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

2023

ANNUAL REPORT

Contents

IMPORTANT MESSAGE

I. The Board of Directors and the Supervisory Committee of Sinopec Shanghai Petrochemical Company Limited (the “Company” or “SPC”) as well as its Directors, Supervisors and senior management warrant the truthfulness, accuracy and completeness of the information contained in the 2023 annual report, and warrant that there are no false representations or misleading statements contained in, or material omissions from, the 2023 annual report of the Company, and accept legal responsibility.

II. All directors attended the sixth meeting of the eleventh session of the Board, and have considered and adopted the 2023 annual report at the meeting.

III. The financial statements for the year ended 31 December 2023 (the “Reporting Period”), prepared under the People’s Republic of China (“PRC” or “China”)’s Accounting Standards (“CAS”) as well as the International Financial Reporting Standards (“IFRS”), were audited by KPMG Huazhen LLP and KPMG, respectively, and both firms have issued unqualified opinions on the financial statements in their auditors’ reports.

IV. Mr. Wan Tao, Chairman and the responsible person of the Company; Mr. Du Jun, Director, Vice President and Chief Financial Officer in change of the accounting work; and Ms. Fu Hejuan, person in charge of the Accounting Department (Accounting Chief) and President of the Finance Department hereby warrant the truthfulness, accuracy, and completeness of the financial statements contained in the 2023 annual report.

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

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

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

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

VII. There was no appropriation of funds by the controlling shareholder of the Company and its connected parties for non-operation purposes.

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

IX. Material Risk Warning

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

X. The annual report is published in both Chinese and English. In the event of any discrepancy between the Chinese and English 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 "the Company" or "SPC"	Sinopec Shanghai Petrochemical Company Limited
"Board"	the board of directors of the Company
"Director(s)"	the director(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Supervisor(s)"	the supervisor(s) of the Company
"PRC" or "China" or "State"	the People's Republic of China
"Reporting Period"	the year ended 31 December 2023
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Shanghai Stock Exchange"	The Shanghai Stock Exchange
"Group"	the Company and its subsidiaries
"Sinopec Group"	China Petrochemical Corporation
"Sinopec Corp."	China Petroleum & Chemical Corporation
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Shanghai Listing Rules"	The Rules Governing the Listing of Securities on the Shanghai Stock
"Model Code for Securities Transactions"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules
"Securities Law"	the PRC Securities Law
"Company Law"	the PRC Company Law
"CSRC"	China Securities Regulatory Commission
"Articles of Association"	the articles of association of the Company
"Hong Kong Stock Exchange website"	www.hkexnews.hk
"Shanghai Stock Exchange website"	www.sse.com.cn
"website of the Company"	www.spc.com.cn
"HSE"	Health, Safety and Environment
"LDAR"	Leak Detection and Repair
"COD"	Chemical Oxygen Demand
"VOCs"	Volatile Organic Compounds
"SFO"	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules
"Share Option Incentive Scheme"	the A Share Option Incentive Scheme of the Company

Company Profile

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 have made it a major manufacturer of refined oil and chemical products. It also has self-owned utilities and environmental protection systems, as well as sea transport, inland shipping, rail transport and road transport ancillary facilities.

Located at Jinshanwei in the southwest of Shanghai, the Company is a highly integrated petrochemical enterprise which mainly processes crude oil into a broad range of petroleum products 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 petrochemical products. Relying on the competitive advantage of its high degree of integration, the Company is optimizing its product mix, improving the quality and variety of its existing products, upgrading technology and increasing the capacity of its key upstream plants.

In July 1993, the Company became the first company incorporated under the laws of the PRC to make a global equity offering, and its shares were listed on the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the New York Stock Exchange.

Since the listing of its shares, the Company has strived to continuously improve and enhance its operation and management efficiency with an aim to become a domestic leading and world-class energy, chemical and new materials company.

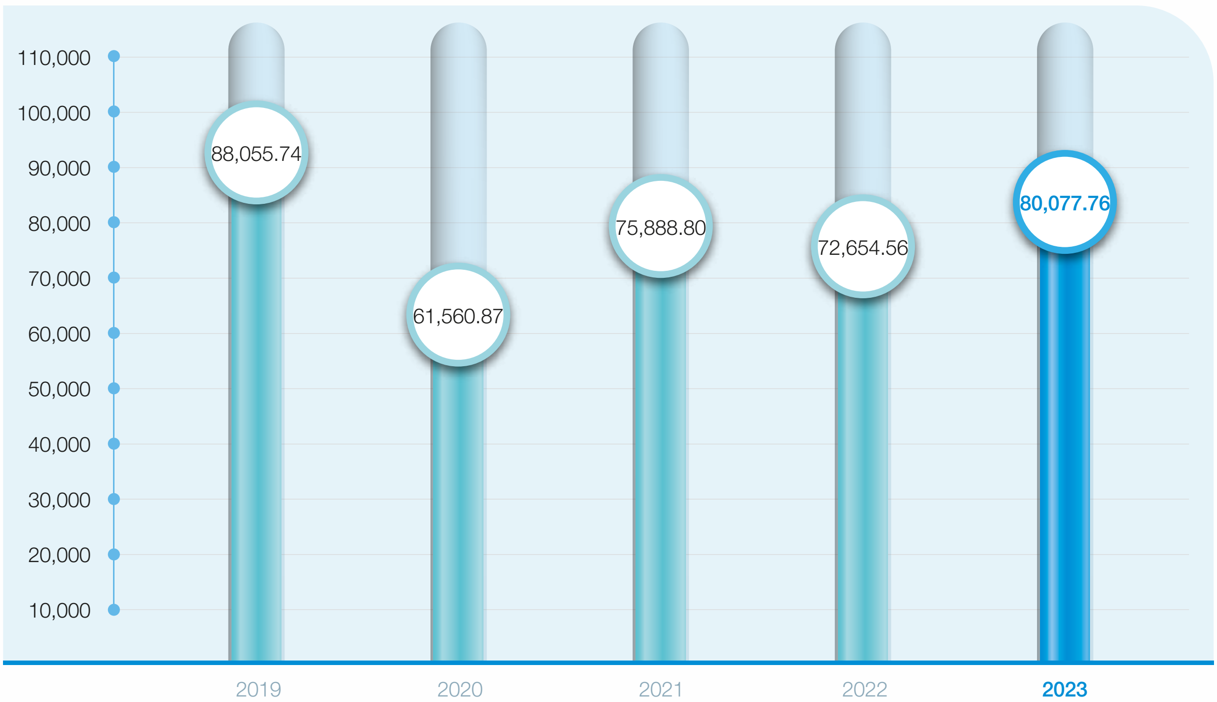
Main Financial Indicators

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

Unit: RMB million

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

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



(II) Main accounting data and financial indicators in the past three years (Prepared under CAS)

Unit: RMB'000

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

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

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

** Explanation of reasons for retrospective adjustment or restatement:

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

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

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

(III) Differences between financial statements prepared under CAS and IFRS

Unit: RMB'000

	Net loss			Net asset		
	The Reporting Period	Corresponding period of the previous year After restatement	Corresponding period of the previous year Before restatement	End of the Reporting Period	Opening of the Reporting Period After restatement	Opening of the Reporting Period Before restatement
Prepared under CAS	**(1,409,043)**	(2,868,110)	(2,868,216)	24,942,907	26,371,425	26,371,386
Prepared under IFRS	**(1,349,314)**	(2,842,194)	(2,842,300)	24,928,894	26,355,402	26,355,363

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

(IV) Major quarterly financial data in 2023 (Prepared under CAS)

Unit: RMB'000

	First Quarter (January to March)	Second Quarter (April to June)	Third Quarter (July to September)	Fourth Quarter (October to December)
Operating income	21,978,009	22,959,042	24,922,150	23,154,394
Net (loss)/profit attributable to equity shareholders of the Company	(163,142)	(825,135)	268,831	(686,430)
Net (loss)/profit attributable to equity shareholders of the Company excluding extraordinary gains and losses	(159,041)	(813,109)	285,337	(678,700)
Net cash flow (used in)/generated from operating activities	(29,479)	(197,403)	(661,434)	1,695,312

(V) Extraordinary gains and losses (Prepared under CAS)

Unit: RMB'000

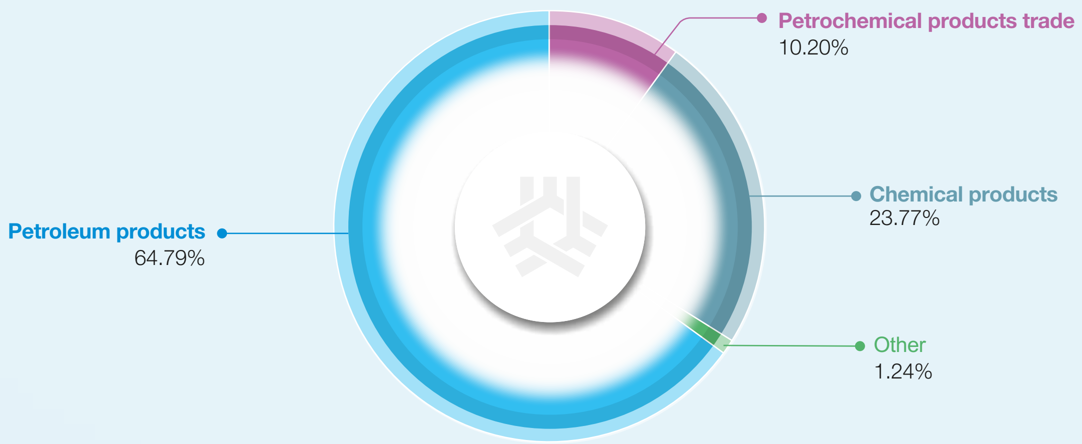
Extraordinary gains and losses	**2023**	2022	2021
Net (losses)/gains on disposal of non-current assets	**(26,758)**	(26,767)	48,671
Government grants recognised through profit or loss (excluding government grants with fixed amount pursuant to the State's unified standard which are closely related to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

Principal Products

The Group produces more than 60 different products, including various specifications of petroleum products and chemical products

The Company is a highly integrated petrochemical company. Most of the petroleum products and chemical products produced by the Company are used in the production of the Company's downstream products.

The following table sets forth the respective net sales of the Group's major products in 2023 as a percentage of total net sales and their respective typical uses.



Major products sold by the Group	% of 2023 net sales	Typical use
Manufactured products		
Petroleum products		
Gasoline	26.38	Transportation fuels
Diesel	22.38	Transportation and agricultural machinery fuels
Jet Fuel	9.62	Transportation fuels
Others	6.41	
Subtotal	64.79	

Major products sold by the Group	% of 2023 net sales	Typical use
Chemical Products		
Polyester staple	–	Textiles and apparel
Acrylic staple	0.41	Cotton type fabrics, wool type fabrics
Polyester chips	0.28	Polyester fibres, films and containers
PE pellets	5.01	Films, ground sheeting, wire and cable compound and other injection moulding products such as housewares and toys
PP pellets	3.74	Films or sheets, injection moulding products such as housewares, toys and household electrical appliances and automobile parts
PVA	–	PVA fibres, building coating materials and textile starch
Ethylene	–	Feedstock for PE, EG, PVC and other intermediate petrochemical products which can be further processed into resins and plastics and synthetic fibre
Ethylene oxide	0.80	Intermediate for chemical and pharmaceutical industry, dyes, detergents and adjuvant
Benzene	2.74	Chemical products, styrene, plastics, explosives, dyes, detergents, epoxies and polyamide fibre
PX	6.54	Chemical products, polyester
Butadiene	0.71	Synthetic rubber and plastics
Ethylene glycol	0.27	Fine chemicals
Others	3.27	
Subtotal	23.77	
Trading of petrochemical products	10.20	Import and export trade of petrochemical products (purchased from domestic and overseas suppliers)
Others	1.24	
TOTAL	100	

Change in Share Capital of Ordinary Shares and Shareholders

(I) Changes in share capital of ordinary shares during the Reporting Period

Save as disclosed below, the Company had no changes in share capital of ordinary shares during the Reporting Period.

(II) Issue of shares

1. Issue of shares during the Reporting Period

The Company issued no shares during the Reporting Period.

2. Changes in the Company's total number of ordinary shares, shareholding structure and the Company's assets and liabilities

On 17 February 2023, the Company canceled 24,528,000 H shares repurchased from the Hong Kong Stock Exchange during the year 2022. With this cancellation, the total number of shares issued by the Company has been reduced to 10,799,285,500, including 7,328,813,500 A shares and 3,470,472,000 H shares.

A total of 111,390,000 H shares were repurchased by the Company from the Hong Kong Stock Exchange from November 2023 to February 2024 but have not been cancelled as at 20 March 2024.

3. Employees shares

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

(III) Shareholders and de facto controller

1. Total number of shareholders

Total number of shareholders of ordinary shares as at the end of the Reporting Period	93,789
Total number of shareholders of ordinary shares as at the end of the month immediately preceding the publication date of the annual report	93,550

2. Shareholding of the top ten shareholders as at the end of the Reporting Period

Shareholding of the top ten shareholders

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

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

Among the above-mentioned shareholders, China Petroleum & Chemical Corporation, a State-owned legal person, does not have any connected relationship with the other shareholders, and does not constitute an act-in-concert party under the Administrative Measures on Acquisition of Listed Companies. Among the above-mentioned shareholders, HKSCC (Nominees) Limited is a nominee. 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.

3. Participation of top ten shareholders in lending of shares through refinancing business

Nil

4. Changes in the top ten shareholders compared with the previous period

Changes in the top ten shareholders compared with the end of the previous period					
	Additions/ Withdrawals during this Reporting Period	Number of shares lent through refinancing that have not yet been returned at the end of the period		Number of general and credit account holdings and shares lent through refinancing that have not yet been returned at the end of the period	
Full name of shareholder		Total number	Percentage (%)	Total number	Percentage (%)
Harvest Fund – Agricultural Bank of China – Harvest CSI Financial Asset Management Plan	Addition	0	0	25,583,100	0.24%
E Fund Fund – Agricultural Bank of China – E Fund CSI Financial Asset Management Plan	Withdrawal	0	0	20,635,100	0.19%

(IV) Details of the controlling shareholder and the de facto controller

1. Details of the controlling shareholder

(1) Legal person

<table>
<tr><td>Name</td><td colspan="3">China Petroleum & Chemical Corporation</td></tr>
<tr><td>Responsible person or legal representative</td><td colspan="3">Ma Yongsheng</td></tr>
<tr><td>Date of incorporation</td><td colspan="3">25 February 2000</td></tr>
<tr><td>Major business operations</td><td colspan="3">The production, storage, pipeline transportation, land transportation, water transportation and sale of non-coal mines (oil and natural gas etc.), dangerous chemicals (ethylene, propylene, butadiene and naphtha etc.), heavy oil, rubber and other petrochemical raw materials and products; oil refining; wholesaling and retailing (for subsidiaries only) of gasoline, kerosene and diesel oil; the production, storage, transportation and sale of natural gas chemicals and coal chemicals; sale of lubricant, fuel oil, solvent naphtha and asphalt; production of chemical fertilizer; operation of LPG station, sale of CNG, LNG, LPG and city gas; operation of electrical vehicle charging station; production, supervision of manufacturing, installation of oil and petrochemical machinery and equipment; manufacturing of equipment, tools, instruments and gauges in petroleum drilling and production; purchase and sale of oil and petrochemical raw and auxiliary materials, equipment and parts; technology and information, research, development, application and consultation of alternative energy products; production and sale of electricity, steam, water and industrial gases; wholesaling of farm, forestry and pasture products; operation of general merchandise convenience stores; wholesaling and retailing of knitted garments and housewares; wholesaling and retailing of cultural and sports goods and equipment; sale of food, beverages and tobacco products; wholesaling and retailing of pharmaceuticals and medical devices; retailing of automobiles, motorcycles and components; repair and maintenance of and technical training for automobiles and motorcycles; wholesaling and retailing of machineries, hardware products, electronic products and household appliances; retailing of furniture and materials for indoor decoration; stalls, no-store sale and other forms of retail business; general merchandise retail; accommodation and catering services; manufacturing of food and food additives; residents´ services; transportation agency services; warehousing; operation of self-owned properties; leasing of natural gas storage facility; leasing of houses, vehicles, equipment and working places; lease of machineries; media, advertising and acting as commission agent; insurance brokerage and agency services; financial trust and management services; E-commerce; self-operation of and acting as agency for the import and export of various commodities and technologies (other than those restricted or prohibited by the state from import and export); contractor of overseas mechanical, electronics, petrochemical projects and domestic international bid-inviting projects; export of equipment and materials required for the aforementioned overseas projects; dispatch of labour required for the aforementioned overseas projects; railway transportation; auxiliary operations for coastal engineering, port operations, oil spill emergency response, security protection, vessel pollution cleaning operations; quality inspection technical services in professional technical service industry, environment and ecology monitoring and testing services; edible salt production, wholesale, retail; exploration, development, storage, pipeline transportation and sale of shale gas, coalbed methane, shale oil, natural gas hydrate and other resources; gas-fired power generation and power supply; installation and maintenance of power facilities, power technology development and services. Hydrogen energy businesses and related services such as operation of hydrogen, production, storage, transportation and sales of hydrogen; manufacturing and sales of equipment for hydrogen production, refuelling and storage. Power businesses and related services such as power supply; motor vehicle charging; operation of new energy power generation facilities such as solar power generation and wind power generation facilities, as well as new energy vehicle charging facilities; battery sales; battery swapping for new energy vehicle.</td></tr>
<tr><td rowspan="3">Details of controlling interests and investments in other domestic and overseas-listed companies during the Reporting Period</td><td colspan="3">Details of shareholding of Sinopec Corp. in other listed companies:</td></tr>
<tr><td>Company name</td><td>Number of shares held</td><td>Percentage of shareholding</td></tr>
<tr><td>Sinopec Shandong Taishan Petroleum Co., Ltd.</td><td>118,140,120</td><td>24.57%</td></tr>
</table>

2. Details of the de facto controller

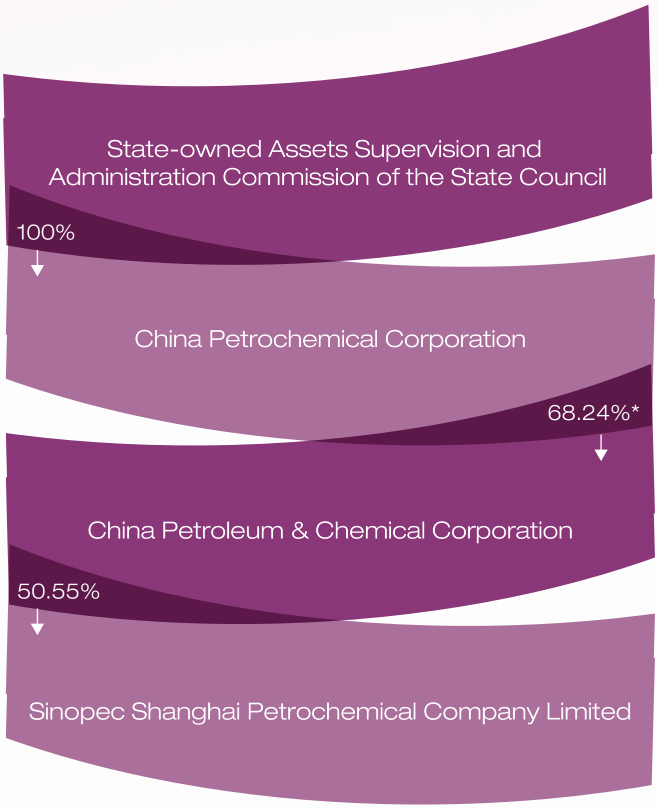
(1) Legal person

Name	China Petrochemical Corporation		
Responsible person or legal representative	Ma Yongsheng		
Date of incorporation	24 July 1998		
Principal business	Organize the exploration, exploitation, storage and transportation (including pipeline transportation), sales and comprehensive utilization of oil and natural gas of affiliated enterprises; Organize the petroleum refining of affiliated enterprises; Organize the wholesale and retail of refined oil products of affiliated enterprises; Organize the production, sales, storage and transportation of petrochemical and other chemical products of affiliated enterprises; Industrial investment and investment management; Exploration design, construction, construction and installation of petroleum and petrochemical engineering; Maintenance of petroleum and petrochemical equipment; Mechanical and electrical equipment manufacturing; Technology and information, research, development, application and consulting services of alternative energy products; Import and export business.		
Details of controlling interests and investments in other domestic and overseas-listed companies during the Reporting Period	Details of shareholding of Sinopec Group in other listed companies are as follows:		
	Company name	Number of shares held	Percentage of shareholding
	China Petroleum & Chemical Corporation[Note 1]	80,633,828,289	67.56%
	Sinopec Engineering (Group) Co., Ltd.	2,907,856,000	65.81%
	Sinopec Oilfield Service Corporation[Note 2]	10,727,896,364	56.51%
	Sinopec Oilfield Equipment Corporation	456,756,300	47.79%
	China Merchants Energy Shipping Co., Ltd.	1,095,463,711	13.45%
	PetroChina Company Limited	1,830,210,000	1.00%

Note 1: In addition, 810,388,000 H shares are held by Sinopec Century Bright Capital Investment Limited, an overseas wholly-owned subsidiary of Sinopec Group.

Note 2: In addition, 2,595,786,987 H shares are held by Sinopec Century Bright Capital Investment Limited, an overseas wholly-owned subsidiary of Sinopec Group.

3. The ownership and controlling relationship among the Company, the controlling shareholder and the de facto controller



* Including 810,388,000 H shares in Sinopec Corp. held by Sinopec Century Bright Capital Investment Limited, an overseas wholly-owned subsidiary of Sinopec Group, through HKSCC Nominees Limited.

(V) Specific implementation of share repurchase during the Reporting Period

Unit: HKD Currency: HKD

Name of share repurchase plan	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
Time of disclosure of share repurchase plan	28 June 2023
Number of shares to be repurchased and its percentage of total share capital (%)	Not exceeding 10% of the total capital of H share issued
Amount to be repurchased	–
Period of proposed repurchase	From 28 June 2023 until the 2023 Annual General Meeting
Repurchase purpose	Safeguard corporate value
Number of shares repurchased (shares)	70,192,000 H shares
Percentage of the repurchased number of shares to the underlying shares involved in the equity incentive plan (%) (if any)	–
Progress of the Company's share repurchase reduction by means of centralized bidding transactions	–

(VI) Other legal person shareholders holding more than 10% of the Company's shares

As at 31 December 2023, HKSCC (Nominees) Limited held 3,451,406,030 H shares of the Company, representing 31.96% of the total number of issued shares of the Company.

(VII) Public float

Based on the public information available to the Board, as at 20 March 2024, the Company had a public float which is in compliance with the minimum requirement under the Hong Kong Listing Rules.

(VIII) Interests and short positions of the substantial shareholders of the Company in shares and underlying shares of the Company

As at 31 December 2023, so far as was known to the Directors or chief executive of the Company, the interests and short positions of the Company's substantial shareholders (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) (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:

Interests in ordinary shares of the Company

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

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

Note:

(1) Based on the information obtained by the Directors from the website of the Hong Kong Stock Exchange and as far as the Directors are aware, Sinopec Group directly and indirectly owned 68.24% of the issued share capital of Sinopec Corp. as at 31 December 2023. By virtue of such relationship, Sinopec Group is deemed to have an interest in the 5,459,455,000 A shares of the Company directly owned by Sinopec Corp.

(2) These shares were held by Corn Capital Company Limited. Hung Hin Fai held 100% interests in Corn Capital Company Limited. Pursuant to the SFO, Hung Hin Fai was deemed to be interested in the shares held by Corn Capital Company Limited.

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

Save as disclosed above, as at 31 December 2023, the Directors have not been notified by any person (other than the Directors, chief executive and Supervisors) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

Report of the Directors

Section I Business Overview

(I) 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 Group is a highly integrated petrochemical enterprise which mainly processes crude oil into a broad range of petroleum products and chemical products. The Group sells most of its products within the PRC domestic market and derives most of its revenues from customers in Eastern China, one of the fastest growing regions in the PRC.

The Group's high-quality development is supported by the ever-increasing demand in the PRC for petrochemical products. Relying on the competitive advantage of its refining-chemical integration, the Group is optimizing its product mix, improving the quality and variety of its existing products. The Company is also strengthening the development of new products and market exploration, enhancing industrial technology research and product performance upgrading and promoting its high-quality development with green and low-carbon transformation.

For details on the industry in which the Group operates its business, please refer to Section III of this chapter "Analysis of Operational Information in Chemical Industry".

(II) 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 Group possesses competitive business scale and strength, which have made it a major manufacturer of refined oil and chemical products in China. It also has self-owned public utilities and environmental protection systems, as well as sea transport, inland shipping, rail transport and road transport ancillary facilities.

The Group's major competitive advantages include quality, geographical location and its vertically integrated production. The Company has more than 50 years of petrochemical production and management experience, and has accumulated extensive resources in the petrochemical industry, which has garnered multiple 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 built a comprehensive logistics system and supporting facilities to tap its geographic proximity with most of its clients and the convenient coastal and inland shipping. This gave it 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 strengthen product structure, while continuously developing new products and improving products quality and variety. It has also improved production technology to maximize the use and the efficiency in the utilisation of its corporate resources, and is therefore able to achieve strong and sustainable development.

Section II Management Discussion and Analysis

(I) Management Discussion and Analysis

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

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

In 2023, international oil prices fluctuated widely, while the chemical industry continued to expand production capacity, the homogenization competition of bulk products intensified, and the restructuring accelerated in industrial chain and supply chain. Faced with a complicated environment, the Group adhered to comprehensive and strict management to ensure the stable operation of production safety, insisted on maximizing corporate value and optimized cost reduction and efficiency creation in all aspects to fully promote the construction of key projects, which reversed the passive situation of production safety, made new progress in all aspects of work, and successfully completed various work tasks throughout the year. The total volume of crude oil processed for the year was 14.1193 million tons (including 1.0802 million tons of processing on order), representing a year-on-year increase of 35.17%; the volume of refined oil produced for the year was 8.6666 million tons, representing a year-on-year increase of 46.69%; the total volume of goods within the main commodities categories was 12.4884 million tons, representing a year-on-year increase of 28.66%. The Company's turnover was RMB92.932 billion, representing a year-on-year increase of 12.72%. The Group's product sale rate was 100.14% and the payment return rate was 100%, signaling premium and stable product quality.

(1) Petrochemicals prices fluctuated and declined

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

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

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

(3) Heightening strict management to ensure safety production

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

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

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

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

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

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

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

2. Accounting judgments and estimates

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

(1) Net realizable value ("NRV") of inventories

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

The management reassesses inventory at the balance sheet date to ensure inventory is measured at the lower of cost and net realizable value.

(2) Impairments for non-current assets

At the balance sheet date, 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 fully recoverable, the asset or CGU may be considered "impaired", and an impairment loss may be recognized.

The recoverable amount of assets (or CGUs) is the higher of the fair value less costs of disposal and the present value of the estimated future cash flows. As the open market price of certain assets (or CGUs) may not be reliability availablev in a reliable manner, the Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount of assets (or CGUs), including estimates based on reasonable and supportable assumptions for projections of product sales and operating costs and discount rate of the present value of the estimated future cash flows. In particular, in determining the present value of the estimated future cash flows of the Group's specific CGUs, judgements are required on the significant accounting estimates, such as product sales growth rates, related costs growth rates and discount rate applied.

