabilities that the Group liquidates by delivering its own equity instruments at the option of the counterparty, the liquidity division of the liabilities will not be affected if the Group classifies the above options as equity instruments and recognizes them separately as an equity component of the compound financial instruments in accordance with the CAS No. 37 – Presentation of Financial Instruments; On the contrary, if the above option cannot classify the equity instrument, it will affect the liquidity division of the liability.

The adoption of the above provisions has not had a material impact on the financial position and results of operations of the Group.

(b) Disclosure of supplier financing arrangements

According to CAS Bulletin No.17, the Group shall disclose information related to supplier financing arrangements in summary when making note disclosure, so as to help statement users assess the impact of these arrangements on the Group's liquidity risk exposure. The impact of supplier financing arrangements should also be considered when identifying and disclosing liquidity risks.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

34. Changes in significant accounting policies and accounting estimates *(continued)*

(1) Description of and reasons for changes in accounting policies *(continued)*

(b) Disclosure of supplier financing arrangements (continued)

This disclosure applies only to supplier financing arrangements. The supplier arrangement refers to the transaction with the following transaction characteristics: one or more financing providers provide funds for the enterprise to pay the amount due to the supplier, and agree that the enterprise will repay the financing provider according to the terms and conditions of the arrangement on or after its supplier receives the payment; Compared with the original payment due date, supplier financing arrangements extend the payment period of the enterprise or advance the collection period of the enterprise's suppliers. Arrangements that only provide credit enhancement for enterprises (such as financial guarantees such as letters of credit used as guarantees) and tools that enterprises use to directly settle accounts payable with suppliers (such as credit cards) are not supplier financing arrangements.

The adoption of the above provisions has not had a material impact on the financial position and results of operations of the Group.

(c) Accounting treatment of sale and leaseback transactions

CAS Bulletin No.17 stipulates that if the transfer of assets in a sale and leaseback transaction is a sale, the lessee shall, on the beginning date of the leases term, make a subsequent measurement of the right-of-use assets formed by the sale and leaseback in accordance with Article 20 of the Accounting Standards for Business Enterprises No. 21- leases, The lease liabilities formed by leaseback is subsequently measured in accordance with Articles 23 to 29 of the Accounting Standards for Business Enterprises No. 21- leases. When the lessee makes subsequent measurement of the lease liabilities formed by the leaseback, the way of recognizing the leases payment or the leases payment after the change shall not lead to its recognition of the gains or losses related to the use right obtained by the leaseback.

If the scope of the leases is reduced or the term of the leases is shortened due to the change of the leases, the lessee shall, in accordance with the provisions of Article 29 of the Accounting Standards for Business Enterprises No. 21- leases, record the gains or losses related to the partial or complete termination of the leases into the current profits and losses.

The adoption of the above provisions has not had a material impact on the financial position and results of operations of the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates (continued)

34. Changes in significant accounting policies and accounting estimates (continued)

(1) Description of and reasons for changes in accounting policies (continued)

(d) Presentation of guarantee type warranty expenses

In accordance with the Accounting Standards for Business Enterprises – Application Guide [2024], the Group has included guarantee type warranty expenses in the “main business cost” and is no longer included in the “selling expense”.

The adoption of the above provisions has not had a material impact on the Group's financial position and results of operations.

IV. Taxation

Main types of taxes and corresponding tax rates:

Tax type	Tax basis	Tax rate
Corporate income tax (a)	Based on taxable profits	25%
Value-added tax	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period	5%、6%、9% and 13%
Consumption tax	Based on taxable sales	Gasoline: RMB2,109.76 per ton; Diesel oil: RMB1,411.20 per ton; Naphtha: RMB2,105.20 per ton; Fuel oil: RMB1,218.00 per ton
Urban maintenance and construction tax	Based on VAT and consumption tax paid	5% and 7%

- (a) Pursuant to the ‘Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances’ (Cai Shui [2023] 37) issued by the State Administration of Taxation, during the period from 1 January 2024 to 31 December 2027, the cost of newly purchased equipment and appliances with the original cost less than RMB5 million can be fully deducted against taxable profit after the asset is put into use, instead of being depreciated annually for tax filing.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements

1. Cash at bank and on hand

Item	30 June 2024 (unaudited)	31 December 2023
Deposits with banks	9,335,856	5,607,010
Other monetary funds	3,847	3
Total	9,339,703	5,607,013

Cash and cash equivalents shown in the cash flow statement:

Item	30 June 2024 (unaudited)	31 December 2023
Deposits with banks	9,335,856	5,607,010
Less: Time deposits (a)	(3,329,746)	(700,642)
Ending balance of cash and cash equivalents	6,006,110	4,906,368

(a) As of 30 June 2024, time deposits of three years to five years will mature in one year, with annual interest rate of 3.55%-4.20%.

As of 31 December 2023, time deposits of three years to five years will mature in one year, with annual interest rate of 3.85%-4.20%.

2. Derivative financial assets and derivative financial liabilities

Category	30 June 2024 (unaudited)	31 December 2023
Derivative financial assets		
– Commodity swaps contracts	13,509	–
Derivative financial liabilities		
– Commodity swaps contracts	17,047	–

At 30 June 2024, the derivative financial assets of the Group are mainly commodity swap contracts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

3. Accounts receivable

(1) Accounts receivable by customer type are as follows:

Category	30 June 2024 (unaudited)	31 December 2023
Amounts due from related parties (Note VIII.6)	4,130,875	1,448,887
Amounts due from third parties	6,693	2,228
Sub-total	4,137,568	1,451,115
Less: Provision for bad and doubtful debts	(2,117)	(2,168)
Total	4,135,451	1,448,947

(2) The ageing analysis of accounts receivable is as follows:

Aging	30 June 2024 (unaudited)	31 December 2023
Within 1 year (inclusive)	4,135,454	1,449,001
Over 1 year but within 2 years (inclusive)	–	–
Over 2 years but within 3 years (inclusive)	–	–
Over 3 years	2,114	2,114
Total	4,137,568	1,451,115

The ageing is counted starting from the date when accounts receivables are recognized.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

3. Accounts receivable (continued)

(3) Accounts receivable by provisioning method

Category	30 June 2024 (unaudited)					31 December 2023				
	Book value		Provision for bad and doubtful debts			Book value		Provision for bad and doubtful debts		
	Percentage		Percentage		Carrying amount	Percentage		Percentage		Carrying amount
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)	
Individual assessment	-	-	-	-	-	-	-	-	-	-
Collective assessment	4,137,568	100.00	2,117	0.05	4,135,451	1,451,115	100.00	2,168	0.15	1,448,947
Total	4,137,568	100.00	2,117	0.05	4,135,451	1,451,115	100.00	2,168	0.15	1,448,947

(i) As of 30 June 2024 and 31 December 2023, the Group has no provision for bad debts on a single basis.

(ii) The recognition standard and instruction of provision for bad debts on combination for the six months ended 30 June 2024:

According to the historical experience of the Group, there is no significant difference in the occurrence of losses among different customer segments, so different customer groups are not further differentiated in the calculation of bad debt reserve.

(iii) Assessment of ECLs on accounts receivable:

At all times the Group measures the impairment loss for accounts receivable at an amount equal to lifetime ECLs, and the ECLs are based on the number of overdue days and the expected loss rate.

The loss given default is measured based on the actual credit loss experience in the past years, and is adjusted taking into consideration the differences among the economic conditions during the historical data collection period, the current economic conditions and the economic conditions during the expected lifetime.

(4) Movements of provisions for bad and doubtful debts:

Provisions for bad and doubtful debts	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Balance at the beginning	2,168	2,766
Additions during the period	-	16
Recoveries or reversals during the year	(51)	(186)
Balance at the end	2,117	2,596

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

3. Accounts receivable (continued)

(5) As of 30 June 2024, Five largest accounts receivable by debtor at the end of the period:

	Amount	Provision	Percent of total amount
Total amount of five largest accounts receivable by debtor of the Group	4,135,394	2,117	99.95%

(6) Derecognition of accounts receivable due to transfer of financial assets

- (i) For the six months ended 30 June 2024, the Group has no accounts receivable derecognized due to transfer of financial assets.
- (ii) For the six months ended 30 June 2024, the Group has recovered accounts receivable of RMB489 thousand that have been fully provisioned for bad debts in previous. (For the six months ended 30 June 2023: RMB150 thousand).
- (iii) For the six months ended 30 June 2024, the Group has not written off significant accounts receivable. (For the six months ended 30 June 2023: Nil)
- (iv) At 30 June 2024, the Group has no pledged accounts receivable. (31 December 2023: Nil)

4. Receivables under financing

Item	Note	30 June 2024 (unaudited)	31 December 2023
Bills receivable	(1)	97,037	79,146
Accounts receivable	(2)	250,380	157,341
Total		347,417	236,487

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

4. Receivables under financing *(continued)*

(1) Bills receivable

- (i) Due to the requirement of cash management, the Group discounted and endorsed part of the bank acceptance notes that met the condition of derecognition. The business model of bank acceptance notes management is for the purpose of collecting cash flow of contracts and sales. Therefore, as of 30 June 2024, the Group classified RMB97,037 thousand bills receivable to financial assets measured at fair value and whose changes are included in other comprehensive income and disclosed in bills receivable and accounts receivable (31 December 2023: RMB79,146 thousand).
- (ii) The Group has no individually impaired bank acceptance notes, with all provision was accrued by their expected credit loss. As of 30 June 2024 and 31 December 2023, the Group considers no significant credit risk of the bank acceptance notes and the Group has limited exposure to losses arising from banks' breach of contract.
- (iii) As of 30 June 2024, the Group had no pledged bank acceptance notes (31 December 2023: Nil).
- (iv) As of 30 June 2024, unmatured bills receivable that have been endorsed or discounted by the Group is as follows:

Item	Derecognized	Not derecognized
Bank acceptance notes	365,329	–

As of 30 June 2024, the Group endorsed and discounted the undue bills receivable of RMB365,329 thousand (31 December 2023: RMB493,707 thousand). The Group derecognized such bills receivable, accounts payable to suppliers and short-term loans as a whole by considering that the risks and rewards of ownership of such unmatured bills had been substantially transferred. The Group's continued involvement in the unexpired bills receivable whose overall derecognition is limited to the extent that the issuing bank is unable to settle the amount to the bill holder. The maximum exposure to loss caused by the Group's continued involvement is the amount of outstanding bills receivable endorsed to the supplier of RMB365,329 thousand (31 December 2023: RMB493,707 thousand). The term of the outstanding bills receivable is within one year.

(2) Accounts receivable

- (i) The Group's subsidiaries Shanghai Jinshan Trading Corporation Limited("JMGJ") and Shanghai Jinmao International Trading Corporation Limited ("Jinmao International") derecognized part of the accounts receivable for the non-recourse forfaiting business based on the requirement of daily cash management. The business model of accounts receivable management is for the purpose of collecting cash flow of contracts and sales. Therefore, as of 30 June 2024, the Group classified RMB250,380 thousand third party accounts receivable of subsidiaries to financial assets measured at fair value and whose changes are included in other comprehensive income and disclosed in bills receivable and accounts receivable (31 December 2023, RMB157,341 thousand).
- (ii) The analysis of accounts receivable derecognized due to the transfer of financial assets is as follows:

At 30 June 2024, the Group's subsidiaries JMGJ and Jinmao International derecognized RMB72,036 thousand-yuan accounts receivable that haven't reached the expiration date of credit period due to the non-recourse forfaiting. (For the year ended 31 December 2023: RMB254,029 thousand).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

5. Prepayments

(1) Prepayments by category:

Item	30 June 2024	31 December 2023
	(unaudited)	
Amounts advance to related parties (Note VIII.6)	9,733	2,303
Amounts advance to third parties	12,667	30,233
Total	22,400	32,536

(2) The ageing analysis of prepayments is as follows:

Ageing	30 June 2024 (unaudited)		31 December 2023	
	Amount	Percentage	Amount	Percentage
Within 1 year	22,400	100.00%	32,536	100.00%

The ageing is counted starting from the date when prepayments are recognized.

(3) As of 30 June 2024, the total amount of the top five prepayments to suppliers are summarised as follows:

	Amount	Percentage of total advances to suppliers
Total amount of the top five prepayments to suppliers	18,428	82.27%

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. Other receivables

	Note	30 June 2024 (unaudited)	31 December 2023
Amounts due from related parties	VIII.6	7,783	5,524
Amounts due from third parties		518,364	351,271
Sub-total		526,147	356,795
Less: Provision for bad and doubtful debts		(4,810)	(4,731)
Total		521,337	352,064

(a) The aging analysis is as follows:

Aging	30 June 2024 (unaudited)	31 December 2023
Within 1 year (inclusive)	516,179	344,197
Over 1 year but within 2 years (inclusive)	5,238	10,663
Over 2 years but within 3 years (inclusive)	2,795	1,930
Over 3 years	1,935	5
Total	526,147	356,795

The ageing is counted starting from the date when other receivables are recognized.

(b) Others by provisioning method:

Category	30 June 2024 (unaudited)					31 December 2023				
	Book value		Provision for bad and doubtful debts			Book value		Provision for bad and doubtful debts		
	Percentage		Percentage		Carrying amount	Percentage		Percentage		Carrying amount
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)	
Individual assessment	4,725	0.90	(4,725)	100.00	-	4,725	1.32	(4,725)	100.00	-
Collective assessment	521,422	99.10	(85)	0.02	521,337	352,070	98.68	(6)	0.00	352,064
Total	526,147	100.00	(4,810)	0.91	521,337	356,795	100.00	(4,731)	1.33	352,064

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. Other receivables (continued)

(b) Others by provisioning method: (continued)

As of 30 June 2024, the basis of provision for bad debts on a single basis is as follows:

Name	Book value	Provision for impairment	Percentage (%)	Basis of provision
Sinopec Materials & Equipment Co., Ltd.	2,795	2,795	100.00	It is estimated ultimately irrecoverable
Beijing Zhongli Machinery Engineering Technology Co., Ltd.	1,930	1,930	100.00	It is estimated ultimately irrecoverable
Total	4,725	4,725	100.00	

(c) Provision for and movements of provisions for bad debts

Provision for bad debts	Stage 1			Stage 3			Total	
	12-month ECL (collective)		12-month ECL (individual)	Sub-total	Lifetime ECL - Credit impaired			
	Provision for bad and doubtful	Book value	Provision for bad and doubtful	Provision for bad and doubtful	Provision for bad and doubtful	Book value	Provision for bad and doubtful	
Balance at 31 December 2023	352,070	(6)	-	-	(6)	4,725	(4,725)	(4,731)
Additions during the period	-	(79)	-	-	(79)	-	-	(79)
Recoveries or reversals during the period	-	-	-	-	-	-	-	-
Balance at 30 June 2024 (unaudited)	521,422	(85)	-	-	(85)	4,725	(4,725)	(4,810)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

6. Other receivables *(continued)*

(c) Provision for and movements of provisions for bad debts *(continued)*

As of 30 June 2024 and 31 December 2023, the Group has no other receivables under Stage 2.

- (i) For the six months ended 30 June 2024, the Group has no other receivables that have fully accrued or accrued a large proportion of bad and doubtful debts in previous years, but fully recovered or reversed, or have a large proportion of recovered or reversed in the current period. (For the six months ended 30 June 2023: Nil)
- (ii) For the six months ended 30 June 2024, the Group has not written off significant other receivables (For the six months ended 30 June 2023: Nil).

(d) Others categorised by nature

Nature of other receivables	30 June 2024 (unaudited)	31 December 2023
Refund of consumption tax receivable	481,543	315,659
Export tax rebate	10,634	11,168
Amounts due from related parties	7,783	5,524
Prepayment for share repurchase	3,347	6,333
Advance payment for compensation	4,974	5,814
Others	17,866	12,297
Sub-total	526,147	356,795
Less: Provision for bad debts	(4,810)	(4,731)
Total	521,337	352,064

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. Other receivables (continued)

(e) Five largest other receivables-by debtors as of 30 June 2024

Name	Nature of the receivable	Balance at the end of the period	Aging	Percentage of ending balance of other receivables	Provision for bad debts
Jinshan Customs, People's Republic of China	Refund of consumption tax receivable	481,543	Within 1 year (inclusive)	91.52%	-
State Administration of Taxation, Shanghai Jinshan	Export tax rebate	10,634	Within 1 year (inclusive)	2.02%	-
Pacific Anxin Crop Insurance Co., Ltd.	Advance payment of compensation	4,974	Over 1 year but within 2 years (including 2 years)	0.95%	-
Shanghai Jinshan Petrochemical Logistics Co., Ltd.	Lease receivables	3,982	Within 1 year (inclusive)	0.76%	-
China International Capital Corporation Hong Kong Securities Limited	Prepayment for share repurchase	3,347	Within 1 year (inclusive)	0.64%	-
Total		504,480		95.88%	-

7. Inventories

(1) Inventories by categories are as follows:

Inventories by categories	30 June 2024 (unaudited)			31 December 2023		
	Book value	Provision for impairment of inventories	Carrying amount	Book value	Provision for impairment of inventories	Carrying amount
Raw materials	5,425,967	(25,506)	5,400,461	6,018,092	(11,481)	6,006,611
Work in progress	921,743	(192,869)	728,874	885,340	(206,701)	678,639
Finished goods	1,257,140	(104,263)	1,152,877	1,098,755	(189,766)	908,989
Spare parts and consumables	245,835	(77,865)	167,970	236,636	(79,188)	157,448
Total	7,850,685	(400,503)	7,450,182	8,238,823	(487,136)	7,751,687

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

7. Inventories (continued)

(1) Inventories by categories are as follows: (continued)

The balance of inventories of the Group does not include the capitalized interest at 30 June 2024 (31 December 2023: Nil).

The Group has no inventory for guarantee as of 30 June 2024 (31 December 2023: Nil).