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

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

(4) Classification of financial assets

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

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

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

3.1 Summary

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

	For the years ended 31 December								
	2023			2022			2021		
	Sales volume ('000 tons)	**Net sales RMB million**	**%**	Sales volume ('000 tons)	Net sales RMB million	%	Sales volume ('000 tons)	Net sales RMB million	%
Petroleum products	**9,747.76**	**51,881.58**	**64.79**	7,211.38	41,444.66	57.04	10,065.00	41,884.40	55.19
Chemical products	**2,780.32**	**19,032.11**	**23.77**	2,455.95	18,271.47	25.15	3,345.90	22,118.00	29.15
Trading of petrochemical products	**–**	**8,174.13**	**10.20**	–	12,007.55	16.53	–	11,051.40	14.56
Others	**–**	**989.94**	**1.24**	–	930.88	1.28	–	835.00	1.10
Total	**12,528.08**	**80,077.76**	**100.00**	9,667.33	72,654.56	100.00	13,410.90	75,888.80	100.00

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

	For the years ended 31 December					
	2023		2022		2021	
	RMB million	% of net sales	RMB million	% of net sales	RMB million	% of net sales
Petroleum products						
Net sales	51,881.58	64.79	41,444.66	57.04	41,884.40	55.19
Cost of sales and operating expenses	(52,111.60)	(65.08)	(41,443.69)	(57.04)	(38,917.40)	(51.28)
Segment (loss)/profit from operations	(230.02)	(0.29)	0.97	–	2,967.00	3.91
Chemical products						
Net sales	19,032.11	23.77	18,271.47	25.15	22,118.00	29.15
Cost of sales and operating expenses	(20,529.62)	(25.64)	(21,995.90)	(30.28)	(23,555.02)	(31.04)
Segment loss from operations	(1,497.51)	(1.87)	(3,724.43)	(5.13)	(1,437.02)	(1.89)
Trading of petrochemical products						
Net sales	8,174.13	10.20	12,007.55	16.53	11,051.40	14.56
Cost of sales and operating expenses	(8,132.36)	(10.15)	(11,994.71)	(16.51)	(11,007.70)	(14.50)
Segment profit from operations	41.77	0.05	12.84	0.02	43.70	0.06
Others						
Net sales	989.94	1.24	930.88	1.28	835.00	1.10
Cost of sales and operating expenses	(1,057.13)	(1.32)	(1,063.63)	(1.46)	(976.50)	(1.29)
Segment loss from operations	(67.19)	(0.08)	(132.75)	(0.18)	(141.50)	(0.19)
Total						
Net sales	80,077.76	100.00	72,654.56	100.00	75,888.80	100.00
Cost of sales and operating expenses	(81,830.71)	(102.19)	(76,497.93)	(105.29)	(74,456.60)	(98.11)
(Loss)/profit from operations	(1,752.95)	(2.19)	(3,843.37)	(5.29)	1,432.20	1.89
Net finance income	238.68	0.30	443.33	0.61	414.60	0.55
Share of (loss)/profit of associates and joint ventures	(141.13)	(0.18)	(173.61)	(0.24)	874.30	1.15
(Loss)/profit before tax	(1,655.40)	(2.07)	(3,573.65)	(4.92)	2,721.10	3.59
Income tax	306.09	0.38	731.46	1.01	(644.56)	(0.85)
(Loss)/profit for the year	(1,349.31)	(1.69)	(2,842.19)	(3.91)	2,076.54	2.74
Attributable to: Equity shareholders of the Company	(1,346.15)	(1.69)	(2,846.05)	(3.92)	2,073.34	2.74
Non-controlling interests	(3.16)	0.00	3.86	0.01	3.20	0.00
(Loss)/profit for the year	(1,349.31)	(1.69)	(2,842.19)	(3.91)	2,076.54	2.74

3.2 *Comparison and analysis*

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

3.2.A Operating results

(1) Net sales

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

(i) Petroleum products

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

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

(ii) Chemical products

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

(iii) Trading of petrochemical products

In 2023, the Group's net sales of trading of petrochemical products amounted to RMB8,174 million, a decrease of 31.93% from the previous year's RMB12,008 million. This was mainly due to the insufficient demand in the petrochemical market and the decrease in sales of the subsidiaries, China Jinshan Trading Corporation Limited and Shanghai Jinmao International Trading Corporation Limited.

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

(iv) Others

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

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

(2) Cost of sales and operating expenses

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

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

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

– Cost of sales

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

– Selling and administrative expenses

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

– Other operating income

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

– Other operating expenses

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

(3) Operating profit

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

(i) Petroleum products

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

(ii) Chemical products

In 2023, the operating loss of chemical products amounted to RMB1,498 million, a decrease of RMB2,226 million from the operating loss of RMB3,724 million in the previous year. The decrease in operating loss in the year was mainly due to the decrease in the average selling price of products being less than the decrease in the prices of major raw materials.

(iii) Trading of petrochemical products

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

(iv) Others

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

(4) Net finance income

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

(5) Loss before taxation

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

(6) Income tax

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

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

(7) Loss for the year

In 2023, the Group's loss after tax amounted to RMB1,349 million, representing a decrease of RMB1,493 million from the loss after tax of RMB2,842 million in the previous year.

3.2.B Liquidity and capital sources

The Group's primary sources of capital are cash inflows from investing activities arising from the maturity of time deposits. The Group's primary uses of capital are costs of sales, other operating expenses and capital expenditures.

(1) Capital sources

(i) Net cash flow generated from operating activities

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

(ii) Borrowings

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

The Group managed to maintain its gearing ratio at a safe level by enhancing controls over both liabilities (including borrowings) and financing risks. The Group generally does not experience any seasonality in borrowings. However, due to the nature of the Group's capital expenditure plan, long-term bank borrowings can be arranged in advance of expenditures while short-term borrowings are used to meet operational needs. The terms of the Group's existing borrowings do not restrict its ability to distribute dividends for its shares.

(2) Gearing ratio

As at 31 December 2023, the Group's gearing ratio was 36.99% (2022: 35.93%). The ratio is calculated using this formula: total liabilities/total assets *100%.

3.2.C Research and development, patents and licenses

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

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

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

3.2.D Off-Balance sheet arrangements

Please refer to Note 35 to the financial statements prepared under IFRS in the 2023 annual report for details of the Group's capital commitments. During the reporting period, the Group did not provide any guarantee to external parties.

3.2.E Contractual obligations

The following table sets forth the Group's obligations to repay loan principal in future as at 31 December 2023:

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

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

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

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

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

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

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

In 2023, Shanghai SECCO recorded a revenue of RMB17.426 billion, and its loss after tax reached RMB1.855 billion, among which RMB334 million was the Company's investment loss accounted for using the equity method.

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

a) The operating results of Shanghai Investment Development decreased by 105.06% in 2023 as compared with the previous year. The decrease was mainly due to a significant decrease in the net profit of major associates and joint ventures, resulting in a decrease of RMB14.89 million in the investment income in 2023.

b) The operating results of Shanghai Jinchang decreased by 90.18% in 2023 as compared with the previous year. The decrease was mainly due to the weak demand for polypropylene, which is the main product of Shanghai Jinchang in 2023, resulting in a decline in operating results in 2023.

c) The operating results of Shanghai Golden Phillips increased by 573.57% in 2023 as compared with the previous year. The increase was mainly due to the significant rebound in production and sales of Shanghai Golden Phillips for the year, resulting in a significant increase in operating results in 2023.

d) The operating results of JMGJ decreased by 40.87% in 2023 as compared with the previous year. The decrease was mainly due to a decrease in export sales in 2023, resulting in a decline in operating results in 2023.

3.2.G Major suppliers and customers

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

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

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

(I) Principal Operations of the Company during the Reporting Period

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

1. Analysis of the Company's principal activities

1.1 Analysis of changes in the consolidated income statement and the consolidated cash flow statement

Unit: RMB'000

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

Analysis of major changes in the consolidated income statement

Unit: RMB'000

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

Analysis of major changes in the cash flow statement

Unit: RMB'000

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

1.2 Operating income

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

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

(2) Major customers

Please refer to 3.2.G for details of major customers of the Group.

1.3 Operating cost

(1) Analysis of operating cost

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

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

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

(2) Major suppliers

Please refer to 3.2.G for details of major suppliers of the Group.

1.4 Expenses

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

1.5 Research and development ("R&D") expenditure

(1) R&D expenditure

Unit: RMB'000

Expensed R&D expenditure during the Reporting Period	186,978
Capitalised R&D expenditure during the Reporting Period	–
Total R&D expenditure	186,978
% of R&D expenditure to revenue	0.20
% of capitalised R&D expenditure	–

(2) R&D personnel

Number of R&D personnel	159
% of number of R&D personnel to total number of staff	2.11
Educational structure of R&D personnel	
Education structure category	Education structure number
Doctor	10
Master	48
Undergraduate	61
Junior college graduate	22
High school and below	18
Age structure of R&D personnel	
Age structure category	Age structure number
Under 30 years old (excluding 30 years old)	19
30-40 years old (including 30 years old and excluding 40 years old)	37
40-50 years old (including 40 years old and excluding 50 years old)	41
50-60 years old (including 50 years old and excluding 60 years old)	61
Over 60 years old	1

Please refer to 3.2.C for details of R&D, patents and licenses of the Group.

1.6 Cash flow

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

2. Analysis of income and cost

2.1 Principal activities by product

Unit: RMB'000

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

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

2.2 Operating income by geographical location

Unit: RMB'000

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

3. Analysis of assets and liabilities

Unit: RMB'000

Item	As at 31 December 2023		As at 31 December 2022		Change of amount on 31 December 2023 compared to 31 December 2022	Major reason for change
	Amount	% of total assets	Amount	% of total assets	(%)	
Receivables under financing	236,487	0.60	582,354	1.41	-59.39	The decrease in operating income of the trading segment.
Other receivables	352,064	0.89	190,579	0.46	84.73	The increase in consumption tax refund for imported naphtha.
Other current assets	26,098	0.07	1,121,187	2.72	-97.67	VAT deductible decreased significantly.
Construction in progress	1,200,602	3.03	3,748,461	9.09	-67.97	Part of carbon fiber projects under construction have been transferred to fixed assets.

Item	As at 31 December 2023 Amount	As at 31 December 2023 % of total assets	As at 31 December 2022 Amount	As at 31 December 2022 % of total assets	Change of amount on 31 December 2023 compared to 31 December 2022 (%)	Major reason for change
Short-term loans	3,000,000	7.56	1,550,000	3.76	93.55	Short-term borrowings increased this year to supplement funding.
Bills payable	1,535,334	3.87	40,951	0.10	3,649.2	The number of bills issued increased this year to pay for goods and expenses.
Non-current liabilities due within one year	707,515	1.78	8,738	0.02	7,996.99	Long-term borrowings due within one year were transferred to current liabilities.
Long-term loans	–	–	700,000	1.70	-100	Long-term borrowings due within one year were transferred to current liabilities.

Overseas assets

During the Reporting Period, the overseas assets held by the Company were RMB13,980 thousand, accounting for 0.04% of the total assets.

4. Others

(1) Directors, Supervisors, senior management and employees

Please refer to the "Directors, Supervisors, Senior Management and Employees" in this annual report.

(2) Acquisition, sale and investment

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

(3) Pledge of assets

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

(4) Material events after the Reporting Period

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

5. Financial assets and financial liabilities held in foreign currencies

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

6. Investment of the Company

6.1 Entrusted wealth management and entrusted loans

(1) Entrusted wealth management

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

(2) Entrusted loans

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

6.2 Analysis of major subsidiaries and investing companies

Please refer to 3.2.F Analysis of operation and results of major controlled companies and invested companies during the Reporting Period for the analysis of major subsidiaries and investing companies.

6.3 Non-fundraising projects

In 2023, the capital expenditures of the Group amounted to RMB1,454 million, representing a decrease of 57.88% as compared with RMB3,452 million in 2022. Major projects include the following:

Major project	Total amount of project investment RMB'000	Amount of project investment during the Reporting Period RMB'000	Project progress as at 31 December 2023
Shanghai Jinshan Baling New Material Co., Ltd.	400,000	–	Paid in RMB250 million
Sinopec Shanghai 24,000 tons/year precursor fiber and 12,000 tons/year 48K large tow carbon fiber project	3,489,638	250,000	Phase I in operation
SPC Renovation Project for Power Units Cleaning and Efficiency Improving	3,388,540	24,962	Preliminary design phase
Supporting engineering project of 250,000 tons/year thermoplastic elastomer project	201,785	80,000	Under construction
100 ton high performance carbon fiber test plant	566,183	50,000	In operation

Note: In addition to the major capital expenditure items disclosed in the above table, the total capital expenditure of other projects of the Company is RMB1,051 million.

The Group's capital expenditures for 2024 are estimated at approximately RMB2,889 million.

6.4 *Financial Assets Measured at Fair Value*

Unit: RMB'000

Project	Opening amount	Closing amount	Profit and 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	10,000	–	–	Own capital
Financial assets measured at fair value with changes included in other comprehensive income						
– Receivables financing	582,354	236,487	–	–	–	Own capital
– Investment in other equity instruments	5,000	3,869	–	(1,131)	–	Own capital
Total	587,354	276,856	10,000	(1,131)	–	

Derivative investments for hedging purposes during the Reporting Period

Unit: RMB'000

Type of derivative investment	Initial investment amount	Opening book value	Gains or losses arising 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	–	–	–	15,624	2,087,680	2,103,304	–	–
Total	–	–	–	15,624	2,087,680	2,103,304	–	–

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 actual profit of the Company's commodity swap contracts was RMB15,624 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 2023 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.

(III) Discussion and analysis on future development of the Company

1. Industry competition and development trends

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

2. Development strategies of the Company

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

3. **Management plan**

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

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

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

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

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

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

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

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

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

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

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

4. **Possible risks**

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

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

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

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

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

The petrochemical industry is a capital-intensive industry. The Group's ability to maintain and raise income, net income and cash flows is closely connected with ongoing capital expenditures. The Group's estimated capital expenditures amounts to approximately RMB2.889 billion in 2024, which will be met by financing activities and certain of own funds. The Group's effective capital expenditures may vary significantly due to the Group's ability to generate sufficient cash flows from operations, investments and other factors that are beyond control. Furthermore, there is no assurance as to the completion, cost or outcome of the Group's fundraising projects.

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

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

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

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

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

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

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

(7) *Risks associated with control by the substantial shareholder*

Sinopec Corp., the controlling shareholder of the Company, owns approximately 5,459 million shares of the Company, which represents 50.55% of the total number of shares of the Company and gives it an absolute controlling position. Sinopec Corp. may, by using its controlling position, exercise influence over the Group's production operations, fund allocations, appointment or removal of senior staff and so forth, thereby adversely affecting the Group's production operations as well as minority shareholders' interests.

Section III Analysis of Operating Information in Chemical Industry

(I) Basic information of the industry

1. Industry policy and changes

In October 2023, the National Development and Reform Commission and other departments promulgated the "Guiding Opinions on Promoting Green, Innovative, and High Quality Development of the Refining Industry", which proposed the goals of green, innovative, and high-quality development of the refining industry by 2025 and 2030, and systematically deployed 17 key tasks in four areas: "promoting industrial optimization and upgrading, promoting efficient utilization of energy resources, accelerating green and low-carbon development, and strengthening scientific and technological innovation leadership", providing fundamental guidance for the transformation, upgrading, and high-quality development of refining and chemical enterprises.

In addressing climate change, the second meeting of the Central Committee for Deepening Overall Reform considered and approved the "Opinions on Promoting the Gradual Transition from Control of Total Amount and Intensity of Energy Consumption to Control of Total Amount and Intensity of Carbon Emissions" in July, which further deepened China's transition from energy consumption dual control (control of total amount and intensity of energy consumption) to carbon emission dual control; In October, the Ministry of Ecology and Environment announced the "Measures for the Administration of Voluntary Greenhouse Gas Emission Reduction Trading (Trial)", followed by the successively introduction of supporting rules including methodology, registration rules, project design and implementation guidelines for four types of CCER projects. The restart of the CCER (Chinese Certified Emission Reduction) market has made significant progress, and the construction of the carbon footprint management system has accelerated. In addition, there are guidelines for the construction of the dual carbon standard system at the national level, and the carbon peak pilot construction plan has been launched and the first batch of pilot lists has been confirmed. Internationally, the EU Carbon Border Adjustment Mechanism (CBAM) regulation came into effect in May, and officially entered in transitional period on October 1, becoming the world's first truly implemented "carbon tariff"; In December, the UN Climate Change Conference (COP28) in Dubai stated for the first time that it will gradually move away from fossil fuels in the energy system and reach a consensus on transitioning to renewable energy, marking an important step for humanity in addressing the climate crisis.

2. Basic situation of major segments and the Company's industry status

In 2023, under the impact of fluctuations in international oil prices with a downward trend, increased supply, and weakened demand, the Chinese petrochemical industry showed a situation of "increased production and consumption with no increased profits".

Production. According to data from the National Bureau of Statistics, the total domestic crude oil and natural gas production in 2023 was 416 million tons (oil equivalent), representing a year-on-year increase of 3.9%; the cumulative processing of crude oil in China reached 735 million tons, representing a year-on-year increase of 9.3%, which was a return to positive growth despite a decrease of 3.4% in 2022. The annual output of refined oil (gasoline, kerosene and diesel) was 428 million tons, representing a year-on-year increase of 16.5%, with a growth rate of 13.3 percentage points higher than that in 2022. The total production of major chemicals increased from negative to positive, with a total annual production of about 720 million tons, representing a year-on-year increase of about 6%, and a year-on-year decrease of about 0.4% compared with the growth rate of previous year. Among them, the national ethylene production was 31.899 million tons, representing a year-on-year increase of 6.0%; the production of synthetic resin reached 119 million tons, representing a year-on-year increase of 6.3%.

Consumption. In 2023, downstream demand for petroleum and chemical industry in China recovered from the bottom. According to data from the National Bureau of Statistics and customs, the total apparent consumption of crude oil and natural gas for the year was 1.123 billion tons (oil equivalent), representing an increase of 8.2% year-on-year, and a decrease of 0.3% in 2022. The apparent consumption of major chemicals increased by 6.2% year-on-year, and decreased by 1.4% in 2022. Among them, ethylene increased by 5.8%; pure benzene increased by 2.6%; and methanol increased by 8.0%. The total apparent consumption of synthetic materials was about 231 million tons, representing a year-on-year increase of 6.7%. Among them, the apparent consumption of synthetic resin was 133 million tons, representing an increase of 3.7%; the total apparent consumption of synthetic fiber monomers (polymers) was 82.982 million tons, representing an increase of 12.2%.

Trade. According to data from the General Administration of Customs, the import volume of crude oil in 2023 was 564 million tons, which was the further increase after two consecutive years of decline. The foreign-trade dependence of crude oil further increased from 71.2% in 2022 to 72.9%. The export volume of refined oil products was about 41.9055 million tons, representing a cumulative year-on-year increase of 21.48%. Among them, the export volume of gasoline was 12.285 million tons, representing a year-on-year decrease of 2.90%; the export volume of diesel was 13.7727 million tons, representing a year-on-year increase of 26.00%; the export volume of kerosene was 15.8478 million tons, representing a year-on-year increase of 45.29%.

In 2023, the prices of crude oil, natural gas, and the vast majority of petrochemical products experienced a significant decline. The decrease in prices led to varying degrees of decline in the operating revenue, total profit, and total import and export of the petrochemical industry. According to data from the National Bureau of Statistics, the petrochemical industry achieved operating revenue of RMB15.95 trillion, representing a year-on-year decrease of 1.1%; the total profit was RMB873.36 billion, representing a year-on-year decrease of 20.7%. According to data from customs, the total import and export value of the entire industry decreased by 9.0% year-on-year. Among them, the total export value decreased by 11.2% year-on-year; and the total import value decreased by 7.9% year-on-year. The trade deficit was USD319.22 billion, representing a year-on-year decrease of 4.3%.

In terms of segments, the benefits differentiated, and the overall performance of chemical industry lagged behind. The cumulative revenue and profit of the refining industry were RMB4.96 trillion and RMB65.6 billion, respectively, representing a year-on-year increase of 2.1% and 192.3%, respectively; the cumulative revenue and profit of the chemical industry were RMB9.27 trillion and RMB486.26 billion, respectively, representing a year-on-year decrease of 2.7% and 31.2%, respectively; the cumulative revenue and profit of the petrochemical and chemical specialized equipment manufacturing industry were RMB286.21 billion and RMB20.47 billion, respectively, representing a year-on-year increase of 9.9% and 26.2%, respectively.

The Group is one of the major large-scale refining and chemical integration enterprises in China. As the production capacity of the Group's main products has not increased in recent years, while relevant domestic enterprises are expanding their capacity, the output of ethylene, p-xylene, ethylene glycol and other products produced by the Group continues to decline in the market share of similar products in China in 2023. In 2023, the output of the Group's main products accounted for 1.0%-2.0% of the national output of corresponding products.

(II) Products and production

1. Main operating model

The Company's main operating models are: crude oil procurement; processing and production of petroleum products and chemical products; realizing profit through product sales.

2. Main products

Product	Industry segment	Primary upstream raw material	Transport/storage method	Primary downstream application fields	Key price-influencing factors
Diesel	Petroleum products	Petroleum	Pipeline transportation and shipping/storage tank	Transportation fuel, agricultural machinery fuel	International crude oil price, government control
Gasoline	Petroleum products	Petroleum	Pipeline transportation and shipping/storage tank	Transportation fuel	International crude oil price, government control
Jet Fuel	Petroleum products	Petroleum	Pipeline transportation and shipping/storage tank	Transportation fuel	International Crude oil price, supply-demand balance
PX	Chemical products	Naphtha	Road transportation/storage tank	Intermediate petrochemical products and polyester	Raw material price, supply-demand balance
Benzene	Chemical products	Naphtha	Road transportation, shipping, rail transportation/storage tank	Intermediate petrochemical products, styrene, plastic, explosive, dye, detergent, epoxy resin, chinlon	International crude oil price, market supply-demand condition
Ethylene Glycol	Chemical products	Naphtha	Road transportation/storage tank	Fine Chemicals engineering	International crude oil price, market supply-demand condition
Ethylene Oxide	Chemical products	Naphtha	Road transportation, pipeline transportation/storage tank	Chemical and medical industry intermediate products, including dyes, detergents and auxiliary	International crude oil price, market supply-demand condition

Product	Industry segment	Primary upstream raw material	Transport/storage method	Primary downstream application fields	Key price-influencing factors
Ethylene	Chemical products	Naphtha	Road transportation, pipeline transportation, shipping/ storage tank	PE, EG, PVC and other raw material for further processing of intermediate petrochemical products such as resins, plastics and synthetic fibres	International crude oil price, supply-demand balance
PE	Chemical products	Ethylene	Road transportation, shipping and rail transportation/ warehousing	Film, mulching film, cable insulation material and housewares, toys injection moulding products	Raw material price and market supply-demand condition
PP	Chemical products	Propylene	Road transportation, shipping and rail transportation/ warehousing	Film, sheets, housewares, toys, household appliances and auto parts injection moulding products	Raw material price and market supply-demand condition
Acrylics	Chemical products	Acrylonitrile	Road transportation, shipping and rail transportation/ warehousing	Simple spinning or blend with other material for texture or acrylic top	Raw material price and market supply-demand condition
Fine chemical products	Chemical products	C-5	Road transportation, shipping and rail transportation/ warehousing	Resin, adhesive, traffic paint, building and ornament material, packaging material, printing ink, rubber processing, etc.	Raw material price and market supply-demand condition
Diesel	Petroleum products	Petroleum	Pipeline transportation and shipping/storage tank	Transportation fuel, agricultural machinery fuel	International crude oil price, government control

Product	Production 2023 (10,000 tons)	Production 2022 (10,000 tons)	Production Year-on-year change	Sales 2023 (10,000 tons)	Sales 2022 (10,000 tons)	Sales Year-on-year change
Diesel Note1	**339.23**	252.02	34.60%	**340.39**	251.84	35.16%
Gasoline	**334.89**	257.08	30.27%	**335.20**	255.84	31.02%
Jet Fuel Note1	**192.54**	81.70	135.67%	**132.08**	66.24	99.40%
Paraxylene	**70.72**	58.59	20.70%	**70.87**	58.54	21.06%
Benzene Note2	**37.27**	30.32	22.92%	**34.43**	29.70	15.93%
Ethylene Glycol	**7.19**	9.57	-24.87%	**6.05**	6.24	–3.04%
Ethylene Oxide	**11.97**	19.67	-39.15%	**11.47**	19.23	–40.35%
Ethylene Note2	**64.11**	59.81	7.19%	**–**	–	–
Polyethylene	**52.56**	39.12	34.36%	**49.84**	38.28	30.20%
Polypropylene	**42.18**	39.70	6.25%	**40.64**	37.07	9.63%
Polyester Pellet Note2	**3.77**	10.75	-64.93%	**3.81**	10.89	–65.01%
Acrylic	**2.14**	1.96	9.18%	**2.42**	2.06	17.48%

Note 1: Excludes sales volume on a sub-contract basis.

Note 2: The difference between production and sales are internal sales.

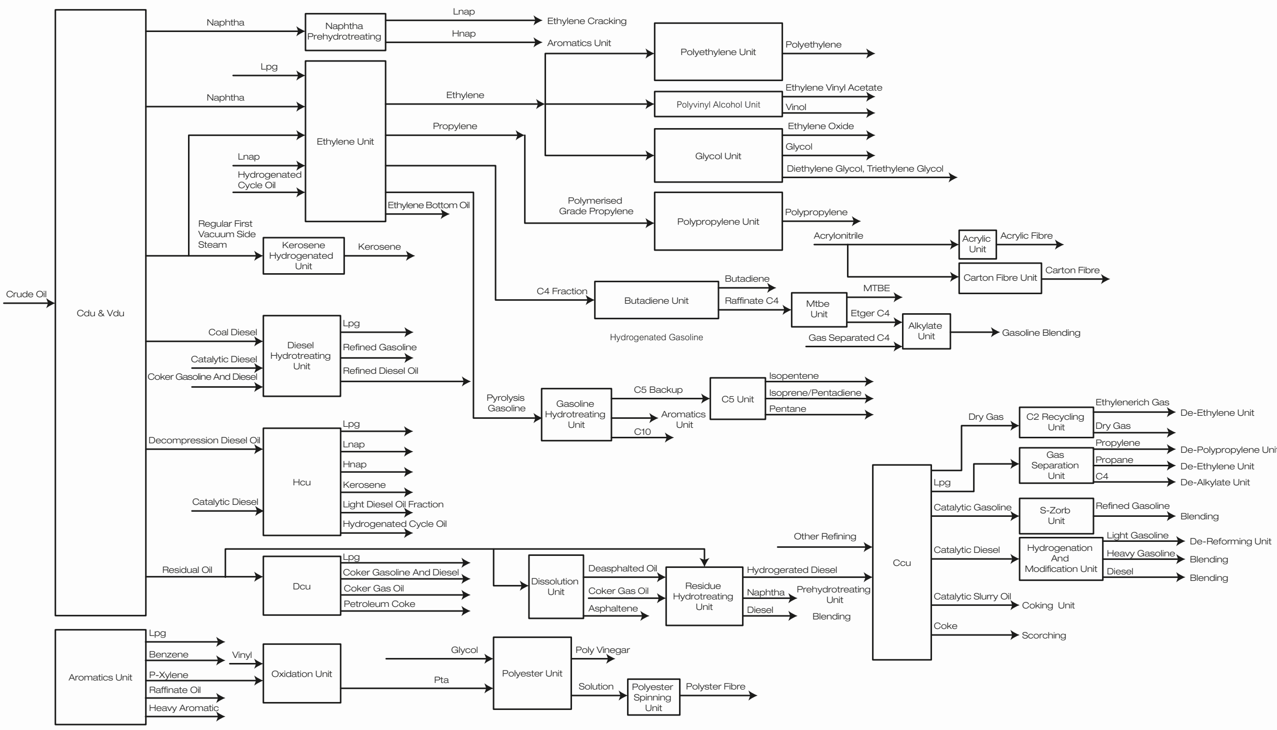
The above-mentioned sales volume does not include the trading of petrochemical products of the Group.

3. R&D and innovation

Please refer to 3.2.C for details of the R&D and innovation of the Group.

4. Production techniques and processes

The key component of the vertically integrated production facility of the Company is the ethylene facility producing ethylene and propylene and aromatics facility mainly producing paraxylene and benzene. Ethylene is the main raw material for the production of polyethylene and ethylene glycol, while ethylene glycol and PTA polymerization produces polyester. Propylene is the main raw material for the production of polypropylene. The above-mentioned products all use crude oil as raw material and are processed through a series of petrochemical facilities. The chart below illustrates in brief the production processes of the Company.



5. Capacity and operation status

Key production facilities (number of sets)	Designed capacity (tons)	Capacity Utilization (%)
Crude oil distillation facility (2)	14,000,000	92.10
Hydrocracking facility (2)	3,000,000	89.56
Ethylene facility	700,000	96.02
Aromatics facility (2)[Note1]	835,000	102.09
PTA facility	400,000	–
Ethylene oxide/Ethylene glycol facility (2)[Note2]	525,000	78.45
Catalytic cracking	3,500,000	102.55
Delayed coking (2)	2,200,000	91.54
Diesel hydrogenation (2)[Note3]	3,850,000	88.05
Acrylonitrile facility[Note3]	650,000	97.59
C-5 Separation (2)	185,000	122.08
Polyester facility (3)[Note4]	550,000	84.74
Polyester staple fibre facility (2)[Note5]	158,000	–
Polyester filament facility[Note5]	21,000	–
Acrylics staple fibre facility (2)[Note6]	94,000	92.59
Polyethylene facility (3)	408,000	78.51
Polypropylene facility (3)	400,000	94.03
Vinyl acetate facility	86,100	103.21

Note 1: No.1 PX facility (235,000 tons/year) was suspended for the whole year.

Note 2: No.1 Ethylene oxide/Ethylene glycol facility (225,000 tons/year) was suspended for the whole year.

Note 3: No.2 Diesel hydrogenation facility (1,200,000 tons/year) was revamped into acrylonitrile facility by the end of 2016. Annual production is 650,000 tons/year.

Note 4: No.1 Polyester fibre facility (150,000 tons/year) was suspended from April 2023, No.2 polyester fibre facility (300,000 tons/year) and No.3 polyester fibre facility (100,000 tons/year) were suspended for the whole year.

Note 5: Polyester staple fibre facility and polyester filament facility were suspended for the whole year.

Note 6: Acrylic north unit (66,000 tons/year) was suspended for the whole year. Acrylic south unit (46,800 tons/year) was transformed into large tow carbon fiber and precursor fiber device.

For capital expenditure items, please refer to "Non-fundraising projects" in section "Discussion and analysis of the Company's operation" in Section II Management Discussion and Analysis of this chapter.

(III) Raw material procurement

1. Basic information of major raw materials

Major raw materials	Procurement mode	Settlement method	Year on year change rate of price (%)	Purchase quantity	Consumption
Crude oil	Agency procurement	Agreement settlement	-14.84%	13,323.0 thousand tons	13,039.0 thousand tons

Impact of price changes of major raw materials on the Company's operating costs

The fall of the market price of crude oil led to a year-on-year decrease in the unit processing cost of the Company's crude oil by 6.92% and a decrease in the Company's operating cost by 5.34%.

2. Basic information of major energy sources

Major energy sources	Procurement mode	Settlement method	Year on year change rate of price (%)	Purchase quantity	Consumption
Coal	Entrusted procurement	Conduct monthly assessment and settlement according to the benchmark price	-22.67%	1,636.7 thousand tons	1,675.5 thousand tons

Impact of major energy sources price changes on the Company's operating costs

The fall of coal market price led to a year-on-year decrease of 20.42% in the unit cost of coal of the Company and a decrease of 0.45% in the operating cost of the Company.

3. Measures to deal with the risk of raw material price fluctuation

A Brief account of holding derivatives and other financial products

In 2023, the Company conducted hedging business for refined oil products, and sold 690,000 barrels of Gasoil 10 ppm Sin and bought 690,000 barrels of DUBAI SWAP as of the end of December; sold 720,000 barrels of Kerosene Sin and bought 720,000 barrels of DUBAI SWAP; and positions were fully closed at the end of the fourth quarter. The commodity derivative business carried out belongs to hedging business. The implementation of the above businesses has no risk exposure, and the maximum amount of possible loss is RMB50 million. In 2023, the Company delivered USD2,144,550 in commodity financial derivatives, equivalent to RMB15,624,670, and the position at the end of the year was USD0. The combination of financial derivatives is matched by the hedged project as a whole, played the role of hedging real price risk.

For the accounting policies related to hedge accounting of the Company, please refer to Note III.9 to the financial statements prepared under CAS in this annual report.

(IV) Sales of products

1. Sales model

The Company's sales models are mainly direct sales and agency sales. The products are mostly sold to large trading companies and industrial users, including Sinopec Group and its designated clients. The Company has established long-term relationships with these clients.

2. Pricing strategy and change in prices of major products

Most of the products of the Company are sold at market price. However, sales of the Company's major petroleum products (gasoline, diesel and jet fuel) are also subject to different extent of government pricing (guided-price).

The prices of products of the Company that are not subject to price control are fixed with reference to the market price in the main chemical products market of Shanghai and other places in China. The Company keeps strictly monitoring major international commodity markets, especially the price trend in Asian markets. In most cases, the Company revises product prices monthly while more frequent price revisions will be made during periods of intense price fluctuations.

3. Basic information of main businesses of the Company by industry segment

Please refer to "Comparison and analysis of results of the Company's operations" in Management Discussion and Analysis of this chapter for basic information of main business of the Group by industry segment.

4. Basic information of main businesses of the Company by sales channel

Unit: RMB'000

Sales channel	Revenue from main business	Year-on-year increase/decrease in revenue (%)
Direct sales	63,532,655	27.22%
Agency sales	21,219,618	3.57%
Trading	8,179,335	-31.93%

5. Basic information of joint products, side products, semi-finished products, waste, residual heat utilization products during the production process of the Company

The Company owns a power plant which provides power and steam resources mainly to the Company while the surplus is sold to external parties. In 2023, the Company sold 254.3 thousand giga joules of steam, generating revenue of RMB30 million.

(V) Environmental protection and safety

1. Major safety production accident of the Company during the Reporting Period

Nil.

2. Major environmental violations

Nil.

Section IV Major Events

(I) Plan for profit distribution of ordinary shares or capital reserve capitalization

1. Cash dividend policy and its formulation, implementation or adjustment

In 2016, the Company made amendments to its cash dividend policy in the Articles of Association. The proposed amendments to the Articles of Association and its appendices were considered and approved at the annual general meeting of 2015 held on 15 June 2016. According to Article 206 of the Articles of Association currently in force and the relevant provisions of the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend of Listed Companies:

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

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

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

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

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

Unit: RMB'000

Year of dividend payment	Amount of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (RMB) (including tax)	Amount of capitalization for every 10 shares (share)	Amount of cash dividend by other means (e.g. share repurchase)	Total amount of cash dividend (including other means) (including tax)	Net profit attributable to shareholders of ordinary shares of the listed company in the consolidated statement for the year (Restated))	Percentage of net profit attributable to shareholders of ordinary shares of the listed company in the consolidated statement (%)
2023	0	0	0	70,579.10	70,579.10	-1,405,876	N/A
2022	0	0	0	25,688.59	25,688.59	-2,871,969	N/A
2021	0	1.0	0	0	1,082,381.35	2,000,444	54.11

(II) Fulfilment of undertakings

1. Undertakings made by the 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

Undertakings about share reform

The Company disclosed The Explanatory Memorandum for the Share Reform Scheme of the Company (the Revised Draft) on 20 June 2013, in which the Company's controlling shareholder, Sinopec Corp., made the following major undertakings that continued up to the Reporting Period:

Sinopec Corp. shall continue to support the development of the Company upon the completion of the share reform scheme, and shall use the Company as a platform for the development of related businesses in the future.

For details, please refer to the relevant announcements uploaded to the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company as well as "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.

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 relevant announcements uploaded to the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 14 August 2013 and the "Implementation Announcement of Sinopec Shanghai Petrochemical Company Limited Share Reform Scheme" published in China Securities Journal and Shanghai Securities News on 13 August 2013.

With regard to the aforementioned undertakings, the Company did not notice any violation in fulfilling the above undertakings by Sinopec Corp.

(III) Events regarding capital occupation and repay during the Reporting Period

Nil.

(IV) Explanation on the reasons for and impact of the Company's changes in accounting policies, accounting estimates, or correction of previous significant accounting errors

1. New standards adopted by the Group and revision and explanation of the standards

The Group has applied the following standards for the first time for their financial year commencing 1 January 2023:

- Interpretation of Accounting Standards for Business Enterprises No. 16 (Caikuai [2022] No.31) ("Interpretation No.16") "Accounting treatment of initial recognition exemption not applicable to deferred income tax related to assets and liabilities arising from an individual transaction"

- Accounting Standards for Business Enterprises No. 25-Insurance Contracts (Caikuai [2020] No.20) "New insurance contract standards" and the related implementation Q&As

- Amendments to IFRS 17, "Insurance contracts"

- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors-Definition of accounting estimates"

- Amendments to IAS 1 "Presentation of financial statements" and IFRS Practice Statement 2 "Making materiality judgements: Disclosure of accounting policies"

- Amendments to IAS 12 "Income taxes: Deferred tax related to assets and liabilities arising from a single transaction"

- Amendments to IAS 12 "Income taxes: International tax system reform – Pillar two model rules

Except for Interpretation of Accounting Standards for Business Enterprises No. 16 and Amendments to IAS 12 "Income taxes: Deferred tax related to assets and liabilities arising from a single transaction", the adoption of the above new standards does not have a significant impact on the financial position and operating results of the Group.

For details of the impact of Interpretation of Accounting Standards for Business Enterprises No. 16 on the financial statements of the Group for the current and comparative periods, please refer to Note 3 to the financial statement prepared under CAS.

For details of the impact of IAS 12 "Income taxes: Deferred tax related to assets and liabilities arising from a single transaction" on the financial statements of the Group for the current and comparative periods, please refer to Note 2 to the financial statement prepared under IFRS.

No other standard or interpretation revision with impact on the Group's consolidated financial statements was first effective for the financial year starting on 1 January 2023.

In order to adapt to the optimization and adjustment of the management's operating strategy, the Group has adjusted its reportable segments from 2023.

Before the change:

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

After the change:

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

The Group has applied retrospective adjustment accounting treatment for the aforesaid changes in segment reporting and made corresponding adjustments to the comparable data in the previous year. For details, please refer to Note 7 to the financial statement prepared under CAS and Note 5 to the financial statement prepared under IFRS.

(V) Appointment and dismissal of auditors

During the Reporting Period, the original accounting firm of the Company has served for the audit period. The Company held a general meeting of shareholders on 28 June 2023 and approved re-election of KPMG Huazhen LLP as the domestic auditor of the Company for the year of 2023 and KPMG as the overseas auditor of the Company for the year of 2023.

Details of the auditors appointed by the Company during the Reporting Period and the appointment details are as below:

Unit: RMB Yuan

	Current
Name of the domestic auditors	KPMG Huazhen LLP
Remuneration of the domestic auditors	3,418,500
Duration of audit of the domestic auditors	3 years
Name of certified public accountants of the domestic auditors	Wang wenli, Zhang Lin
Duration of audit of certified public accountants of the domestic auditors	3 years
Name of the international auditors	KPMG Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Remuneration of the international auditors	3,418,500
Duration of audit of the international auditors	3 years
Name of certified public accountants of the international auditors	Au Yat Fo
Duration of audit of certified public accountants of the international auditors	3 years

During the Reporting Period, KPMG Huazhen LLP and KPMG and its member firms provided tax consulting services to the Group at a service fee of RMB129 thousand.

(VI) Material litigation or arbitration

During the Reporting Period, the Company was not involved in any material litigation or arbitration.

(VII) Punishment and reprimand of the listed company and its Directors, Supervisors, senior management, controlling shareholder, de facto controller and purchasers

During the Reporting Period, the Company and its Directors, Supervisors, senior management, controlling shareholder and de facto controller had not been investigated or taken administrative regulatory measure by the CSRC, nor have been subject to any compulsory measures according to law, criminal liability, administrative penalties or disciplinary sanctions by the stock exchange due to reasons attributable to the Company.

(VIII) 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.

(IX) The Share Option Incentive Scheme of the Company

The Share Option Incentive Scheme of the Company took effect from 23 December 2014, with a validity period of 10 years until 22 December 2024. The first grant of A-share share options under the Share Option Incentive Scheme was on 6 January 2015. For details, please refer to the relevant announcements uploaded on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company on 6 January 2015. All the exercise periods of the first grant have ended on 28 December 2018. For details, please refer to the relevant announcements uploaded on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company on 28 December 2018. At present, the Company has no other granting scheme.

During the Reporting Period, the Company did not grant A-share share options under the Share Option Incentive Scheme, nor did the grantees exercise any A-share share options, and no A-share share options were cancelled or lapsed.

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

The Company entered into a new Financial Services Framework Agreement with Sinopec Group, the de facto controller of the Company on 27 November 2023. Accordingly, Sinopec Finance, a subsidiary 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. For definitions and details, please refer to the announcements of the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange dated 25 October 2023.

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

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

Unit: RMB'000

Type of connected transaction	Connected person	Annual cap for 2023	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	121,171,000	64,082,737	82.09%
Sales of petroleum products and petrochemicals	Sinopec Corp. and its associates	91,003,000	69,523,450	74.79%
Agency sales of petrochemical products	Sinopec Corp. and its associates	212,000	99,026	100.00%
Comprehensive Services Framework Agreement				
Construction, installation and engineering design services	Sinopec Group, Sinopec Corp. and their associates	1,548,000	213,613	49.74%
Petrochemical industry insurance services	Sinopec Group and its associates	120,000	114,350	100.00%
Property leasing	Sinopec Corp. and its associates	42,000	33,921	40.89%
Comprehensive services	Sinopec Group, Sinopec Corp. and their associates	58,000	33,092	0.04%
Financial Services Framework Agreement				
Financial services	Associate of Sinopec Group (Sinopec Finance)	200,000	7,693	2.00%
Storage Services Agreement				
Storage services	Associate of Sinopec Group (Baishawan Branch)	114,000	114,000	83.28%

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

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

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

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

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

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

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

2. Connected parties' liabilities

Unit: RMB'000

Connected party	Connected relationship	Funds provided to connected parties			Funds provided by connected parties to the listed company		
		Balance as at the beginning of the period	Transaction amount	Balance as at the end of the period	Balance as at the beginning of the period	Transaction amount	Balance as at the end of the period
Sinopec Corp., its subsidiaries, joint ventures and associates & Sinopec Group and its subsidiaries	Controlling shareholder, de facto controller and their related parties	137,476	(134,747)	2,729	1,235,222	(252,588)	982,634

Note 1: 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 for services rendered by the Group to joint ventures.

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.

(XI) Material contracts and their performance

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 period.

2. Guarantees

There were no guarantees provided by the Company during the Reporting Period.

3. Entrusting others to conduct wealth management

Please refer to "Investment of the Company" in the section headed "Discussion and analysis of the Company's operation" in Section II "Management Discussion and Analysis" of this chapter.

4. Other major contracts

There were no major contracts of the Company during the Reporting Period.

(XII) Fulfillment of its corporate social responsibility

1. Fulfillment of corporate social responsibility

For the Company's performance of corporate social responsibility in 2023 and the Company's 2023 ESG Report, please refer to the "2023 Environmental, Social and Governance Report of Sinopec Shanghai Petrochemical Company Limited" ("2023 ESG Report") published by the Company on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

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

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

The Company, as a manufacturing enterprise in the petrochemical industry, consistently places environmental protection as its priority. It has continually received ISO14001 Environmental Management System Certification. In January 2013, it obtained the certifications from the Shanghai Audit Center of Quality, including quality (GB/T19001: 2008), environment (GB/T24001: 2004) and occupational health and safety (GB/T28001: 2011). In December 2022, the Company was awarded the title "Sinopec Green Enterprise for 2022"; and continued to use the title "All-China Environmentally Friendly Enterprise" through the review of China's environmentally friendly enterprises on 8 December 2023. In 2023, Sinopec Shanghai was awarded the title "Class B of Sinopec Green Enterprise for 2023". In 2023, a total of 55 companies declared the establishment of green grass-roots units, and completed the cultivation of 51 green grass-roots units, of which 35 passed the review and 16 were successfully established. At present, Sinopec Shanghai has a green coverage area of 3.0279 million square meters, with a green space rate of 40.5% and a green coverage rate of 42.2%.

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

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

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

3. **Administrative penalties for environmental problems during the Reporting Period**

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

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

4. Pollutant treatment information

(a) Details of air pollutant emissions[1]

No.	Category of pollutant	Discharge outlet[2]	Discharge method[3]	Emission standard under implementation[4]	Permissible concentration limit[5]	Actual average concentration in 2023[6]	Approved actual emissions in 2023	Emission standard compliance in 2023
1	SO_2	70	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	0.01-30 mg/m^3	180.41 tons	Standard compliance rate: 100%, subject to the announcement of the competent department of ecological environment.
2	NO_x	68	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	0.02-82mg/m^3	1096.95 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 year are all within the corresponding range as disclosed. For details, please refer to the public information of the ecological environment department.

(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 2023[4]	Approved actual emissions in 2023	Emission standard compliance in 2023
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	25-40 mg/L	632.38 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	3.77 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 year are all within the corresponding range as disclosed. For details, please refer to the public information of the ecological environment department.

5. Construction and operation of pollution prevention facilities

Main pollution facilities	Pollutant	Emission limits (mg/m^3)	Actual emission in 2023 (mg/m^3)	Reach (or not reach) the standard
Thermoelectric boiler	SO_2	35	6.42	Reach
	NO_X	50	16.36	Reach
	Particulate matter	10	1.02	Reach
2#sulfur	SO_2	100	15.21	Reach
3#sulfur	SO_2	100	2.38	Reach
4#sulfur	SO_2	100	26.59	Reach
Catalytic cracking	SO_2	50	6.54	Reach
	NO_X	100	8.73	Reach
	Particulate matter	30	7.78	Reach
Process heating furnace	SO_2	50	2.14	Reach
	NO_X	100	46.41	Reach
	Particulate matter	20	1.51	Reach
Sewage treatment plant	CODmg/l	60	26.87	Reach
	Ammonia nitrogen mg/l	8	0.44	Reach

6. **Environmental impact assessment and other environmental protection administrative licensing of construction projects**

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

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

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

7. **Emergency response plan for emergent environmental incidents**

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

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

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

8. Environmental self-monitoring programme

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

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

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

Whether to take carbon reduction measures	Yes
Emission reduction of CO_2 equivalent (in tons)	40,249
Type of carbon reduction measures (such as using clean energy to generate electricity, using carbon reduction technologies in the production process, developing and producing new products that help reduce carbon emissions, etc.)	1. Increase the purchase of green power, and the purchased green power was 46.02 million kilowatt hours in 2023, equivalent to reducing carbon emission by 19,317 tons. (Note: Accounted by the carbon emission factors of purchased electricity in Shanghai) 2. Promote the construction of photovoltaic projects in an orderly manner: independently invest in the construction of a 1.51MW Huanjiang Road warehouse rooftop distributed photovoltaic power generation project, an 8.73MW Nansuitang River and Acrylic Department rooftop distributed photovoltaic power generation project, and a 5.25MW large tow rooftop distributed photovoltaic power generation project. The photovoltaic power generation was 7.7775 million kilowatt hours and the carbon emission reduced by 3,266 tons in 2023. (Note: Calculated on the carbon emission factors of purchased electricity in Shanghai) 3. The low-temperature heat utilization project (Phase I) of arene was used, recycling 105,700 GJ of heat and reducing carbon emission by 11,627 tons. (Note: Calculated on the carbon factor of thermoelectric spontaneous steam) 4. In 2023, 4,065 tons of thermoelectric biomass fuel was combusted throughout the year, reducing carbon emission by 6,039 tons.

10. Consolidate and expand the poverty alleviation and rural revitalization

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

(XIII) Equity-linked agreements

Apart from the Share Option Incentive Scheme of the Company disclosed in item (IX) under Section IV “Major Events” of this report, the Company does not enter or have any equity-linked agreements during the year.

(XIV) Tax rate

The income tax rate currently applicable to the Group is 25% (2022: 25%).

(XV) Deposits

The Group did not have any entrusted deposits during the Reporting Period. As at 31 December 2023, the Group did not have any term deposits which could not be collected upon maturity.

(XVI) Reserves

Details of changes in reserves are set out in Note 32 to the financial statements prepared under IFRS.

On 31 December 2023, the Company’ reserves available for distribution to shareholders of the Company (including share capital premium and undistributed profits) were RMB6,070,476 thousand (2022: RMB7,339,170 thousand).

(XVII) Financial summary

A summary of the results, total assets, liabilities and shareholders' equity of the Group as of 31 December 2023 are set out on page 6 to 7 of this annual report.

(XVIII) Bank loans and other borrowings

Details of bank loans and other borrowings of the Company and the Group for the year ended 31 December 2023 are set out in Note 27 to the financial statements prepared under IFRS.

(XIX) Interest capitalized

Details of interest capitalized during the year are set out in Note 9 to the financial statements prepared under IFRS.

(XX) Property, plant and equipment

Changes in property, plant and equipment during the year are set out in Note 16 to the financial statements prepared under IFRS.

(XXI) Purchase, sale and redemption of the Company's securities

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

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

The Board considers that the repurchase of H shares has increased the net asset value per share of the Company, which is beneficial to the Company and its shareholders. For details, please refer to the relevant announcements on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

Save as disclosed in this report, neither the Company nor the Group has purchased, sold or redeemed any of the Company's listed securities.

(XXII) Pre-emptive rights

According to the Articles of Association and the laws of the PRC, there is no pre-emptive right which requires the Company to offer new shares to the existing shareholders of the Company in proportion to their shareholdings.

(XXIII) Donations

During the Reporting Period, the Company donated twice to the Jinshan District Education Development Foundation in Shanghai, which amounted to RMB1.9 million, to support local schools in carrying out related educational and teaching achievements, curriculum development, classroom engineering and other projects. The Company donated RMB100,000 to the 2023 "SCIP+" Green Chemical and Chemical Engineering Innovation and Entrepreneurship Competition for the purpose of funding the competition activities; supported local government in poverty alleviation and rural revitalization with RMB500,000, to support local governments in carrying out targeted support and assistance work; and donated RMB1 million to Bange Middle School in Tibet to promote education and help rural revitalization.

(XXIV) Tax relief

During the Reporting Period, the holders of listed securities of the Company were not entitled to tax relief due to the holding of listed securities of the Company in accordance with the PRC laws.

Section V Business Review and Outlook

Please refer to Section II "Management Discussion and Analysis" of this chapter for the business review of the Group for the year ended 31 December 2023 and the outlook for 2024.

(I) Changes in shareholdings and remuneration

1. Changes in shareholdings and remuneration of Directors, Supervisors and senior management who hold the position currently or resigned during the Reporting Period

Name	Used name/ alias	Position	Gender	Age	Date of commencement of service term	Date of end of service term	Number of shares held at the beginning of the Reporting Period (ten thousand shares)	Number of shares held at the end of the Reporting Period (ten thousand shares)	Change in number of shares during the Reporting Period (ten thousand shares)	Reasons of change	Total Remuneration received from the Company during the Reporting Period (before taxation) (RMB ten thousand)	Whether received remuneration from connected person(s) of the Company
Wan Tao*	None	Executive Director & Chairman	M	56	June 2023	April 2024	0	0	0	-	132.98	No
Guan Zemin	None	Executive Director, Vice Chairman & President	M	60	June 2023	June 2026	0	0	0	-	115.71	No
Du Jun	Ma Jun	Executive Director, Vice President & Chief Financial Officer	M	53	June 2023	June 2026	0	0	0	-	104.70	No
Huang Xiangyu	None	Executive Director & Vice President	M	56	June 2023	June 2026	14	14	0	-	92.12	No
Xie Zhenglin	None	Non-executive Director	M	59	June 2023	June 2026	0	0	0	-	0	Yes
Qin Zhaohui	None	Non-executive Director	M	58	June 2023	June 2026	0	0	0	-	45.97	No
Tang Song	None	Independent Non-executive Director	M	44	June 2023	June 2026	0	0	0	-	15.00	No
Chen Haifeng	None	Independent Non-executive Director	M	50	June 2023	June 2026	0	0	0	-	15.00	No
Yang Jun	None	Independent Non-executive Director	M	67	June 2023	June 2026	0	0	0	-	15.00	No
Zhou Ying	None	Independent Non-executive Director	F	58	June 2023	June 2026	0	0	0	-	7.50	No
Huang Jiangdong	None	Independent Non-executive Director	M	45	June 2023	June 2026	0	0	0	-	7.50	No
Xie Li	None	Supervisor, Chairperson of the Supervisory Committee	F	50	June 2023	June 2026	0	0	0	-	72.46	No
Zhang Feng	None	Supervisor	M	55	June 2023	June 2026	1	1	0	-	85.49	No
Chen Hongjun	None	Supervisor	M	53	June 2023	June 2026	3.14	3.14	0	-	88.71	No
Zhang Xiaofeng	None	Supervisor	M	54	June 2023	June 2026	0	0	0	-	0	Yes
Zheng Yunrui	None	Independent Supervisor	M	59	June 2023	June 2026	0	0	0	-	10.00	No
Choi Ting Ki	None	Independent Supervisor	M	70	June 2023	June 2026	0	0	0	-	10.00	No
Huang Fei	None	Vice President	M	47	June 2023	June 2026	0	0	0	-	94.17	No
Li Shantao	None	Vice President	M	46	October 2023	June 2026	0	0	0	-	8.05	No
Liu Gang	None	Board Secretary	M	52	June 2023	June 2026	0	0	0	-	101.82	No
Peng Kun	None	Former Non-executive Director	M	57	June 2020	June 2023	0	0	0	-	44.27	No
Li Yuanqin	None	Former Independent Non-executive Director	F	51	June 2020	June 2023	0	0	0	-	7.50	No
Gao Song	None	Former Independent Non-executive Director	M	54	June 2020	June 2023	0	0	0	-	7.50	No
Ma Yanhui	None	Former Supervisor, Chairman of the Supervisory Committee	M	52	June 2020	May 2023	0	0	0	-	38.87	No
Jin Qiang	None	Former Vice President	M	59	June 2020	June 2023	30.1	30.1	0	-	69.85	No
Jin Wenmin	None	Former Vice President	M	59	June 2020	June 2023	17.5	17.5	0	-	39.01	No
Zhou Jijun	None	Former Vice President	M	59	January 2023	August 2023	0	0	0	-	93.61	No
Total	/	/	/	/	/	/	65.74	65.74	0	/	1,322.79	/

* Mr. Wan Tao resigned from the positions as Chairman and Executive Director of the Company due to change of work arrangements on 12 April 2024.