(2) Provision for impairment of inventories is analysed as follows:

Inventories by categories	31 December 2023	Increases during the period	Decreases during the period	30 June 2024 (unaudited)
Raw materials	11,481	21,142	(7,117)	25,506
Work in progress	206,701	55,823	(69,655)	192,869
Finished goods	189,766	34,518	(120,021)	104,263
Spare parts and consumables	79,188	–	(1,323)	77,865
Total	487,136	111,483	(198,116)	400,503

(3) Provision for impairment of inventories is analysed as follows:

Inventories by categories	Basis for determining net realizable value	Main reasons for reversal/write-off
Raw materials	The estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs to make the sale and related taxes.	Sold in current period
Work in progress	The estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs to make the sale and related taxes.	Sold in current period
Finished goods	The estimated selling price in the ordinary course of business, less the estimated costs to make the sale and related taxes.	Sold in current period
Spare parts and consumables	The estimated selling price in the ordinary course of business, less the estimated costs to make the sale and related taxes.	Used for repair and sold in current period

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

8. Other current assets

Item	30 June 2024 (unaudited)	31 December 2023
VAT deductible	269,797	15,222
Corporate income tax prepaid	1,556	1,556
Others	26,814	9,320
Total	298,167	26,098

9. Long-term equity investments

Item	Note	30 June 2024 (unaudited)	31 December 2023
Joint ventures	(1)	605,777	469,434
Associates	(2)	2,895,175	2,910,899
Sub-total		3,500,952	3,380,333
Less: Provision for impairment			
– Joint ventures		–	–
– Associates		(28,392)	(28,392)
Total		3,472,560	3,351,941

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

9. Long-term equity investments (continued)

(1) Joint ventures

Investee	31 December 2023	Current period movement				30 June 2024 (unaudited)	Ending balance of impairment provision 30 June 2024 (unaudited)
		Additional/ (negative) investment	Investment income/(loss) recognized under equity method	Cash dividends declared in current period	Impairment provision		
Joint venture of the Company							
Shanghai Jinshan Baling New Material Co., Ltd. ("Baling Materials")	250,000	150,000	-	-	-	400,000	-
Joint ventures of subsidiaries							
Shanghai Petrochemical Yangu Gas Development Company Limited ("Yangu Gas")	35,822	-	(4,438)	-	-	31,384	-
Linde-SPC Gases Company Limited ("Linde"), formerly known as "BOC-SPC Gases Company Limited")	173,964	-	5,876	(15,278)	-	164,562	-
Others	9,648	-	183	-	-	9,831	-
Total	469,434	150,000	1,621	(15,278)	-	605,777	-

Interests in joint ventures, refer to Note VI.2.

(2) Associates

Investee	31 December 2023	Current period movement					30 June 2024 (unaudited)	Ending balance of impairment provision 30 June 2024 (unaudited)
		Additional/ (negative) investment	Investment incomes/(losses) recognized under equity method	Cash dividends declared in current period	Impairment provision	Change in other equity		
Associates of the Company								
Shanghai Secco (Note 1)	-	-	-	-	-	-	-	
Shanghai Chemical Industry Park Development Company Limited ("Chemical Industry")	2,295,705	-	70,793	(69,633)	-	-	2,296,865	
Associates of subsidiaries								
Shanghai Azbil Automation Company Limited ("Azbil")	68,389	-	7,716	(24,000)	-	-	52,105	
Shanghai Shidian Energy Company Limited ("Shidian Energy")	416,955	-	6,100	(4,000)	-	-	419,055	
Others	101,458	-	(367)	(2,333)	-	-	98,758	
Total	2,882,507	-	84,242	(99,966)	-	-	2,866,783	

Interests in associates, refer to Note VI.2.

Note 1: Due to excessive losses of Shanghai Secco, the Group writes down the long-term equity investment to zero without recognizing the extra loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

10. Other non-current financial properties

Item	30 June 2024 (unaudited)	31 December 2023
Financial assets measured at fair value through profit or loss	36,500	36,500
Including: Equity investments with resale clauses	36,500	36,500

11. Investment properties

	Buildings
Cost	
31 December 2023	623,147
Additions during the period	
– Transfer in from fixed assets (Note V.12)	363
Decrease during the period	
– Transfer out to fixed assets (Note V.12)	(4,635)
30 June 2024 (unaudited)	618,875
Accumulated depreciation	
31 December 2023	302,110
Additions during the period	
– Charge for current period	7,562
– Transfer in from fixed assets (Note V.12)	115
Decrease during the period	
– Transfer out to fixed assets (Note V.12)	(3,568)
30 June 2024 (unaudited)	306,219
Carrying amount	
30 June 2024 (unaudited)	312,656
31 December 2023	321,037

For the six months ended 30 June 2024, the depreciation amount of the investment properties is RMB7,562 thousand (For the six months ended 30 June 2023, depreciation amount is RMB7,650 thousand). No provision for impairment has been made (For the six months ended 30 June 2023: Nil).

As of 30 June 2024 and 31 December 2023 the Group had no investment properties pending certificates of ownership.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

12. Fixed assets

(1) Fixed assets situation

	Buildings	Plant and machinery	Vehicles and other equipment	Total
Cost				
31 December 2023	4,705,041	48,387,384	2,249,262	55,341,687
Reclassification in current period	(6,430)	(17,244)	23,674	-
Increase in current period				
- Purchase	-	100,664	23,886	124,550
- Transfer from CIP (Note V.13)	8,827	265,650	29,189	303,666
- Transfer from investment properties (Note V.11)	4,635	-	-	4,635
Decrease in current period				
- Disposal	(6,484)	(219,506)	(26,246)	(252,236)
- Transfer out to investment properties (Note V.11)	(363)	-	-	(363)
30 June 2024 (unaudited)	4,705,226	48,516,948	2,299,765	55,521,939
Accumulated depreciation				
31 December 2023	2,916,274	34,780,487	1,711,502	39,408,263
Reclassification in current period	(340)	(1,096)	1,436	-
Increase in current period				
- Charge for current period	52,636	769,086	67,212	888,934
- Transfer from investment properties (Note V.11)	3,568	-	-	3,568
Decrease in current period				
- Disposal	(2,937)	(118,142)	(22,851)	(143,930)
- Transfer out to investment properties (Note V.11)	(115)	-	-	(115)
30 June 2024 (unaudited)	2,969,086	35,430,335	1,757,299	40,156,720
Provision for impairment				
31 December 2023	105,029	1,626,498	11,070	1,742,597
Reclassification in current period	-	-	-	-
Increase in current period	-	-	-	-
Decrease in current period				
- Disposal	(3,007)	(85,776)	(2,609)	(91,392)
30 June 2024 (unaudited)	102,022	1,540,722	8,461	1,651,205
Carrying amount				
30 June 2024 (unaudited)	1,634,118	11,545,891	534,005	13,714,014
31 December 2023	1,683,738	11,980,399	526,690	14,190,827

- (2) For the six months ended 30 June 2024, the Group did not prepare for impairment of fixed assets (For the six months ended 30 June 2023: Nil). At 30 June 2024, the Group's fixed assets depreciation reserves is RMB1,651,205 thousand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

12. Fixed assets (continued)

- (3) As of 30 June 2024, the original carrying amount of the Group's temporarily idle fixed asset amounted to RMB3,631,206 thousand, accumulated depreciation amounted to RMB2,905,800 thousand, provision for impairment amounted to RMB544,763 thousand, and the carrying value amounted to RMB180,643 thousand (As of December 31, 2023: original carrying amount amounted to RMB3,624,724 thousand, accumulated depreciation amounted to RMB2,905,834 thousand, provision for impairment amounted to RMB544,801 thousand, and the carrying value amounted to RMB174,089 thousand).

As of 30 June 2024 and 31 December 2023, the Group had no fixed assets used as collateral.

- (4) As of 30 June 2024, the carrying value of the Group's fixed assets leased out under operating leases amounted to RMB55,351 thousand (December 31, 2023: carrying value of RMB49,951 thousand).
- (5) As of 30 June 2024 and 31 December 2023, the Group had no fixed assets with outstanding title certificates.

13. Construction in progress

(1) Construction in progress

	30 June 2024 (unaudited)			31 December 2023		
	Original cost	Provision for impairment	Carrying amount	Original cost	Provision for impairment	Carrying amount
Construction in progress	1,153,979	(24,486)	1,129,493	1,225,088	(24,486)	1,200,602

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

13. Construction in progress (continued)

(2) The movement of the Group's major construction in progress is listed as follows:

Project	Budget	31 December 2023	Increase during the period	Transfer to fixed Assets (Note V.12)	30 June 2024 (unaudited)	Percentage of actual cost to budget	Project progress	Accumulative capitalized interest	Including: Capitalized interest in current period	Interest rate for capitalization in current period	Sources of funding
Shanghai Petrochemical Cogeneration Unit Clean and Efficiency Improvement Project	3,287,711	100,000	62,794	-	162,794	1.12%	1.12%	-	-	-	-
250,000 tons/year thermoplastic elastomer project supporting engineering	211,326	80,000	43,846	-	123,846	58.60%	58.60%	720	606	1.80%	own funds and borrowings
Cogeneration Department East Area 220 kV System Hazard Management Project	85,813	55,483	2,008	-	57,491	67.00%	67.00%	664	379	1.80%	own funds and borrowings
Jinshan Area Comprehensive Environmental Improvement											
Shanghai Petrochemical Storage and Transportation Department T-135.	95,085	48,697	28,860	-	77,557	81.57%	81.57%	-	-	-	own funds
2022 Renewal of equipment in the Cogeneration Department	50,000	35,711	-	(5,657)	30,054	71.42%	71.42%	-	-	-	own funds
2023 Refining Department equipment upgrade	150,000	35,333	-	(10,965)	24,368	25.44%	25.44%	-	-	-	own funds
Shanghai Petrochemical Second Process Crude Oil System Efficiency Improvement and Upgrading Project	65,489	35,000	6,336	-	41,336	63.12%	63.12%	-	-	-	own funds
Deep treatment project for VOCs in the first and second workshops of the storage and transportation department	55,112	8,000	37,290	(44,873)	417	82.18%	82.18%	-	-	-	own funds
Aromatics Unit 3 # Hydrogen Production Unit Conversion Furnace F2001 Tube Renewal Project	40,611	28,399	5,875	(33,984)	290	84.40%	84.40%	-	-	-	own funds
Shanghai Petrochemical 24,000 tons/year of raw silk, 12,000 tons/year of 48K large tow large tow carbon fiber project	3,489,638	-	15,491	(15,491)	-	75.81%	75.81%	27,431	-	-	own funds and borrowings
Other projects		798,465	30,057	(192,696)	635,826			-	-	-	
Sub-total		1,225,088	232,557	(803,666)	1,153,979			28,815	985	1.80%	
Less: Provision for impairment		(24,486)	-	-	(24,486)			-	-	-	
Total		1,200,602	232,557	(803,666)	1,129,493			28,815	985	1.80%	

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

13. Construction in progress (continued)

(2) The movement of the Group's major construction in progress is listed as follows: (continued)

For the six months ended 30 June 2024, the Group's borrowing costs were capitalized at RMB985 thousand (For the six months ended 30 June 2023: RMB10,393 thousand).

As of 30 June 2024 and 31 December 2023, the balance of impairment provision for the Group's construction in progress amounted to RMB24,486,000, which represented the provision for impairment in relation to the energy-saving renovation of the No. 2 and No. 3 aromatics combined units, which had been suspended for a long period of time.

14. Right-of-use assets

	Buildings	Plant and machinery	Vehicles and other equipment	Total
Cost				
31 December 2023	28,664	1,545	2,136	32,345
Increase in current period	5,888	135	851	6,874
Decrease in current period	(8,010)	(103)	(1,005)	(9,118)
30 June 2024 (unaudited)	26,542	1,577	1,982	30,101
Accumulated depreciation				
31 December 2023	21,863	565	1,622	24,050
Increase in current period	6,172	276	498	6,946
Decrease in current period	(7,953)	(103)	(1,005)	(9,061)
30 June 2024 (unaudited)	20,082	738	1,115	21,935
Carrying amount				
30 June 2024 (unaudited)	6,460	839	867	8,166
31 December 2023	6,801	980	514	8,295

For the Group's specific arrangements relating to leasing activities, refer to Note V.59.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

15. Intangible assets

Intangible assets situation

	Land-use rights	Other intangible assets	Total
Cost			
31 December 2023	785,567	100,193	885,760
Increase in current period	–	–	–
Disposal in current period	–	–	–
30 June 2024 (unaudited)	785,567	100,193	885,760
Accumulated amortization			
31 December 2023	438,891	94,197	533,088
Charge for current period	8,522	1,462	9,984
Disposal in current period	–	–	–
30 June 2024 (unaudited)	447,413	95,659	543,072
Carrying amount			
30 June 2024 (unaudited)	338,154	4,534	342,688
31 December 2023	346,676	5,996	352,672

As of 30 June 2024 and 31 December 2023, the Group had no land-use right without property right certificate.

As of 30 June 2024 and 31 December 2023, the Group has no intangible assets formed through internal research and development.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

16. Long-term deferred expenses

	31 December 2023	Increase during the period	Amortization during the period	Other decreases	30 June 2024 (unaudited)
Catalysts	637,570	32,353	(121,142)	(70,486)	478,295
Lease holding improvements	3,441	–	(555)	–	2,886
Others	317	–	(109)	–	208
Less: Provision for impairment	–	–	–	–	–
Total	641,328	32,353	(121,806)	(70,486)	481,389

17. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting

Item	30 June 2024 (unaudited)		31 December 2023	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Provision for bad debts	6,919	1,730	6,893	1,723
Provision for inventory	400,503	100,126	487,136	121,784
Provision for impairment of fixed assets	1,621,349	405,337	1,712,741	428,185
Provision for impairment of construction in progress	24,486	6,122	24,486	6,122
Accrued expenses	–	–	51,693	12,923
Deductible loss	6,025,878	1,506,470	5,566,915	1,391,728
Rental liabilities	6,718	1,680	8,457	2,114
Other deferred tax assets	45,111	11,278	41,457	10,366
Total	8,130,964	2,032,743	7,899,778	1,974,945

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

17. Deferred tax assets and deferred tax liabilities (continued)

(2) Deferred tax liabilities before offsetting

Item	30 June 2024 (unaudited)		31 December 2023	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Capitalized interest	(3,770)	(943)	(4,172)	(1,043)
Difference in fixed assets depreciation and intangible assets amortization	(2,986,784)	(746,696)	(2,748,204)	(687,051)
Difference in changes in fair value of non-current financial assets	(10,000)	(2,500)	(10,000)	(2,500)
Gains and losses on changes in fair value	(633)	(158)	–	–
Right-of-use assets	(5,825)	(1,456)	(8,294)	(2,074)
Total	(3,007,012)	(751,753)	(2,770,670)	(692,668)

(3) Deductible temporary differences and deductible losses that are not recognized as deferred tax assets are analysed as follows:

Item	30 June 2024 (unaudited)	31 December 2023
Deductible temporary differences	29,864	29,861
Deductible losses	462,356	454,782
Total	492,220	484,643

In accordance with the accounting policy set out in Note III.27, it is not probable that sufficient future taxable profit will be available to realize the deductible temporary differences and deductible losses in the foreseeable future for some of the Group's subsidiaries, therefore the Group has not yet recognized deferred income tax assets in respect of the following subsidiaries' accumulated deductible temporary differences and deductible losses. These deductible losses expire between 2024 and 2029 in accordance with current tax laws.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

17. Deferred tax assets and deferred tax liabilities (continued)

- (3) Deductible temporary differences and deductible losses that are not recognized as deferred tax assets are analysed as follows: (continued)

The breakdown of deductible losses by subsidiaries is as follows:

Name of subsidiaries	30 June 2024 (unaudited)	31 December 2023
Shanghai Petrochemical Investment Development Company Limited ("Toufa")	130,835	135,837
Shanghai Jinchang Engineering Plastics Company Limited ("Jinchang")	167,118	162,719
Zhejiang Jinlian Petrochemical Storage and Transportation Co., LTD. ("Jinlian")	164,403	156,226
Total	462,356	454,782

- (4) Deductible losses that are not recognized as deferred tax assets will expire in the following years:

Year	30 June 2024 (unaudited)	31 December 2023
2024	86,899	91,901
2025	41,475	41,475
2026	95,144	95,144
2027	107,558	107,558
2028	118,704	118,704
2029	12,576	–
Total	462,356	454,782

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

17. Deferred tax assets and deferred tax liabilities (continued)

(5) The net balance of deferred tax assets and liabilities after offsetting is as follows:

Item	30 June 2024 (unaudited)		31 December 2023	
	Offsetting amount of deferred tax assets and deferred tax liabilities	Deferred tax assets – net	Offsetting amount of deferred tax assets and deferred tax liabilities	Deferred tax assets – net
Deferred tax assets	(720,627)	1,312,116	(661,104)	1,313,841
Deferred tax liabilities	720,627	(31,126)	661,104	(31,564)

18. Other non-current assets

Item	30 June 2024 (unaudited)	31 December 2023
Time deposit	–	2,782,500

As of 31 December 2023, other non-current assets represent the Group's large certificates of deposit with a maturity of three years deposited with banks with an interest rate range of 3.55%, which will mature in one year at the time of the balance sheet.

19. Provision for assets impairment

	31 December 2023	Increase in current period	Decrease in current period			30 June 2024 (unaudited)
			Reverse	Sold	Written-off	
Provision for accounts receivable (Note V.3)	2,168	–	(51)	–	–	2,117
Provision for other receivable (Note V.6)	4,731	79	–	–	–	4,810
Sub-total	6,899	79	(51)	–	–	6,927
Provision for inventory (Note V.7)	487,136	111,483	–	(198,116)	–	400,503
Provision for fixed assets (Note V.12)	1,742,597	–	–	–	(91,392)	1,651,205
Provision for CIP (Note V.13)	24,486	–	–	–	–	24,486
Impairment loss of investments accounted for using equity method (Note V.9)	28,392	–	–	–	–	28,392
Sub-total	2,282,611	111,483	–	(198,116)	(91,392)	2,104,586
Total	2,289,510	111,562	(51)	(198,116)	(91,392)	2,111,513

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

20. Short-term loans

Item	Currency	30 June 2024 (unaudited)	31 December 2023
Credit loans			
– bank loans	RMB	4,500,000	3,000,000

At 30 June 2023, the interest rate range for short-term borrowings was 2.05% (31 December 2023: 1.95% to 2.08%).

As of 30 June 2024 and 31 December 2023, the Group had no overdue short-term borrowings.

21. Bills payable

Item	30 June 2024 (unaudited)	31 December 2023
Bank acceptance notes	5,583,518	1,535,334

The bills above are all due within one year.

22. Accounts payable

Item	30 June 2024 (unaudited)	31 December 2023
Amount due to related parties (Note VIII.6)	2,480,636	4,727,391
Amount due to third parties	2,015,692	1,569,521
Total	4,496,328	6,296,912

As of 30 June 2024 and 31 December 2023, there was no individually significant accounts payable aged over one year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

23. Contract liabilities

Item	30 June 2024 (unaudited)	31 December 2023
Advance from related parties (Note VIII.6)	3,581	11,727
Advance from third parties	184,172	323,279
Total	187,753	335,006

As of 30 June 2024 and 31 December 2023, there was no individually significant contract liabilities aged over one year.

Contract liabilities mainly relate to advance receipts received by the Group from customers' contracts for the sale of goods, etc. The advance receipts are collected at the time of contract signing and amount to 100% of the contract consideration. Revenue relating to this contract will be recognized when the Group has fulfilled its performance obligations.

Changes in the contract liabilities of the Group are as follows:

	For the six months ended 30 June 2024 (unaudited)	For the six months ended 30 June 2023 (unaudited)
Balance at the beginning of the period	335,006	383,246
Revenue recognized that was included in the contract liability balance at the beginning of the period	(335,006)	(381,235)
Net increase due to cash received during the period	187,753	364,918
Balance at the end of the period	187,753	366,929

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

24. Employee benefits payable

(1) Employee benefits payable:

	Note	30 June 2024 (unaudited)	31 December 2023
Short-term employee benefits	(2)	595,527	297,449
Post-employment benefits			
– defined contribution plans	(3)	23,589	24,816
Termination benefits	(4)	–	–
Total		619,116	322,265

(2) Short-term employee benefits

	31 December 2023	Increase in current period	Decrease in current period	30 June 2024 (unaudited)
Salaries, bonuses, allowances	276,800	1,020,935	(720,328)	577,407
Staff welfare	3,569	107,206	(107,206)	3,569
Social insurances	16,535	101,960	(104,199)	14,296
Including: Medical insurance	15,032	82,843	(85,006)	12,869
Work injury insurance	1,503	8,835	(8,911)	1,427
Maternity insurance	–	1	(1)	–
Supplementary medical insurance	–	10,153	(10,153)	–
Other insurance	–	128	(128)	–
Housing funds	–	105,600	(105,600)	–
Labour union fee, staff and workers' education fee	545	20,270	(20,560)	255
Non-monetary benefits	–	49,230	(49,230)	–
Labor cost	–	15,394	(15,394)	–
Others	–	3,981	(3,981)	–
Total	297,449	1,424,576	(1,126,498)	595,527

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

24. Employee benefits payable *(continued)*

(3) Defined contribution plans

	31 December 2023	Increase in current period	Decrease in current period	30 June 2024 (unaudited)
Basic pensions	24,063	142,104	(143,293)	22,874
Unemployment insurance	753	4,434	(4,472)	715
Supplemental basic pensions	–	72,098	(72,098)	–
Total	24,816	218,636	(219,863)	23,589

As stipulated by the regulations of the PRC, the Group participates in a defined contribution retirement plan organised by the Shanghai Municipal Government for its staff.

In addition, pursuant to the document “Order of the Ministry of Labour and Social Security No.20” dated 6 January 2004 issued by the Ministry of Labour of the PRC, the Group has set up a supplementary defined contribution retirement plan for the benefit of employees. Employees who have served the Group for more than one year may participate in this plan. The Group and participating employees make defined contributions to their pension saving accounts according to the plan.

The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. For the six months ended 30 June 2024, the Group’s contribution to the above two plans amounted to RMB142,104 thousand and RMB72,098 thousand respectively (for the six months ended 30 June 2023: RMB152,370 thousand and RMB84,672 thousand respectively).

(4) Termination benefits

	31 December 2023	Increase in current period	Decrease in current period	30 June 2024 (unaudited)
Termination benefits	–	23,141	(23,141)	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

25. Taxes payable

Item	30 June 2024 (unaudited)	31 December 2023
Consumption tax payable	887,608	914,411
Value-added tax payable	3,281	39,428
Educational surcharge payable	32,976	69,134
Urban maintenance and construction tax payable	46,151	96,776
Corporate income tax payable	2,453	2,369
Land-use tax payable	5,603	12,200
Individual income tax payable	1,678	31,036
Others	14,608	21,721
Total	994,358	1,187,075

26. Other payables

	30 June 2024 (unaudited)	31 December 2023
Dividends payable on ordinary shares	31,386	31,631
Amounts due to related parties (Note VIII.6)	187,916	282,634
Amounts due to third parties	568,339	830,418
Total	787,641	1,144,683

- (1) As of 30 June 2024, the Group has no other payables that are individually significant aged over 1 year. (31 December 2023: Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

26. Other payables (continued)

(2) Other payables by categories are analysed as follows:

Item	30 June 2024 (unaudited)	31 December 2023
Accrued expenses	147,022	128,671
Equipment project payables	522,521	912,594
Dividends payable on ordinary shares	31,386	31,631
Withholding social insurance	14,211	15,990
Warranty payable	15,049	7,821
Deposits	21,823	9,467
Sales discount	1,271	833
Others	34,358	37,676
Total	787,641	1,144,683

27. Non-current liabilities due within one year

	30 June 2024 (unaudited)	31 December 2023
Long-term borrowings due within one year	700,000	700,000
Lease liabilities due within one year (Note V.29)	5,983	7,515
Total	705,983	707,515

At 30 June 2024, the interest rate for long-term borrowings due within one year was 1.08% (31 December 2023: 1.08%).

28. Other current liabilities

Item	30 June 2024 (unaudited)	31 December 2023
Output VAT to be transferred	26,475	43,819

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

29. Lease liabilities

	30 June 2024 (unaudited)	31 December 2023
Lease liabilities	6,718	8,457
Less: Non-current liabilities due within one year (Note V.27)	(5,983)	(7,515)
Total	735	942

For the Group's specific arrangements relating to leasing activities, refer to Note V.59.

30. Deferred income

Item	31 December 2023	Increase in current period	Decrease in current period	30 June 2024 (unaudited)	Cause				
Government grants	110,222	15,064	(17,915)	107,371	related to assets/ income				
Liability Items	31 December 2023	Increase in current period	Deduct from Property plant and Equipment	Deduct from general and administrative expenses	Deduct from financial expenses	Include in non- operating income	Deduct from non- operating expense	30 June 2024 (unaudited)	Related to assets/income
Investment subsidy for Chemical Industry	80,000	-	-	-	-	(5,000)	-	75,000	related to assets
Other government subsidy related to assets	21,261	-	-	-	-	-	-	21,261	related to assets
Other government subsidy related to income	8,961	15,064	-	(12,915)	-	-	-	11,110	related to income
Total	110,222	15,064	-	(12,915)	-	-	(5,000)	107,371	

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

31. Share capital

	31 December 2023	Issue new share	Increase or decrease in current period				Sub-total	30 June 2024 (unaudited)
			Stock dividend	Transfer from capital surplus to paid-in capital	Cancell treasury shares			
Non-restricted								
Shares								
Ordinary A shares listed in PRC	7,328,814	-	-	-	-	-	7,328,814	
Foreign investment H shared								
listed overseas	3,470,472	-	-	-	(124,058)	(124,058)	3,346,414	
Total Shares	10,799,286	-	-	-	(124,058)	(124,058)	10,675,228	

The Company was founded in Shanghai, PRC on 29 June 1993 with registered capital of RMB4,000,000,000 invested by its holding company-China National Petrochemical Corporation; these shares were converted from assets of former Shanghai Petrochemical Complex.

Approved by Zheng Wei Fa No. [1993]30 issued by the State Council Securities Committee, the Company launched its Initial Public Offering ("IPO") in July 1993 and September 1993 in Hong Kong, New York and Shanghai to issue 2.23 billion shares, including 1.68 billion H shares and 550 million A shares. The 550 million A shares included 400 million individual shares (including 150 million shares issued to SPC employees) and 150 million legal person shares. H shares were listed on the Hong Kong Stock Exchange on 26 July 1993 and listed on the New York Stock Exchange in the form of American Depositary Shares at the same time; the A shares were listed on the Shanghai Stock Exchange on 8 November 1993.

After the IPO, the total quantity of shares issued by the Company was 6.23 billion, including 4 billion state owned shares, 150 million legal person shares, 400 million individual shares, and 1.68 billion H shares.

According to the plan stated in the prospectus issued in July 1993, and approved by the China Securities Regulatory Commission, the Company issued 320 million ordinary A shares with a par value of RMB1 each at an issuing price of RMB2.4 each during the period from 5 April to 10 June 1994. These shares were listed on the Shanghai Stock Exchange on 4 July 1994. By then, the total quantity of shares issued was expanded from 6.23 billion to 6.55 billion.

On 22 August 1996, the Company issued 500 million H shares to overseas investors; on 6 January 1997, another 150 million H shares were issued to overseas investors. By then, the total quantity of shares issued was expanded to 7.2 billion, including 2.33 billion H shares.

In 1998, China National Petrochemical Corporation was restructured to Sinopec Group.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

31. Share capital *(continued)*

Sinopec Corp. was founded on 28 February 2000 based on the approved assets restructuring of Sinopec Group. As part of the restructuring, the shares of the Company held by the Sinopec Group were injected in Sinopec Corp.; after the restructuring, the ownership of 4 billion state-owned shares of the Company held by the Sinopec Group were transferred to Sinopec Corp., and the shares were changed to state owned legal person shares in nature.

All the A and H shares rank pari passu in all respects.

Pursuant to the 'Approval on matters relating to the Share Segregation Reform of Sinopec Shanghai Petrochemical Company Limited' issued by the State-owned Assets Supervision and Administration Commission of the State Council (State Owned Property [2013] No.443), a General Meeting of A share shareholders was held on 8 July 2013 and passed the resolution of 'Share Segregation Reform of Sinopec Shanghai Petrochemical Company Limited (Amendment)' ("the share segregation reform resolution") which was published by the Company on Shanghai Stock Exchange ("SSE") website on 20 June 2013. According to the Share Segregation Reform Resolution, the controlling shareholder of the Company, Sinopec Corp., offered shareholders of circulating A shares 5 shares for every 10 circulating A shares they held on 16 August 2013, aggregating 360,000,000 A shares, for the purpose of obtaining the listing rights of its non-circulating shares in the A Shares market. From 20 August 2013 ("the circulation date"), all the Company's non-circulating A shares have been granted circulating rights on Shanghai Stock Exchange ("SSE"). As part of the restricted conditions, Sinopec Corp. committed that all the 3,640,000,000 A shares held were not allowed to be traded on SSE or transferred within 12 months from the circulation date ("the restriction period"). After the restriction period, Sinopec Corp. can only sell no more than 5 and 10 percent of its total shares within 12 and 24 months, respectively. The former 150,000,000 non-circulating A shares held by social legal persons were also prohibited to be traded on SSE or transferred within 12 months from the circulation date. Meanwhile, Sinopec Corp. also committed in the Share Segregation Reform Resolution that a scheme of converting surplus to share capital (no less than 4 shares for every 10 shares) will be proposed on the board of directors and shareholders meetings within 6 months after the circulation date.

On 22 October 2013, Sinopec Corp. passed the Share Reform Commitment Scheme added up to 3,600,000,000 shares, after deliberation of temporary shareholders' meeting, A share class shareholders' meeting and H share class shareholders' meeting.

Since the Company share reform, which was executed after 20 August 2013, the Company's non-circulating A shares have been granted circulating rights on Shanghai Stock Exchange ("SSE"). As part of the restricted conditions, all the 5,460,000,000 A shares held by Sinopec Corp. and 225,000,000 A shares held by social legal persons had been realized circulation as of 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

31. Share capital *(continued)*

On 23 August 2017, the first Share Option Incentive Scheme of A shares was passed according to board resolution. On 27 September 2017, the Company increased newly registered capital of RMB14,177 thousand, which was paid in cash amount to RMB54,580 thousand by 199 grantees. The difference between actual capital contribution and registered capital amount to RMB40,403 thousand was included in share premium, and the confirmed capital reserve – employee equity option plan in the waiting period is RMB21,916 thousand, which is transferred to the capital reserve – equity premium. As to 31 December 2017, total equity capital was 10,814,176,600 shares.

On 8 January 2018, according to the resolution of the board of directors of the Company, the second exercise period exercise plan of the Company's common a-share stock option incentive plan was adopted. On 12 January 2018, the new registered capital of the Company is RMB9,637 thousand, which is fully paid in cash of RMB37,102 thousand by 185 equity incentive objects who meet the conditions for exercise. The difference between the actual capital contribution and the subscribed registered capital is RMB27,465 thousand, which is included in the Company's capital reserve – equity premium, and the confirmed capital reserve – employee equity option plan in the waiting period is RMB17,062 thousand, which is transferred to the capital reserve – equity premium.

According to the board resolution of the Company on 28 December 2018, the third exercise period of the stock option incentive plan for A shares of the common stock of the Company will not be exercised because the non-market exercise conditions are not met. As of 31 December 2023 and 31 December 2022, the total share capital of the Company was 10,823,813,500 shares.

On 22 June 2022, the Company's annual general meeting for the year 2021, the second class A shareholders' meeting for the year 2022 and the second class H shareholders' meeting for the year 2022 considered and passed the "Proposal to Request the General Meeting to Authorize the Board of Directors to Repurchase Domestic Shares/Or Overseas-Listed Foreign Shares of the Company". Pursuant to such general authorization, the Company conducted the repurchase of the Company's shares from 27 October 2022 onwards by way of centralized bidding. As of December 31, 2022, the Company repurchased a total of 24,528,000 ordinary H shares on the Stock Exchange of Hong Kong for a total consideration paid of RMB25,689 thousand. On February 17, 2023, the Company cancelled all the repurchased H shares totaling 24,528,000 shares, representing 0.23% of the total number of issued shares of the Company. After this cancellation, the total number of issued shares of the Company was reduced to 10,799,285,500 shares, of which 7,328,813,500 shares were A shares and 3,470,472,000 shares were H shares.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

31. Share capital (continued)

On 28 June 2023, the Company's annual general meeting for the year 2022, the first class A shareholders' meeting for the year 2023 and the first class H shareholders' meeting for the year 2023 considered and passed the "Proposal to Request the General Meeting to Authorize the Board of Directors to Repurchase Domestic Shares/Or Overseas-Listed Foreign Shares of the Company". Pursuant to such general authorization, the Company conducted the repurchase of the Company's shares from 3 November 2023 onwards by way of centralized bidding. As of 30 June 2024, the Company repurchased a total of 124,058,000 ordinary H shares on the Stock Exchange of Hong Kong for a total consideration paid of RMB124,004 thousand. On 17 June 2024, the Company cancelled all the repurchased H shares totaling 124,058,000 shares, representing 1.15% of the total number of issued shares of the Company. After this cancellation, the total number of issued shares of the Company was reduced to 10,675,227,500 shares, of which 7,328,813,500 shares were A shares and 3,346,414,000 shares were H shares.

At 30 June 2024, the total share capital of the Company was 10,675,227,500 shares.

32. Capital reserve

Item	31 December 2023	Increase in current period	Decrease in current period	30 June 2024 (unaudited)
Government grants	412,370	–	–	412,370
Refund of harbour construction charge	32,485	–	–	32,485
Share premium (Note V.31)	105,685	54	–	105,739
Others (Note V.38)	58,626	12,240	–	70,866
Total	609,166	12,294	–	621,460

As of 30 June 2024 and 31 December 2023, there were no outstanding share options.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

33. Treasury stock

Item	31 December 2023	Increase in current period	Decrease in current period	30 June 2024 (unaudited)
Repurchase of Hong Kong ordinary shares	70,579	53,425	(124,004)	–

In accordance with the Motion on Requesting the Board of Directors to authorize the buyback of the Company's domestic shares and/or Overseas Listed foreign Shares approved by the General Meeting of Shareholders held on June 22, 2022, the Company will conduct the buyback of the Company's shares through centralized bidding since October 27, 2022. As of December 31, 2022, the Company had repurchased a total of 24,528,000 H-share ordinary shares on the Stock Exchange of Hong Kong for a consideration of RMB25,689 thousand. The Group had cancelled the repurchase of all its H-share shares, a total of 24,528,000 shares, by 17 February 2023.

Pursuant to the "Proposal to Request the General Meeting of Shareholders to Authorize the Board of Directors to Repurchase the Company's Domestic Shares and/or Overseas-Listed Foreign Shares" considered and approved by the General Meeting of Shareholders held on 28 June 2023, the Company commenced the repurchase of the Company's shares from 3 November 2023 onwards by way of centralized bidding. As of 31 December 2023, the Company repurchased a total of 70,192,000 ordinary H shares on the Stock Exchange of Hong Kong for a total consideration of RMB70,579 thousand. As of 5 June 2024, the Company repurchased a total of 53,866,000 ordinary H shares on the Stock Exchange of Hong Kong for a total consideration of RMB53,425 thousand. The Company had cancelled the repurchase of all its H-share shares, a total of 124,058,000 shares, by 17 June 2024

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

34. Other comprehensive income

	Other comprehensive income in Balance Sheet			Other comprehensive income in the six months ended 30 June 2024 Income Statement					
	31 December 2023	Net-of-tax amount attributable to shareholders of the Company	Less: Amounts transferred from hedging reserve to initial carrying amount of hedged items	30 June 2024 (unaudited)	Before-tax amount	Less: Previously recognized amount transferred to profit or loss	Less: income tax benefit	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests
Items that cannot be reclassified to profit or loss									
Changes in fair value of investments in other equity instruments	(848)	-	-	(848)	-	-	-	-	-
Items that can be reclassified to profit or loss									
Cash flow hedge reserves	-	(3,128)	-	(3,128)	(4,171)	-	1,043	(3,128)	-
Other comprehensive income recognized under equity method	(39)	-	-	(39)	-	-	-	-	-
Total	(887)	(3,128)	-	(4,015)	(4,171)	-	1,043	(3,128)	-

	Other comprehensive income in Balance Sheet			Other comprehensive income in the six months ended 30 June 2023 Income Statement					
	31 December 2022	Net-of-tax amount attributable to shareholders of the Company	Less: Amounts transferred from hedging reserve to initial carrying amount of hedged items	30 June 2023 (unaudited)	Before-tax amount	Less: Previously recognized amount transferred to profit or loss	Less: income tax expense	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests
Items that may be reclassified to profit or loss									
Cash flow hedge reserves	-	-	-	-	-	-	-	-	-
Other comprehensive income recognized under equity method	(806)	(21)	-	(827)	(21)	-	-	(21)	-
Total	(806)	(21)	-	(827)	(21)	-	-	(21)	-

During the six months ended 30 June 2023, the Group initially recognized RMB806,000 of cash flow hedging reserves transferred out of inventory and reclassified to RMB21,000 of operating income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

35. Specific reserve

Item	31 December 2023	Accrued in current period	Utilized in current period	30 June 2024 (unaudited)
Safety fund	298,137	91,195	(117,267)	272,065

Item	31 December 2022	Accrued in current period	Utilized in current period	30 June 2023 (unaudited)
Safety fund	240,418	76,290	(55,706)	261,002

Specific reserve represents unutilized safety fund accrued in accordance with state regulations (Note III.26).

36. Surplus reserve

Item	31 December 2023	Increase in current period	Decrease in current period	30 June 2024 (unaudited)
Statutory surplus reserve	6,571,279	–	–	6,571,279
Discretionary surplus reserve	101,355	–	–	101,355
Total	6,672,634	–	–	6,672,634

Item	31 December 2022 (restated)	Increase in current period	Decrease in current period	30 June 2023 (unaudited)
Statutory surplus reserve	6,571,279	–	–	6,571,279
Discretionary surplus reserve	101,355	–	–	101,355
Total	6,672,634	–	–	6,672,634

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. No statutory surplus reserve was appropriated in current period (For the six months ended 30 June 2023: Nil).

The Company appropriates for the discretionary surplus reserve should be proposed by the board of directors and approved by the shareholders' meeting. The discretionary surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. No discretionary surplus reserve was appropriated in current period (For the six months ended 30 June 2023: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

37. Retained earnings

	Six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Retained earnings at the end of the previous year before adjustment	6,517,172	7,923,002
Total undistributed profits at the beginning of the adjustment period (increase+, decrease -)	-	46
Retained earnings at the beginning of the period after adjustment	6,517,172	7,923,048
Add: Net gains/(losses) attributable to shareholders of the Company	27,912	(988,277)
Less: Appropriation to statutory reserve (Note V. 36)	-	-
Dividend to ordinary shares (1)	-	-
Retained earnings at the end of the period	6,545,084	6,934,771

(1) Pursuant to the resolution of the General Meeting of shareholders at 6 June 2024, the Company did not distribute cash dividends for the year 2023.