(II) Profiles of Directors, Supervisors and senior management

Directors:

Guan Zemin, born in December 1964, is serving as Vice Chairman, Executive Director, Vice Chairman of the Strategy and ESG Committee and President of the Company. Mr. Guan started to work in 1990, and he successively served as Section Manager of Technology Development Section, Technology Development Department, Director of Catalyzing Workshop, Deputy Director and Director of Production Scheduling Department of the Wuhan branch of Sinopec Corp. ("Wuhan Branch"), and Deputy Chief Engineer of the Wuhan branch. From December 2012 to December 2018, he served as Deputy General Manager of Wuhan Branch. From May 2016 to December 2019, he served as General Manager and Director of Sinopec-SK (Wuhan) Petrochemical Company Limited. From December 2018 to December 2019, he served as the Director and Deputy Party Secretary of the Wuhan Petrochemical Plant and General Manager of Wuhan Branch. In December 2019, he was appointed as Deputy Secretary of the CPC Committee of the Company. From February 2020, he served as the President of the Company. From June 2020, he served as the Executive Director, Vice Chairman and Vice Chairman of the Strategy and ESG Committee of the Company. Mr. Guan graduated from the Fine Chemical Major of School of Chemical Engineering, East China University of Science and Technology with a Master's degree in Engineering in July 1990. He is a senior engineer by professional title.

Du Jun, born in March 1970, is currently the Executive Director, member of the Strategy and ESG Committee, Vice President and Chief Financial Officer of the Company, chairman of Jinshan Associated Trading, and director of Shanghai Chemical Industry Park Development Co., Ltd.. Mr. Du started the work in 1990 and successively served as the chief of the second section of the Secretary of the general manager's office of Yangzi Petrochemical Co., Ltd., the deputy director of the finance division and the deputy director of the Finance Department of Yangzi Petrochemical Co., Ltd. From August 2004 to July 2007, he served as the director of the Finance Department of Yangzi Petrochemical Co., Ltd. From July 2007 to August 2012, he served as the director of the Finance Department of Yangzi Petrochemical Co., Ltd. From August 2012 to September 2020, he served as the chief accountant of Yangzi Petrochemical Co., Ltd. From December 2015 to September 2020, he served as the supervisor of Yangzi Petrochemical BASF Co., Ltd. From June 2016 to September 2020, he served as a director of Yangzi Petrochemical Co., Ltd. From September 2020, he served as the vice president and chief financial officer of the Company. He has been the chairman of Jinshan Associated Trading since December 2020. He has been a director of Chemical Industry Park since December 2020. He has been an Executive Director of the Company since June 2021. He has been a member of the Company's Strategy and ESG Committee since March 2022. Mr. Du graduated from Southeast University in 1990, majoring in industrial enterprise management, and obtained a master's degree in Business Administration from Southeast University in 2004. He has the title of senior accountant.

Huang Xiangyu, born in March 1968, is currently the Executive Director, member of the Strategy and ESG Committee, and Vice President of the Company. Mr. Huang started his career in 1990 and joined Shanghai Petrochemical Complex in 1992. He successively served as the Deputy Director of the chemical workshop of Shanghai Jinyang Acrylic Plant, Deputy Director of Jinyang Equipment, Deputy Director and Director of Jinyang Acrylic Equipment of Acrylic Business Unit and Chief Engineer of Acrylic Business Unit. From July 2011 to January 2020, he served as the Director of the Acrylic Fiber Research Institute of the Company. From November 2011 to January 2020, he served as the Chief Engineer of the Acrylic Fiber Department of the Company. From February 2019 to January 2020, he served as Deputy Chief Engineer of the Company. From February 2020, he served as the Vice President of the Company. He has been an Executive Director of the Company since June 2020. Mr. Huang graduated from the Organic Chemical Major of the School of Chemical Engineering, East China University of Science and Technology with a Bachelor's degree in Engineering in July 1990. He obtained a Master's degree in Material Engineering from Donghua University in May 2004. He graduated from Polymeric Chemistry and Physics Major of Fudan University with a doctor's degree in Science in June 2013. He is a professorate senior engineer by title.

Xie Zhenglin, born in February 1965, is currently a Non-Executive Director, member of the Strategy and ESG Committee of the Company, Vice President of Chemical Service Department of the Sinopec Corp. (managed by departmental heads), General Manager of Sinopec Group Assets Management Co., Ltd., a director of Sinopec Finance Co., Ltd. and a director of Sinopec Shanghai Gaoqiao Petrochemical Co. Ltd. Mr. Xie started his work in 1989, served as Principal Staff Member of State Price Control Bureau and State Development Planning Commission. After joining Sinopec Group in September 1995, he successively served as Deputy Director of the Comprehensive Division of the Finance Department, Deputy Director of Capital Management Department, Director of the Capital Management Division of the Finance and Assets Department, Director of the Capital Management Division of the Financial Planning Department, Deputy Director of the Financial Planning Department of Sinopec Corp., Deputy Director of General Accounting Department of Sinopec Assets Management (presided over the work), Deputy Director of Assets Management Department of Sinopec Corp., Deputy General Manager of Sinopec Assets Management, Acting Director of Assets Management Department of Sinopec Corp., and Deputy Executive Director and Deputy General Manager of Sinopec Assets Management. From April 2014 to October 2020, he served as the Vice Chairman and director of China Merchants Energy Shipping Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 601872). From April 2014 to December 2019, Mr. Xie served as Director of Assets Management Department of Sinopec Group, and Executive Director and General Manager of Sinopec Assets Management. He has been the Deputy President of Chemical Service Department of Sinopec Corp. (managed by departmental heads) (managed by departmental heads) and General Manager of Sinopec Assets Management since December 2019. From June 2020, he served as the Non-Executive Director and a member of the Strategy and ESG Committee of the Company. Mr. Xie obtained a Master's degree in Economics from Graduate School of Chinese Academy of Social Science in August 1989. He obtained a Master's degree in Business Administration from University of Houston in May 2007. He is a Senior Accountant by professional title.

Qin Zhaohui, born in June 1972, is currently the general manager of the hydrocarbons department of the Company. Mr. Qin joined the Company in August 1994 and successively served as deputy director of the hydrogenation workshop of No. 2 aromatics combined unit of the Refining Unit of the Company, deputy director of the hydrogen production unit, deputy director of the production dispatching office of No. 1 aromatics combined unit, assistant to the director of the production and technology division of the aromatics division and director of the technology division, deputy director of the technology division, deputy director of the technology division of the aromatics division (presiding over the work) and director of the technology division of the automotive division, safety director of the division of the aromatics division, deputy chief engineer and director of the No. 2 aromatics combined unit, and deputy secretary of the CPC Committee of the Company and other positions. Mr. Qin was appointed as the deputy manager of the hydrocarbons department in December 2018 and presided over the work in December 2019. He was appointed as the deputy general manager of the hydrocarbons department in March 2020 (presiding over the work). He was appointed as the general manager of the hydrocarbons department in October 2020 and the deputy secretary of the CPC committee of the Company, and presided over the work in the party committee in December 2022. Mr. Qin graduated from East China University of Science and Technology in July 1994, majoring in petroleum processing, and obtained a master's degree in chemical engineering in March 2005 from East China University of Science and Technology. Mr. Qin holds the title of senior engineer.

Tang Song, born in December 1980, is serving as the Independent Non-executive Director and a member of the Audit and Compliance Committee and Remuneration and Appraisal Committee of the Company, Professor of School of Accountancy, Shanghai University of Finance and Economics, Professor and PH. D and graduate student supervisor. Mr. Tang obtained a bachelor's degree in management (accountancy) in June 2003 from the School of Accountancy of the Shanghai University of Finance and Economics, and obtained a doctor's degree from a successive postgraduate and doctoral program in management (accountancy) in June 2008. Mr. Tang worked in the School of Accounting and Finance, Hong Kong Polytechnic University for collaborative research from August 2008 to August 2009. He worked in China Europe International Business School for collaborative research from August 2009 to June 2010. Mr. Tang served as a lecturer of School of Accountancy, Shanghai University of Finance and Economics from June 2010 to July 2012. He served as associate professor of the School of Accountancy, Shanghai University of Finance and Economics from August 2012 to June 2019. Mr. Tang served as a Professor of the School of Accountancy, Shanghai University of Finance and Economics since August 2019. Mr. Tang served as a Vice President of the School of Accountancy, Shanghai University of Finance and Economics since September 2023. Mr. Tang served as an independent director of the Shanghai Huate Enterprise Group Co., Ltd. (上海華特企業集團有限公司) from December 2017 to January 2024, served as an independent director of the Shanghai Qifan Cable Co. Ltd. (listed on Shanghai Stock Exchange, stock code: 605222) from July 2019 to July 2022, served as an independent director of Tibet Dongcai Fund Management Co., Ltd from August 2019 to January 2024, and as an Independent Director for the Shanghai Universal Biotech Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 301166) from April 2020 to February 2024. Mr. Tang served as the Independent Non-executive Director, member of the Audit and Compliance Committee and the Remuneration and Appraisal Committee of the Company since June 2020 and served as an independent director for Wuxi Commercial Mansion Grand Orient Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600327) from November 2020 to November 2023. He served as an independent director for Shanghai Shine-Link International Logistics Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 603648) since September 2022.

Chen Haifeng, born in January 1974, is serving as an Independent Non-executive Director, member of the Audit and Compliance Committee and the Nomination Committee of the Company, and a Senior Director of the Shanghai MindMotion Microelectronics Co., Ltd. Mr. Chen Haifeng graduated from Fudan University with a Bachelor's degree in applied physics in July 1997. He served as clerk, project supervisor, and project manager of Investment Banking Department of CITIC Securities from July 1997 to August 2001. Mr. Chen served as Senior Manager of Strategic Investment Department of SVT Group from September 2002 to February 2006. He served as Senior Manager of Investment Banking Department of Orient Securities from August 2006 to March 2008. Mr. Chen served as senior vice president and Sponsor Deputy of Investment Banking Department of China Jianyin Investment Securities from April 2008 to May 2012. He served as CEO and Sponsor Deputy of Investment Banking Department of Caida Securities from June 2012 to June 2015. Mr. Chen served as an independent director of Cnnc Hua Yuan Titanium Dioxide Company Limited (listed on Shenzhen Stock Exchange, stock code: 002145) from February 2015 to October 2018. He served as CEO and Sponsor Deputy of Investment Banking Department in Dongxing Securities from July 2015 to September 2017. Mr. Chen served as a non-independent director of Zhejiang Yueling Wheels Corporation (listed on the Shenzhen Stock Exchange, Stock Code: 002725) from October 2017 to December 2020. He was appointed an Independent Non-executive Director, member of the Audit and Compliance Committee and member of the Nomination Committee of the Company in June 2020. He served as a senior director of Shanghai MindMotion Microelectronics Co., Ltd. from January 2021 to 31 December 2022. He served as a senior director of GCL Energy Technology Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002015) since January 2023.

Yang Jun, born in August 1957, is serving as an Independent Non-executive Director, Chairman of the Nomination Committee and the Remuneration and Appraisal Committee of the Company, a director (vice president level) of Gansu Gangtai Holding (Group) Co., Ltd., and the chief supervisor of Shanghai Aoqi Science and Technology Development Foundation. Mr. Yang Jun graduated from East China University of Political Science and Law with a degree in Law in September 1979 and from Peking University with a Master's degree in Civil Law in July 1991. He worked in Shanghai Intermediate Court and Supreme Court from July 1983 to July 2005. He served as an assistant to the president and general legal officer of Shanghai United Assets and Equity Exchange, general manager of Beijing Headquarter of Central Enterprise Equity Exchange, operation director of Equity Exchange and general manager of Financial Equity Exchange from July 2005 to September 2017. He served as an arbitrator of China International Economic and Trade Arbitration Commission from March 2007 to March 2015. He has been serving as an arbitrator of Shanghai International Economic and Trade Arbitration Commission and Shanghai Arbitration Commission since March 2007. He served as independent non-executive director of China Merchants Securities Co., Ltd. (listed on the Hong Kong stock exchange, stock code: 06099) from June 2011 to January 2018. He has served as independent director of Shanghai Zhenhua Heavy Industries Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600320) from April 2015 to March 2021 and a director (Vice President level) of Gansu Gangtai Holding (Group) Co., Ltd. since September 2017. He served as Independent Non-executive Director, Chairman of the Nomination Committee and Chairman of the Remuneration and Appraisal Committee of the Company since June 2020. He served as the chief supervisor of Shanghai Aoqi Science and Technology Development Foundation since January 2022.

Zhou Ying, born in December 1966, is currently an Independent Non-executive Director, a member of Remuneration and Appraisal Committee and a member of the Strategy and ESG Committee of the Company and an associate professor and the director of EMBA program in the Department of Marketing at Antai College of Economics and Management, Shanghai Jiaotong University. Ms. Zhou graduated from Jilin University with a Bachelor's Degree in Economics in 1989, Shanghai University of Finance and Economics with a Master's Degree in Management in 2001, and Antai College of Economics and Management of Shanghai Jiao Tong University with a Doctorate Degree in Management in June 2014, and served as a teacher of Anhui Provincial Troupe School from September 1989 to December 1996, and as a teacher of Shanghai Agricultural College from 1996 to 1999, and she has been a teacher of Antai College of Economics and Management of Shanghai Jiao Tong University since 2000. Since December 2021, she has been an independent director of Shanghai New World Company Limited (listed on the Shanghai Stock Exchange (stock code: 600628)), and from September 2022 to February 2024, she served as an independent director of Hengtian Kaima Limited (listed on the Shanghai Stock Exchange (stock code: 900953)). Since May 2022, she has been an independent director of Shanghai Jin Feng Wine Co. (listed on the Shanghai Stock Exchange (stock code: 600616)).

Huang Jiangdong, born in June 1979, with a doctoral degree, is currently an independent non-executive Director and member of the Audit and Compliance Committee of the Company, a partner of Guoco Law Firm (Shanghai), a director of Guoco Financial Securities Compliance Committee, an arbitrator of Shanghai Arbitration Commission, an arbitrator of Shanghai International Arbitration Center, an arbitrator of Shenzhen International Arbitration Court, a member of the Research Association of Securities Law of the China Association of Laws, and a member of the Independent Directors Committee of the Association of Listed Companies of China. Mr. Huang gratuated from the Graduate School of East China University of Political Science and Law with a Master's Degree in Civil and Commercial Law in July 2003, and graduated from the Graduate School of East China University of Political Science and Law with a Doctorate Degree in Economic Law in July 2012, and served as a Deputy Chief Officer of the Judicial Bureau of the Pudong New District, Shanghai, from June 2003 to June 2005; and served as a deputy director, director and deputy researcher of the Second Division of the Institution of Shanghai Securities Regulatory Commission (SFC), from July 2005 to April 2013. From April 2013 to April 2014, he was seconded to the Legal Department of the SFC; from April 2014 to May 2019, he was a deputy researcher and director of the Office of the Commissioner of the Shanghai Commission of the SFC; from May 2019 to date, he has been a senior advisor and partner at Guoco Law Firm (Shanghai); from April 2023 to date, he has been an independent director of Universal Scientific Industrial (Shanghai) Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 601231).

Supervisors:

Xie Li, born in October 1974, is currently a Supervisor and Chairman of the Board of Supervisors, Deputy Secretary of the Communist Party Committee and Secretary of the Communist Party Discipline Supervisory Committee of the Company. Ms. Xie started her career in August 1994. She served as Deputy Secretary of the Youth League Committee and Deputy Head of the Youth Affairs Department (青年工作部), Secretary of the Youth League Committee and Head of the Youth Affairs Department, Vice President of Labour Union (presiding over work) of Sinopec Changling Refining & Chemical Company, Director of General Manager Office and Vice President of Labour Union of Sinopec Changling Refining & Chemical Company, Director of General Manager Office (Party Committee Office), Director of Foreign Affairs Office of Sinopec Changling Refining & Chemical Company, etc. Ms. Xie was Deputy Secretary of the Communist Party Committee, Secretary of the Communist Party Discipline Supervisory Committee and President of Labour Union of Baling Branch of China Petroleum & Chemical Corporation from April 2019 to December 2020. She served as supervisor of Sinopec Baling Petrochemical Co., Ltd from February 2020 to December 2020, Deputy Secretary of the Communist Party Committee, Secretary of the Communist Party Discipline Supervisory Committee, President of Labour Union and supervisor of Sinopec Baling Petrochemical Co., Ltd. from December 2020 to April 2023, and Deputy Secretary of the Communist Party Committee and Secretary of the Communist Party Discipline Supervisory Committee of the Company in April 2023. She was appointed as a supervisor and Chairman of the Board of Supervisors of the Company in May 2023. Ms. Xie, majoring in business administration, graduated from Central South University in November 2012 with a master's degree in administration. She is a senior political engineer by professional title.

Zhang Feng, born in June 1969, is currently a Supervisor and the Auditing Director of the Company. Mr. Zhang started his career in Shanghai Petrochemical Complex in 1991. He served as Assistant of Chief and Deputy Chief of Finance Section of Polyester II Factory, Deputy Chief of Finance Section of Polyester Department, Deputy Chief and Chief of Cost Section of Finance Division of Polyester Department, Deputy Chief and Chief of Finance Division, Director Assistant, Deputy Director, Deputy Director (presiding over work), Director of Finance Department, and Chief of Finance Division, etc. He worked as Auditing Director of the Company from December 2018 to March 2020, and as Supervisor in October 2019. From March 2020, he worked as the Auditing Director of the Company. Mr. Zhang graduated from Shanghai University of Finance and Economics in 1991, majoring in accounting, and obtained a Bachelor's degree in Economics. Mr. Zhang is a senior accountant by professional title.

Chen Hongjun, born in January 1971, is currently a Supervisor of the Company, Executive Director, General Manager and Deputy Secretary of the Party Headquarters of Sinopec Shanghai Training Center, General Manager of Shanghai Petrochemical Training Center, Executive Vice President of the Party School, General Manager of Shanghai Convention Center and President of Jinshan Community College. Mr. Chen started his career in Sinopec Shanghai Petrochemical in 1996. He served as Vice Party Branch Secretary of Fibre Polymer Office, Deputy Director of Spinning Office, Director of Simulation Office, Section Manager of Scientific Research Management Department, Deputy Secretary and Secretary of Youth League Committee of the Company, Party Secretary and Deputy Director of the Chemical Engineering Department, Party Secretary and Assistant Manager of Fine Chemicals Department. Mr. Chen was appointed as Vice President of Labour Union of the Company from November 2013 to November 2021. He was appointed as Vice President of the Association of Science and Technology from December 2017 to November 2021. He served as Director of the Public Affairs Department of the Company from April 2018 to March 2020, and he was elected as Supervisor of the Company in October 2019. He was the Director of Public Affairs of the Company from March 2020 to November 2021. He served as the Secretary of the General Party Branch of Sinopec Shanghai Training Center from November 2021 to March 2023. In November 2021, he served as the executive director and general manager of Sinopec Shanghai Training Center, general manager of Shanghai Petrochemical training center, executive vice president of the Party school, general manager of Shanghai Convention Center and President of Jinshan Community College. In March 2023, he was appointed as Deputy Secretary of the General Party Branch of Sinopec Shanghai Training Center. In 1993, Mr. Chen graduated from Chengdu University of Science and Technology, majoring in Dyeing and Finishing Engineering, and obtained a Bachelor's degree in engineering. In 1996, he obtained a Master's degree in Chemical Fibre from Sichuan Unite University. Mr. Chen is a senior engineer by professional title.

Zhang Xiaofeng, born in March 1970, is serving as currently an External Supervisor of the Company, deputy general manager of the Enterprise Reform and Legal Department of China Petrochemical Corporation. Mr. Zhang Xiaofeng currently holds the positions of supervisor of Sinopec Oilfield Equipment Corporation, Sinopec Petroleum Reserve Company Limited and a director of Sinopec International Energy Investment Co., Ltd. Starting his career in 1995, Mr. Zhang has served as deputy chief of the Office Management Division of the Legal Department of Sinopec Group, deputy chief and chief of the Contract Project Division, chief of the Dispute Management Division, and chief of the General Management Division of Legal Department of Sinopec Group. He served as the deputy director of Legal Department of Sinopec Group from January 2018 to December 2019. He served as the supervisor of Sinopec Insurance Limited from June 2019 to May 2021. In July 2019, he was appointed as a supervisor of Sinopec Oilfield Equipment Corporation. In October 2019, he was appointed as a supervisor of Sinopec Petroleum Reserve Company Limited. He has also served as the deputy general manager of the Enterprise Reform and Legal Department of Sinopec Group and deputy director of the office of the Party Establishment Committee since December 2019. In June 2021, he served as a director of Sinopec International Energy Investment Co., Ltd. Mr. Zhang Xiaoteng, majoring in international economic law, graduated from China University of Political Science and Law with a Bachelor's degree in law in July 1995. Mr. Zhang is a senior economist by professional title and the lawyer of the Company.

Zheng Yunrui, born in December 1965, is an Independent Supervisor of the Company, and a professor in civil and commercial law at the Faculty of Law of the East China University of Political Science. He has served as the Company's Independent Supervisor since December 2014. He is currently an independent director of Fuxin Dare Automotive Parts Co, Ltd. (listed on the Shenzhen Stock Exchange, stock code: 300473) and Wuxi New Hongtai Electrical Technology Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 603016). Mr. Zheng graduated from the Shangrao Normal University in Jiangxi Province, majoring in English in July 1986. Mr. Zheng obtained a Master's degree in law and a doctorate's degree in law from the Faculty of Law of Peking University in July 1993 and July 1998, respectively. Mr. Zheng previously worked at the Education Bureau of Shangrao County, Jiangxi Province, Hainan Airport Limited, China Township Enterprise Investment and Development Company Limited and the Legal Affairs Office of the Shanghai Municipal People's Government. He has been teaching at East China University of Political Science and Law since August 2001. He was a visiting scholar at the Faculty of Law of National University of Singapore between July 2002 and December 2002. From April 2013 to May 2019, he served as independent director of Hangzhou Xianfeng Electronic Technology Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002767). From 2019 to February 2020, he served as the external supervisor of Zhejiang Weihai Construction Group Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002586). From December 2015 to June 2021, he was an independent director of Jiangxi Xinyu Guoke Technology Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 300722). From April 2019 to March 2022, he served as an independent director of Dalian Electric Porcelain Group Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002606). In November 2019, he served as a member of the second Shareholding Exercise Expert Committee of China Securities Small and Medium Investors Service Center. In September 2020, he was appointed as an news and legal consultant expert of Wuxi Intermediate People's Court. Mr. Zheng has been engaged in trials, teaching and research relating to civil law, property law, contract law, company law, insurance law, social insurance law and government procurement law. He is experienced in the legal affairs on corporate governance and has great academic achievements. He is also an arbitrator at the Arbitration Commission of Shenzhen, Xuzhou, Wuxi and Suzhou. Mr. Zheng was appointed as an advisory expert on civil and administrative cases of the Supreme People's Procuratorate and the Zhejiang People's Procuratorate, a member of the second shareholding exercise Committee of CSI small and medium-sized investment service center, a news, and legal advisory expert of Wuxi intermediate people's court, a member of the expert advisory Committee of Shanghai Yangpu District People's Procuratorate and a mediator of Shanghai Second Intermediate People's court.

Choi Ting Ki, born in September 1954, is an Independent Supervisor of the Company and a Fellow of the Hong Kong Institute of Certified Public Accountants. He joined the Company in June 2011. Mr. Choi served as Independent Non-executive Director of the Company from June 2011 to June 2017 and has been Independent Supervisor of the Company since June 2017. Mr. Choi has been an independent non-executive director of Yangtzekiang Garment Limited (listed on the Main Board of the Hong Kong Stock Exchange, stock code: 00294) and YGM Trading Limited (listed on the Main Board of the Hong Kong Stock Exchange, stock code: 00375) since December 2012. Mr. Choi graduated from the Department of Accounting, Hong Kong Polytechnic in 1978 and joined KPMG in the same year. He has held various positions, including the Partner of the Audit Department of KPMG Hong Kong Office, Executive Partner of KPMG Shanghai Office, Senior Partner of KPMG Huazhen Shanghai Office, as well as Senior Partner of KPMG Huazhen in Eastern and Western China. Mr. Choi retired from KPMG Huazhen in April 2010.

Senior Management:

Huang Fei, born in January 1977, is serving as Vice President of the Company. Mr. Huang joined Sinopec Shanghai Petrochemical in 2000, and he has successively served as Polyolefin Plant Deputy Director of Plastic Business Unit and Manager Assistant and Polyolefin Plant Director of Plastic Department of the Company. From August 2012 to June 2014, he served as Deputy Manager of the Plastic Department of the Company. From June 2014 to February 2017, he served as Director of Statistical Center and Vice Party Secretary of the Company. From February 2017 to December 2018, he served as Manager of Olefin Department and Deputy Party Secretary of the Company. From December 2018 to January 2019, he served as President's Assistant and the Director of Production Department of the Company. From January 2019 to December 2019, Mr. Huang served as President's Assistant and Manager of Production Department of Shanghai SECCO. From February 2020, he served as the Vice President of the Company. From June 2020 to April 2021, he served as the Secretary to the Board and Joint Company Secretary of the Company. From June 2020 to February 2022, he served as the Executive Director and member of the Strategy and ESG Committee of the Company. Mr. Huang graduated from the polymer materials and engineering major of East China University of Science and Technology with a bachelor's degree of engineering in July 2000. He graduated from chemical engineering major of East China University of Science and Technology with a master's degree in April 2008. He is a senior engineer by professional title.

Li Shantao, born in December 1978, is the Vice President of the Company. Mr. Li joined the Company in 2001. Mr. Li has served as the deputy director of the No. 1 combined heat and power plant of the Company's heat and power department, the deputy secretary and secretary of the group committee of the heat and power department, and the assistant to the manager of the heat and power department. He served as the deputy manager of the heat and power department from April 2014 to July 2017. He served as the manager of the heat and power department and the deputy secretary of the party committee from July 2017 to March 2020. He served as the deputy chief engineer of the Company from March 2020 to October 2023. He served as the general manager of the Company's engineering department from December 2022 to October 2023. Mr. Li was appointed as the Vice President of the Company in October 2023. Mr. Li graduated from Southeast University in June 2001 with a Bachelor's Degree in Engineering, majoring in Thermal and Power Engineering, and obtained a Master's Degree in Engineering, majoring in Power Engineering, in December 2011 from Shanghai Jiaotong University. Mr. Li holds the title of senior engineer.

Liu Gang, born in September 1972, is currently the Secretary to the Board, the Joint Company Secretary, the Assistant to the General Manager, the General Counsel, the Chief Compliance Officer, and the general manager of the Capital Operation Department and Shanghai Petrochemical Investment Development Co., Ltd. Mr. Liu Gang joined the work in 1995 and successively served as the deputy director and director of the supply management department of the Company's material supply company and the business operation manager of the Commercial Department of Shanghai SECCO. From November 2015 to August 2018, he served as the Deputy Director of the Company's Material Procurement Center. From August 2018 to April 2019, he served as the Deputy Director (presiding over the work) of the Company's Material Procurement Center. From April 2019 to January 2021, he served as the General Manager of the Material Procurement Center of the Company. He has been the Assistant to the General Manager of the Company since December 2019. He has been the General Counsel of the Company since March 2021. He has been the Secretary of the Board and Joint Company Secretary of the Company since April 2021. He has been the General Manager of the Company's Capital Operation Department and Shanghai Petrochemical Investment Development Co., Ltd. since August 2021. He has been appointed as the executive deputy director and head of the strategy department of the Company's Carbon Fiber Industry Development Center and the general manager of Shanghai Jinshan Petrochemical Carbon Fiber Co. since March 2022. He has been the company's Chief Compliance Officer since June 2023. Mr. Liu Gang graduated from China Textile University in 1995, majoring in mechatronics, and obtained a master's degree in power engineering from East China University of technology in 2007, with the title of senior economist.

(III) Share options held by the Directors, Supervisors and senior management during the Reporting Period

There were no share options held by the Directors, Supervisors and senior management during the Reporting Period.

(IV) Positions held in the Company's shareholders during the Reporting Period

Name	Name of shareholder	Position held	Date of commencement of service term	Date of end of service term
Xie Zhenglin	Sinopec Corp.	Deputy general manager of chemical business department	December 2019	May 2024
Xie Zhenglin	Sinopec Asset Management Co., Ltd.	General manager	December 2019	May 2024
Zhang Xiaofeng	Sinopec Group	Deputy general manager of enterprise reform and law department	December 2019	May 2024

(V) Positions held in other companies during the Reporting Period

Name	Name of other company	Position held	Date of commencement of service term	Date of end of service term
Wan Tao	Shanghai SECCO	Director	July 2022	July 2025
Wan Tao	Chemical Industrial Park	Chairman	October 2022	June 2025
Du Jun	Jinshan Associated Trading	Chairman	December 2020	July 2023*
Du Jun	Chemical Industrial Park	Director	December 2020	June 2025

* Upon the expiration of the term of office of the eighth session of the Board of Directors of Jinshan Associated Trading, a board meeting has not been convened for the renewal of the Board of Directors. In accordance with the relevant provisions of the Company Law, the directors of the Company continue to serve in the corresponding positions.

Apart from the information set out in the tables above and in Section (II) "Profiles of Directors, Supervisors and senior management", no director, supervisor or senior management of the Company holds any other position at any other company.

(VI) Remuneration of Directors, Supervisors and senior management during the Reporting Period

Procedures for determining the remuneration of Directors, Supervisors and senior management	Remuneration for Independent Non-executive Directors are determined in accordance with the Remuneration System for Independent Directors amended at the 2007 Annual General Meeting. Remuneration for Independent Supervisors are determined in accordance with the Remuneration Payment Method for Independent Supervisors approved at the 2016 Annual General Meeting. Remuneration of the other Directors, Employee Representative Supervisors and External Supervisors and senior management are determined in accordance with the Remuneration System for Directors, Supervisors and Senior Management approved at the 2002 Annual General Meeting. For details of the remuneration of the Directors and Supervisors of the Company, please refer to Note 11 and Note 37 to the financial statements prepared under IFRS.
Whether a director recuses himself from the Board's discussion of his own emoluments	Yes
The specific circumstances under which the Remuneration and Appraisal Committee or the Independent Directors' Specialized Meeting has issued recommendations on matters relating to the remuneration of Directors, Supervisors and senior management staff.	The 2nd meeting of the eleventh session of the Remuneration and Appraisal Committee of the Board of Directors was held on 19 March 2024 and it was agreed that the Company's remuneration policy will continue to be applied in 2024.
Basis for determining the remuneration of Directors, Supervisors and senior management	The remuneration of Directors, Supervisors and senior management of the Company is determined on the principles of "efficiency, motivation and fairness" and in accordance with the Remuneration System for Directors, Supervisors and Senior Management.
Remuneration paid to Directors, Supervisors and senior management	Please refer to item (I) "Changes in shareholding and remuneration"of this chapter.
Total remuneration received by all Directors, Supervisors and senior management for the Reporting Period	RMB13.2279 million
The five highest paid individuals	Please refer to Note 36(a) to the financial statements prepared under IFRS. The five individuals are the Directors, Supervisors and senior management of the Company.
Pension scheme	Please refer to Notes 2.24 and 37(b) to the financial statements prepared under IFRS.

(VII) Changes in Directors, Supervisors, and senior management during the Reporting Period

Name	Position held	Change	Reason
Peng Kun	Non-executive Director	Resigned	expiry
Qin Zhaohui	Non-executive Director	Elected	–
Li Yuanqin	Independent Non-executive Director	Resigned	expiry
Gao Song	Independent Non-executive Director	Resigned	expiry
Zhou Ying	Independent Non-executive Director	Elected	–
Huang Jiangdong	Independent Non-executive Director	Elected	–
Ma Yanhui	Supervisor, Chairman of the Supervisory Committee	Resigned	job change
Xie Li	Supervisor, Chairman of the Supervisory Committee	Elected	–
Zhou Jijun	Vice President	Appointed	–
Jin Qiang	Vice President	Resigned	expiry
Jin Wenmin	Vice President	Resigned	expiry
Zhou Jijun	Vice President	Resigned	job change
Li Shantao	Vice President	Appointed	–

(VIII) Interests and short positions of Directors, chief executives and Supervisors in the shares, underlying shares and debentures of the Company or associated corporations

As at 31 December 2023, 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 the total issued A shares(%)	Capacity
Huang Xiangyu	Executive Director and Vice President	140,000 A shares(L)	0.001293	0.001910	Beneficial owner
Zhang Feng	Supervisor	10,000 A shares(L)	0.000092	0.00014	Beneficial owner
Chen Hongjun	Supervisor	31,400 A shares(L)	0.000290	0.00043	Beneficial owner

(L): Long position

Save as disclosed above, as at 31 December 2023, so far as was known to the Directors, chief executives and Supervisors of the Company, none of the Directors, chief executives or Supervisors of the Company had any interests or short positions in the shares, underlying shares or 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.

(IX) Changes in Directors' and Supervisors' information

Save as disclosed in the 2023 interim report, disclosure of changes in Directors' and Supervisors' information pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules are set out as below:

(1) Mr. Tang Song, an Independent Non-executive Director, resigned as an Independent Director for Wuxi Commercial Mansion Grand Orient Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600327) in November 2023; resigned as an Independent Director of Shanghai Huate Enterprise Group Co., Ltd. (上海華特企業集團有限公司) in January 2024; resigned as an Independent Director of Tibet Dongcai Fund Management Co., Ltd in January 2024; resigned as an Independent Director for the Shanghai Universal Biotech Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 301166) in February 2024.

(2) Ms. Zhou Ying, an Independent Non-executive Director, resigned as an Independent Director of Hengtian Kaima Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 900953) in February 2024.

(X) Transactions, arrangements or interests of Directors and Supervisors

None of the Directors or Supervisors of the Company and the entities associated with each Director and Supervisor had any material interests, either directly or indirectly, in any material contract which was entered into by the Company or any of its subsidiaries and subsisted during the year or at the end of the year.

None of the Directors or Supervisors in this year and as at the end of this year had any interests in any businesses (other than the Group's businesses) that competed directly or indirectly with the Group's business.

None of the Directors or Supervisors of the Company has entered into any service contracts with the Company which are not terminable by the Company within one year without payment of compensation other than statutory compensation.

(XI) Directors' rights to acquire shares or debentures

During the Reporting Period, the Company did not grant the Directors the rights to acquire shares or debentures.

(XII) Compliance of Model Code for Securities Transactions

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

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

(XIII) Management contracts

During the Reporting Period, the Company did not enter into any management and administration contract regarding the whole or any substantial part of its businesses (other than the service contracts with the Directors or any full-time employee of the Company).

(XIV) Permitted indemnity provision

Appropriate Directors' liability insurance which is currently in force has been arranged to indemnify the Directors for liabilities arising out of corporate activities.

(XV) Punishment by securities regulatory authorities in the recent three years

Nil.

(XVI) Employees

1. Employees of the Group

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

2. Remuneration policy

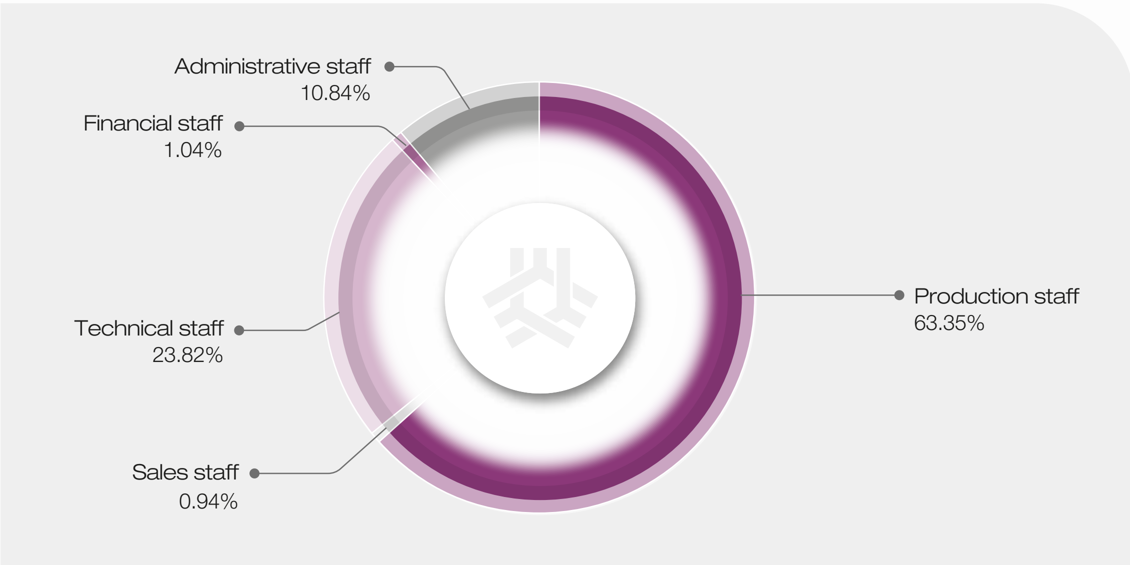
Remuneration packages of the Company's staff include salary, share options and allowances. In accordance with the relevant regulations of the PRC, the Company participates in the social security scheme implemented by the relevant government authorities, and makes contribution for the employees in proportion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

During the Reporting Period, the total staff remuneration of the Company amounted to RMB3,471,699.81 thousand, including salaries, five social insurance and one housing fund, enterprise annuity, welfare, education fee, labour union fee, labor cost, non-monetary benefits, employee reduction expenses.

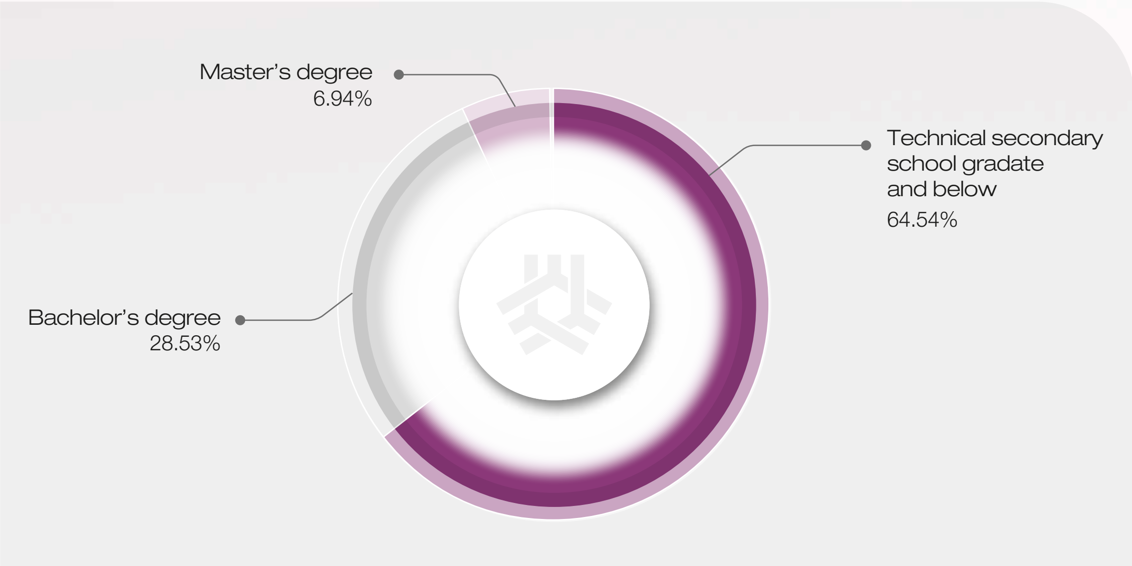
3. Training programs

According to the SPC Staff Training Management Measures (Trial Implementation) and requirements such as relevant provisions of training in the current system of professional lines, the Company insisted on "goal-led and problem-oriented", handled training requirements of line system, and considered the evaluation results of the 2023 training program, so as to identify the capability gaps, focus on the shortcomings of the training program, and improve the skills of the Company's staff in safety production; we adhered to the "effective training on a case-by-case basis", focused on the effectiveness of training programs, and carried out trainings by level, classification, and specialty; we adhered to the "precise training, detailed budget", refined the budget composition of various training programs, and accurately budgeted the total amount of education fee. We made the training programs from the company and the second-level unit respectively.

4. Professional structure chart



5. Statistics on the education level



6. Outsourcing services

The total remuneration paid for outsourcing services of the Company during the Reporting Period was RMB100,284.6 thousand.

(I) Notes for corporate governance and insider registration management

1. Corporate governance

In 2023, the Company strictly complied with the regulatory legislation such as Company Law, Securities Law and the Corporate Governance Principles for Listed Companies issued by the CSRC, as well as the relevant provisions and requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange. It continued to improve its corporate governance structure, developed its corporate system, standardized the corporate operations and enhanced its overall corporate image.

Accomplishing appropriately specific corporate governance activities for listed companies: During the Reporting Period, the Company was committed to ensuring the compliance of relevant regulatory rules regarding corporate governance and continued to consolidate its achievements in specific areas of corporate governance. None of the Company, its Directors, Supervisors, senior management, shareholders and de facto controllers of the Company has been investigated by the CSRC, or punished or publicly criticized by the CSRC, the Securities and Futures Commission of Hong Kong, or publicly censured by the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Through continuous conduction of specific corporate governance activities and improvements of its governance system, the Company further enhanced its corporate governance level. The Company's internal system also became more robust and standardized. Under the guidance of the relevant regulatory authorities, the Company will operate in strict compliance with the relevant laws and regulations and will further strengthen the establishment of standardized and institutionalized corporate governance so as to ensure the lawful, robust and sustainable development of the Company.

2. Registration and management of persons with access to inside information

In order to administer the registration and management of persons with access to the Company's inside information, strengthen confidentiality of inside information and safeguard fairness of information disclosure, during the Reporting Period, the Company enhanced the confidentiality of inside information and the registration, management and reporting of the persons with access to the Company's inside information according to "System for the Registration and Management of Inside Information", so as to prevent the Company from suffering unusual stock price fluctuations due to leakage of inside information and the resulting legal risks, and further standardize the Company's operation.

(II) Brief introduction of Board 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 26th meeting of the 10th session of Board	18 January 2023	1. Appointment of Zhou Jijun as Vice President of the Company 2. Proposal on Provision for Asset Impairment and Disposal of Assets in 2022 3. Rules of Procedure of Remuneration and Appraisal Committee of Shanghai Petrochemical (2023 Edition) 4. Proposal on Asset Transfer and Connected Transaction	Passed	Websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company	19 January 2023
The 27th meeting of the 10th session of Board	22 March 2023	1. The 2022 Work Report of the President 2. The 2022 Work Report of the Board 3. Continuous Risk Assessment Report on the Related Transaction with Sinopec Finance Co., Ltd. 4. The 2022 Audited Financial Statements 5. The 2022 Profit Distribution Plan 6. The 2023 Audit Work Plan 7. The 2022 Annual Report (Full Text and Summary) 8. The 2022 Internal Control Evaluation Report 9. The 2022 ESG Report 10. The 2023 Financial Budget Report 11. The 2023 Financial Derivatives Plan 12. Proposal on the Re-election of Domestic and International Accounting Firms for 2023 and the Recommendation of Authorizing the Board to Determine Their Remuneration 13. Internal Control Manual (2023 Edition)	Passed	Websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company	23 March 2023

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 28th meeting of the 10th session of Board	26 April 2023	1. The 2022 Form 20F 2. 2023 First Quarter Report 3. Proposal on Reducing Registered Capital and Amending the Articles of Association 4. Proposal on the Board's Decision to Register and Issue Ultra Short-term Financing Bonds 5. Proposal on Authorization to the Board to Repurchase the Company's Domestic Shares and/or Overseas-listed Foreign Shares by the General Meeting 6. Proposal on investing in the construction of a project for upgrading and reconstruction of vinyl acetate 7. Proposal on the Convening of the Annual General Meeting for 2022, the First A Shareholders Class Meeting for 2023 and the First H Shareholders Class Meeting for 2023	Passed	Websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company	27 April 2023
The 29th meeting of the 10th session of Board	26 May 2023	1. Proposal on Issues relating to the Tenure System and Contractual Management of the Management Members 2. Proposal on Adjustment of Functions of the Board's Professional Committees 3. Nomination of Wan Tao, Guan Zemin, Du Jun, Huang Xiangyu, Xie Zhenglin, Qin Zhaohui, Tang Song, Chen Haifeng, Yang Jun, Zhou Ying and Huang Jiangdong as candidates for directors of the 11th session of the Board of Directors of the Company, of which nominating Tang Song, Chen Haifeng, Yang Jun, Zhou Ying and Huang Jiangdong as independent non-executive directors and to be submitted for election to the 2022 Annual General Meeting of the Company	Passed	Websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company	27 May 2023

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 1st meeting of the 11th session of Board	28 June 2023	1. Wan Tao is the Chairman and Guan Zemin is the Vice Chairman of the Company 2. Wan Tao, Guan Zemin, Du Jun and Huang Xiangyu are executive Directors of the Company 3. Tang Song, Chen Haifeng and Huang Jiangdong are 4. Members of the Audit and Compliance Committee of the 11th Session of the Board of Directors, of which Tang Song is the Chairman of the Audit and Compliance Committee; Yang Jun, Tang Song and Zhou Ying are members of the Remuneration and Appraisal Committee of the 11th Session of the Board of Directors, of which Yang Jun is the Chairman of the Remuneration and Appraisal Committee; Yang Jun, Wan Tao and Chen Haifeng are Members of the Nomination Committee of the 11th Session of the Board of Directors, of which Yang Jun is the Chairman of the Nomination Committee; Wan Tao, Guan Zemin, Du Jun, Huang Xiangyu, Xie Zhenglin and Zhou Ying are Members of the Strategy and ESG Committee of the 11th Session of the Board of Directors, of which Wan Tao is the Chairman of the Strategy and ESG Committee and Guan Zemin is the Vice Chairman of the Strategy and ESG Committee 4. Appointment of Guan Zemin as the General Manager of the Company; Appointment of Du Jun, Zhou Jijun, Huang Xiangyu and Huang Fei as the Vice General Managers of the Company; Appointment of Du Jun as the Chief Financial Officer of the Company 5. Appointment of Liu Gang as Secretary of the Board of Directors of the Company; Appointment of Liu Gang and Chen Shiting as Joint Company Secretaries; Appointment of Yu Guangxian as Securities Affairs Representative of the Company 6. Wan Tao and Chan Shi Ting are the Authorized Representatives of the Company on the Hong Kong Stock Exchange and Yu Guang Xian and Xu Hai Yan are the Alternates	Passed	Websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company	29 June 2023

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 2nd meeting of the 11th session of Board	23 August 2023	1. Interim Report for 2023 (Full Text and Summary) 2. Continuous Risk Assessment Report on the Related Transaction with Sinopec Finance Co., Ltd. 3. Measures for the Compliance Management	Passed	Websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company	24 August 2023
The 3rd meeting of the 11th session of Board	25 October 2023	1. Report for the Third Quarter of 2023 2. Financial Services Framework Agreement (2024-2025) 3. Continuous Risk Assessment Report on the Related Transaction with Sinopec Finance Co., Ltd. 4. Proposal on the Work Relating to the Tenure System of the Leadership Team of Shanghai Petrochemical and Contractual Management 5. Appointment of Li Shantao as Deputy General Manager of the Company	Passed	Websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company	26 October 2023
The 4th meeting of the 11th session of Board	14 December 2023	1. Signing of Warehouse Service Agreement with Sinopec Detroleum Commercial Reserve Co., Ltd. Baishawan Branch and Sinopec Detroleum Commercial Reserve Co., Ltd. 2. Work System of Independent Directors of Sinopec Shanghai Petrochemical Company Limited	Passed	Websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company	15 December 2023
The 5th meeting of the 11th session of Board	25 December 2023	1. Signing of Technology Development Document with China Petroleum and Chemical Corporation and Sinopec Shanghai Engineering Co., Ltd..	Passed	Websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company	26 December 2023

(III) 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 2022, the First A Shareholders Class Meeting for 2023 and the First H Shareholders Class Meeting for 2023	28 June 2023	1. The 2022 Work Report of the Board 2. 2022 Work Report of the Supervisory Committee 3. The 2022 Audited Financial Statements 4. The 2022 Profit Distribution Plan 5. The 2023 Financial Budget Report 6. To re-engage KPMG Huazhen LLP as the domestic auditor of the Company in 2023 and KPMG as the overseas auditor of the Company in 2023, and to authorize the Board to fix their remuneration 7. Proposal on Authorization to the Board of the Company to Decide on the Registration and Issuance of Ultra Short-term Financing Bonds 8. Proposal on Reduction of Registered Capital and to Amend the Articles of Association 9. Proposal on Authorization to the Board to Repurchase the Company's Domestic Shares and/or Overseas-listed Foreign Shares by the General Meeting 10. Proposal on the Election of the Non-Independent Directors of the 11th Session of the Board of Directors of the Company 11. Proposal on the Election of Independent Directors of the 11th Session of the Board of Directors of the Company 12. Proposal on the Election of Non-Staff Representative Supervisors of the 11th Session of the Supervisory Committee of the Company	Passed	Websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company	29 June 2023

(IV) Performance of duties by the directors

1. Directors' attendance at the Board meetings and general meetings

Number of Board meetings held during the year	9
Including: number of meetings held on site	1
Number of meetings held by correspondence	6
Number of meetings held on site and by correspondence concurrently	2

Please refer to Chapter 8, Corporate Governance Report, for the information on directors' attendance at the Board meeting and general meeting.

2. Disagreements of the Directors on relevant issues of the Company

During the Reporting Period, none of the Directors of the Company raised any disagreements on any Board resolutions or other issues of the Company.

(V) Major comments and recommendations put forward by the special committees under the Board while discharging their duties during the Reporting Period

Please refer to Chapter 8, Corporate Governance Report, for the membership of the special committees under the Board and the meetings held.

(VI) Information on Supervisory Committee's identification of risks in the Company

The Company's Supervisory Committee had no disagreements to the matters under their supervision during the Reporting Period.

(VII) Information on whether the Company fails to guarantee independence from its controlling shareholder or maintain autonomous operational ability in respect of business, personnel, assets, organization and finances, etc.

The Company is independent of the controlling shareholder with regard to its business, personnel, assets, organizations and finances. The Company has full ability to conduct its business independently and has the ability to operate autonomously.

(VIII) Description of the situation where the Company's controlling shareholders, actual controllers and other units under their control are engaged in the same or similar business as the Company, as well as the impact of horizontal competition or major changes in horizontal competition on the Company, the solution measures taken, the solution progress and the subsequent solution plan

The Company's main business is to process crude oil into a variety of petroleum products and chemical products. This kind of business is the same as or similar to some businesses engaged in by the Company's controlling shareholders, actual controllers and other units under their control. The Company adheres to legal and compliant operation. At present, the Company is actively committed to transformation and upgrading, focusing on the development of high-end chemicals, new materials and new energy, and striving to achieve differentiated development. The foregoing situation will not have a significant adverse impact on the production and operation of the Company, or damage the independence of the listed company.

(IX) Evaluation mechanism for senior management as well as the establishment and implementation of incentive mechanism during the Reporting Period

On 30 September 2021, the Board of the Company considered, approved and implemented the Measures for Business Performance Assessment of Management Members of Shanghai Petrochemical and the Measures for Salary Management of Management Members of Shanghai Petrochemical, according to which the performance evaluation and incentive of senior managers of the Company were carried out. On 27 April 2022, the Board of the Company deliberated and adopted the Amendment to the Measures for Business Performance Assessment of Management Members of Shanghai Petrochemical and the Amendment to the Measures for Salary Management of Management Members of Shanghai Petrochemical.

(X) Rectification of problems in self inspection of special actions for governance of listed companies

The problems of the Company's self-inspection in the special action of governance of listed companies were all rectified in 2022.

(I) Statement of responsibility for internal control and the establishment of the internal control system

1. Statement of responsibility for internal control

The Board of the Company is responsible for establishing and maintaining a comprehensive internal control system pertinent to financial reporting.

The objectives of internal control pertinent to financial reporting are to ensure that the financial information reported is true, complete and reliable and to prevent the risk of material misstatements. However, due to inherent limitations of the internal control, the Company can only provide reasonable level of assurance for the achievement of the objectives mentioned above.

The Board has evaluated the internal controls pertinent to financial reporting in accordance with the requirements under the Basic Standards for Enterprise Internal Control, and is of the view that such internal control was effective in the year 2023.

2. Establishment of internal control system

Overall plan of internal control establishment	Since 2004, the Company has established and implemented a comprehensive internal control system which covers aspects such as production, operations, finance, investment, human resources and information disclosure, and amends the Internal Control Manual annually in accordance with domestic and overseas regulatory requirements, risk prevention needs and recommendations by external auditors on internal control review. The Company's internal control system has been established primarily for the following basic objectives: 1 to standardize the enterprise's business operation, prevent operational and managerial risks, ensure that financial statements and relevant information are truthful and complete, improve operational efficiency and effectiveness, and facilitate the achievement of the Company's development strategy; 2 to plug loopholes and eliminate potential hazards so as to prevent, detect and correct mistakes and fraudulent acts in a timely manner, thereby ensuring that the Company's assets are secure and integral; and 3 to ensure that the relevant state laws and regulations, the Articles of Association and internal rules and regulations are thoroughly enforced so as to fulfill the regulatory requirements for listed companies in both domestic and overseas capital markets.

Work plan on establishing and improving the internal control system and implementation thereof	The Company's internal control manual (2023 Edition) includes 22 categories and 57 risk control matrices with 1,645 controls. The monitoring scope mainly involves the main aspects of the Company's production and operation development and important links of related businesses, such as financial management, accounting, material procurement, product sales, capital expenditure, human resources, information management, etc. In 2023, the Company conscientiously implemented the Internal Control Manual approved by the Board, and conducted comprehensive self-examination, process walk through test and annual evaluation of internal control in accordance with the regulations. KPMG Huazhen LLP, an external auditor, audited the Company's internal control. The management of the Company believes that the internal control of the Company was effective during the Reporting Period.

Establishment of the department inspecting and supervising internal control	The Company has established a comprehensive risk management leading group, with the Chairman, the President and the Chief Financial Officer as its chief and deputy chief, respectively. As the comprehensive risk management leading group is the leading organization of the Company's internal control work, and its main responsibilities are: strengthening risk management and control, promoting special risk assessment, establishing a risk monitoring and reporting mechanism, and conducting annual comprehensive risk assessment; organizing the formulation and revision of the Company's internal control manual; organizing the self-inspection of risk control and internal control of Company's own level and special inspection of subordinate enterprises, and guiding and coordinating the management of the Company's risk control and internal control. The internal control office under the comprehensive risk management leading group is the centralized management department of the comprehensive supervision of the Company's risk and internal control management, which is responsible for the daily supervision and special supervision of the Company's risk and internal control, and the Enterprise Management Department is responsible for the daily work. The Company has established an internal control supervisor working network which is in charge of each department (unit) in the Company. These internal control supervisors, representing their respective departments, and administrative heads of second-tier units, conduct internal control work and activities within their respective supervisory scope and functionally report to the internal control office of the Company.

The Board's work arrangements for internal control	The Audit and Compliance Committee reports to the Board on the establishment of the internal control system of the Company and the findings of the implementation and inspection of the internal control on a regular basis. The Board also considers and publishes a self-assessment report on the internal control of the Company on an annual basis, and considers and approves the revised Internal Control Manual of the Company annually. KPMG Huazhen LLP, the Company's external auditor, issued an auditor's report on internal control over financial reporting according to the Sarbanes-Oxley Act. KPMG Huazhen LLP, the Company's external auditor, issued an auditor's report on internal control over financial reporting according to "Audit Guidelines for Enterprise Internal Control" in 2023.
Improvements in the internal control system in relation to financial audit	The Company took the lead for the assessment of the rules and regulations and fully assessed the compliance and effectiveness of each system. A total of 107 amendments were made and published, and 11 systems were added.
Deficiencies in internal control and the relevant rectification	The Company conducted a self-assessment on its internal control work in 2023. The results of the assessment are: no material deficiencies were detected in the design or implementation of the internal control of the Company from 1 January 2023 to 31 December 2023.