Pursuant to the resolution of the General Meeting of shareholders at 28 June 2024, the Company did not distribute cash dividends for the year 2022.

The Board of Directors did not propose to distribute the interim dividend for the six months ended 30 June 2024 (For the six months ended 30 June 2023: Nil).

(2) Retained earnings at the end of the year

As of 30 June 2024, the consolidated retained earnings attributable to the Group included appropriation to surplus reserves made by the Company's subsidiaries amounting to RMB301,904 thousand (31 December 2023: RMB297,224 thousand).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

38. Non-controlling interests

Attributable to the non-controlling interests of the Group:

Name of subsidiaries	30 June 2024 (unaudited)	31 December 2023
China Jinshan Associated Trading Corporation (“Jinmao”)	101,710	105,362
Shanghai Jinchang Engineering Plastics Company Limited (“Jinchang”) (Note 1)	–	12,616
Total	101,710	117,978

Note 1: During the reporting period, the Group purchased 25.75% equity of Jinchang Company from its minority shareholders at a nominal price of RMB2, resulting in the decrease to zero in minority shareholders’ equity.

39. Operating income and operating costs

Item	Note	Six months ended 30 June	
		2024 (unaudited)	2023 (unaudited)
Income from principal activities	(1)	43,105,576	44,710,183
Income from other operating activities		427,230	226,868
Total		43,532,806	44,937,051

Item	Note	Six months ended 30 June	
		2024 (unaudited)	2023 (unaudited)
Cost of principal activities	(1)	36,192,500	38,408,737
Cost of other operating activities		247,410	147,190
Total		36,439,910	38,555,927

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

39. Operating income and operating costs (continued)

(1) Income and cost from principal activities

The principal business of the Group mainly belongs to the petrochemical industry.

Analysis by product is as following:

Product Description	Six months ended 30 June			
	2024 (unaudited)		2023 (unaudited)	
	Income from principal activities	Cost of principal activities	Income from principal activities	Cost of principal activities
Petroleum products	30,856,418	24,056,481	30,675,736	24,774,204
Chemical products	8,837,013	8,777,704	9,520,682	9,181,866
Trading of petrochemical products	3,147,406	3,098,343	4,260,964	4,203,453
Others	264,739	259,972	252,801	249,214
Total	43,105,576	36,192,500	44,710,183	38,408,737

(2) For the six months ended 30 June 2024, analysis of revenue and cost of sales is as following:

Classification	Six months ended 30 June 2024 (unaudited)				
	Petroleum products	Chemical products	Trading of petrochemical products		Total
			petrochemical products	Others	
Income from principal activities	30,856,418	8,837,013	3,147,406	264,739	43,105,576
Including: Recognized at a point in time	30,856,418	8,837,013	3,129,382	264,739	43,087,552
Recognized over time	-	-	18,024	-	18,024
Income from other operating activities	-	-	-	427,230	427,230
Total	30,856,418	8,837,013	3,147,406	691,969	43,532,806

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

39. Operating income and operating costs (continued)

- (2) For the six months ended 30 June 2024, analysis of revenue and cost of sales is as following:
(continued)

Classification	Six months ended 30 June 2024 (unaudited)				
	Petroleum products	Chemical products	Trading of petrochemical products	Others	Total
Cost from principal activities	24,056,481	8,777,704	3,098,343	259,972	36,192,500
Including: Recognized at a point in time	24,056,481	8,777,704	3,080,319	259,972	36,174,476
Recognized over time	-	-	18,024	-	18,024
Cost from other operating activities	-	-	-	247,410	247,410
Total	24,056,481	8,777,704	3,098,343	507,382	36,439,910

For the six months ended 30 June 2023, analysis of revenue and cost of sales is as following:

Classification	Six months ended 30 June 2023 (unaudited)				
	Petroleum products	Chemical products	Trading of petrochemical products	Others	Total
Income from principal activities	30,675,736	9,520,682	4,260,964	252,801	44,710,183
Including: Recognized at a point in time	30,675,736	9,520,682	4,230,925	252,801	44,680,144
Recognized over time	-	-	30,039	-	30,039
Income from other operating activities	-	-	-	226,868	226,868
Total	30,675,736	9,520,682	4,260,964	479,669	44,937,051

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

39. Operating income and operating costs (continued)

(2) For the six months ended 30 June 2024, analysis of revenue and cost of sales is as following:
(continued)

Classification	Six months ended 30 June 2023 (unaudited)				
	Petroleum products	Chemical products	Trading of petrochemical products	Others	Total
Cost from principal activities	24,774,204	9,181,866	4,203,453	249,214	38,408,737
Including: Recognized at a point in time	24,774,204	9,181,866	4,173,414	249,214	38,378,698
Recognized over time	-	-	30,039	-	30,039
Cost from other operating activities	-	-	-	147,190	147,190
Total	24,774,204	9,181,866	4,203,453	396,404	38,555,927

For the six months ended 30 June 2024, the Group has no revenues and costs from trial sales (For the six months ended 30 June 2023: Nil).

40. Taxes and surcharges

Item	For the six months ended 30 June		Tax base and rate
	2024 (unaudited)	2023 (unaudited)	
Consumption tax	5,247,142	5,527,498	According to relevant PRC tax regulations, since 1 January 2009, the Group required to pay consumption tax based on the Group's sales of gasoline, diesel, naphtha and fuel oil rate according to the applicable tax rate (Note IV)
Urban maintenance and construction tax	410,324	383,292	5% or 7% of actual payments of consumption tax and VAT during the period
Education surcharges	296,499	277,558	3% of actual payments of consumption tax and VAT during the period
Stamp tax	7,202	8,694	Applicable tax rate
Property tax	16,726	16,132	1.2% of taxable property value or 12% of rental expense
Land use tax	9,024	8,992	Applicable tax rate
Others	6,219	4,415	
Total	5,993,136	6,226,581	

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

41. Selling expenses

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Transportation fee	18,760	27,812
Sales commission	46,185	50,602
Staff costs	33,512	38,058
Storage and logistics expenses	17,879	21,155
Others	10,245	10,832
Total	126,581	148,459

42. General and administrative expenses

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Staff costs	531,739	572,225
Repair and maintenance expense	104,704	134,015
Depreciation and amortization	87,555	93,666
Security and fire fighting expenses	20,892	20,948
Information system operation maintenance	19,588	21,992
Depreciation of right-of-use assets	6,659	6,139
Others	115,958	109,242
Total	887,095	958,227

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

43. Research and development expenses

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
R & D material cost	16,589	10,027
Technical cooperation fee	15,571	17,485
Payroll	35,658	36,381
Depreciation and amortization	8,791	1,373
Others	20,295	2,796
Total	96,904	68,062

44. Financial expenses (“-” for income)

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Interest expenses from loans and payables	92,676	65,529
Less: Capitalized borrowing costs	(985)	(10,393)
Add: Interest expenses from lease liabilities	213	411
Interest income from deposits and receivables	(180,835)	(185,052)
Net exchange losses	9,326	1,780
Others	3,405	2,444
Total	(76,200)	(125,281)

The interest rate per annum, at which the borrowing costs were capitalized by the Group, was 1.80% for the period (For the six months ended 30 June 2023: 1.66%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

45. Other income

Item	For the six months ended 30 June		related to asset/related to income
	2024 (unaudited)	2023 (unaudited)	
Other income related government grants	4,044	2,808	related to income
Refund of harbour construction charge	3,535	1,980	related to income
Tax refunds	547	484	related to income
Scientific research expenditures subsidy	72	–	related to income
Others	4,717	2,127	related to income
Total	12,915	7,399	related to income

46. Investment income (“-” for losses)

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Losses from investment in associates and joint ventures	85,863	(118,363)
Net losses from disposal of derivative financial instruments	(27)	–
Discount loss of receivables	(1,812)	(1,997)
Total	84,024	(120,360)

There was no significant restriction on the repatriation of investment income.

47. Gains from changes in fair value (“-” for losses)

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Derivative financial assets and derivative financial liabilities commodity swaps contracts	633	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

48. Credit (losses)/reversal

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Accounts receivable bad debts reversed (Note V.3)	51	170
Bad debt losses on other receivables (Note V.6)	(79)	(3)
Total	(28)	167

49. Impairment losses

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Impairment loss on inventories (Note V. 7)	(111,483)	(190,486)

50. Gains/(losses) from asset disposals

Item	For the six months ended 30 June		Amount recognised in extraordinary gain and loss for the six months ended 30 June 2024 (unaudited)
	2024 (unaudited)	2023 (unaudited)	
Gains from disposal of fixed assets	1,729	434	1,729

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

51. Non-operating income

Item	Note	For the six months ended 30 June		Amount recognised in extraordinary gain and loss for the six months ended 30 June 2024 (unaudited)
		2024 (unaudited)	2023 (unaudited)	
Compensation payments, income from fines		1,287	1,758	1,287
Government grants	(1)	5,000	5,000	5,000
Fixed asset obsolescence gains		10,060	2,825	10,060
Others		293	4,922	293
Total		16,640	14,505	16,640

(1) Government grants mainly include:

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Amortization of deferred income (Note V.30)	5,000	5,000

52. Non-operating expenses

Item	For the six months ended 30 June		Amount recognised in extraordinary gain and loss for the six months ended 30 June 2024 (unaudited)
	2024 (unaudited)	2023 (unaudited)	
Losses from scrapping of fixed assets	10,851	12,135	10,851
Allowances	9,151	9,290	9,151
Others	12,313	7,284	12,313
Total	32,315	28,709	32,315

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

53. Income tax cost/(benefits)

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Current tax expense for the period based on tax law and regulations	3,762	7,429
Changes in deferred tax assets/liabilities	2,330	(233,490)
Tax filing differences	5	(227)
Total	6,097	(226,288)

Reconciliation between income tax expenses and accounting gains/(losses):

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Gains/(Losses) before income tax	37,495	(1,211,974)
Expected income tax expense at applicable tax rates	9,374	(302,994)
Tax effect of investment income accounted for using the equity method	(21,045)	30,011
Other non-taxable profit	(2,187)	(2,637)
Costs, expenses and losses not deductible	26,318	37,532
Adjustment of settlement and payment differences	5	(227)
Deductible losses from the use of previously unrecognized deferred tax assets	(1,251)	(1,118)
Deductible losses from previously recognized deferred tax assets	–	4,074
Deductible losses of unrecognized deferred tax assets in this period	3,144	8,986
Confirmed deductible losses or temporary differences from previous periods	(8,261)	85
Income tax expenses/(Gains)	6,097	(226,288)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

54. Calculation of basic gains/(losses) per share and diluted gains/(losses) per share

(1) Basic gains/(losses) per share

Basic gains/(losses) per share is calculated by dividing the consolidated net gains/(losses) attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Consolidated net gains/(losses) attributable to ordinary shareholders of the Company	27,912	(988,277)
Weighted average number of the Company's ordinary shares outstanding (thousand share)	10,686,232	10,799,286
Basic gains/(losses) per share (RMB per share)	0.003	(0.092)

The weighted average number of ordinary shares is calculated as follows:

Item	For the six months ended 30 June	
	2024 (unaudited) (thousand shares)	2023 (unaudited) (thousand shares)
Amount of ordinary shares outstanding at 31 December 2023 (Note)	10,729,094	10,799,286
Weighted average number of ordinary shares during the period	42,862	–
Amount of ordinary shares outstanding at 30 June 2024	10,686,232	10,799,286

Note: The Company repurchased 70,192 thousand shares in fiscal year 2023 (see Note V.33), which were cancelled in fiscal year 2024, and have deducted them from the number of common shares outstanding at the beginning of the year.

(2) Diluted gains/(losses) per share

For the six months ended 30 June 2024, there are no diluted ordinary shares outstanding, the diluted gains/(losses) per share equals the basic gains/(losses) per share.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

55. Supplementary information on income statement

Expenses on income statement are analysed by their nature:

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Operating income	43,532,806	44,937,051
Less: Changes in inventories of finished goods and work in progress	(294,123)	(259,928)
Consumed raw materials and low value consumables, etc.	30,951,579	31,893,403
Cost of purchasing products	3,098,343	4,203,453
Employee benefits	1,666,353	1,769,930
Depreciation and amortization expenses	1,028,286	975,799
Depreciation of right-of-use assets	6,946	7,188
Taxes and surcharges	5,993,136	6,226,581
Repair and maintenance expenses	326,021	479,778
Other expenses	767,085	661,052
Finance expenses ("-" for income)	(76,200)	(125,281)
Add: Gains from changes in fair value ("-" for loss)	633	-
Gains from asset disposals ("-" for loss)	1,729	434
Other income	12,915	7,399
Investment income ("-" for loss)	84,024	(120,360)
Impairment losses ("-" for loss)	(111,483)	(190,486)
Credit losses ("-" for loss)	(28)	167
Operating gains/(loss)	53,170	(1,197,770)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

56. Notes to cash flow statement

(1) Cash from operating activities

(i) Proceeds from other operating activities

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Subsidy income	5,000	6,915
Interest income on demand deposits	120,779	66,336
Others	82,061	58,264
Total	207,840	131,515

(ii) Payments for other operating activities

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Agency fee	(46,185)	(50,602)
Research and development expenses	(35,866)	(20,281)
Information system operation maintenance	(19,588)	(21,992)
Commodity storage and logistics fee	(13,797)	(21,155)
Security and fire fighting expenses	(20,892)	(20,948)
Others	(47,899)	(117,093)
Total	(184,227)	(252,071)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

56. Notes to cash flow statement *(continued)*

(2) Cash from investment activities

(i) Significant cash received related to investing activities

a. Cash received from investment income

Items	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Dividends received from joint ventures	15,278	20,397
Dividends received from associates	99,966	71,603
Total	115,244	92,000

b. Cash received from withdrawal of investments

Items	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Withdrawal of investment margin	–	50,000
Total	–	50,000

(ii) Significant cash paid related to investing activities

Items	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Cash paid for investment in unlisted preference shares	–	(26,500)
Cash paid for investment in joint ventures and associates	(150,000)	–
Total	(150,000)	(26,500)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

56. Notes to cash flow statement *(continued)*

(2) Cash from investment activities *(continued)*

(iii) Proceeds from other investing activities

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Time deposits due within one-year receipts	200,000	1,000,000
Interest income on time deposits	13,252	58,167
Total	213,252	1,058,167

(iv) Payments for other investing activities

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Losses from investment in derivative financial instruments	(27)	–
Discount loss of receivables	–	(1,997)
Total	(27)	(1,997)

(3) Payments for other financing activities

(i) Other cash disbursements related to financing activities

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Lease liabilities payment	(4,973)	(6,825)
Payment of discount interest on buyer's interest-bearing notes	(16,768)	–
Hong Kong ordinary shares repurchase	(52,162)	–
Total	(73,903)	(6,825)

For the six months ended 30 June 2024, cash payment of the Group related to lease activities is RMB11,037 thousand (For the six months ended 30 June 2023: RMB15,051 thousand), except for the above amount included in financing activities, the rest are included in operating activities.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

56. Notes to cash flow statement *(continued)*

(3) Payments for other financing activities *(continued)*

(ii) Liabilities arising from financing activities

	Short-term loan	Other accounts payable – interest payable	Non-current liabilities due within one year – long- term loans	Lease liabilities	Total
Balance at 31 December 2023	3,000,000	2,509	700,000	8,457	3,710,966
Increase for the period – change in cash borrowings	17,500,000	–	–	–	17,500,000
Increase for the period – non-cash changes					
Increase in lease liability as a result of entering into new leases	–	–	–	3,021	3,021
Accrued interest	71,856	–	4,053	213	76,122
reclassification	(2,562)	2,772	(210)	–	–
Decrease in current period – change in cash					
Repayment of loans	(16,000,000)	–	–	–	(16,000,000)
Repayment of principal and interest on lease liabilities	–	–	–	(4,973)	(4,973)
Payment of interest	(69,294)	(2,509)	(3,843)	–	(75,646)
Decrease during the period – non- cash changes reclassification	–	–	–	–	–
Balance at 30 June 2024 (unaudited) of year	4,500,000	2,772	700,000	6,718	5,209,490

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

57. Supplementary information on cash flow statement

(1) Supplement to cash flow statement

a. *Reconciliation of net gains/(losses) to cash flows from operating activities:*

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Net gains/(losses)	31,398	(985,686)
Add: Provisions for impairment of assets	111,483	190,486
(Recovery)/provision of credit losses	28	(167)
Depreciation of investment properties	7,562	7,650
Depreciation of fixed assets	888,934	812,683
Depreciation of right-of-use assets	6,946	7,188
Amortization of intangible assets	9,984	9,984
Amortization of long-term deferred expenses	121,806	145,482
Losses on disposal of fixed assets ("-" for income)	(938)	8,876
Gains from changes in fair value	(633)	-
Finance expenses ("-" for income)	35,360	(68,305)
Investment loss ("-" for income)	(85,836)	120,360
Decrease in deferred tax assets ("-" for increase)	2,768	(234,502)
Increase/(decrease) in deferred tax liabilities ("-" for decrease)	(438)	1,012
Decrease in deferred income	(2,851)	(3,995)
Decrease in inventories ("-" for increase)	190,022	(559,216)
Decrease in operating receivables ("-" for increase)	(3,271,040)	2,393,905
Increase in operating payables ("-" for decrease)	2,323,487	(2,093,221)
Increase in specific reserve ("-" for decrease)	(26,072)	20,584
Net cash flows generated from/(used) in operating activities	341,970	(226,882)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

57. Supplementary information on cash flow statement (continued)

(1) Supplement to cash flow statement (continued)

b. Net changes in cash and cash equivalents

Items	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Cash and cash equivalents at end of the year	6,006,110	4,610,758
Less: Cash and cash equivalents at beginning of the year	(4,906,368)	(889,413)
Net increase in cash and cash equivalents	1,099,742	3,721,345

(2) Details of cash and cash equivalents

Items	30 June 2024 (unaudited)	31 December 2023
Cash at bank and on hand	6,006,110	4,906,368
Including: Bank deposits available on demand	6,006,110	4,906,368
Cash and cash equivalents at the end of the year	6,006,110	4,906,368

(3) Monetary funds not classified as cash and cash equivalents

Items	30 June 2024 (unaudited)	31 December 2023
Time deposit	3,329,746	700,642
Other monetary funds	3,847	3

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

58. Foreign monetary items

	30 June 2024 (unaudited)		
	Foreign currency	Exchange rate	RMB currency
Cash at bank and on hand—USD	12,336	7.1268	87,916
Accounts receivable—USD	15,490	7.1268	110,394
Other receivable—USD	40	7.1268	285
Other receivable—HKD	3,667	0.9127	3,347
Receivables under financing—USD	34,335	7.1268	244,699
Accounts payable—USD	(59,318)	7.1268	(422,748)
Other payables—USD	(137)	7.1268	(976)
Gross balance sheet exposure—USD	2,746		19,570
Gross balance sheet exposure—HKD	3,667		3,347
	31 December 2023		
	Foreign currency	Exchange rate	RMB currency
Cash at bank and on hand—USD	20,823	7.0827	147,483
Accounts receivable—USD	2,742	7.0827	19,421
Other receivable—USD	40	7.0827	283
Other receivable—HKD	6,071	0.9066	5,504
Receivables under financing—USD	18,650	7.0827	132,092
Accounts payable—USD	(54,908)	7.0827	(388,897)
Other payable—USD	(275)	7.0827	(1,948)
Gross balance sheet exposure—USD	(12,928)		(91,566)
Gross balance sheet exposure—HKD	6,071		5,504

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

59. Leases

(1) As a lessor

(a) Operating lease

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Lease income	47,196	47,942

The Group leases out some land, buildings and machinery. The lease period ranges from 1 to 20 years. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

(2) As a lessee

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Short-term lease expenses applied the practical expedient	6,064	8,226
Total cash outflow for leases	11,037	15,051

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

60. Government grants

(1) Details of government grants

Category	Amount	Presentation item
Investment subsidy for Chemical Industry	75,000	Deferred income/ non-operating income
State funding for converted scientific research institutions	8,830	Deferred income
Others subsidy relating to assets	21,261	Deferred income
Others subsidy relating to income	2,280	Deferred income
Local education surcharge special fund subsidy	2,709	Other income
Reimbursement of port construction costs	3,535	Other income
Financial subsidies for scientific research expenditures	72	Other income
Commission for withholding tax refund	547	Other income
Others subsidy relating to income	6,052	Other income

(2) Government grants recognized in profit or loss for the period

Type	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Financial subsidies for scientific research expenditures	72	–
Investment subsidies for chemical industry zones	5,000	5,000
Reimbursement of port construction costs	3,535	1,980
Tax rebates	547	484
Subsidies from special funds for local education surcharges	2,709	2,808
Other government grants related to earnings	6,052	2,127

(3) For the six months ended 30 June 2024, there is no repayment of government grants. (For the six months ended 30 June 2023: nil)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VI. Interests in other entities

1. Interests in subsidiaries

(1) Main components of the Group's subsidiaries as of 30 June 2024:

Name of enterprise	Main business area	Place of registration	Principal activities	Registered capital (thousands)	Percentage of equity%		Way of acquisition
					Directly	Indirectly	
Toufa	Shanghai	Shanghai	Investment	RMB2,100,000	100.00%	-	Establish
Jinmao	Shanghai	Shanghai	Trading	RMB25,000	67.33%	-	Establish
Jinchang	Shanghai	Shanghai	Manufacturing	USD9,154	-	100%	Establish
Shanghai Golden Phillips Petrochemical Company Limited ("Jinfei")	Shanghai	Shanghai	Manufacturing	RMB415,623	-	100.00%	Establish
Jinmao International	Shanghai	Shanghai	Trading	RMB100,000	-	67.33%	Establish
Jinlian	Zhejiang Jiaxing	Zhejiang Jiaxing	Storage and transportation	RMB400,000	-	100.00%	Business combinations involving entities not under common control

(2) Important non-wholly-owned subsidiaries

Name of subsidiaries	Shareholding ratio of minority shareholders	Profit attributable to minority shareholders this period	Dividends distributed to minority shareholders this period	Balance of minority shareholders' equity at the end of the period
China Jinshan Associated Trading Corporation	32.67%	3,862	7,514	101,710

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VI. Interests in other entities *(continued)*

1. Interests in subsidiaries *(continued)*

(3) Financial information of important non-wholly-owned subsidiaries

The following tables show the main financial information of the above-mentioned subsidiary, which are the amounts before offsetting internal transactions within the group, but have been adjusted for fair value on the consolidation date and unified accounting policies:

	China Jinshan Associated Trading Corporation	
	30 June 2024	31 December 2023
Current assets	955,266	1,038,720
Non-current assets	2,325	2,528
Total Assets	957,591	1,041,248
Current liabilities	(646,168)	(718,651)
Non-current liabilities	(97)	(92)
Total liabilities	(646,265)	(718,743)

	China Jinshan Associated Trading Corporation	
	For the six months ended 30 June 2024	For the six months ended 31 December 2023
Operating income	3,316,748	4,284,378
Net profit	11,821	17,956
Total comprehensive income	11,821	17,956
Cash flows from operating activities	13,262	(136,303)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VI. Interests in other entities (continued)

2. Interests in joint ventures or associates

(1) Nature of interest in major joint ventures and associates at 30 June 2024:

Name of enterprise	Place of main business	Place of registry	Principal activities	Whether it is strategic to group activities	% of ownership interest		Registered capital (thousands)
					Directly	Indirectly	
Joint ventures-							
Linde	Shanghai	Shanghai	Production and sales of industrial gases	Yes	-	50.00%	USD32,000
Yangu Gas	Shanghai	Shanghai	Production and sales of industrial gases	Yes	-	50.00%	USD10,560
Baling Materials (i)	Shanghai	Shanghai	Production and sales of new styrene thermoplastic elastomer materials	Yes	50.00%	-	RMB800,000
Associates -							
Shanghai Secco	Shanghai	Shanghai	Manufacturing and distribution of chemical products	Yes	20.00%	-	RMB3,115,180
Chemical Industry	Shanghai	Shanghai	Planning, development and operation of the Chemical Industry Park in Shanghai, PRC	Yes	38.26%	-	RMB2,372,439
Azbil	Shanghai	Shanghai	Service and maintenance of building automation systems and products		-	40.00%	USD3,000
Shidian Energy	Shanghai	Shanghai	Electricity supply		-	40.00%	RMB1,000,000

The Group applies the equity method to measure these equity investments.

- (i) On September 7, 2021, Sinopec Hunan Petrochemical Co., Ltd. (formerly known as "Sinopec Baling Petrochemical Co., Ltd.") and the Company jointly established Baling New Materials and contributed RMB400 million in cash respectively. As of 30 June 2024, the Company has contributed RMB400 million in cash. The main business scope of Baling New Materials is the production and sale of SBS, SIS, SEBS, SEPS, SSBR (collectively referred to as SBC), new styrenic thermoplastic elastomer materials, as well as their raw materials, intermediate products, and by-products.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VI. Interests in other entities (continued)

2. Interests in joint ventures or associates (continued)

(2) Key financial information of material joint ventures

	30 June 2024 (unaudited)			31 December 2023		
	Linde Gases		Baling	Linde Gases		Baling
	Company	Yangu Gas	Materials	Company	Yangu Gas	Materials
Current assets	273,137	59,957	405,794	300,772	76,101	139,920
Including: Cash and cash equivalents	210,674	59,671	252,046	223,486	73,849	77,859
Non-current assets	100,526	3,850	1,575,027	90,912	8,784	1,624,943
Total assets	373,663	63,807	1,980,821	391,684	84,885	1,764,863
Current liabilities	(44,368)	(1,040)	(308,771)	(37,985)	(13,242)	(657,863)
Non-current liabilities	-	-	(872,050)	(5,600)	-	(607,000)
Total liabilities	(44,368)	(1,040)	(1,180,821)	(43,585)	(13,242)	(1,264,863)
Net assets	329,295	62,767	800,000	348,099	71,643	500,000
Group's share of net assets (i)	164,648	31,384	400,000	174,050	35,822	250,000
Adjustments-elimination of unrealized profit or loss on intra-group transactions	(86)	-	-	(86)	-	-
Carrying amount of interests in joint ventures	164,562	31,384	400,000	173,964	35,822	250,000

	For the six months ended 30 June 2024 (unaudited)			For the six months ended 30 June 2023 (unaudited)		
	Linde Gases		Baling	Linde Gases		Baling
	Company	Yangu Gas	Materials	Company	Yangu Gas	Materials
Operating income	162,768	1,963	-	192,968	17,164	-
Financial income	226	147	-	311	157	-
Income tax expenses	3,632	-	-	7,467	-	-
Net profit/(loss)	11,752	(8,876)	-	22,402	2,537	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	11,752	(8,876)	-	22,402	2,537	-
Dividends received from joint ventures of this period	15,278	-	-	19,700	-	-

(i) The Group calculated shares of assets by its shareholding ratio, based on the amount from financial statements in joint ventures. The amount in financial statements of joint ventures based on the impacts of identifiable assets when obtained investment, fair value of liabilities, and consistency of accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VI. Interests in other entities (continued)

2. Interests in joint ventures or associates (continued)

(3) Key financial information of material associates

	30 June 2024 (unaudited)				31 December 2023			
	Shanghai Secco	Chemical Industry	Azbil	Shidian Energy	Shanghai Secco	Chemical Industry	Azbil	Shidian Energy
Current assets	4,441,024	4,168,222	235,807	913,579	4,669,471	3,858,856	245,285	928,769
Including: Cash and cash equivalents	1,252,804	2,594,240	188,803	841,353	972,028	2,425,810	165,961	850,415
Non-current assets	5,921,149	7,103,316	23,484	220,326	5,438,241	7,248,350	11,529	214,348
Total assets	10,362,173	11,271,538	259,291	1,133,905	10,107,712	11,107,206	256,814	1,143,117
Current liabilities	(4,382,830)	(1,999,787)	(117,970)	(28,637)	(5,838,648)	(1,932,014)	(82,457)	(38,066)
Non-current liabilities	(6,524,000)	(964,869)	(11,058)	(38,341)	(4,476,514)	(880,938)	(3,384)	(39,538)
Total liabilities	(10,906,830)	(2,964,656)	(129,028)	(66,978)	(10,315,162)	(2,812,952)	(85,841)	(77,604)
Net (liabilities)/assets	(544,657)	8,306,882	130,263	1,066,927	(207,450)	8,294,254	170,973	1,065,513
Non-controlling interests	-	1,441,341	-	-	-	1,431,747	-	-
Net assets attributable to equity shareholders of the Company	(544,657)	6,865,541	130,263	1,066,927	(207,450)	6,862,507	170,973	1,065,513
Group's share of net (liabilities)/ assets (i)	(108,932)	2,626,756	52,105	426,771	(41,490)	2,625,595	68,389	426,205
Adjustment- elimination of unrealized profit or loss on intra- group transactions	2,035	-	-	(7,716)	2,035	-	-	(9,250)
Adjustments - excess losses not recognized in the current period	106,897	-	-	-	39,455	-	-	-
Adjustment (ii)	-	(329,890)	-	-	-	(329,890)	-	-
Impairment loss	-	-	-	-	-	-	-	-
Carrying amount of interests in associates	-	2,296,866	52,105	419,055	-	2,295,705	68,389	416,955

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VI. Interests in other entities (continued)

2. Interests in joint ventures or associates (continued)

(3) Key financial information of material associates (continued)

	For the six months ended 30 June 2024 (unaudited)				For the six months ended 30 June 2023 (unaudited)			
	Shanghai Secco	Chemical Industry	Azbil	Shidian Energy	Shanghai Secco	Chemical Industry	Azbil	Shidian Energy
Operating income	10,641,301	1,003,709	189,180	242,035	8,351,897	897,511	212,652	263,992
Net (loss)/profit	(337,207)	287,785	19,290	11,414	(1,068,275)	270,164	36,737	9,568
(Loss)/profit attributable to equity shareholders of the Company	(337,207)	185,031	19,290	11,414	(1,068,275)	179,833	36,737	9,568
Other comprehensive income	-	-	-	-	-	(56)	-	-
Total comprehensive income	(337,207)	287,785	19,290	11,414	(1,068,275)	270,108	36,737	9,568
Dividends received from associates	-	69,633	24,000	4,000	-	46,103	20,000	4,000

- (i) The Group calculates its share of assets based on the amount attributable to the parent company in the consolidated financial statements of associates in proportion to its shareholding. The key financial information of associates is adjusted for fair value adjustments at the time of acquisition and any differences in accounting policies of the Group.
- (ii) Unentitled portion represented some piece of lands injected by Government in Chemical Industry as capital reserve and the earnings from this land cannot be shared by other shareholders.

(4) Summarised financial information of immaterial joint ventures and associates

Items	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Joint ventures:		
Aggregate carrying amount of investments as of 30 June	9,831	9,354
Aggregate amount of share of		
Net loss(i)	183	206
Other comprehensive income (i)	-	-
Total comprehensive income	183	206
Dividends received from immaterial associates	-	697
Associates:		
Aggregate carrying amount of investments as of 30 June	98,758	103,698
Aggregate amount of share of		
Net loss(i)	(367)	(5,409)
Other comprehensive income (i)	-	-
Total comprehensive income	(367)	(5,409)
Dividends received from immaterial associates	2,333	1,500

- (i) Net profit and other comprehensive income had been adjusted for fair value adjustments of identifiable assets and liabilities at the time of acquisition and any differences in accounting policies of the Group.
- (ii) Unrecognized commitments related to investments in associates refer to Note IX.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VII. Segment information

Segment information is presented in respect of the Group's business segments, the format of which is determined based on the structure of the Group's internal organisation, management requirement, and internal reporting system.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

The Group evaluates the performance and allocates resources to its operating segments on an operating income basis, without considering the effects of finance expenses, investment income, other income, non-operating income and non-operating expenses. The accounting policies adopted by the operating segments are the same with the policies in summary of significant accounting policies. The transfer price of intersegment is recognized with cost plus profit method.

The Group principally operates in three operating segments: petroleum products, chemical products, and trading of petrochemical products. Petroleum products and chemical products are produced through intermediate steps from crude oil, the principal raw material. The specific products of each segment are as follows:

- (i) The Group's petroleum products segment is equipped with crude oil distillation facilities to produce qualified refined gasoline, kerosene, diesel, heavy oil and liquefied petroleum, in addition to producing feedstocks of the Group's downstream processing facilities.
- (ii) The chemical products segment primarily produces p-xylene, benzene, ethylene oxide, polyethylene resin, polypropylene resin PVA granules, acrylic fibres and carbon fibres. Most of the p-xylene, benzene and ethylene oxide produced by the Group are used by the Group as raw materials in the production of other chemical products and are sold to outside customers. Polyethylene resins and plastics are used to produce insulated cable, mulching films and moulded products such as housewares and toys. Polypropylene resins are used for films, sheets and moulded products such as housewares, toys, consumer electronics and automobile parts. Acrylic fibres and carbon fibres, which are mainly used in the textile and apparel industries.
- (iii) Group's trading of petrochemical products segment primarily engages in importing and exporting of petrochemical products.
- (iv) All other operating segments include rental, providing services and a variety of other commercial activities, which are not allocated to the above three operating segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise long-term equity investments, investments in other equity instruments, other non-current financial assets, deferred tax assets, deferred tax liabilities and income tax expense, cash at band and on hand and its related interest income, interest-bearing borrowings, and interest expenses, invest income, etc.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VII. Segment information *(continued)*

(1) Segment information for the six months ended of 30 June 2024 (unaudited) and 30 June 2024 (unaudited) is as follows:

Item	Petroleum products	Chemical products	Trading of		Unallocated	Elimination	Total
			petrochemical products	Others			
Revenue from external customers	30,856,418	8,837,013	3,147,406	691,969	-	-	43,532,806
Inter-segment revenue	8,392,545	4,365,700	568,246	334,632	-	(13,661,123)	-
Operating costs	(24,056,481)	(8,777,704)	(3,098,343)	(507,382)	-	-	(36,439,910)
Interest income	-	-	-	-	180,835	-	180,835
Interest expenses	-	-	-	-	(91,904)	-	(91,904)
Investment losses	-	(1,044)	(795)	-	85,863	-	84,024
Impairment losses	(6,270)	(105,213)	-	-	-	-	(111,483)
Impairment and expected credit losses	-	(25)	-	(3)	-	-	(28)
Gains on changes of fair value	-	-	-	-	633	-	633
Depreciation and amortization	(364,369)	(643,086)	(225)	(27,552)	-	-	(1,035,232)
Profit/(losses) before income tax	752,152	(1,010,408)	10,044	113,357	172,350	-	37,495
Income tax expenses	-	-	-	-	(6,097)	-	(6,097)
Net profit/(losses)	752,152	(1,010,408)	10,044	113,357	166,253	-	31,398
Total assets	17,172,460	7,769,676	771,786	2,751,271	14,476,424	-	42,941,617
Total liabilities	9,264,924	2,847,027	646,167	51,160	5,248,173	-	18,057,451
Investment in associates and joint ventures	-	-	-	-	3,472,560	-	3,472,560
Non-current assets increase (i)	119,966	275,142	49	1,177	-	-	396,334

(i) Non-current assets do not include financial assets, long-term equity investments or deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VII. Segment information (continued)

(2) Segment information for the six months ended 30 June 2023 (unaudited) and 30 June 2023 (unaudited) is as follows:

Item	Petroleum products	Intermediate petrochemicals	Trading of		Unallocated	Elimination	Total
			petrochemical products	Others			
Revenue from external customers	30,675,736	9,520,682	4,260,964	479,669	-	-	44,937,051
Inter-segment revenue	10,607,395	5,064,757	231,132	425,603	-	(16,328,887)	-
Operating costs	(24,774,204)	(9,181,866)	(4,203,453)	(396,404)	-	-	(38,555,927)
Interest income	-	-	-	-	185,052	-	185,052
Interest expenses	-	-	-	-	(55,547)	-	(55,547)
Investment losses	-	-	-	(1,997)	(118,363)	-	(120,360)
Impairment losses	(25,179)	(165,307)	-	-	-	-	(190,486)
Impairment and expected credit losses	-	166	-	1	-	-	167
Depreciation and amortization	(518,251)	(354,928)	(16,361)	(93,447)	-	-	(982,987)
(loss)/profit before income tax	(475,364)	(681,410)	5,808	(69,703)	8,695	-	(1,211,974)
Income tax expenses	-	-	-	-	226,288	-	226,288
Net (loss)/profit	(475,364)	(681,410)	5,808	(69,703)	234,983	-	(985,686)
Total assets	15,060,217	7,754,615	1,036,357	2,699,774	15,150,858	-	41,701,821
Total liabilities	7,036,540	2,207,916	1,073,207	35,702	5,942,154	-	16,295,519
Investment in associates and joint ventures	-	-	-	-	3,384,009	-	3,384,009
Non-current assets increase (i)	38,539	276,618	407	78,008	-	-	393,572

(i) Non-current assets do not include financial assets, long-term equity investments, and deferred income assets.

As the Group operates mainly in the PRC, no geographical segment information is presented.

For the six months ended 30 June 2024, revenue from the same customer accounted for 72% of total Group revenue (For the six months ended 30 June 2023: 70%). The revenue from the customer derived from the following segments: petroleum products and other segment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VIII. Related parties and related party transactions

1. Information about the parent of the Company

(1) General information of the parent company

Name of parent company	Place of registration	Business nature
China Petroleum & Chemical Corporation	No.22 Chaoyangmen North Street, Chaoyang District, Beijing	Exploring for, extracting and selling crude oil and natural gas; oil refining; production, sale and transport of petrochemical, chemical fibres and other chemical products; pipe transport of crude oil and natural gas; research and development and application of new technologies and information.