(II) Disclosure of the self-assessment report on internal control

The Company has disclosed the self-assessment report of the Board on the Company's internal control.

(III) Auditor's report on internal control

The Auditor's report on internal control is disclosed or not: Disclosed

The Company has engaged KPMG Huazhen LLP to conduct an audit on the effectiveness of the internal control over financial reporting of the Company for the year ended 31 December 2023 pursuant to the requirements of the Audit Guidelines for Enterprise Internal Control and an auditor's report on internal control has been issued.

(IV) The Company's establishment of an accountability system for major errors in the disclosure of information in annual reports

The Company's Information Disclosure Management System (2022 Revision) sets out specific regulations for the accountability of major errors in the disclosure of information in its annual reports. During the Reporting Period, there were no major errors in the disclosure of information in the Company's annual report, which required amendments to major accounting errors, supplements to material omission of information or amendments to results forecasts.

Corporate Governance Report (under the Hong Kong listing rules)

The Company is committed to operating in compliance with corporate governance standards by implementing stringent corporate governance measures and enhancing accountability and transparency to deliver higher returns to shareholders. It is the Board's belief that maintaining a good corporate governance system and a world-class governance model are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies and to develop the Company into a competitive international petrochemical enterprise.

(1) Corporate Governance Practices

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

In the opinion of the Directors, throughout the Reporting Period, the Company has complied with all applicable code provisions set out in the part 2 of the Corporate Governance Code.

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

(2) Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions as set out in Appendix C3 to the Hong Kong Listing Rules.

Specific enquiry has been made with all the Directors and Supervisors and the Directors and Supervisors have confirmed that they have fully complied with the Model Code for Securities Transactions throughout the Reporting Period.

The Model Code for Securities Transactions is also applicable to all employees of the Company, its subsidiaries or holding companies, who are in possession of unpublished price sensitive information of the Company. No incident of non-compliance of the Model Code for Securities Transactions by the senior management was noted by the Company.

(3) Board of Directors

1. Composition of the Board

As at the end of the Reporting Period, the Board consisted of 11 Directors, including 4 Executive Directors, 2 Non-executive Directors and 5 Independent Non-executive Directors, among whom there is 1 Chairman, 1 Vice Chairman, 1 President and 2 Vice Presidents. Details of the current Board composition are as follows:

Executive Directors:

Wan Tao,	*Chairman, Chairman of the Strategy and ESG Committee and member of the Nomination Committee*
Guan Zemin,	*Vice Chairman, President and Vice Chairman of the Strategy and ESG Committee*
Du Jun,	*Vice President, Chief Financial Officer and member of Strategy and ESG Committee*
Huang Xiangyu,	*Vice President and member of Strategy and ESG Committee*

Non-executive Directors:

Xie Zhenglin,	*member of the Strategy and ESG Committee*
Qin Zhaohui	

Independent Non-executive Directors:

Tang Song,	*Chairman of the Audit and Compliance Committee and member of the Remuneration and Appraisal Committee*
Chen Haifeng,	*members of the Audit and Compliance Committee and the Nomination Committee*
Yang Jun,	*Chairmen of the Remuneration and Appraisal Committee and the Nomination Committee*
Zhou Ying,	*members of the Remuneration and Appraisal Committee and the Strategy and ESG Committee*
Huang Jiangdong,	*member of the Audit and Compliance Committee*

During the Reporting Period, Mr. Peng Kun left his post as Non-executive Director, and Ms. Li Yuanqin and Mr. Gao Song left their post as Independent Non-executive Directors after the expiration of their term at the annual general meeting of shareholders on 28 June 2023. Mr. Wan Tao resigned from his positions as Chairman, Executive Director, Chairman of the Strategy and ESG Committee and member of the Nomination Committee of the Company due to change of work arrangements on 12 April 2024.

The biographical information of the Directors is set out in section "Directors, Supervisors, Senior Management and Employees" on pages 97 to 103 of this annual report. The Directors (including the Chairman and the President (equivalent to the chief executive officer)) have no financial, business, family or other material relationships with each other.

2. Attendance Records of the Directors

The Board meets at least once per quarter. In 2023, the Board held 9 meetings. Most of the Directors entitled to attend the meetings had actively attended the 9 meetings held during the year in person or by alternates. Before each Board meeting, the joint company secretary would consult each Director on matters to be tabled at the Board meeting. Any matters raised by the Directors would be included in the agenda of the Board meeting. During the Reporting Period, notices and draft agenda of Board meetings were sent to all Directors at least 14 days before the date of the meeting.

To facilitate the Directors in performing their duties effectively and obtaining relevant information to make informed decisions, the agenda of all meetings of the Board or Board committees, together with all relevant documents, are sent to each Board member at least five days before the date of the relevant meetings. The Directors may hold formal or informal meetings with the senior management before any Board meeting.

The Directors and members of the Board committees have access to the papers and minutes of meetings of the Board or the Board committees.

The attendance records of each Director at the Board meetings and the general meetings of the Company held during the Reporting Period are set out in the table below:

	Board Meeting				Annual General Meeting	Extraordinary General Meeting
Name of Director	Number of Meetings	Attendance in Person	Attendance by Communication Method	Attendance by Alternate	Attendance/ Number of Meetings	Attendance/ Number of Meetings
Executive Directors:						
Wan Tao[(1)]	9	9	6	0	1/1	0/0
Guan Zemin	9	9	6	0	0/1	0/0
Du Jun	9	9	6	0	1/1	0/0
Huang Xiangyu	9	9	6	0	1/1	0/0
Non-executive Directors:						
Xie Zhenglin	9	9	6	0	1/1	0/0
Qin Zhaohui	5	5	3	0	1/1	0/0
Peng Kun[(2)]	4	3	3	1	0/1	0/0
Independent Non-executive Directors:						
Tang Song	9	9	8	0	1/1	0/0
Chen Haifeng	9	9	7	0	1/1	0/0
Yang Jun	9	9	7	0	1/1	0/0
Zhou Ying	5	5	3	0	1/1	0/0
Huang Jangdong	5	5	3	0	1/1	0/0
Li Yuanqin[(3)]	4	4	3	0	1/1	0/0
Gao Song[(3)]	4	4	4	0	0/1	0/0

Notes:

(1) Mr. Wan Tao resigned as Chairman and Executive Director due to change of work arrangements on 12 April 2024.

(2) Mr. Peng Kun left the post as Non-executive Director as his term expired on 28 June 2023.

(3) Ms. Li Yuanqin and Mr. Gao Song left their posts as Independent Non-executive Directors as their terms expired on 28 June 2023.

Apart from the abovementioned Board meetings, the Chairman also held 1 meeting with the Independent Non-executive Directors without the presence of the other Directors during the Reporting Period to discuss the Board's annual work plan and the implementation of such plans and to review the state of the Company's productions and operations and its development prospects.

3. Chairman and President (equivalent to Chief Executive Officer)

The duties and responsibilities of the Chairman and the President are separated and the scope of their respective duties and responsibilities is set out in the Articles of Association.

The Chairman of the Company is responsible for providing to all Directors all information concerning the performance of Board duties. He is also committed to improving the quality of the information and timeliness of the delivery of information to the Directors. The Chairman of the Company plays an important role in promoting good corporate governance within the Company. He is to lead the Board, encourage the Directors to carry out their duties in good faith with mutual support and close cooperation, and make an active contribution to the production, operations, reform and development of the Company. The President is accountable to the Board. With the authorization of the Board, the President shall have the power to fully manage the Company's business, deal with all internal and external affairs of the Company including presiding over the management of the Company's production and operations, developing basic rules and regulations of the Company, organizing and implementing the annual business plan and investment proposals of the Company, etc.

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and president should be separate and should not be performed by the same individual.

During the Reporting Period, the position of the Chairman is held by Mr. Wan Tao and the position of the President is held by Mr. Guan Zemin, respectively.

4. Independent Non-executive Directors

During the Reporting Period, the Board at all times has five Independent Non-executive Directors representing more than one-third of the Board, meeting the requirements of the Hong Kong Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Independent Non-executive Directors possess extensive experience as well as academic and professional qualifications in various areas that include management, accounting and finance thereby ensuring the Board's ability to protect the interests of the Company's shareholders as a whole. During the Reporting Period, the Independent Non-executive Directors contributed significantly in improving the Company's corporate governance structure and protecting the interests of the Company's minority shareholders.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules. The Company considers all Independent Non-executive Directors independent.

5. Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism in 2022 which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board will collectively discuss the results and the action plan for improvement, if appropriate.

All Directors has completed the independence evaluation for the year ended 2023 in the form of a questionnaire individually and presented to the Board. The Board discussed and assessed the Board independence during the Board meeting, the evaluation results for the year ended 2023 were satisfactory.

6. Appointment and Re-election of Directors

All Directors (including Non-executive Directors and Independent Non-executive Directors) are appointed for a specific term. According to the Articles of Association, Directors shall be elected by shareholders at a general meeting for a term of three years, and shall be eligible for re-election upon expiry of their term of office. However, the term of an Independent Non-executive Director may not exceed a total of six years.

7. Responsibilities of the Directors

The Board is primarily responsible for formulating and supervising the strategic development of the Company, setting the objectives, strategies, policies and business plans of the Company, reviewing and monitoring the Company's operations and financial performance directly and indirectly through its committees, as well as devising the appropriate risk management and internal control policies and systems, thereby ensuring the achievement of the Company's strategic objectives.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The functions of the Non-executive Directors include participating in Board meetings to provide independent opinions, taking a lead at Board meetings where potential conflict of interests arises, serving as members of the Board committees when invited, scrutinizing the Company's performance and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company. When the Directors are required to give opinions on matters such as external guarantees, financing and connected transactions, the Company will appoint relevant independent professionals such as auditors, financial advisers and lawyers to provide independent opinions to help the Directors discharging their duties.

The Board reserves the power to make decisions relating to all major matters including policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Rules of Procedures for the Board, an appendix to the Articles of Association, contains detailed provisions on the terms of reference, authorization, meeting policies and rules of discussion of the Board. The Company has also developed the Work Rules for the President which contains detailed provisions on the duties and responsibilities as well as the rules of procedure for the management.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Company has purchased Directors' and officers' liabilities insurance in respect of any possible legal action against its Directors and officers arising out of corporate activities.

8. Continuous Professional Development of Directors & Company Secretary

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

To ensure that the Directors adequately understand the operations and businesses of the Company, every newly-appointed Director will receive a comprehensive set of introductory materials after his/her appointment which includes an introduction to the Group's business, the duties and responsibilities of a Director and other legal requirements. Relevant on-going professional training sessions will also be organized for newly-appointed Directors to help them fully understand the duties that a Director should fulfill as stipulated in the relevant requirements of the laws and regulations, including the Hong Kong Listing Rules, and to enable them to have a timely and comprehensive understanding of the operations of the Company.

In addition, all Non-executive Directors will receive updated information from the management regularly, including strategic plans, business reports and analyses on economic activities etc. with a view to assist them to perform their duties effectively.

All Directors should participate in continuous professional development to upgrade their expertise and skills and to refresh their knowledge to ensure that they perform their duties better in contributing to the Board. Each of the Directors has provided to the Company records of their participation in the relevant training in 2023. The Company has also committed to organizing training programs for its Directors. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

During the Reporting Period, Directors: Mr. Wan Tao, Mr. Guan Zemin, Mr. Du Jun, Mr. Huang Xiangyu, Mr. Qin Zhaohui, Mr. Xie Zhenglin, Mr. Tang Song, Mr. Chen Haifeng, Mr. Yang Jun, Ms. Zhou Ying, and Mr. Huang Jiangdong had participated in the training for the election of Directors and Supervisors organized by the Company; Mr. Tang Song attended the 2022 Training Course for Directors, Supervisors and Senior Staffs of Listed Companies organized by Shanghai Listed Companies Association; Mr. Tang Song and Mr. Qin Zhaohui had attended the 2023 Training Course for Directors, Supervisors and Senior Staffs of Listed Companies and Specialized Training on Reform of Independent Directors System organized by Shanghai Listed Companies Association; Ms. Zhou Ying and Mr. Huang Jiangdong attended the Follow-up Training for Independent Directors of Listed Companies organized by the Shanghai Stock Exchange; Mr. Du Jun attended the 2023 Training Course for Directors, Supervisors and Senior Staffs of Listed Companies and Specialized Training on Reform of Independent Directors System (Phase II) organized by Shanghai Listed Companies Association; Mr. Wan Tao and Mr. Guan Zemin attended the online training on the reform of the Independent Director system organized by the China Listed Companies Association. Supervisors: Ms. Xie Li, Mr. Zhang Feng, Mr. Chen Hongjun, Mr. Zhang Xiaofeng, Mr. Zheng Yunrui and Mr. Cai Tingji attended the training on the election of Directors and Supervisors organized by the Company; Ms. Xie Li, Mr. Zhang Feng, Mr. Chen Hongjun, Mr. Zhang Xiaofeng, Mr. Zheng Yunrui and Mr. Cai Tingji participated in 2023 Training Course for Directors, Supervisors and Senior Staffs of Listed Companies and Specialized Training on Reform of Independent Directors System organized by Shanghai Listed Companies Association; Ms. Xie Li participated in the online training on the reform of the Independent Director system organized by the China Listed Companies Association.

During the Reporting Period, Mr. Liu Gang and Ms. Chan Sze Ting, joint company secretaries of the Company, has received no less than 15 hours of relevant professional training respectively.

(4) Board Committees

The Board has established four committees, namely, the Audit and Compliance Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy and ESG Committee, for overseeing particular aspects of the Company's affairs. All Board committees stipulate their terms of reference. The Rules of Procedures of the Board committees are posted on the websites of the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the Company and are available to shareholders upon request. The Board committees submit minutes, resolutions and reports to the Board subsequent to their meetings in respect of the progress of work and results of discussion.

1. The Remuneration and Appraisal Committee

(i) Role and Functions of the Remuneration and Appraisal Committee

The principal duties of the Remuneration and Appraisal Committee are to formulate and review the remuneration policies and proposals for the Directors and senior management of the Company, to set performance appraisal standards and conduct performance appraisals of the Directors and senior management of the Company, and to establish transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his directly interested parties is involved in deciding his own remuneration.

The committee may seek advice from independent professionals if required in accordance with the applicable procedures at the expense of the Company.

(ii) Members of the Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the Board comprises three Independent Non-executive Directors.

Members of the Remuneration and Appraisal Committee during the Reporting Period are as follows:

Chairman:	Yang Jun,	*Independent Non-executive Director*
Members:	Tang Song,	*Independent Non-executive Director*
	Zhou Ying,	*Independent Non-executive Director (served as member of the Remuneration and Appraisal Committee on 28 June 2023)*
	Gao Song,	*Independent Non-executive Director (term expired on 28 June 2023 and left the post as member of Remuneration and Appraisal Committee)*

(iii) Meetings of the Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee convenes at least one meeting each year. In 2023, the Remuneration and Appraisal Committee held 4 meetings with a record of attendance as follows:

Name of Director	Attendance in Person/Number of Meetings	Attendance by Alternate/Number of Meetings
Yang Jun	4/4	0/4
Tang Song	4/4	0/4
Zhou Ying(1)	1/1	0/1
Gao Song(2)	3/3	0/3

Notes:

(1) Ms. Zhou Ying served as member of the Remuneration and Appraisal Committee on 28 June 2023.

(2) Mr. Gao Song left the post as member of the Remuneration and Appraisal Committee as his term expired on 28 June 2023.

(iv) Procedures and Basis for the Determination of Remuneration of Directors, Supervisors and Senior Management

The remuneration of Independent Non-executive Directors is determined in accordance with the "Remuneration System for Independent Directors" amended at the 2007 annual general meeting held in June 2008. The remuneration of other Directors, Staff Supervisors, External Supervisors and senior management is determined according to the "Remuneration System for Directors, Supervisors and Senior Management" passed at the 2002 annual general meeting held in June 2003. The remuneration of Independent Supervisors is determined in accordance with the "Remuneration Payment Method for Independent Supervisors" approved at the 2016 annual general meeting held in June 2017.

The Remuneration and Appraisal Committee reviews the implementation of the remuneration evaluation every year. It also appraises the annual performance of the Directors and senior management of the Company, and makes recommendations to the Board on their remuneration according to the results of the appraisal.

(v) The Work of the Remuneration and Appraisal Committee during the Reporting Period

During the Reporting Period, the Remuneration and Appraisal Committee reviewed the remuneration policy of the Directors, conducted annual appraisals with the Directors and the senior management and reviewed the terms of service contracts for Executive Directors. The committee also reviewed the remuneration structure of the Directors, Supervisors and senior management. Save for the aforesaid, the Remuneration and Appraisal Committee also reviewed and revised Rules of Procedure for the Remuneration and Appraisal Committee during the Reporting Period. The Remuneration and Appraisal Committee also considered and adopted "Resolution on the Tenure System and Contractual Management of the Members of the Company's Manager".

2. The Audit and Compliance Committee

(i) Role and Functions of the Audit and Compliance Committee

The Audit and Compliance Committee is principally responsible for advising the Board on the appointment, dismissal, remuneration and terms of engagement of external auditors, reviewing the effectiveness of the Company's internal audit function, supervising the internal audit system and its implementation, reviewing the financial information of the Company and its disclosure including verifying the completeness of financial statements, annual reports and interim reports of the Company, reviewing the major opinions stated in the financial statements and reports of the Company, reviewing the financial control, internal control and risk management systems of the Company, reviewing arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company and examining connected transactions of the Company.

The establishment of the Audit and Compliance Committee reflects the Company's determination to improve the transparency of its financial reporting system and its financial arrangements. The Company pays close attention to the minutes and reports prepared by the Audit and Compliance Committee. The Audit and Compliance Committee may seek advice from independent professionals in accordance with the applicable procedures at the expense of the Company.

(ii) Members of the Audit and Compliance Committee

The Audit and Compliance Committee of the Board comprises three Independent Non-executive Directors.

Members of the Audit and Compliance Committee during the Reporting Period are as follows:

Chairman:	Tang Song,	*Independent Non-executive Director*
	Li Yuanqin,	*Independent Non-executive Director (term expired on 28 June 2023 and left the post as member of Audit and Compliance Committee)*
Members:	Chen Haifeng,	*Independent Non-executive Director*
	Huang Jiangdong,	*Independent Non-executive Director (served as member of the Audit and Compliance Committee on 28 June 2023)*

(iii) Meetings of the Audit and Compliance Committee

The Audit and Compliance Committee should convene at least two meetings each year. In 2023, the Audit and Compliance Committee held 4 meetings without the presence of the Executive Directors with a record of attendance as follows:

Name of Director	Attendance in Person/Number of Meetings	Attendance by Alternate/Number of Meetings
Tang Song	4/4	0/4
Chen Haifeng	4/4	0/4
Huang Jiangdong(1)	2/2	0/2
Li Yuanqin(2)	2/2	0/2

Notes:

(1) Mr. Huang Jiangdong served as member of the Audit and Compliance Committee on 28 June 2023.

(2) Ms. Li Yuanqin left the post as member of the Audit and Compliance Committee as her term expired on 28 June 2023.

(iv) The Work of the Audit and Compliance Committee during the Reporting Period

During the Reporting Period, the Audit and Compliance Committee reviewed the accounting principles and standards adopted by the Company, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems, appointment of external auditors and relevant scope of works, and continuing connected transactions of the Company. Save for the aforesaid, the Audit and Compliance Committee also considered and approved the "Internal Control Evaluation Report of 2022", "Audit Plans of 2023", "Internal Control Manual (2023 Edition)" and "Compliance Management Measures" during the Reporting Period.

3. The Nomination Committee

(i) Role and Functions of the Nomination Committee

The Nomination Committee is accountable to the Board, and is mainly responsible for reviewing the Board composition, making recommendations to the Board on the procedures and criteria for the selection and appointment of Directors and senior management of the Company and on their qualifications to hold office, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, experience, skills, knowledge, length of service, etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria such as character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Company provides adequate resources to the Nomination Committee for the performance of its duties. The committee may seek independent professional advice during the performance of its duties at the Company's expense.

(ii) Members of the Nomination Committee

The Nomination Committee of the Board comprised 1 Executive Director and 2 Independent Non-executive Directors.

Members of the Nomination Committee during the Reporting Period are as follows:

Chairman:	Yang Jun,	*Independent Non-executive Director*
Members:	Chen Haifeng,	*Independent Non-executive Director*
	Wan Tao,	*Executive Director (Resigned as member of the Nomination Committee on 12 April 2024)*

(iii) Meetings of the Nomination Committee

The Nomination Committee should convene at least one meeting each year. In 2023, the Nomination Committee held 3 meetings during the Reporting Period. The attendance record of the meetings of the Nomination Committee is set out in the table below:

Name of Director	Attendance in Person/Number of Meetings	Attendance by Alternate/Number of Meetings
Yang Jun	3/3	0/3
Chen Haifeng	3/3	0/3
Wan Tao[1]	3/3	0/3

Note:

(1) Mr. Wan Tao resigned as member of the Nomination Committee due to change of work arrangements on 12 April 2024.

(iv) The Work of the Nomination Committee during the Reporting Period

During the Reporting Period, the Nomination Committee reviewed the structure, number and composition of the Board, and assessed the independence of the Independent Non-executive Directors.

The Nomination Committee also reviewed the composition of the Board from a diversity level. As at the end of the Reporting Period, the Board has a total of 11 Directors, including 4 Executive Directors, 2 Non-Executive Directors, and 5 Independent Non-executive Directors. The four Executive Directors are from state-owned enterprises and hold important positions such as chairman, general manager, deputy general manager or chief financial officer. They have rich experience in enterprise management. The two Non-executive Directors have senior engineer and senior accountant by professional title, with extensive experience in enterprise management, finance, finance and investment development management, and have a deep understanding of the chemical industry. The five Independent Non-executive Directors are professors of accounting, researchers of law, financial professionals and scholars of business administration with rich professional experience. The Board has one female Director who provides professional advice for the Company in different areas. The diversified portfolio of the Board provides a wide range of professional advice to the Board, so as to ensure that the Board can effectively performs its duties, promotes the Company's corporate performance and sustainable development. The Nomination Committee considers that the Board is sufficiently diversified in terms of age, cultural and educational background, professional experience, skills, and knowledge. In selecting directors, the Nomination Committee will pay special attention to other aspects such as gender and race, so as to achieve the goal of diversification of the Board. For the gender, age and term of service of Board members, please refer to Chapter V "Directors, Supervisors, Senior Management and Employees".

(v) Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

According to the Diversity Policy of the Board and in order to achieve sustainable and balanced development, the Company regards the increasing diversity of the Board as the key element to support its strategic objectives and maintain sustainable development. When setting the composition of the Board members, the Board consider the diversity of Board members from many aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and service tenure. All appointments of the Board are based on the principle of "talents are the only people to be appointed". According to specific needs and business model of the Company, the benefits of diversity of Board members are fully considered under objective conditions. The selection of directors will be based on a wide range of criteria, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and tenure of service. The final decision will be based on strengths of the candidates and the contribution they can make to the Board. The composition of the Board (including gender, age and term of service) will be disclosed in the Corporate Governance Report every year.

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender
Male: 10 Directors
Female: 1 Director

Age Group
31-40: 0 Directors
41-50: 4 Directors
51-60: 6 Directors
61-70: 1 Director

Designation
Executive Directors: 4 Directors
Non-executive Directors: 2 Directors
Independent Non-executive Directors: 5 Directors

Educational Background
Business Administration: 3 Directors
Account and Finance: 1 Director
Legal: 2 Directors
Other: 5 Directors

Nationality
Chinese: 11 Directors

Business Experience
Accounting & Finance: 3 Directors
Legal: 2 Directors
Petrochemical: 4 Directors
Business Administration: 2 Directors

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

The Nomination Committee will report on the composition of the Board at the diversified level in the Corporate Governance Report every year and monitor the implementation of this policy.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female	Male
Board	9.09% (1)	90.91% (10)
Senior Management	0% (0)	100% (3)
Other employees	17.50% (1,316)	82.50% (6,202)
Overall workforce	17.49% (1,317)*	82.51% (6,215)*

* Non-executive Directors and Independent Non-executive Directors are included.

The Board had targeted to achieve and had achieved at least 9.09% (1) of female Directors and 17.50% (1,316) of other female employees of the Group and considers that the above current gender diversity is satisfactory. When necessary, the Board or the Nomination Committee will hire an independent specialized institution to assist the selection of potential successors to female Directors so as to maintain gender diversity.

Details on the gender ratio of the Group together with relevant data can be found in the 2023 ESG Report.

(vi) Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including the following:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge, length of service, experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent non-executive directors in accordance with the Hong Kong Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Hong Kong Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Nomination Committee and/or the Board from time to time for nomination of directors and succession planning.
- Other conditions as set out in the Company's Articles of Association (if any).

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the Reporting Period and up to the date of this annual report, there were changes in the composition of the Board and details of the changes are set out in section "Composition of the Board" of this Corporate Governance Report.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

4. The Strategy and ESG Committee

(i) Role and Functions of the Strategy and ESG Committee

The major duties of the Strategy and ESG Committee are to conduct researches and give recommendations to the Board on major investment decisions, projects, ESG-related matters and other major issues that affect the Company's development, and to monitor the Company's long-term development strategic plan.

(ii) Members of the Strategy and ESG Committee

The Strategy and ESG Committee comprises four Executive Directors, one Non-executive Director and one Independent Non-executive Director.

Chairman:	Wan Tao	*Executive Director (Resigned as Chairman of the Strategy and ESG Committee on 12 April 2024)*
Vice-chairman:	Guan Zemin	*Executive Director*
Members:	Du Jun	*Executive Director*
	Huang Xiangyu	*Executive Director*
	Xie Zhenglin	*Non-executive Director*
	Zhou Ying	*Independent Non-executive Director (served as member of Strategy and ESG Committee on 28 June 2023)*
	Gao Song	*Independent Non-executive Director (term expired on 28 June 2023, and left the post as member of Strategy and ESG Committee)*

(iii) Meetings of the Strategy and ESG Committee

In 2023, the Strategy and ESG Committee held 1 meeting during the Reporting Period. The attendance record of the meetings of the Strategy and ESG Committee is set out in the table below:

Name of Director	Attendance in Person/Number of Meetings	Attendance by Alternate/Number of Meetings
Wan Tao[(1)]		
Guan Zemin	1/1	0/1
Du Jun	1/1	0/1
Huang Xiangyu	1/1	0/1
Xie Zhenglin	1/1	0/1
Zhou Ying[(2)]	0/0	0/0
Gao Song[(3)]	1/1	0/1

Notes:

(1) Mr. Wan Tao resigned as Chairman of the Strategy and ESG Committee due to change of work arrangements on 12 April 2024.

(2) Ms. Zhou Ying served as member of the Strategy and ESG Committee on 28 June 2023.

(3) Mr. Gao Song left the post as member of the Strategy and ESG Committee as his term expired on 28 June 2023.

(iv) The Work of the Strategy and ESG Committee during the Reporting Period

The Strategy and ESG Committee should convene meeting when appropriate. During the Reporting Period, the Strategic Committee optimized and adjusted its functions, renaming it as the Strategy and ESG Committee, and adding environmental, social, and governance (ESG) functions.

5. Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision A.2.1 of the Corporate Governance Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

6. Supervisory Committee

The Company's eleventh session of the Supervisory Committee comprises six members, including three Employee Representative Supervisors (one of whom had served as Chairperson of the committee), one External Supervisor and two Independent Supervisors.

The Supervisors are appointed for a fixed term of office and the term of office of each Supervisor (including supervisors who have resigned) are set out in section "Directors, Supervisors, Senior Management and Employees" on pages 97 to 116 of this annual report.

In 2023, the Supervisory Committee convened eight meetings with a record of attendance as follows:

Name of Supervisor	Position	Attendance in Person/Number of Meetings	Attendance by Alternate/Number of Meetings
Xie Li[(1)]	Employee Representative Supervisor and Chairperson	5/5	0
Ma Yanhui[(2)]	Employee Representative Supervisor and Chairperson	3/3	0
Zhang Feng	Employee Representative Supervisor	7/8	1
Chen Hongjun	Employee Representative Supervisor	8/8	0
Zhang Xiaofeng	External Supervisor	8/8	0
Zheng Yunrui	Independent Supervisor	8/8	0
Choi Ting Ki	Independent Supervisor	8/8	0

Notes:

(1) Ms. Xie Li served as the Company's employee representative supervisor on 10 May 2023.

(2) Mr. Ma Yanhui no longer served as the Company's employee representative supervisor on 4 May 2023.

The Company's Supervisory Committee established and refined the check-and-balance system of the Company and promoted and regulated the corporate governance structure in accordance with the relevant laws and regulations, including the Company Law of the PRC and the Code of Corporate Governance for Listed Companies of the PRC. The Supervisory Committee diligently discharges its supervisory duties and exercises supervision over the management's compliance with the relevant laws and regulations, including the Company Law and the Code of Corporate Governance for Listed Companies of the PRC. It also supervises the enforcement of the resolutions passed at general meetings and Board meetings, compliance with decision-making procedures and the implementation of the internal control system. The Supervisory Committee also examines the financial system and the financial situation of the Company in a conscientious manner, thereby ensuring the orderly operations of the Company and safeguarding shareholders' interests.

(5) Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and the review of their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board ensures that risk management and internal control systems of the Company are sound and effective to safeguard the shareholders' interests and its assets. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit and Compliance Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various internal control and risk management procedures and guidelines including the Internal Control Manual, the SINOPEC Comprehensive Risk Management Procedures and SINOPEC Comprehensive Risk Management Implementation Programme with defined authority for implementation by key business processes and office functions, including project management, sales, financial reporting, human resources and information technology.

All divisions conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security etc.

The management, in coordination with division heads, assessed the likelihood of risk occurrence, provided treatment plans, monitored the risk management progress, and reported to the Audit and Compliance Committee and the Board on all findings and the effectiveness of the systems.

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit and Compliance Committee. The Company has engaged KPMG Huazhen LLP to conduct an audit on the effectiveness of the internal control over financial reporting of the Company according to the guidelines set out in the Audit Guidelines for Enterprise Internal Control (the "Guidelines") and the Report on Internal Control over Financial Reporting was issued pursuant to the Guidelines.

The Company has developed its disclosure policy which provides a general guide to the Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. The Company has in place a "System for the Registration and Management of Inside Information" and an "Information Disclosure Management System" which were regularly reviewed by the Board to administer the registration and management of persons with access to the Company's insider information including but not limited to the Directors, Supervisors and senior management, strengthen the confidentially of the flow of inside information, monitoring information disclosure to safeguard the leakage of inside information and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

1. Implementation of internal control

Internal control task force is the leading unit of the internal control work of the Company with the President and the Chief Financial Officer as chief and deputy chief, respectively, and an internal control office was established under the task force. It is responsible for organizing and coordinating the establishment, implementation and daily operation of internal control, as well as the submission of work reports on the inspection and supervision of internal control to the Audit and Compliance Committee on a regular basis. A supervisory working network consisting of special personnel of each department (unit) responsible for internal control function was established within the Company. The internal control supervisors, on behalf of their own departments, and administrative heads each carry out internal control work within their own scope.

Since the implementation of the internal control system of the Company in 2004, the Company has strictly complied with the requirements of internal control regulations of the CSRC. Combined with corporate management and internal controls, the Internal Control Manual was reviewed annually so as to improve the internal control business process, to specify responsibilities of different departments and positions in charge of the respective control processes, and to urge staff to perform internal control responsibility. The Internal Control Manual (2023 Edition) specifies 22 categories, 57 risk control matrices and a total of 1,645 control points.

In 2011, the Company launched an internal control management information system and built a dynamic validation and correction system of system data to continuously improve the internal control management information system annually. At the same time, the internal control office actively guides the respective departments responsible for different processes and the secondary units for the online management of internal control and gradually enforces online enquiry and online quarterly testing under the Internal Control Manual.

2. Implementation of comprehensive risk management

In 2011, the Company set up a comprehensive risk management task force with key heads of the Company as leaders. The task force has set up an office in the Corporate Management Department of the Company and functions as the daily risk managing organ of the Company.

In 2013, based on the then "Integrated Management System" and other professional management systems, the Company extensively carried out risk management status research, arranged and analysed existing issues and learnt from the successful experience and typical practices of domestic and overseas advanced enterprises and prepared the SINOPEC Comprehensive Risk Management Procedures, which are included in the Integrated Management System. The risk management procedures specify five basic processes of comprehensive risk management, namely risk information collection, risk evaluation, risk response, monitoring and warning, and supervisory assessment and improvement. Through risk identification and assessment, the Company conducts analysis of the effectiveness of the existing internal control system and professional management and creates foundation system of the Company for the establishment of the risk warning system and risk response strategy and measures.

In 2016, the Company developed the SINOPEC Comprehensive Risk Management Implementation Programme according to control capability, management strength and company management conditions, and standardized assessment methods and standards. The Company launched resources management, interest rate and Forex rate special risk identification, and evaluation work to enhance the comprehensive risk management of the Company.

Pursuant to the planning and requirements of State-Owned Assets Supervision and Administration Commission of the State Council, the Company is focusing on its goal of establishing a refining and petrochemical enterprise which is "leading domestically, first-class globally". The Company vigorously implements annual risk assessment work, organizes some of the Company's leaders, key department heads to participate in the material and significant online risk identification evaluation to start and perform comprehensive risk management of the Company to provide foundation for the establishment of the risk warning system and risk response strategy and measures. On the basis of the revised Internal Control Manual, the Company organized the persons in charge of the business process to comprehensively identify, analyse and assess material and significant tier 3 risks and attend to tier 4 risks based on the risk list in the business matrix. The Company has preliminary set up the "SINOPEC Risk Database" and improved the key information maintenance of "Risk Level Rating" and "Risk Response Measures" in the system.

The Company set up a comprehensive risk management office which is responsible for collecting and organizing risk information regarding the Company as well as domestic and foreign industry. It sorts out, analyzes and summarizes, forms a risk list, and regularly completes and updates the risk list. The Company set up an internal control office to establish risk assessment work standards, procedures and management rules, formulate company risk assessment plans, and organize risk assessment task.

Through the implementation of effective supervision and evaluation and improved supervision, the Company effectively promotes the Company's overall risk management, and forms a closed-loop management mechanism for self-improvement and continuous optimization. Internal supervision of the Company is divided into daily supervision and special supervision. Daily supervision refers to the routine and continuous supervision and inspection of the Company's establishment and implementation of internal control; special supervision refers to the situation where the Company undergoes major adjustments or changes in its development strategy, organizational structure, business activities, business processes, and key positions, there will be a targeted supervision and inspection of one or more aspects of internal control. The scope and frequency of special supervision depends on the impact of the risk and the effectiveness of the control.

The Company has established a comprehensive internal inspection and evaluation mechanism, designating internal audit as the Company's responsible division to supervise and improve risk management, and the audit department is responsible for the independent supervision and evaluation of the setting up of the risk management system and the effectiveness of implementation, reporting according to prescribed procedures and monitoring the progress. The Board is responsible for the supervision of the Company's internal control evaluation work, identifies the Company's major internal control deficiencies, reviews the relevant rectification measures and oversees the management in the implementation of the measures, reviews and approves the internal control evaluation report. The Supervisory Committee supervises the Board's establishment and implementation of internal control.

The management has reported to the Board and the Audit and Compliance Committee on the effectiveness of the risk management and internal control systems of the Group for the Reporting Period. The Board, as supported by the Audit and Compliance Committee as well as the management report on the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

For further details of the risk management and internal controls of the Company, please refer to the section headed "Corporate Governance" and "Internal Control" on pages 117 to 130 of this annual report.

(6) Directors' Responsibilities in relation to the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

All Directors regularly receive comprehensive reports from the management covering strategic proposals, operations updates, financial objectives, plans and initiatives. The Board presents a balanced, clear and understandable assessment of the affairs and prospects of the Group in the Company's annual and interim reports, announcements relating to inside information and other financial disclosures as required under the Hong Kong Listing Rules.

During the Reporting Period, the management provided to members of the Board with monthly information on the Company's production and financial analysis, as well as Xinjinshan Post (《新金山報》), a newspaper published by the Company that covers recent developments in the Company's production and operations. In addition, Directors including Independent Non-executive Directors were also able to learn about the latest updates on the Company's business and information disclosure on the Company's website in a timely manner.

The statements of the independent auditor of the Company (both international and domestic) about their reporting responsibilities on the financial statements are set out in the respective Independent Auditor's Report and Report of the PRC Auditor on pages 232 to 237 and pages 86 to 91, respectively of this annual report.

(7) Auditors' Remuneration

An analysis of the remuneration paid to the international and domestic auditors of the Company, KPMG and KPMG Huazhen LLP, in respect of audit services and non-audit services for the Reporting Period is set out in the table below:

Auditor	Service Category	Fees Paid/Payable
KPMG and KPMG Huazhen LLP	– Audit services	RMB6,837,000
	– Non-audit services-Tax consulting services	RMB129,000

(8) Company Secretary

Currently, Mr. Liu Gang and Ms. Chan Sze Ting are joint company secretaries of the Company. Mr. Liu Gang was appointed as secretary to the Board and joint company secretary on 28 April 2021. Ms. Chan Sze Ting of Tricor Services Limited, the external service provider is another joint company secretary of the Company. Ms. Chan's primary contact person in the Company is Mr. Liu Gang. They all report to the Chairman and/or the President.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

(9) Shareholders' Rights

The Company engages shareholders through various communication channels and the "Work System of Investor Relations Management" is in place to ensure that shareholders' views and concerns are appropriately addressed.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll and poll results will be posted on the websites of the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the Company after each general meeting.

The rights of shareholders holding ordinary shares of the Company are also set out in the Articles of Association. Upon written requests of the shareholders and verification of their identities and shareholding by the Company, they will be allowed to access to relevant information as permitted by law, administrative regulations and the Articles of Association.

1. Convening an Extraordinary General Meeting

Pursuant to Article 63(3) of the Articles of Association, the Board shall convene an extraordinary general meeting within two months upon written requisition by the shareholders individually or jointly holding 10% or more of the issued and outstanding voting shares of the Company.

2. Putting Forward Proposals at General Meeting

Pursuant to Article 65 of the Articles of Association, when the Company convenes a shareholders' general meeting, the Board, the Supervisory Committee and shareholders who individually or jointly hold shares with 3% or more of the total voting rights of the Company shall have the right to move motions in writing for shareholders' meetings. Shareholders who individually or jointly hold 3% or more of the issued and outstanding voting shares of the Company may propose and submit in writing an extraordinary motion to the convener ten (10) days prior to the convening of the shareholders' general meeting. The convener shall issue a supplementary notice of the shareholders' general meeting within two (2) days upon receipt of such motion and shall make an announcement on the content of the extraordinary motion.

3. Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

4. Contact Details

Shareholders may send their enquiries or requests as mentioned above to the Company's registered address as follows:

48 Jinyi Road
Jinshan District
Shanghai
The People's Republic of China

For the attention of Mr. Liu Gang, Secretary of the Board

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

(10) Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company maintains communications with its shareholders. The Company's major communication channels include annual general meeting, other general meetings, the Company's website, email, fax and telephone numbers of the Secretary Office of the Board. Through the above communication channels, shareholders may adequately express their opinions or exercise their rights.

The Company is committed to enhancing its relationship with investors. The Chairman presides over and participates in major investor relations activities (including general meetings, results presentations, press conferences, significant events and roadshows, important domestic and overseas capital market conferences, major financial media interviews, etc.) and maintains contact with shareholders to ensure that the views of the shareholders can be conveyed to the entire Board.

During the Reporting Period, the Company continued to strengthen the management of investor relations, and implement in good faith the "Work System of Investor Relations Management", engage in active interaction and communications with investors and submit investors' opinions and suggestions to the Company's management in a timely manner.

In principle, the Company convenes results briefings every six months after the release of its annual and interim results. In 2023, the Company held two large-scale results briefings in Hong Kong while several "one-to-one" meetings were held within and outside China. The Company has also welcomed domestic and foreign investors to its headquarters, and replied to telephone queries and letters from investors, intermediaries and fund managers. In addition, the Directors and senior management also actively attended capital market online meetings organized by securities research companies and investment banks.

The information on the Company's website is updated regularly to keep the investors and the public informed of the Company's latest developments.

(11) Relevant policies relating to Shareholders

The Company has formulated a shareholders' communication policy to ensure that the opinions and concerns of shareholders are properly addressed, and policy has been reviewed during the Reporting Period to ensure its effectiveness.

The Company has formulated a dividend policy. According to the Articles of Association, the Company's net profit attributable to the parent company was positive and the accumulated undistributed profit was positive during the year. While the Company's cash flow can meet its normal operation and sustainable development, the Company shall carry out cash dividend distribution and shall not be less than 30% of the net profit attributable to the parent company realized in that year. For details, please refer to the "formulation, implementation or adjustment of cash dividend policy" in Section IV of Report of Directors.

(12) Amendments to Constitutional Documents

During the year under review, the Company has amended its Articles of Association. Details of the amendments are set out in the circular dated 29 May 2023 to the Shareholders. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Hong Kong Stock Exchange's website.

KPMG

Independent auditor's report to the shareholders of Sinopec Shanghai Petrochemical Company Limited

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

Opinion

We have audited the consolidated financial statements of Sinopec Shanghai Petrochemical Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 167 to 300, which comprise the consolidated statement of financial position as at 31 December 2023, the 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 consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters *(continued)*

<table>
<tr><th colspan="2">Assessment of net realizable value of raw materials, work in progress and finished goods</th></tr>
<tr><td colspan="2">Refer to notes 2.14, 4.2(a) and 21 to the consolidated financial statements and the accounting policies.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group is principally engaged in processing of crude oil into petroleum products and other chemical products. The crude oil can be processed into various finished goods by different processing procedures. Inventories are valued at the lower of cost and net realizable value.

The gross carrying amount of raw materials, work in progress and finished goods, and provision for diminution in value were RMB8,002,187 thousand and RMB407,948 thousand, respectively, as at 31 December 2023.

The net realizable value is determined based on the estimated selling prices in the ordinary course of business less the estimated costs to completion, and other costs necessary to make the sale.

We identified the assessment of net realizable value of raw materials, work in progress and finished goods as a key audit matter because evaluation of estimated selling prices of inventories, estimated costs to completion, and other costs necessary to make the sale involved a high degree of auditor judgements.</td><td>Our audit procedures to assess net realizable value of raw materials, work in progress and finished goods included the following:

• Evaluating the design, implementation and operating effectiveness of key internal controls over the process of determination of net realizable value of raw materials, work in progress and finished goods, including controls related to the determination of estimated selling prices, estimated costs to completion, other costs necessary to make the sale;

• Evaluating the estimated selling price at the reporting date for a sample of inventory items by comparison of the estimated selling prices to prices from publicly available market data and the actual prices of sales transactions subsequent to the reporting date if available; and

• Evaluating the estimated costs to completion and other costs necessary to make the sale by comparing with the historical costs to completion and other costs necessary to make the sale for the same type of inventories on a sample basis.</td></tr>
</table>

Key audit matters *(continued)*

Assessment of value in use of certain production facilities	
Refer to notes 2.12(b), 4.2(b) and 16 to the consolidated financial statements and the accounting policies.	
The Key Audit Matter	**How the matter was addressed in our audit**
The carrying amount of property, plant and equipment was RMB14,176,814 thousand as of 31 December 2023, a portion of which related to certain intermediate petrochemicals production facilities under chemical products segment ("certain production facilities"). At the end of each reporting period, if any indication of impairment exists, the Group estimates the recoverable amount of an asset, or a cash-generating unit, at the higher of its fair value less costs of disposal and its value in use, to determine the impairment losses. The Group's estimated value in use includes assumptions on product sales growth rates, related costs growth rates ("forecasted growth rates") and discount rate. We identified the assessment of value in use of certain production facilities as a key audit matter because high degree of subjectivity and auditor judgment was involved to evaluate the forecasted growth rates and the discount rate used to estimate value in use of these assets. The forecasted growth rates and the discount rate were challenging to test as minor changes to those assumptions would have a significant effect on the Group's assessment of value in use of these assets. In addition, specialized skills and knowledge were required to assess the discount rate used to estimate value in use of these assets.	Our audit procedures to assess value in use of certain production facilities included the following: • Evaluating the design, implementation and operating effectiveness of key internal controls related to the process in assessing the value in use of certain production facilities, including controls related to the determination of the forecasted growth rates and the discount rate; • Assessing the forecasted growth rates adopted in the Group's value in use assessment by comparing them with historical results, future operation plans and external market data; • Involving valuation professionals with specialized skills and knowledge assisted in evaluating the discount rate used by comparing it against discount rate that was independently developed using publicly available industry data; and • Performing sensitivity analysis over the forecasted growth rates and the discount rate assumptions to assess their impact on the certain production facilities' impairment assessment.

Information other than the consolidated financial statements and auditor’s report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group’s financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements

(continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Au Yat Fo.

KPMG
Certified Public Accountants

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

20 March 2024

Consolidated Income Statement

For the year ended 31 December 2023

	Note	2023	2022
		Year ended 31 December	
			(Restated)
		RMB'000	RMB'000
Revenue	5	92,931,608	82,443,156
Taxes and surcharges		(12,853,851)	(9,788,593)
Net sales		80,077,757	72,654,563
Cost of sales	10	(81,612,566)	(76,265,940)
Gross loss		(1,534,809)	(3,611,377)
Selling and administrative expenses	10	(315,537)	(294,067)
Other operating income	6	131,749	110,641
Other operating expenses	7	(20,162)	(25,775)
Other (losses)/gains – net	8	(14,195)	(22,788)
Loss from operations		(1,752,954)	(3,843,366)
Finance income	9	383,988	541,830
Finance expenses	9	(145,313)	(98,502)
Finance income – net		238,675	443,328
Share of net losses of associates and joint ventures accounted for using the equity method	20	(141,128)	(173,616)
Loss before taxation		(1,655,407)	(3,573,654)
Income tax	12	306,093	731,460
Loss for the year		(1,349,314)	(2,842,194)

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 RMB'000	2022 (Restated) RMB'000
Loss attributable to:			
– Equity shareholders of the Company		**(1,346,147)**	(2,846,053)
– Non-controlling interests		**(3,167)**	3,859
Loss for the year		**(1,349,314)**	(2,842,194)
Losses per share attributable to equity shareholders of the Company for the year (expressed in RMB per share)			
Basic	13(a)	**RMB(0.125)**	RMB(0.263)
Diluted	13(b)	**RMB(0.125)**	RMB(0.263)

The notes on pages 177 to 300 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 RMB'000	2022 (Restated) RMB'000
Loss for the year		(1,349,314)	(2,842,194)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Equity investments at FVOCI – net movement in fair value reserves (non-recycling)	32	(848)	–
Items that are or may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates accounted for using the equity method	32	767	(23,771)
Cash flow hedges: net movement in hedging reserve	32	45,830	201,519
Other comprehensive income for the year, net of tax		45,749	177,748
Total comprehensive income for the year		(1,303,565)	(2,664,446)
Attributable to:			
– Equity shareholders of the Company		(1,300,398)	(2,668,305)
– Non-controlling interests		(3,167)	3,859
Total comprehensive income for the year		(1,303,565)	(2,664,446)

The notes on pages 177 to 300 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2023

	Note	As at 31 December 2023 RMB'000	2022 (Restated) RMB'000
Non-current assets			
Property, plant and equipment	16	14,176,814	12,179,504
Right-of-use assets	15	354,971	379,805
Investment properties	17	321,037	336,863
Construction in progress	18	1,200,602	3,748,461
Investments accounted for using the equity method	20	3,271,941	3,504,393
Financial assets at fair value through other comprehensive income	25	3,869	5,000
Financial assets measured at fair value through profit or loss	26	36,500	–
Time deposits with banks	24	2,782,500	3,389,559
Deferred tax assets	12	1,313,841	991,892
Other non-current assets	14	647,324	835,400
		24,109,399	25,370,877
Current assets			
Inventories	21	7,751,687	7,294,060
Financial assets at fair value through other comprehensive income	25	236,487	582,354
Trade receivables	22	115	69,351
Other receivables	22	350,891	107,507
Prepayments		39,553	17,832
Value added tax recoverable		15,222	1,057,463
Amounts due from related parties	22	1,453,864	2,638,983
Cash and cash equivalents	23	4,906,368	889,413
Time deposits with banks	24	700,645	3,108,919
		15,454,832	15,765,882
Total assets		39,564,231	41,136,759

As at 31 December 2023

		As at 31 December	
	Note	2023	2022
			(Restated)
		RMB'000	RMB'000
Equity and liabilities			
Equity attributable to equity shareholders of the Company			
Share capital	31	10,799,286	10,823,814
Reserves	32	14,011,630	15,403,909
		24,810,916	26,227,723
Non-controlling interests		117,978	127,679
Total equity		24,928,894	26,355,402
Liabilities			
Non-current liabilities			
Borrowings	27	–	700,000
Lease liabilities	15	942	7,513
Deferred tax liabilities	12	31,564	30,898
Deferred income	30	30,222	44,608
		62,728	783,019

As at 31 December 2023

	Note	As at 31 December 2023 RMB'000	2022 (Restated) RMB'000
Current liabilities			
Borrowings	27	3,700,000	1,550,000
Lease liabilities	15	7,515	8,738
Contract liabilities	29	323,279	372,760
Trade and other payables	28	3,832,858	2,926,534
Amounts due to related parties	28	5,155,798	7,887,809
Current tax liabilities		1,228,525	931,852
Staff salaries and welfares payable		322,265	317,891
Income tax payable	12	2,369	2,754
		14,572,609	13,998,338
Total liabilities		14,635,337	14,781,357
Total equity and liabilities		39,564,231	41,136,759

Approved and authorized for issue by the Board of Directors on 20 March 2024.

Wan Tao
Director

Du Jun
Director

The notes on pages 177 to 300 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Note	Share capital RMB'000 (note 31)	Other reserves RMB'000 (note 32)	Retained earnings RMB'000 (note 32)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company					
Balance at 31 December 2022 and 1 January 2023 (Restated)		10,823,814	7,007,142	8,396,767	26,227,723	127,679	26,355,402
Changes in equity for 2023							
Loss for the year		–	–	(1,346,147)	(1,346,147)	(3,167)	(1,349,314)
Other comprehensive income	32	–	45,749	–	45,749	–	45,749
Total comprehensive income for the year		–	45,749	(1,346,147)	(1,300,398)	(3,167)	(1,303,565)
Amounts transferred from hedging reserve to initial carrying amount of hedged items	3.1a(ii)	–	(45,830)	–	(45,830)	–	(45,830)
Dividends paid by subsidiaries to non-controlling interests		–	–	–	–	(6,534)	(6,534)
Purchase of own shares	31(ii)	–	(70,579)	–	(70,579)	–	(70,579)
Cancellation of shares	31(ii)	(24,528)	24,528	–	–	–	–
Appropriation of safety production fund	32	–	57,719	(57,719)	–	–	–
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 177 to 300 form part of these financial statements.

For the year ended 31 December 2023

	Note	Share capital RMB'000 (note 31)	Other reserves RMB'000 (note 32)	Retained earnings RMB'000 (note 32))	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company					
Balance at 31 December 2021		10,823,814	7,038,975	12,379,350	30,242,139	135,259	30,377,398
Change in accounting policy	2.1(c)	–	(5)	(57)	(62)	(5)	(67)
Balance at 1 January 2022 (Restated)		10,823,814	7,038,970	12,379,293	30,242,077	135,254	30,377,331
Changes in equity for 2022:							
(Loss)/profit for the year (Restated)		–	–	(2,846,053)	(2,846,053)	3,859	(2,842,194)
Other comprehensive income (Restated)	32	–	177,748	–	177,748	–	177,748
Total comprehensive income for the year (Restated)		–	177,748	(2,846,053)	(2,668,305)	3,859	(2,664,446)
Amounts transferred from hedging reserve to initial carrying amount of hedged items	3.1a(ii)	–	(237,979)	–	(237,979)	–	(237,979)
Dividends proposed and approved	34	–	–	(1,082,381)	(1,082,381)	–	(1,082,381)
Dividend paid by subsidiaries to non-controlling interests		–	–	–	–	(11,434)	(11,434)
Purchase of own shares	31(ii)	–	(25,689)	–	(25,689)	–	(25,689)
Appropriation of safety production fund	32	–	54,092	(54,092)	–	–	–
Balance at 31 December 2022 (Restated)		10,823,814	7,007,142	8,396,767	26,227,723	127,679	26,355,402

The notes on pages 177 to 300 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Operating activities			
Cash generated from/(used in) operations	23 (b)	769,440	(6,960,734)
Interest paid		(143,367)	(121,876)
Net income tax refund/(paid)		37,556	(376,765)
Net cash generated from/(used in) operating activities		663,629	(7,459,375)
Cash flows from investing activities			
Dividends received from joint ventures and associates		92,091	683,780
Interest received from entrusted loans		–	2,704
Interest received from structured deposits		–	11,124
Interest received from time deposits with maturity more than three months		202,802	330,216
Proceeds from settlement of derivative financial instruments		–	(14,679)
Payment for the purchase of property, plant and equipment and construction in progress		(1,627,069)	(2,836,912)
Net proceeds from disposal of property, plant and equipment and construction in progress		281,351	13,937
Cash received from time deposits with maturity less than one year		3,000,000	7,350,000
Cash received from refund of investment deposits		50,000	–
Cash received from time deposits with maturity more than one year		–	1,800,000
Cash received from maturity of structured deposits		–	1,000,000
Cash payment for investment in structured deposits		–	(1,000,000)
Cash payment for investment in time deposits with maturity more than one year		–	(2,600,000)
Cash payment for investment in entrusted loans		–	(150,000)
Cash received from investment in entrusted loans		–	150,000
Cash payment for investment deposits		–	(50,000)
Payment for investment in associates and a joint venture	20	–	(296,672)
Cash payment for other non-current financial assets		(26,500)	–
Payment for sales of financial assets at fair value through other comprehensive income		–	(3,148)
Net cash generated from investing activities		1,972,675	4,390,350

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Financing activities			
Proceeds from borrowings	23 (c)	33,544,998	19,485,000
Proceeds from short-term bonds	23 (c)	–	5,000,000
Repayments of borrowings	23 (c)	(32,094,998)	(19,494,800)
Repayments of short-term bonds	23 (c)	–	(5,000,000)
Principal elements of lease payments	23 (c)	(15,935)	(13,069)
Dividends paid by subsidiaries to non-controlling interests		(6,534)	(11,434)
Dividends paid to the Company's shareholders		–	(1,081,327)
Payment for repurchase of shares		(49,339)	(53,262)
Net cash generated from/(used in) financing activities		1,378,192	(1,168,892)
Net increase/(decrease) in cash and cash equivalents		4,014,496	(4,237,917)
Cash and cash equivalents at the beginning of the year	23	889,413	5,112,010
Exchange gains on cash and cash equivalents		2,459	15,320
Cash and cash equivalents at the end of the year	23	4,906,368	889,413

The notes on pages 177 to 300 form part of these financial statements.