The Company's ultimate controlling party is China Petrochemical Corporation.

(2) Registered capital and changes in registered capital of the parent company

	31 December 2023	Increase in current period	Decrease in current period	30 June 2024 (unaudited)
China Petroleum & Chemical Corporation	119.3 billion	2.4 billion	–	121.7 billion

(3) The percentages of shareholding and voting rights in the Company held by the parent company

	30 June 2024 (unaudited)		31 December 2023	
	Share holding	Voting rights	Share holding	Voting rights
China Petroleum & Chemical Corporation	51.14%	51.14%	50.55%	50.55%

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VIII. Related parties and related party transactions (continued)

2. Information about the subsidiaries of the Company

For basic information about the subsidiaries of the Company, refer to Note VI.

3. Basic information about joint ventures and associates of the Company

In addition to the major joint ventures and associates disclosed in Note VI.2, related parties transactions between the Group and other associates are as follows:

	Place of business	Place of registration	Business nature	Whether it is strategic for group activities	% of ownership interest	
					Directly	Indirectly
Shanghai Nanguang Petrochemical Co., Ltd.	Shanghai	Shanghai	Petrochemical products import and export	Yes	–	35.00%
Shanghai Jinhuan Petroleum Naphthalene Development Company Limited	Shanghai	Shanghai	Production of petrochemical products	Yes	–	25.00%
Shanghai Chemical Industry Park Logistics Company Limited	Shanghai	Shanghai	Products freight	Yes	–	33.33%
Pinghu China Aviation Oil Port Co., Ltd. ("Pinghu Port")	Zhejiang Jiaxing	Zhejiang Jiaxing	Products freight	Yes	–	29.00%

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VIII. Related parties and related party transactions (continued)

4. Information on other related parties

Names of other related parties	Relationship with the Group
China International United Petroleum and Chemicals Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Chemical Sales Company Limited	Subsidiary of the ultimate parent company
Sinopec Chemical Commercial Holding Company Limited	Subsidiary of the ultimate parent company
Petro-cyberworks Information Technology Co., Ltd.	Subsidiary of the ultimate parent company
Lianhua (Ningbo) International Logistics Co., Ltd.	Subsidiary of the ultimate parent company
Zhongke(Guangdong) Refining & Chemical Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Marketing Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Fuel Oil Sales Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Lubricant Co.,Ltd.	Subsidiary of the ultimate parent company
Sinopec Yangzi Petrochemical Co., Ltd.	Subsidiary of the ultimate parent company
China Petrochemical International (Beijing) Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Catalysts Co., Ltd.	Subsidiary of the ultimate parent company
China Petrochemical International (Shanghai) Co.,Ltd.	Subsidiary of the ultimate parent company
Sinopec Beijing Research Institute of Chemical Industry	Subsidiary of the ultimate parent company
China Petrochemical International (Ningbo) Co.,Ltd.	Subsidiary of the ultimate parent company
Zhoushan Shihua Crude Oil Terminal Co., Ltd.	Subsidiary of the ultimate parent company
Dalian Sinopec Material Equip Company	Subsidiary of the ultimate parent company
Sinopec Materials & Equipment(Dalian)Co.,Ltd.	Subsidiary of the ultimate parent company
Sinopec Materials & Equipment (East China) Co., Ltd.	Subsidiary of the ultimate parent company
China Petrochemical International (Nanjing) Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Honeywell (Tianjin) Company Limited	Subsidiary of the ultimate parent company
China Petrochemical International (Wuhan) Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec International (South China) Co.,Ltd.	Subsidiary of the ultimate parent company
China Petrochemical International Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Oil Refining and Marketing Co., Ltd	Subsidiary of the ultimate parent company
Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd.	Subsidiary of the ultimate parent company
Ningbo Eastsea Line fan Technology Co.,Ltd.	Subsidiary of the ultimate parent company
Sinopec Petroleum & Chemical Scientific Research Institute Dadi Company	Subsidiary of the ultimate parent company
Sinopec Shanghai Research Institute of Petrochemical Technology	Subsidiary of the ultimate parent company
Sinopec Lubricating Oil Shanghai Research Institute Company Limited	Subsidiary of the ultimate parent company
China Petroleum and Chemical Corporation Qingdao Security Engineering Research Institute	Subsidiary of the ultimate parent company
Storage And Transportation Installation Company of Ningbo Engineering Company Limited	Subsidiary of the ultimate parent company
Sinopec Chemical Commercial Holding (Hong Kong) Company Limited	Subsidiary of the ultimate parent company

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VIII. Related parties and related party transactions (continued)

4. Information on other related parties (continued)

Names of other related parties	Relationship with the Group
Sinopec Yizheng Chemical Fibre Limited Liability Company	Subsidiary of the ultimate parent company
Fujian Gulei Petrochemical Company Limited	Subsidiary of the ultimate parent company
Sinopec East China Chemical Sales Co., Ltd.	Subsidiary of the ultimate parent company
Unipecc Singapore	Subsidiary of the ultimate parent company
China Yanshan United Foreign Trade Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Chemical Commercial Holding (Wuhan) Company Limited	Subsidiary of the ultimate parent company
Nanjing Yangzi Petrol-chemical Industry Co., Ltd.	Subsidiary of the ultimate parent company
Shanghai Lide Catalyst Co.,Ltd	Subsidiary of the ultimate parent company
Dalian Petrochemical Research Institute of China Petroleum and Chemical Corporation	Subsidiary of the ultimate parent company
Sinopec Research Institute of Safety Engineering	Subsidiary of the ultimate parent company
Ningbo Minggang Gas Company Limited	Subsidiary of the ultimate parent company
Sinopec Oil Refining and Marketing (Shanghai) Co., Ltd	Subsidiary of the ultimate parent company
Sinopec Chemical Sales (Guangdong) Co., Ltd.	Subsidiary of the ultimate parent company
Zhongyuan Petrochemical. Co., Ltd.	Subsidiary of the ultimate parent company
Unipecc (Qingdao) International Logistics Company Limited	Subsidiary of the ultimate parent company
Zhejiang Baling Hengyi Caprolactam Co.,Ltd.	Joint venture of the ultimate parent company
Shanghai Sinopec Mitsui Chemicals,Co.,Ltd.	Joint venture of the ultimate parent company
BASF-YPC Company Limited	Joint venture of the ultimate parent company
Shanghai Changshi Shipping Co., Ltd.	Associate of the ultimate parent company
Shanghai KSD Bulk Solids Engineering Co., Ltd.	Associate of the ultimate parent company
Sinopec Chemical Commercial Holding (Singapore) Pte. Ltd	Subsidiary of the immediate parent company
Sinopec Finance Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Chemical Commercial Holding Company Limited	Subsidiary of the immediate parent company
Sinopec Nanjing Chemical Research Institute Co., Ltd.	Subsidiary of the immediate parent company
China Economic Publishing House Co., Ltd	Subsidiary of the immediate parent company
Sinopec Publishing House Co., Ltd.	Subsidiary of the immediate parent company
Sinopec International Travel Service Company Limited	Subsidiary of the immediate parent company
Ningbo Engineering Company of Sinopec	Subsidiary of the immediate parent company
Sinopec Shared Service Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Baichuan Economic and Trade Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Energy Saving Technology Service Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Group Economic and Technology Research Institute Co., Ltd.	Subsidiary of the immediate parent company
Petrol-Chemical Industry Management Cadre College	Subsidiary of the immediate parent company
Petrochemical Engineering Quality Supervision Terminal	Subsidiary of the immediate parent company

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VIII. Related parties and related party transactions (continued)

4. Information on other related parties (continued)

Names of other related parties	Relationship with the Group
Sinopec Group Shanghai Training Center Ltd.	Subsidiary of the immediate parent company
Sinopec Beijing Yanshan Petrochemical Co., Ltd.	Subsidiary of the immediate parent company
The Fourth Construction Company of Sinopec	Subsidiary of the immediate parent company
Sinopec Tending Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Shanghai Engineering Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Engineering Incorporation	Subsidiary of the immediate parent company
Sinopec Engineering Quality Monitoring Co., Ltd.	Subsidiary of the immediate parent company
Sinopec engineering (Group) Co.,Ltd	Subsidiary of the immediate parent company
National Petrochemical Project Risk Assessment Technology Center	Subsidiary of the immediate parent company
The Fifth Construction Company of Sinopec	Subsidiary of the immediate parent company
Sinopec Shanghai Petrochemical Machinery Manufacturing Co.,Ltd.	Subsidiary of the immediate parent company
Sinopec Nanjing Engineering Company Limited	Subsidiary of the immediate parent company
Sinopec Luoyang Engineering Company Limited	Subsidiary of the immediate parent company
Shanghai Petro-Chemical Haidi Administration Co., Ltd.	Subsidiary of the immediate parent company
China Petrochemical Corp. Nanjing Chemistry Industrial Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Group International Petroleum Exploration And Production Limited	Subsidiary of the immediate parent company
China Petrochemical Corp. Engineering Ration Management Station	Subsidiary of the immediate parent company
Yihua Tory Polyester Film Company Limited	Joint venture of the immediate parent company
China Sinopec Pipeline Storage and Transportation Co., Ltd.	Associate of the immediate parent
Shanghai Petroleum & Natural Gas General Company	Associate of the immediate parent
Sinopec Easy Joy sales CO., Ltd	Subsidiary of the immediate parent company
Sinopec National Petrochemical Project Risk Assessment Technology Center Co., Ltd	Subsidiary of the immediate parent company
Sinopec (Beijing) Chemical Research Institute Co., Ltd	Subsidiary of the ultimate parent company
Anqing Shuguang Petrochemical Oxo Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Hunan Petrochemical Co., Ltd	Subsidiary of the immediate parent company
Sinopec Asset Management Co., Ltd. Shanghai Conference Center	Subsidiary of the immediate parent company
Sinopec Carbon Industry Technology Co., Ltd	Subsidiary of the immediate parent company
Sinopec Shanghai Petrochemical Machinery Manufacturing Co., Ltd.	Subsidiary of the immediate parent company
Sinopec International (South China) Co.,Ltd.	Subsidiary of the immediate parent company

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VIII. Related parties and related party transactions *(continued)*

5. Material related party transactions

Most of the transactions undertaken by the Group affected on such terms as determined by Sinopec Corp. and relevant PRC authorities.

Sinopec Corp. negotiates and agrees the terms of crude oil supply with suppliers on a group basis, which is then allocated among its subsidiaries, including the Group, on a discretionary basis. Sinopec Corp. also owns a widespread petroleum products sales network and possesses a fairly high market share in domestic petroleum products market, which is subject to extensive regulation by the PRC government.

The Group has entered into a mutual product supply and sales services framework agreement with Sinopec Corp. Pursuant to the agreement, Sinopec Corp. provides the Group with crude oil, other petrochemical raw materials and agent services. On the other hand, the Group provides Sinopec Corp. with petroleum products, petrochemical products and property leasing services.

The pricing policy for these services and products provided under the agreement is as follows:

- If there are applicable State (central and local government) tariffs, the pricing shall follow the State tariffs;
- If there are no State tariffs, but there are applicable State's guidance prices, the pricing shall follow the State's guidance prices; or
- If there are no State tariffs or State's guidance prices, the pricing shall be determined in accordance with the prevailing market prices (including any bidding prices).

In addition to the related transaction disclosed in Notes V.9, V.38, V.46 other material related party transactions of the Group are as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VIII. Related parties and related party transactions (continued)

5. Material related party transactions (continued)

(1) Purchases and sales of goods, rendering and receiving services

Purchases of goods and receiving services:

Name of Related Parties	Category	Transaction type	For the six months ended 30 June (unaudited)			
			2024		2023	
			Amount	Percentage of the same category	Amount	Percentage of the same category
Sinopec Corp., its subsidiaries and joint ventures	Purchases	Trade	27,619,265	76.50%	29,323,965	73.13%
Sinopec Group and its subsidiaries	Purchases	Trade	1,133,933	3.14%	1,154,873	2.88%
Associates of the Group	Purchases	Trade	31,866	0.09%	37,264	0.09%
Joint ventures of the Group	Purchases	Trade	157,664	0.44%	180,758	0.45%
Key management personnel	Short-term employee benefits	Compensation for services	6,933	0.49%	8,189	0.54%
Key management personnel	Retirement scheme contributions	Compensation for services	262	0.12%	368	0.15%

Sales of goods, rendering services:

Name of Related Parties	Category	Transaction type	For the six months ended 30 June (unaudited)			
			2024		2023	
			Amount	Percentage of the same category	Amount	Percentage of the same category
Sinopec Corp., its subsidiaries and joint ventures	Sales/Service	Trade	31,792,812	73.03%	31,636,043	70.48%
Sinopec Group and its subsidiaries	Sales/Service	Trade	56,427	0.13%	29,289	0.07%
Associates of the Group	Sales/Service	Trade	1,637,212	3.76%	1,029,429	2.29%
Joint ventures of the Group	Sales/Service	Trade	31,354	0.00%	25,313	0.06%

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VIII. Related parties and related party transactions (continued)

5. Material related party transactions (continued)

(2) Lease

The Group as the lessor:

Name of lessee	Type of leasing	For the six months ended 30 June (unaudited)	
		Rental income recognized in 2024	Rental income recognized in 2023
Sinopec Corp., its subsidiaries and joint ventures	Properties and equipment	17,254	17,011
Joint ventures of the Group	Equipment	6,065	6,182
Associates of the Group	Properties and equipment	3,711	6,391
Sinopec Group and its subsidiaries	Properties	239	239
Total		27,269	29,823

Lease liabilities interest expense of the Group as lessee:

	For the six months ended 30 June (unaudited)	
	2024	2023
Sinopec Group and its subsidiaries	142	290
Associates of the Group	2	6
Total	144	296

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VIII. Related parties and related party transactions (continued)

5. Material related party transactions (continued)

(2) Lease (continued)

Right-of-use assets added by the Group as lessee:

Name of lessee	Type of leased assets	For the six months ended 30 June (unaudited)	
		2024	2023
Sinopec Group and its subsidiaries	Leased equipment, buildings and land	2,388	1,388

(3) Other related transactions

Name of Related Parties	Type of transaction	For the six months ended 30 June (unaudited)	
		2024	2023
Sinopec Group and its subsidiaries	Insurance premiums	64,248	58,121
Sinopec Finance Co., Ltd.	Interests received and receivable	4	176
Joint ventures of the Group	Interests received and receivable	63,875	93,856
Sinopec Group and its subsidiaries	Construction, installation and inspection cost	1,204	3,516
Sinopec Corp., its subsidiaries and joint ventures	Sales commission	46,185	50,602

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VIII. Related parties and related party transactions (continued)

6. Receivables from and payables to related parties

Receivables from related parties:

Item	Name of Related Parties	30 June 2024 (unaudited)		31 December 2023	
		Book value	Provision for bad and doubtful debts	Book value	Provision for bad and doubtful debts
Accounts receivable	Sinopec Corp., its subsidiaries and joint ventures	4,083,812	–	1,374,391	–
	Associates of the Group	36,910	–	74,158	55
	Joint ventures of the Group	10,153	3	338	–
Sub-total		4,130,875	3	1,448,887	55
Other receivables	Sinopec Corp., its subsidiaries and joint ventures	4,313	2,795	3,141	2,795
	Joint ventures of the Group	2,406	–	2,203	–
	Associates of the Group	1,064	–	180	–
Sub-total		7,783	2,795	5,524	2,795
Prepayments	Sinopec Corp. and its subsidiaries	9,733	–	1,547	–
	Associates of the Group	–	–	756	–
Sub-total		9,733	–	2,303	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VIII. Related parties and related party transactions (continued)

6. Receivables from and payables to related parties (continued)

Payables to related parties:

Item	Name of Related Parties	30 June 2024 (unaudited)	31 December 2023
Accounts payable	Sinopec Corp., its subsidiaries and joint ventures	2,448,920	4,664,225
	Sinopec Group and its subsidiaries	5,953	12,017
	Associates of the Group	–	9,991
	Joint ventures of the Group	25,763	41,158
Sub-total		2,480,636	4,727,391
Bills payable	Sinopec Corp., its subsidiaries and joint ventures	4,450,454	–
	Associates of the Group	–	22,148
	Joint ventures of the Group	85,743	111,898
Sub-total		4,536,197	134,046
Other payables	Sinopec Group and its subsidiaries	172,347	251,121
	Sinopec Corp., its subsidiaries and joint ventures	15,569	31,513
Sub-total		187,916	282,634
Contract liabilities	Associates of the Group	3,159	4,983
	Sinopec Corp., its subsidiaries and joint ventures	402	6,725
	Sinopec Group and its subsidiaries	20	19
Sub-total		3,581	11,727
Lease liabilities	Sinopec Group and its subsidiaries	3,993	6,506
	Joint ventures of the Group	139	138
Sub-total		4,132	6,644
Long-term loans	Sinopec Finance	700,000	700,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VIII. Related parties and related party transactions (continued)

7. Commitments with related parties

Commitments with related parties contracted for by the Group at the balance sheet date but are not yet necessary to be recognized on the balance sheet are as follows:

(1) Construction and installation cost:

	30 June 2024 (unaudited)	31 December 2023
Sinopec Group and its subsidiaries	819,358	810,730

(2) Investment commitments with related parties

	30 June 2024 (unaudited)	31 December 2023
Capital contribution to Baling Materials (Note IX.2(i))	–	150,000

As of 31 December 2023, except for the information disclosed above, the Group and the Company had no other material commitments with related parties, which are contracted, but not included in the financial statements.

IX. Commitments

1. Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognized on the balance sheet are as follows:

	30 June 2024 (unaudited)	31 December 2023
Signed purchase contract of fixed assets	1,527,707	1,736,358

2. Investment commitments

- (i) Sinopec Hunan Petrochemical Co., Ltd. (formerly known as “Sinopec Baling Petrochemical Co., Ltd.”) and the Company jointly established Baling Materials on 7 September 2021, each with a cash contribution of RMB400,000 thousand. As at 30 June 2024, the Company has made a paid-up capital contribution of RMB400,000 thousand (As of 31 December 2023: RMB250,000 thousand).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

X. Risk related to financial instruments

The Group's normal course of operations expose it to a variety of financial risks: market risk (primarily foreign currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

1. Market risk

(1) Foreign currency risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Nevertheless, the Group is exposed to foreign currency risk arising from the recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign currency risk. Therefore, the Group would sign forward exchange contracts or foreign exchange option contracts to avoid foreign exchange risks. As of 30 June 2024 and 31 December 2023, the Group has not signed any currency swaps. As of 30 June 2024 and 31 December 2023, the Group has no unexpired foreign exchange contract and foreign exchange option contract.

As of 30 June 2024 and 31 December 2023, the Group's exposure to currency risk arising from recognized financial assets or financial liabilities denominated in foreign currencies is presented in the following tables:

	30 June 2024 (unaudited)		31 December 2023	
	Foreign currency	RMB equivalent	Foreign currency	RMB equivalent
Cash at bank and on hand-USD	12,336	87,916	20,823	147,483
Receivables under financing-USD	34,335	244,699	18,650	132,092
Accounts receivable-USD	15,490	110,394	2,742	19,421
Other receivables-USD	40	285	40	283
Other receivables-HKD	3,667	3,347	6,071	5,504
Accounts payable-USD	(59,318)	(422,748)	(54,908)	(388,897)
Other payables-USD	(137)	(976)	(275)	(1,948)
Total				
– USD	2,746	19,570	(12,928)	(91,566)
– HKD	3,667	3,347	6,071	5,504

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

X. Risk related to financial instruments (continued)

1. Market risk (continued)

(1) Foreign currency risk (continued)

The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		Balance sheet date mid-spot rate	
	For the six months ended 30 June		30 June	31 December
	2024	2023	2024	2023
USD	7.1019	7.0952	7.1268	7.0827
HKD	0.9087	0.9077	0.9127	0.9066

Assuming all other risk variables remained constant, a 5% strengthening or weaken of the Renminbi against foreign currencies at 30 June 2024 would have increased or decreased the Group's net loss by the amount of RMB860 thousand (31 December 2023: decreased or increased net loss by RMB3,228 thousand).

(2) Interest rate risk

The interest rate risk of the Group is mainly generated by interest-bearing short-term. Financial liabilities with floating interest rate expose the Group to cash flow interest rate risk, while financial liabilities with fixed interest rate expose the Group to cash fair value interest risk. The Group determines the appropriate weightings of fixed and floating rate contracts based on the current market conditions.

The financial department of the Group headquarters continuously monitor the interest rate level of the Group. The increase of interest rate will increase the cost of new interest-bearing debt and the interest expense of the Group's outstanding interest-bearing debt with floating interest rate and have a significant adverse impact on the financial performance of the Group. The management makes timely adjustments according to the latest market conditions, which may be reducing interest rate risk by entering into interest rate swaps. The Group does not enter any interest rate swap arrangement for the six months ended 30 June 2024 and 30 June 2023.

As of 30 June 2024 and 31 December 2023, the Group held the following interest-bearing financial instruments:

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

X. Risk related to financial instruments (continued)

1. Market risk (continued)

(2) Interest rate risk (continued)

Fixed rate instruments:

Item	30 June 2024 (unaudited)		31 December 2023	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
– Cash at bank and on hand	3.55%-4.20%	3,100,000	3.55%-4.20%	700,000
– Other non-current assets	–	–	3.55%-4.20%	2,600,000
Financial liabilities				
– Short-term loans	2.05%	(4,500,000)	1.90%-2.08%	(3,000,000)
– Lease liabilities	4.35%-4.90%	(6,718)	4.35%-4.90%	(8,457)
Total		(1,406,718)		291,543

Variable rate instruments:

Item	30 June 2024 (unaudited)		31 December 2023	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
– Cash at bank and on hand	0.05%-1.90%	6,009,957	0.05%-1.90%	4,906,368
Financial liabilities				
Non-current liabilities due within 1 year	1.08% in the first year, with regular annual adjustments thereafter	(700,000)	1.08% in the first year, with regular annual adjustments thereafter	(700,000)
Total		5,309,957		4,206,368

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

X. Risk related to financial instruments *(continued)*

1. Market risk *(continued)*

(2) Interest rate risk *(continued)*

As of 30 June 2024, if interest rates on the floating rate borrowings had risen or fallen by 100 basis points while all other variables had been held constant, the Group's equity would increase or decrease by approximately RMB39,878 thousand, and net losses would decrease or increase by approximately RMB39,878 thousand (31 December 2023: the Group's equity would increase or decrease by approximately RMB31,600 thousand, and net losses would decrease or increase by approximately RMB31,600 thousand).

(3) Commodity price risk

The Group principally engages in processing crude oil into synthetic fibers, resins and plastics, intermediate petrochemicals and petroleum products. The Group is exposed to commodity price risks related to the price of crude oil, refined oil and other chemical products. The fluctuation of the price of crude oil, refined oil and other chemical products may have a significant impact on the Group. The Group uses derivative financial instruments such as commodity swap contracts to manage some of these production price risks. The main commercial terms adopted by the Group in its petrochemical business are similar to those of the hedged items, such as valuation period, payment date, transaction price, commodity variety and quantity. The Group uses cash flow hedging for such hedging.

As of 30 June 2024, the Group holds several commodity swap contracts designated as effective cash flow hedges and economic hedges. At 30 June 2024, the fair value of the derivative financial assets held by the Group is RMB13,509 thousand (31 December 2023: Nil). At 30 June 2024, the fair value of the derivative financial liabilities held by the Group is RMB17,047 thousand (31 December 2023: Nil).

At 30 June 2024, assuming all other factors remain constant, a 10% increase or decrease in the underlying price of commodity swap contracts per barrel would result in a change in the fair value of derivative financial instruments, leading to a decrease or increase of RMB10,100 thousand in the Group's other comprehensive income and an increase or decrease of RMB475 thousand in net profit (31 December 2023: nil). This sensitivity analysis is based on the assumption that changes occur on the balance sheet date and act on the Group's derivative instruments with commodity price risk on that date.

Commodity swaps may give rise to hedge ineffectiveness when the settlement time of the hedged item changes. For the six months ended 30 June 2024, the Group did not give rise to hedge ineffectiveness due to commodity swaps. (For the six months ended 30 June 2023: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

X. Risk related to financial instruments *(continued)*

2. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank, derivative financial assets, accounts receivable, other receivables and receivables under financing, etc. As of balance sheet date, the maximum exposure to credit risk is represented by the carrying amount of financial assets in the balance sheet.

The cash at bank, derivative financial assets, and receivables under financing of the Group is mainly held with state-owned banks and other large and medium-sized listed banks with good reputation and high credit rating. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The Group's exposure to credit is influenced mainly by the individual characteristics of each customer rather than the industry or country/region in which the customers operate. Therefore, significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As of the balance sheet date, 98.75% (31 December 2023: 94.71%) and 99.98% (31 December 2023: 99.99%) of total accounts receivable were due from the Group's largest and five largest customers respectively.

In respect of receivables, the Group establishes relevant policies to control credit risk exposure. The Group assesses customers' credit qualifications and sets corresponding credit periods based on their financial status, the possibility of obtaining guarantees from third parties, credit records and other factors such as current market conditions. The Group will regularly monitor customers' credit records. For customers with poor credit records, the Group will use written reminders, shorten the credit period or cancel the credit period to ensure that the Group's overall credit risk is within a controllable range.

As of 30 June 2024 and 31 December 2023, the Group has no material collateral mortgaged by the debtor or credit enhancement.

3. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. Cash flow forecast is performed by the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

As of 30 June 2024, the Group had obtained back-up credit lines from certain financial institutions in the PRC allowing the Group to borrow loans up to an aggregate amount of RMB11,300,000 thousand (31 December 2023: RMB12,500,000 thousand) of which the Group's unutilized back-up credit lines amounted to RMB6,800,000 thousand (31 December 2023: RMB8,800,000 thousand).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

X. Risk related to financial instruments (continued)

3. Liquidity risk (continued)

The following tables set out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows:

	30 June 2024 (unaudited)					Carrying amount at balance sheet date
	Within 1 year or demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Short-term loans	4,553,528	-	-	-	4,553,528	4,500,000
Long-term loans maturing						
within one year	701,071	-	-	-	701,071	700,000
Lease liabilities	5,996	897	30	-	6,923	6,718
Accounts payable	4,496,328	-	-	-	4,496,328	4,496,328
Bills payable	5,583,518	-	-	-	5,583,518	5,583,518
Other payables	787,641	-	-	-	787,641	787,641
Financial derivative liabilities	17,047	-	-	-	17,047	17,047
Total	16,145,129	897	30	-	16,146,056	16,091,252

	31 December 2023					Carrying amount at balance sheet date
	Within 1 year or demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Short-term loans	3,010,703	-	-	-	3,010,703	3,000,000
Long-term loans maturing						
within one year	704,914	-	-	-	704,914	700,000
Lease liabilities	7,878	857	201	-	8,936	8,457
Accounts payable	6,296,912	-	-	-	6,296,912	6,296,912
Bills payable	1,535,334	-	-	-	1,535,334	1,535,334
Other payables	1,144,683	-	-	-	1,144,683	1,144,683
Total	12,700,424	857	201	-	12,701,482	12,685,386

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XI. Fair value disclosure

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting year, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities.

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities.

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

1. Assets recurring measured at fair value

As of 30 June 2024, assets and liabilities recurring measured at fair value are presented in the above three levels as follows:

	Level 1	Level 2	Level 3	Total
Financial assets				
FVTPL				
– Other non-current financial assets	–	–	36,500	36,500
FVOCI				
– Receivables under financing	–	347,417	–	347,417
– Investments in other equity instruments	–	–	3,869	3,869
Derivative financial asset				
– Commodity swap contract	–	13,509	–	13,509
Total	–	360,926	40,369	401,295
Financial liabilities				
Derivative financial liabilities				
– Commodity swap contract	–	17,047	–	17,047
Total	–	17,047	–	17,047

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XI. Fair value disclosure (continued)

1. Assets recurring measured at fair value (continued)

As of 31 December 2023, assets and liabilities recurring measured at fair value are listed as follows according to the above three levels:

	Level 1	Level 2	Level 3	Total
Financial assets				
FVPL				
– Other non-current financial liabilities	–	–	36,500	36,500
FVOCI				
– Receivables under financing	–	236,487	–	236,487
– Investments in other equity instruments	–	–	3,869	3,869
Total	–	236,487	40,369	276,856

For the six months ended 30 June 2024, there were no transfers between different levels (For the six months ended 30 June 2023: Nil).

The Group uses discounted cash flow model to evaluate the fair value of the receivables under financing classified as level 2 financial assets.

The primary input to the receivables financing valuation is the discount rate for counterparty credit risk.

The primary inputs to the derivative financial assets are commodity prices and discount rate for counterparty credit risk.

Investments in other equity instruments and other non-current financial asset investments that continue to be measured at fair value at the third level are unlisted equity investments and redeemable preferred share investments held by the Group, respectively.

- (i) For the unlisted equity investments held by the Group, the Group determines their fair value based on the operating conditions and financial information of the invested enterprise obtained, taking into account the net assets, asset liquidity, and liquidity of the invested enterprise.
- (ii) For the unlisted preferred stock investments held by the Group, the Group determines their fair value based on a comprehensive consideration of the latest financing price of the invested enterprise, as well as the net assets, liquidity, and liquidity of the invested enterprise's assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XI. Fair value disclosure (continued)

1. Assets recurring measured at fair value (continued)

The reconciliation information between the book value at the beginning of the year and the book value at the end of the year for the items measured by continuous Level 3:

	31 December 2023	Purchase	Sell	Profit or loss for the year recognized in profit or loss	Profit or losses for the year recognized in equity	30 June 2024 (unaudited)	Unearned profits or losses for assets held at the end of the year
- Investments in other equity instruments	3,869	-	-	-	-	3,869	-
- Other non-current financial assets	36,500	-	-	-	-	36,500	-
Total	40,369	-	-	-	-	40,369	-

The third level fair value measurement item refers to the equity of non-listed companies held by the Group, and there have been no significant changes in the operating environment, operating conditions, and financial conditions of the invested enterprises.

2. Fair values of financial assets and liabilities not measured at fair value

Financial assets and liabilities measured at amortized cost mainly include trade receivables, other receivables, other current assets, short-term loans, trade payables, lease liabilities and other current liabilities.

As of 30 June 2024 and 31 December 2023, the carrying amount of these financial assets and financial liabilities not measured at fair value are a reasonable approximation of their fair value.

XII. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's total capital is calculated as 'shareholder's equity' and 'net liabilities' as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio.

During 2024, the Group's strategy, which was unchanged from 2023, was to maintain a reasonable range of net debt-to-capital ratio by the management.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements

1. Accounts receivable

(1) Accounts receivable by customer type are as follows:

Type of customers	30 June 2024 (unaudited)	31 December 2023
Amounts due from related parties	3,987,421	1,324,745
Amounts due from third parties	2,114	2,114
Sub-total	3,989,535	1,326,859
Less: provision for bad and doubtful debts	(2,114)	(2,166)
Total	3,987,421	1,324,693

(2) The ageing analysis of accounts receivable is as follows:

Ageing	30 June 2024 (unaudited)	31 December 2023
Within 1 year (inclusive)	3,987,421	1,324,745
Over 1 year but within 2 years (inclusive)	–	–
Over 2 years but within 3 years (inclusive)	–	–
Over 3 years	2,114	2,114
Total	3,989,535	1,326,859

The ageing is counted starting from the date when accounts receivable are recognized.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements *(continued)*

1. Accounts receivable *(continued)*

(3) Accounts receivable by provisioning method

Category	30 June 2024 (unaudited)					31 December 2023				
	Book value		Provision for bad and doubtful debts			Book value		Provision for bad and doubtful debts		
	Percentage		Percentage		Carrying amount	Percentage		Percentage		Carrying amount
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)	
Individual assessment	-	-	-	-	-	-	-	-	-	-
Collective assessment	3,989,535	100	2,114	0.05	3,987,421	1,326,859	100	2,166	0.16	1,324,693
Total	3,989,535	100	2,114	0.05	3,987,421	1,326,859	100	2,166	0.16	1,324,693

(i) As of 30 June 2024, the Company has no individually impaired accounts receivable (as of 31 December 2023: Nil).

(ii) Criteria and details for collective assessment for 2024:

According to the historical experience of the Company, there are no significant differences in the losses of different customer groups. Therefore, different customer groups are not further distinguished when calculating impairment loss based on the overdue information.

(iii) Assessment of ECLs on accounts receivable:

At all times the Company measures the impairment loss for accounts receivable at an amount equal to lifetime ECLs, and the ECLs are based on the number of overdue days and the expected loss rate.

The loss given default is measured based on the actual credit loss experience in the past years, and is adjusted taking into consideration the differences among the economic conditions during the historical data collection period, the current economic conditions and the economic conditions during the expected lifetime.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements *(continued)*

1. Accounts receivable *(continued)*

(4) Movements of provisions for bad and doubtful debts:

Provisions for bad and doubtful debts	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Balance at the beginning of the period	2,166	2,121
Additions during the period	–	10
Recoveries or reversals during the period	(52)	–
Balance at the end of the period	2,114	2,131

(i) For the six months ended 30 June 2024, the Company has no accounts receivable that have fully accrued or accrued a large proportion of bad and doubtful debts in previous periods, but fully recovered or reversed, or have a large proportion of recovered or reversed in the current period (For the six months ended 30 June 2023: Nil).

(ii) For the six months ended 30 June 2024, the Company has not written off significant accounts receivable (For the six months ended 30 June 2023: Nil).

(5) Five largest accounts receivable by debtor as of 30 June 2024 (unaudited)

Item	Amount	Provision	Percent of total amount
Total amount of five largest accounts receivable by debtor of the Company	3,989,535	2,114	100.00%

(6) For the six months ended 30 June 2024, the Company has no accounts receivable derecognized due to transfer of financial assets (For the six months ended 30 June 2023: Nil).

(7) At 30 June 2024, the Company has no pledged accounts receivable (30 June 2023: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements *(continued)*

2. Receivables under financing

	Note	30 June 2024 (unaudited)	31 December 2023
Bills receivable	(1)	96,707	75,238

(1) Bills receivable

(i) Due to the requirement of cash management, the Company discounted and endorsed part of the bank acceptance notes. The business model of bank acceptance notes management is for the purpose of collecting cash flow of contracts and sales. Therefore, as of 30 June 2024, the Company classified RMB96,707 thousand bills receivable to financial assets measured at fair value and whose changes are included in other comprehensive income and disclosed in bills receivable (31 December 2023: RMB75,238 thousand).

(ii) The Company has no single provision for impairment of the bank acceptance notes, with all provision was accrued by their expected credit loss. As of 30 June 2024 and 31 December 2023, the Company considers that no bank acceptance notes has significant credit risk and will not suffer significant loss due to the violation of banks.

(iii) As of 30 June 2024, the Company had no pledged bills receivable (31 December 2023: Nil).

(iv) As of 30 June 2024, unmatured notes receivable that have been endorsed or discounted by the Company is as follows:

Item	Derecognized	Not derecognized
Bank acceptance notes	258,057	–

As of 30 June 2024, the Company endorsed and discounted the undue bills receivable of RMB258,057 thousand (31 December 2023: RMB363,573 thousand). The Company derecognized such bills receivable, accounts payable to suppliers and short-term loans as a whole by considering that the risks and rewards of ownership of such unmatured bills had been substantially transferred. The Company's continued involvement in the unexpired bills receivable whose overall derecognition is limited to the extent that the issuing bank is unable to settle the amount to the bill holder. The maximum exposure to loss caused by the Company's continued involvement is the amount of outstanding bills receivable endorsed to the supplier of RMB258,057 thousand (31 December 2023: RMB363,573 thousand). The term of the outstanding bills receivable is within one year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements (continued)

3. Other receivables

(1) Analysis by customer type:

Customer type	30 June 2024 (unaudited)	31 December 2023
Amounts due from related parties	7,352	5,243
Amounts due from third parties	1,257,924	1,087,807
Sub-total	1,265,276	1,093,050
Less: Provision for bad and doubtful debts	(757,096)	(757,017)
Total	508,180	336,033

(2) The ageing analysis is as follows:

Aging	30 June 2024 (unaudited)	31 December 2023
Within 1 year (inclusive)	503,021	328,165
Over 1 year but within 2 years (inclusive)	5,238	10,663
Over 2 years but within 3 years (inclusive)	2,795	1,930
Over 3 years	754,222	752,292
Total	1,265,276	1,093,050

The ageing is counted starting from the date when other receivables are recognized.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements (continued)

3. Other receivables (continued)

(3) Others by provisioning method:

Category	30 June 2024 (unaudited)					31 December 2023				
	Book value		Provision for bad and doubtful debts			Book value		Provision for bad and doubtful debts		
	Percentage		Percentage		Carrying amount	Percentage		Percentage		Carrying amount
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)	
Individual assessment	757,017	59.83	757,017	100.00	-	757,017	69.26	757,017	100.00	-
Collective assessment	508,259	40.17	79	0.02	508,180	336,033	30.74	-	-	336,033
Total	1,265,276	100.00	757,096	59.84	508,180	1,093,050	100.00	757,017	69.26	336,033

(4) Movements of provisions for bad and doubtful debts

	Stage 1			Stage 3			Total	
	12-month ECL (collective)	12-month ECL (individual)	Sub-total	Lifetime ECL-Credit impaired		Provision for bad and doubtful debts		
	Provision for bad and doubtful debts							
	Book value	debits	Book value	debits	debits	Book value		debits
Balance at 31 December 2023	336,033	-	-	-	-	757,017	(757,017)	(757,017)
Additions during the period	-	(79)	-	-	(79)	-	-	(79)
Recoveries or reversals during the period	-	-	-	-	-	-	-	-
Balance at 30 June 2024 (unaudited)	508,259	(79)	-	-	(79)	757,017	(757,017)	(757,096)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements *(continued)*

3. Other receivables *(continued)*

(4) Movements of provisions for bad and doubtful debts *(continued)*

As of 30 June 2024 and 31 December 2023, the Company has no other receivables under Stage 2.

As of 30 June 2024, the amount receivable from Jinyong company, a subsidiary within the original scope of merger, was RMB752,292 thousand (31 December 2023: RMB752,292 thousand). Jinyong company started to stop production in August 2008 and entered bankruptcy liquidation procedure in August 2019. The Company believes that the other receivables are difficult to recover, so the bad debt provision are fully accrued. As of 30 June 2024, the bankruptcy liquidation procedure has been completed. The Company plans to account for the write-off of bad debts upon fulfilment of the board of directors' approval process.

For the six months ended 30 June 2024, the Company has no other receivable that have fully accrued or accrued a large proportion of bad and doubtful debts in previous years, but fully recovered or reversed, or have a large proportion of recovered or reversed in the current period (for the six months ended 30 June 2023: Nil).

For the six months ended 30 June 2024, the Company has not written-off significant other receivables (for the six months ended 30 June 2023: Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements (continued)

3. Other receivables (continued)

(5) Others categorised by nature

Nature of other receivables	30 June 2024 (unaudited)	31 December 2023
Receivable from Jinyong company	752,292	752,292
Advance payment of compensation	4,974	5,814
Prepayment for share repurchase	3,347	6,333
Refund of consumption tax receivable	481,543	315,659
Accounts due from related parties	7,352	5,243
Rent receivable	3,982	–
Others	11,786	7,709
Sub-total	1,265,276	1,093,050
Less: provisions for bad and doubtful debts	(757,096)	(757,017)
Total	508,180	336,033

(6) Five largest others by debtor as of 30 June 2024

Debtor	Nature of the receivable	Balance at the end of the year	Ageing	Percentage of ending balance of others (%)	Ending balance of provision for bad and doubtful debts
Zhejiang Jinyong Acrylic Fiber Co., Ltd.	Prepaid expenses	752,292	Over 3 years	59.46%	(752,292)
Jinshan Customs, People's Republic of China	Refund of consumption tax receivable	481,543	Within 1 year (inclusive)	38.06%	–
Pacific Anxin Agricultural Insurance Co.	Advance payment of compensation	4,974	Over 1 year but within 2 years (inclusive)	0.39%	–
China Petroleum and Chemical Corporation Material and Equipment Department	Business transaction	3,982	Within 1 year (inclusive)	0.31%	–
China International Capital Corporation Hong Kong Securities Limited	Prepayment for share repurchase	3,347	Within 1 year (inclusive)	0.26%	–
Total		1,246,138		98.48%	(752,292)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements (continued)

4. Long-term equity investment

Item	Note	30 June 2024 (unaudited)	31 December 2023
Subsidiaries	(1)	2,048,328	2,048,328
Associates	(2)	2,296,865	2,295,705
Joint ventures	(3)	400,000	250,000
Sub-total		4,745,193	4,594,033
Less: Impairment provision for long-term equity investment		–	–
Total		4,745,193	4,594,033

(1) Subsidiaries

Name of subsidiaries	31 December 2023	Additional/ negative investment	30 June 2024 (unaudited)	Impairment Provision Ending balance	Cash dividends declared in current period
Toufa	2,031,496	–	2,031,496	–	–
Jinmao	16,832	–	16,832	–	23,000
Total	2,048,328	–	2,048,328	–	23,000

(2) Associates

The information relating to the associates of the Company, Shanghai Secco and Chemical Industry is disclosed in Note VI.2.

(3) Joint venture

The information relating to the joint venture of the Company, Shanghai Jinshan Baling New Materials Co., Ltd., is disclosed in Note VI.2.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements (continued)

5. Fixed assets

(1) Fixed assets

	Buildings	Plant and machinery	Vehicles and other equipment	Total
Cost				
31 December 2023	4,138,039	47,189,083	2,176,421	53,503,543
Reclassification in current period	(6,430)	(17,244)	23,674	-
Increase				
– Purchase	-	100,664	23,837	124,501
– Transfer from construction in progress	8,827	261,408	24,492	294,727
– Transfer from investment properties	4,635	-	-	4,635
Decrease				
– Disposal	(6,484)	(204,189)	(25,830)	(236,503)
– Transfer to investment properties	(363)	-	-	(363)
30 June 2024 (unaudited)	4,138,224	47,329,722	2,222,594	53,690,540
Accumulated depreciation				
31 December 2023	2,565,522	33,783,260	1,650,432	37,999,214
Reclassification in current year	(340)	(1,096)	1,436	-
Increase				
– Charge for current year	48,250	750,991	65,330	864,571
– Transfer from investment properties	3,568	-	-	3,568
Decrease				
– Disposal	(2,937)	(104,804)	(22,449)	(130,190)
– Transfer to investment properties	(115)	-	-	(115)
30 June 2024 (unaudited)	2,613,948	34,428,351	1,694,749	38,737,048
Provision for impairment				
31 December 2023	84,023	1,626,498	11,182	1,721,703
Reclassification in current year	-	-	-	-
Increase				
– Charge for current period	-	-	-	-
Decrease				
– Disposal	(3,007)	(85,776)	(2,609)	(91,392)
30 June 2024 (unaudited)	81,016	1,540,722	8,573	1,630,311
Carrying amount				
30 June 2024 (unaudited)	1,443,260	11,360,649	519,272	13,323,181
31 December 2023	1,488,494	11,779,325	514,807	13,782,626

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements (continued)

5. Fixed assets (continued)

- (2) For the six months ended June 30, 2024, the Company made no provision for impairment of fixed assets (for the six months ended June 30, 2023: nil). As at 30 June 2024, the Company's fixed asset impairment provision was RMB1,630,311 thousand.
- (3) On June 30, 2024 and 31 December 2023, the Company did not have fixed assets used as collateral.
- (4) As of June 30 2024, the original carrying amount of the Group's temporarily idle property, plant and equipment amounted to RMB3,631,206 thousand accumulated depreciation amounted to RMB2,905,800 thousand, provision for impairment amounted to RMB544,763 thousand, and the carrying value amounted to RMB180,643 thousand (December 31, 2023: original carrying amount amounted to RMB3,624,724 thousand, accumulated depreciation amounted to RMB2,905,834 thousand, provision for impairment amounted to RMB544,801 thousand, and the carrying value amounted to RMB174,089 thousand).
- (5) As of 30 June 2024, the carrying value of the Group's fixed assets leased out under operating leases amounted to RMB52,686 thousand (December 31, 2023: carrying value of RMB47,111 thousand).
- (6) As of 30 June 2024 and 31 December 2023, the Group had no fixed assets with outstanding title certificates.

6. Operating income and operating costs

Items	Note	For the six months ended 30 June	
		2024 (unaudited)	2023 (unaudited)
Income from principal activities	(1)	39,829,021	40,683,967
Income from other operating activities		384,859	211,101
Total		40,213,880	40,895,068

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements (continued)

6. Operating income and operating costs (continued)

Items	Note	For the six months ended 30 June	
		2024 (unaudited)	2023 (unaudited)
Cost of principal activities	(1)	32,986,433	34,457,837
Cost of other operating activities		220,583	135,349
Total		33,207,016	34,593,186

(1) Income and cost from principal activities

The principal business of the Company mainly belongs to the petrochemical industry.

Analysis by product is as follows:

	For the six months ended 30 June			
	2024 (unaudited)		2023 (unaudited)	
	Income from principal activities	Cost from principal activities	Income from principal activities	Cost from principal activities
Petroleum products	30,856,418	24,056,481	30,675,736	24,774,204
Chemical products	8,704,169	8,666,284	9,751,651	9,430,640
Others	268,434	263,668	256,580	252,993
Total	39,829,021	32,986,433	40,683,967	34,457,837

The operating income of the Company is recognized at a point in time.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements (continued)

7. Investment income ("-" for losses)

Items	Note	For the six months ended 30 June	
		2024 (unaudited)	2023 (unaudited)
Investment accounted for using the cost method		15,486	–
Investment accounted for using the equity method	(1)	70,793	(144,851)
Discount loss of receivables		(1,043)	(1,123)
Total		85,236	(145,974)

There are no severe restrictions on the investee's ability to transfer investment income to the Company.

(1) Income/(losses) from investment in associates accounted for using the equity method is as follow:

Item	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Shanghai Secco	–	(213,655)
Chemical Industry	70,793	68,804
Total	70,793	(144,851)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements (continued)

8. Supplementary information on cash flow statements

(1) Reconciliation from net loss to cash flow from operating activities

Items	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Net profit/(loss)	47,764	(1,000,105)
Add: Provisions for impairment of assets	111,483	190,486
Impairment credit losses	26	13
Depreciation of investment properties	8,096	8,184
Depreciation of fixed assets	864,571	789,250
Depreciation of right-of-use assets	6,335	5,751
Amortization of intangible assets	6,143	6,143
Amortization of long-term deferred expense	121,806	144,819
Net losses on disposal of long-term assets ("-" for income)	(2,073)	9,310
Gains from changes in fair value	(633)	-
Financial expenses ("-“ for income)	36,221	(57,840)
Investment income ("-“ for decrease)	(86,279)	145,974
Decrease in deferred tax assets ("-“ for increase)	2,946	(234,848)
Decrease in deferred income	(2,850)	(4,011)
Decrease in inventories ("-“ for increase)	102,982	(638,496)
Decrease in operating receivables ("-“ for increase)	(3,156,119)	2,091,807
Increase in operating payables ("-“ for decrease)	2,545,824	(1,519,448)
Increase of reserve ("-“ for decrease)	(26,072)	21,307
Net cash outflow from/(used) in operating activities	580,171	(41,704)

(2) Movement of cash and cash equivalent

Items	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Cash and cash equivalents at the end of the year	5,850,095	4,506,544
Less: Cash and cash equivalents at the beginning of the year	(4,734,945)	(671,538)
Net increase/(decrease) in cash and cash equivalents	1,115,150	3,835,006

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements *(continued)*

8. Supplementary information on cash flow statements *(continued)*

(3) Liabilities arising from financing activities

	Short-term borrowing	Other accounts payable – interest payable	Non-current liabilities due within one year – long- term loans	Lease liabilities	Total
Balance at the beginning of the period	3,000,000	2,509	700,000	7,479	3,709,988
Increase for the period – change in cash borrowings	17,500,000	–	–	–	17,500,000
Increase for the period – non-cash changes					
Increase in lease liability as a result of entering into new leases	–	–	–	6,176	6,176
accrued interest	71,856	–	4,053	184	76,093
reclassification	(2,562)	2,772	(210)	–	–
Decrease in current period – change in cash					
Repayment of loans	(16,000,000)	–	–	–	(16,000,000)
Repayment of principal and interest on lease liabilities	–	–	–	(8,018)	(8,018)
Interest payments	(69,294)	(2,509)	(3,843)	–	(75,646)
Decrease during the period – non-cash changes					
reclassification	–	–	–	–	–
Balance at 30 June 2024 (unaudited)	4,500,000	2,772	700,000	5,821	5,208,593

C. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

I. Extraordinary gains and losses

	30 June 2024 (unaudited)
Disposal gains or losses of non-current assets, including the reversal of provision for impairment of assets	938
Government grants recorded in profit or loss	5,274
Employee reduction expenses	(23,141)
Losses from changes in fair value of financial assets and liabilities	633
Losses from disposal of derivative financial instruments	(27)
Discount loss of receivables	(1,812)
Other non-operating income and expenses other than those mentioned above	(19,884)
Income tax effect for the above items	4,438
Effect on non-controlling interests (after tax)	188
Total	(33,393)

Basis of preparation for extraordinary profit and loss

Pursuant to Announcement [2023] Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public issued by China Securities regulatory commission (CSRC), extraordinary profit and loss arises in various trading and issues that have no direct relation with the normal operations of a company, or that are related with normal operations but affect the users of the statement to make reasonable judgment of the Company's operation performance and profitability due to the special and occasional nature of such trading and issues.

C. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

II. Reconciliation between financial statements prepared under CAS and IFRS

The Company is listed on the Stock Exchange of Hong Kong. The Group prepared financial statements under International Financial Reporting Standards (“IFRS”) which has been audited. 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 gains/(losses)		Net assets	
	For the six months ended 30 June		2024	2023
	2024 (unaudited)	2023 (unaudited)	30 June (unaudited)	31 December
Under CAS	31,398	(985,686)	24,884,166	24,942,907
Difference items and amounts –				
Government grants (1)	1,005	1,005	(13,008)	(14,013)
Safety production costs (2)	(26,072)	20,584	–	–
Under IFRS	6,331	(964,097)	24,871,158	24,928,894

Notes in relation to the reconciliation items:

(1) 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 recognized as income over the useful life of the property, plant and equipment by way of a reduced depreciation charge.

(2) Safety production costs

Under CAS, safety production costs should be recognized 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 recognized in profit or loss when incurred, and property, plant and equipment are depreciated with applicable methods.

C. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Gains/(Losses) on net assets and gains/(losses) per share

Items	Weighted average gains/(losses) on net assets (%)		Gains/(Losses) per share (RMB per share)			
			Basic		Diluted	
	For the first six months ended 30 June		For the first six months ended 30 June		For the first six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Net gain/(losses) attributable to shareholders of the Company	0.113	(3.818)	0.003	(0.092)	0.003	(0.092)
Net gain/(losses) attributable to shareholders of the Company excluding non-recurring items	0.247	(3.755)	0.006	(0.090)	0.006	(0.090)

WRITTEN CONFIRMATION OPINIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT ON THE COMPANY'S 2024 INTERIM REPORT

Pursuant to the relevant requirements of Article 82 of the *Securities Law, Management Measures for Information Disclosure of Listed Companies (2021)*, *Standards for the Contents and Formats of Information Disclosure by Companies Offering to the Public No.3--Contents and Formats of Interim Reports (2021Revision)*, and *Shanghai Stock Exchange Stock Listing Rules (2024 Revision)*, as the Company's directors, supervisors and senior management, we fully understood and reviewed the Company's 2024 Interim Report and issued the written opinions as follows:

1. Confirmation opinions by directors and senior management

The Company operated in strict accordance with the financial system of listed companies, and the 2024 Interim Report fully, truly and fairly reflected the Company's financial performance and operating results. The formulation and review procedures of the Company's 2024 Interim Report were in compliance with laws and regulations, regulations of China Securities Regulatory Commission, articles of association and relevant internal control systems.

2. Review opinions by supervisors

(1) The formulation and review procedures of the Company's 2024 Interim Report were in compliance with laws and regulations, articles of association and relevant internal control systems.

(2) The contents and formats of the Company's 2024 Interim Report met the relevant regulations of China Securities Regulatory Commission and Shanghai Stock Exchange.

(3) No violation of information confidentiality was found in the Company's personnel involved in the formulation, review and information disclosure of the Company's 2024 Interim Report.

(4) The Company's 2024 Interim Report fully, truly and fairly reflected the Company's financial performance and operating results.

3. All directors, supervisors and senior management guarantee that the information disclosed in the Company's 2024 Interim Report and summary is true, accurate and complete, promise that there are no false records, misleading statements or major omissions, and bear the legal liabilities for the authenticity, exactness and completeness of the contents.

WRITTEN CONFIRMATION OPINIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT ON THE COMPANY'S 2024 INTERIM REPORT

(continued)

Sign by directors:

Guo Xiaojun

Guan Zemin

Du Jun

Huang Xiangyu

Xie Zhenglin

Qin Zhaohui

Tang Song

Chen Haifeng

Yang Jun

Zhou Ying

Huang Jiangdong

Sign by supervisors:

Xie Li

Zhang Feng

Chen Hongjun

Zhang Xiaofeng

Zheng Yunrui

Choi Ting Ki

Sign by Senior Management:

Huang Fei

Li Shantao

Zhou Guoming

Liu Gang

CORPORATE INFORMATION

(1) Corporate Information

Chinese Name of the Company	中國石化上海石油化工股份有限公司
Chinese Short Name of the Company	上海石化
English name of the Company	Sinopec Shanghai Petrochemical Company Limited
Abbreviation of the English Name of the Company	SPC
Legal representative of the Company	Guo Xiaojun

(2) Contact Persons and Contact Details

	Secretary to the Board	Securities Affairs Representative
Name	Liu Gang	Yu Guangxian
Address	No.48 Jinyi Road, Jinshan District, Shanghai, PRC, Postal Code: 200540	
Tel	8621-57943143	8621-57933728
Fax	8621-57940050	8621-57940050
E-mail	liugang@spc.com.cn	yuguangxian@spc.com.cn

(3) Basic Information

Registered Address	No.48 Jinyi Road, Jinshan District, Shanghai, PRC
Postal code of the registered office of the Company	200540
Office address of the Company	No.48 Jinyi Road, Jinshan District, Shanghai, PRC
Postal Code of Office Address	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

* There was no change in registered address of the Company during the Reporting Period

CORPORATE INFORMATION *(continued)*

(4) Information Disclosure and Access

Designated newspapers for the publication of the Company's announcements	<i>China Securities Journal, Shanghai Securities News and Securities Times</i>
Websites for the publication of the Company's interim reports	Shanghai Stock Exchange website, Hong Kong Stock Exchange website and the website of the Company
Place for access to the Company's interim reports	Secretariat Office to the Board, No.48 Jinyi Road, Jinshan District, Shanghai, PRC

(5) Shares Profile of the Company

Share Type	Place of Listing	Stock Short Name	Stock Code
A Shares	Shanghai Stock Exchange	上海石化	600688
H Shares	Hong Kong Stock Exchange	SHANGHAI PECHEM	00338

(6) Other Relevant Information

Auditor engaged by the Company (Domestic)	Name	KPMG Huazhen LLP
	Address	8th floor, KPMG building, Oriental Plaza, No. 1, East Chang'an Street, Dongcheng District, Beijing, PRC
Auditor Engaged by the Company (Overseas)	Name	KPMG Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
	Address	8th Floor, Prince Building, 10 Chater Road, Central, Hong Kong
<p>Legal Advisors:</p> <p>PRC Law: Haiwen & Partners 20th Floor, Fortune & Finance Center No.5 Dong San Huan Central Road Chaoyang District, Beijing, PRC Postal Code: 100020</p> <p>Hong Kong Law: Zhong Lun Law Firm 4th floor, Jardine house, 1 Connaught Plaza, central, Hong Kong Postal Code: 100020</p> <p>Joint Company Secretaries: Liu Gang, Xu Haiyan</p> <p>Authorised Representatives for Hong Kong Stock Exchange: Guo Xiaojun, Xu Haiyan</p> <p>H Shares Share Registrar: Hong Kong Registrars Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong</p>		