(Expressed in Renminbi Yuan unless otherwise indicated)

1 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 thousand, 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 reorganization on 25 February 2000. After the reorganization, China Petroleum & Chemical Corporation ("Sinopec Corp.") was established. As part of the reorganization, 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.

Ordinary A shares of RMB14,177 thousand and RMB9,637 thousand were registered on 27 September 2017 and 12 January 2018.

On 17 February 2023 the Company cancelled 24,528 thousand H-shares which were repurchased in the year of 2022.

As at 31 December 2023, total share capital of the Company were 10,799,286 thousand, 1 Yuan per share. Detailed changes to share capital refers to note 31.

The Company and its subsidiaries ("the Group") is a highly integrated entity which processes crude oil into chemical products and petroleum products. Details of the Company's principal subsidiaries are set out in note 19.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of compliance and basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and related Interpretations, promulgated by the International Accounting Standards Board (IASB), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.1 (c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial assets and liabilities measured at fair value, including:

– derivative financial instruments (see note 2.13)

– investment in debt and equity securities (see note 2.11); and

– debt instruments measured at FVOCI (see note 2.11).

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.1 Statement of compliance and basis of preparation *(continued)*

(b) Basis of preparation *(continued)*

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Changes in accounting policies

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

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

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

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.1 Statement of compliance and basis of preparation *(continued)*

(c) Changes in accounting policies *(continued)*

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

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

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

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.1 Statement of compliance and basis of preparation *(continued)*

(c) Changes in accounting policies *(continued)*

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

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.1 Statement of compliance and basis of preparation *(continued)*

(c) Changes in accounting policies *(continued)*

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

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.1 Statement of compliance and basis of preparation *(continued)*

(c) Changes in accounting policies *(continued)*

(ii) Segment reporting

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

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

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

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

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Inter-company transactions, balances and unrealized gains on transactions (except for foreign currency transaction gains or losses) between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated statement of profit or loss, statement of comprehensive income and changes in equity respectively.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations by the Group, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement;and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations (continued)

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the statement of profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in the statement of profit or loss.

(b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in the statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.2 Subsidiaries *(continued)*

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Investments in joint ventures and associates are accounted for using the equity method of accounting.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of post-acquisition profit or loss is recognized in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or loss on dilution of equity interest in associates are recognized in the statement of profit or loss.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.4 Joint arrangements

Under IFRS 11 'Joint Arrangements' investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.12.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognized in the statement of profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges.

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.7 Property, plant and equipment *(continued)*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	12 to 40 years
– Plant and machinery	5 to 20 years
– Vehicles and other equipment	4 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.12 (b)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within Other (losses)/gains – net in the statement of profit or loss.

2.8 Construction in progress

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost less government grants that compensate the Company for the cost of construction, and impairment losses. Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the period of construction. Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

2.9 Investment properties

Investment properties are properties which are owned either to earn rental income and/or for capital appreciation.

Investment properties are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (note 2.12(b)). Depreciation is provided over their estimated useful lives on a straight-line basis, after taking into account their estimated residual values. Estimated useful lives of the Group's investment properties are 30-40 years.

2.10 Other non-current assets

Other non-current assets mainly represent intangible assets and long-term prepaid expense, which are amortized on a straight-line basis over the following periods:

Intangible assets – patents	2 to 28 years
Long-term prepaid expense – catalyst	1.5 to 10 years
Long-term prepaid expense – leasehold improvement	3 to 27 years

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.11 Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 3.3. These investments are subsequently accounted for as follows, depending on their classification.

(a) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2.27).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(b) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the policy set out in note 2.28.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.12 Credit losses and impairment of assets

(a) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortized cost (including cash and cash equivalents, time deposits with banks, trade receivables and other receivables); and

– debt instruments measured at FVOCI (recycling);

Other financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

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

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2 Material accounting policies *(continued)*

2.12 Credit losses and impairment of assets *(continued)*

(a) Credit losses from financial instruments *(continued)*

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. 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 reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

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 reporting date with that assessed at the date of initial recognition.

In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due.

The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.12 Credit losses and impairment of assets *(continued)*

(a) Credit losses from financial instruments *(continued)*

Significant increases in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– 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.

ECLs are remeasured at each reporting 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 investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognized in accordance with note 2.27 is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is 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.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.12 Credit losses and impairment of assets *(continued)*

(a) Credit losses from financial instruments *(continued)*

Basis of calculation of interest income (continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it is becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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. 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.

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.

(b) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– investment properties;

– construction in progress

– other non-current assets; and

– investments in subsidiaries, associates and joint ventures in the Company’s statement of financial position.

2 Material accounting policies *(continued)*

2.12 Credit losses and impairment of assets *(continued)*

(b) Impairment of other non-current assets *(continued)*

At the end of each reporting period, if any indication of impairment exists, the Company estimates the recoverable amount of an asset, or a cash-generating unit, at the higher of its fair value less costs of disposal and its value in use, to determine the impairment losses.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– *Recognition of impairment losses*

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years.

Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.12 Credit losses and impairment of assets *(continued)*

(c) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2.12(a) and (b)).

2.13 Derivative and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 3.1(a). Movements in the hedging reserve in shareholders' equity are shown in note 32. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss, within Other (losses)/gains – net.

When swap contracts are used to hedge forecast transactions the Group may designate the full change in fair value of the swap contract as the hedging instrument. The gains or losses relating to the effective portion of the change in fair value of the entire swap contract are recognized in the cash flow hedge reserve within equity.

2 Material accounting policies *(continued)*

2.13 Derivative and hedging activities *(continued)*

Cash flow hedges that qualify for hedge accounting *(continued)*

Amounts accumulated in equity are reclassified in the periods when the hedged item affects the statement of profit or loss as follows:

Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), the deferred hedging gains and losses are included within the initial cost of the asset. The deferred amounts are ultimately recognized in the statement of profit or loss as the hedged item affects profit or loss (for example through cost of sales).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to (losses)/gains – net.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the statement of profit or loss and are included in Other (losses)/gains – net.

2.14 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. The net realizable value is determined based on the estimated selling price in the ordinary course of business less the estimated costs to completion, and other costs necessary to make the sale.

2.15 Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2.26). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 2.16).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2.27).

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.16 Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price.

Receivables are subsequently stated at amortized cost using the effective interest method less allowance for credit losses (see note 2.12(a)).

2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are presented within borrowings in current liabilities in the statement of financial position. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2.12(a).

2.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Safety production fund

Under China's law and regulation, the Group is required to accrue safety production fund at a certain percentage of the sales of dangerous goods. The fund is earmarked for improving the safety of production. The fund is accrued from retained earnings to other reserves and converted back to retained earnings when used.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.20 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables generally are financial liabilities and are recognized initially at fair value plus transaction costs and subsequently measured at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

2.21 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.22 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.24 Employee benefits

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

(a) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(b) Pension obligations

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leaves the Group.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.25 Provisions and contingent liabilities

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.26 Revenue recognition

(a) Sales of petroleum and chemical products

The Group manufactures and sells petroleum and chemical products. Sales are recognized when control of the products has transferred, being when the products are delivered to or accepted by the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. Advance from customers but goods not yet delivered is recorded as contract liabilities and is recognized as revenue when a customer obtains control over the relevant goods.

Revenue excludes value added tax and is after deduction of any estimated trade discounts.

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

(b) Overseas shipping services

The Group arranges overseas shipping services for the customer and revenue is recognized over time and based on the actual shipping service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual passages of time (days) relative to the total expected shipping days.

2.27 Interest income

Interest income from financial assets at FVPL is included in Other (losses)/gains – net, see note 8 below. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in the consolidated statement of profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as Finance income where it is earned from financial assets that are held for cash management purposes, see note 9 below.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.28 Dividend income

Dividend income is recognized when the right to receive payment is established.

2.29 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in the statement of profit or loss over the useful life of the asset by way of reduced depreciation expense.

2.30 Leases

The Group leases various land, buildings, equipment, vehicles and others. Rental contracts of buildings, equipment, vehicles and others are typically made for fixed periods of 1 to 30 years. Rental contracts of land use rights are typically made for fixed periods of 30 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.30 Leases *(continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight – line basis, as follows:

Land use rights	20 – 50 years
Buildings	2 – 8 years
Equipment	2 – 3 years
Others	2 – 4 years

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.30 Leases *(continued)*

Payments associated with short-term leases of equipment and vehicles are recognized on a straight-line basis as an expense in the statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less. A single discount rate was applied to the portfolio of the leases with reasonably similar characteristics.

Lease income from operating leases where the Group is a lessor is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.32 Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Research and development costs are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the research and development project so that it will be available for use or sale;
- management intends to complete the research and development project, and use or sell it;
- it can be demonstrated how the research and development project will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the research and development project; and
- the expenditure attributable to the research and development project during its development phase can be reliably measured.

Other research and development expenditures that do not meet these criteria are recognized as an expense as incurred. Research and development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

2 Material accounting policies *(continued)*

2.33 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(iv) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(v) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(vi) Both entities are joint ventures of the same third party.

(vii) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(viii) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(ix) The entity is controlled or jointly controlled by a person identified in (i).

(x) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(xi) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.34 Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management policies focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item.

(a) Derivatives

The Group does not have derivative financial instruments in the consolidated statement of financial position as at 31 December 2023 (As at 31 December 2022: Nil).

(i) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Group's accounting policy for its cash flow hedges is set out in note 2.13.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Derivatives *(continued)*

(ii) Hedging reserves

The following table provides a reconciliation of the hedging reserve in respect of commodity price risk and shows the effectiveness of the hedging relationships:

	Pre-tax amount RMB'000	Tax effect RMB'000	Post-tax amount RMB'000
Balance at 1 January 2022	48,613	(12,153)	36,460
Effective portion of the cash flow hedge recognized in other comprehensive income	375,701	(93,925)	281,776
Amounts reclassified to profit or loss	(107,009)	26,752	(80,257)
Reclassified to inventory	(317,305)	79,326	(237,979)
Balance at 31 December 2022 and 1 January 2023	–	–	–
Effective portion of the cash flow hedge recognized in other comprehensive income	15,624	(3,906)	11,718
Amounts reclassified to profit or loss	45,482	(11,370)	34,112
Reclassified to inventory	(61,106)	15,276	(45,830)
Balance at 31 December 2023	–	–	–

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Derivatives *(continued)*

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

In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognized in the consolidated statement of profit or loss in relation to derivatives:

	2023 RMB'000	2022 RMB'000
Net losses on commodity swaps contracts not qualifying as hedges included in other losses – net	–	(35,434)
Net gains on foreign exchange forward contracts not qualifying as hedges included in other losses – net	–	7,583
Total	–	(27,851)

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into commodity swaps contracts that have similar critical terms as the hedged item, such as reference rate, payment dates, transaction price, oil variety and oil quantity.

Hedge ineffectiveness for commodity swaps contracts may occur due to the changes in the timing of the hedged transactions. There was no recognized ineffectiveness during the year ended 31 December 2023 in relation to the commodity swaps.

As at 31 December 2023, the Group did not have commodity contracts of oil designed as qualified cash flow hedges (31 December 2022: Nil).

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Market risk

(i) Foreign exchange 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 exchange risk arising from the recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollar. The Group's finance department at its headquarter is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimize the foreign exchange risk. For the year ended 31 December 2023, the Group does not use any derivative contracts to hedge against its exposure to currency risk. For the year ended 31 December 2022, the Group used foreign exchange forward contracts and foreign exchange option contracts to mitigate its exposure to foreign exchange risk respect to US dollar.

As at 31 December 2023, there were no foreign exchange forward contract and foreign exchange option contract that had not been matured (31 December 2022: Nil).

As at 31 December 2023, if US dollar and HK dollar had weakened/strengthened by 5% against RMB with all other variables held constant, the Group's net loss for the year ended 31 December 2023 would decrease/increase by RMB3,228 thousand (31 December 2022: net loss would decrease/increase by RMB1,751 thousand) before considering the impact of forward and option contracts as a result of foreign exchange gains/losses which is mainly resulted from the translation of US dollar denominated trade receivables and payables.

The aggregate net foreign exchange (losses)/gains recognized in the consolidated statement of profit or loss were:

	2023 RMB'000	2022 RMB'000
Net foreign exchange (losses)/gains included in other losses – net (note 8)	(4,909)	21,969

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest-bearing borrowings and short-term bonds. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

The Group's finance department at its headquarter continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the years ended 31 December 2023 and 31 December 2022, the Group did not enter into any interest rate swap agreements.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows.

	2023 RMB'000	2022 RMB'000
Fixed rate:		
Time deposits with maturity less than one year	700,000	3,000,000
Time deposits with maturity more than one year	2,600,000	3,300,000
Borrowings	(3,000,000)	(1,550,000)
Lease liabilities	(8,457)	(16,251)
	291,543	4,733,749
Variable rate:		
Cash and cash equivalents	4,906,368	889,413
Borrowings	(700,000)	(700,000)
	4,206,368	189,413

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk (continued)

As at 31 December 2023, if interest rates on the floating rate financial instruments had risen/fallen by 50 basis points while all other variables had been held constant, the Group's net loss would have decreased/increased by approximately RMB15,800 thousand (2022: RMB730 thousand decreased/increased in net loss), mainly as a result of higher/lower interest on floating rate cash and cash equivalents.

(iii) Commodity price risk

The Group principally engages in processing crude oil into chemical products and petroleum products. The selling price of petroleum products is periodically adjusted by the government department based on the market price adjustment mechanism, and generally in connection with the crude oil price. The fluctuations in prices of crude oil, refined oil products and chemical products and petroleum products could have significant impact on the Group. The Group uses commodity swaps contracts to manage a portion of this risk.

As at 31 December 2023, the Group had no unexpired commodity contracts of crude oil and refined oil designated as qualified cash flow hedges (31 December 2022: Nil).

(c) Credit risk

(i) Risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk is managed on group basis. It mainly arises from cash and cash equivalents, time deposits with banks, bills receivable, trade receivables measured at amortized cost and FVOCI, other receivables etc.

The Group expects that there is no significant credit risk associated with cash at bank (including time deposits) and bills receivable because the counterparties are banks and financial institutions with a relatively higher credit rating, which the Group considers to represent low credit risk. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

(i) Risk management (continued)

In addition, the Group has policies to limit the credit exposure on trade receivables, other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

– internal credit rating;

– external credit rating (as far as available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations;

– actual or expected significant changes in the operating results of the debtors;

– significant increases in credit risk on other financial instruments of the same debtors;

– significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;

– significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors, etc.

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

(i) Risk management (continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

It has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2023, 94.71% and 99.99% of the total trade receivables were due from the Group's largest customer and the five largest customers respectively within the Group (31 December 2022: 95.57% and 97.65%).

For other receivables, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and forward-looking information. The management believes that there is no material credit risk inherent in the Group's outstanding balance of other receivable.

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- Trade receivables for sales of goods and from the providing services,
- Other financial assets carried at amortized cost, and
- Debt instruments carried at FVOCI.

While cash and cash equivalents, time deposits with banks and bills receivable are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (including trade receivables with related parties) and financial assets at fair value through other comprehensive income.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected credit loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 and 31 December 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Impairment losses on trade receivables are presented as provision of impairment losses on financial assets within loss from operations. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortized cost

Other financial assets at amortized cost include other receivables.

As at 31 December 2023 and 31 December 2022, the internal credit rating of other receivables was all performing. The Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method.

Management considered that there was no significant increase in credit risk for other receivables including receivables from related parties by taking into account of their past history of making payments when due and current ability to pay, and thus the impairment provision recognized during the period was limited to 12 months expected losses.

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Other financial assets at amortized cost *(continued)*

The provision for loss allowance was recognized in the statement of profit or loss in provision of impairment losses on financial assets.

Trade and other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade and other receivables are presented as provision of impairment losses within loss from operations. Subsequent recoveries of amounts previously written off are credited against the same line item.

Debt instruments carried at FVOCI

Debt instruments carried at FVOCI include trade receivables and bills receivable with a business model which is achieved both by collecting contractual cash flows and selling of these assets. The loss allowance for debt instruments carried at FVOCI is recognized in OCI and accumulated in the fair value reserve does not reduce the carrying amount of the financial asset in the statement of financial position.

As at 31 December 2023 and 31 December 2022, no loss allowance was provided for financial assets at FVOCI.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

(iii) Provision of impairment losses on financial assets recognized in the consolidated statement of profit or loss

During the year, the following (losses)/recoveries were recognized in selling and administrative expenses in relation to impaired financial assets:

	2023 RMB'000	2022 RMB'000
Impairment losses		
– provision in loss allowance for trade receivables	(47)	(778)
– provision in loss allowance for other receivables	(3)	(4,727)
– recovery from other receivables already written off	4,860	–
Impairment losses reversed	645	139
Reversal/(provision) of impairment losses on financial assets	5,455	(5,366)

(iv) Financial assets at fair value through profit or loss

The Group is also exposed to credit risk in relation to investments such as shares investments with sell-back clauses, which are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(d) Liquidity risk

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 institutions 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.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations, the renewal of its short-term bank loans and its ability to obtain adequate external financing to support its working capital and meet its debt obligation when they become due. As at 31 December 2023, the Group had credit facilities with several PRC financial institutions which provided the Group to draw down to RMB12,500,000 thousand, within which amounted to RMB8,800,000 thousand were unused. Management assessed that all the facilities could be renewed upon the expiration dates.

Surplus cash held by the operating entities over and above balance required for working capital management is transferred to the Group treasury. As at 31 December 2023, the Group held cash and cash equivalents of RMB4,906,368 thousand (31 December 2022: RMB889,413 thousand) (note 23), time deposits with banks – current of RMB700,645 thousand (31 December 2022: RMB3,108,919 thousand) (note 24) and trade receivables (including trade receivables with related parties and those carried at fair value through other comprehensive income ("FVOCI")) of RMB1,606,288 thousand (31 December 2022: RMB2,957,771 thousand), that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(d) Liquidity risk *(continued)*

	As at 31 December 2023					
	Contractual maturities of financial liabilities					
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount
Non-derivatives						
Borrowings	3,715,617	–	–	–	3,715,617	3,700,000
Lease liabilities	7,878	857	201	–	8,936	8,457
Bills payables	1,401,288	–	–	–	1,401,288	1,401,288
Trade payables	1,569,521	–	–	–	1,569,521	1,569,521
Other payables	862,050	–	–	–	862,050	862,050
Amounts due to related parties excluded non-financial liabilities	5,144,071	–	–	–	5,144,071	5,144,071
	12,700,425	857	201	–	12,701,483	12,685,387

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(d) Liquidity risk *(continued)*

	As at 31 December 2022					
	Contractual maturities of financial liabilities					
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount
Non-derivatives						
Borrowings	1,570,282	704,914	–	–	2,275,196	2,250,000
Lease liabilities	9,395	7,531	655	–	17,581	16,251
Bills payables	24,951	–	–	–	24,951	24,951
Trade payables	1,818,453	–	–	–	1,818,453	1,818,453
Other payables	1,083,130	–	–	–	1,083,130	1,083,130
Amounts due to related parties excluded non-financial liabilities	7,877,323	–	–	–	7,877,323	7,877,323
	12,383,534	712,445	655	–	13,096,634	13,070,108

3.2 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, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.2 Capital management *(continued)*

The Group's adjusted net debt-to-capital ratios at 31 December 2023 and 2022 were as follows:

	Note	2023 RMB'000	2022 RMB'000
Current liabilities:			
Borrowings	27	3,700,000	1,550,000
Lease liabilities	15	7,515	8,738
		3,707,515	1,558,738
Non-current liabilities:			
Borrowings	27	–	700,000
Lease liabilities	15	942	7,513
Total Debt		3,708,457	2,266,251
Less: Cash and cash equivalents	23	(4,906,368)	(889,413)
Adjusted net debt		(1,197,911)	1,376,838
Total equity		24,928,894	26,355,363
Less: Hedging reserve		–	–
Adjusted capital		24,928,894	26,355,363
Adjusted net debt-to-capital ratio		N/A	5%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

3 Financial risk management *(continued)*

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at 31 December 2023 and 2022 by the 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 that maximize 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.

		As at 31 December 2023			
	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurements					
Financial assets					
Financial assets measured at fair value through profit or loss					
– Other non-current financial assets		–	–	36,500	36,500
Financial assets measured at fair value through other comprehensive income					
– Trade and bills receivable	25	–	236,487	–	236,487
– Equity investments	25	–	–	3,869	3,869
		–	236,487	40,369	276,856

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

		As at 31 December 2022			
	Note	Level 1	Level 2	Level 3	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements					
Financial assets					
Financial assets at fair value through other comprehensive income					
– Trade and bills receivable	25	–	582,354	–	582,354
– Equity investments	25	–	–	5,000	5,000
		–	582,354	5,000	587,354
Amounts due to related parties – measured at fair value through profit or loss (FVPL)		–	1,388,286	–	1,388,286

Valuation techniques and inputs used in Level 2 fair value measurements

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 equity investments, the Group involved independent qualified professional appraisers to conduct fair value valuation using the discounted cash flow method, and the inputs used mainly include free cash flow, risk-free interest rate and surplus funds.

For redeemable preference share investments, the fair value is determined by reference to the most recent transaction price and the effect of liquidation preferences.

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

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

During the year ended 31 December 2023, 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.

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), borrowings and short-term bonds. The carrying amounts of these financial assets and liabilities not measured at fair value are a reasonable approximation of their fair value.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

Financial assets at fair value through other comprehensive income	**Equity investments**	**Total**
	RMB'000	RMB'000
As at 1 January 2022	5,000	5,000
Acquisition	–	–
Disposals	–	–
Fair value change	–	–
As at 31 December 2022	**5,000**	**5,000**
Acquisition	**–**	**–**
Fair value change recognised in other comprehensive income during the period	**(1,131)**	**(1,131)**
As at 31 December 2023	**3,869**	**3,869**

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

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

Financial assets measured at fair value through profit or loss	Structured deposits	Other non-current financial assets	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2022	–	–	–
Acquisition	1,000,000	–	1,000,000
Disposals	(1,011,124)	–	(1,011,124)
Fair value change	11,124	–	11,124
As at 31 December 2022	–	–	–
Acquisition	–	26,500	26,500
Fair value change	–	10,000	10,000
As at 31 December 2023	–	36,500	36,500

4 Critical accounting judgement and estimates

4.1 Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(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 for managing financial assets at the level of the financial asset portfolio. The factors considered include the way to evaluate and report the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and their management methods, and the way for relevant business management personnel to obtain remuneration, etc.

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

(Expressed in Renminbi Yuan unless otherwise indicated)

4 Critical accounting judgement and estimates *(continued)*

4.2 Sources of estimation uncertainty

Significant sources of estimation uncertainty are as follows:

(a) Net realizable value ("NRV") of inventories

As described in note 2.14, inventories are valued at the lower of cost and net realizable value. The net realizable value is determined based on the estimated selling prices in the ordinary course of business less the estimated costs to completion, and other costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

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

(b) Impairments for non-current assets

As discussed in note 2.12, 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) Useful life and residual value of property, plant and equipment

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

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Segment information and revenue

5.1 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 substantially all 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.

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 interests in associates and joint ventures, deferred tax assets, cash and cash equivalents, time deposits, financial assets at fair value through other comprehensive income – equity investments, financial assets measured at fair value through profit or loss – other non-current financial assets and incomes relating to these assets (such as share of net (losses)/profits of associates and joint ventures accounted for using the equity method and interest income), borrowings and interest expenses, and deferred tax liabilities.

The Group has identified three reportable segments: petroleum products, chemical products and trading of petrochemical products. Petroleum products and chemical products are produced through intermediate steps from the principal raw material of crude oil. The specific products of each segment are as follows:

(i) The petroleum products segment is equipped with crude oil refinery facilities used to produce qualified refined gasoline, fuel, diesel oil, heavy oil and liquefied petroleum gas, and provide raw materials for the Group's downstream petrochemical processing facilities.

(ii) The chemical products segment primarily produces p-xylene, benzene, ethylene oxide, polyethylene resins, polypropylene resins, acrylic fibres and carbon fibres.

Produces p-xylene, benzene, and ethylene oxide are both served as raw materials in the production of other petrochemicals and sold to external 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 are mainly used in the textile and apparel industries

(iii) The trading of petrochemical products segment is primarily engaged in importing and exporting of petrochemical products. The products are sourced from international and domestic suppliers.

(iv) Other business include investment property leasing, service provision and a variety of other commercial activities, which are not included in above mentioned operating segments.

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Segment information and revenue (continued)

5.1 Segment information (continued)

2023	Petroleum products RMB'000	Chemical products RMB'000	Trading of petrochemical products RMB'000	Others RMB'000	Total RMB'000
Total segment revenue	77,077,668	35,744,930	9,073,844	1,700,498	123,596,940
Inter segment revenue	(12,435,124)	(16,633,628)	(894,509)	(702,071)	(30,665,332)
Revenue from external customers	64,642,544	19,111,302	8,179,335	998,427	92,931,608
Timing of revenue recognition					
– At a point in time	64,642,544	19,111,302	8,123,135	998,427	92,875,408
– Over time	–	–	56,200	–	56,200
	64,642,544	19,111,302	8,179,335	998,427	92,931,608
Segment result – (loss)/profit from operations	(230,020)	(1,497,511)	41,765	(67,188)	(1,752,954)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Segment information and revenue *(continued)*

5.1 Segment information *(continued)*

2022	Petroleum products RMB'000	Chemical products RMB'000	Trading of petrochemical products RMB'000	Others RMB'000	Total RMB'000
Total segment revenue	62,729,318	33,943,253	12,938,629	1,641,535	111,252,735
Inter segment revenue	(11,575,451)	(15,608,413)	(922,043)	(703,672)	(28,809,579)
Revenue from external customers	51,153,867	18,334,840	12,016,586	937,863	82,443,156
Timing of revenue recognition					
– At a point in time	51,153,867	18,334,840	11,917,827	937,863	82,344,397
– Over time	–	–	98,759	–	98,759
	51,153,867	18,334,840	12,016,586	937,863	82,443,156
Segment result – profit/(loss) from operations	972	(3,724,426)	12,838	(132,750)	(3,843,366)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Segment information and revenue *(continued)*

5.1 Segment information *(continued)*

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

Other profit and loss disclosures

	2023			2022		
	Depreciation and amortization RMB'000	Impairment loss and credit loss RMB'000	Inventory write-down RMB'000	Depreciation and amortization RMB'000	Impairment loss and credit loss RMB'000	Inventory write-down RMB'000
Petroleum products	(686,421)	–	(51,212)	(928,687)	–	(37,900)
Chemical products	(1,363,300)	(25,840)	(395,507)	(662,729)	(291,617)	(487,369)
Trading of petrochemical products	8,228	–	–	(35,345)	–	–
Others	52,712	1,445	–	(186,537)	(9)	–
	(1,988,781)	(24,395)	(446,719)	(1,813,298)	(291,626)	(525,269)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Segment information and revenue *(continued)*

5.1 Segment information *(continued)*

Other profit and loss disclosures *(continued)*

	As at 31 December	
	2023	2022
	Total assets	Total assets
		(Restated)
	RMB'000	RMB'000
Allocated assets		
Petroleum products	15,498,918	16,021,111
Chemical products	8,071,525	7,897,978
Trading of petrochemical products	768,621	1,391,104
Others	2,183,405	2,765,693
Allocated assets	26,522,469	28,075,886
Unallocated assets		
Investments accounted for using the equity method	3,271,941	3,504,393
Cash and cash equivalents	4,906,368	889,413
Time deposits with banks	3,483,145	6,498,478
Deferred tax assets	1,313,841	991,892
Financial assets measured at fair value through profit or loss	36,500	–
Value added tax recoverable	15,222	1,057,463
Others	14,745	119,234
Unallocated assets	13,041,762	13,060,873
Total assets	39,564,231	41,136,759

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Segment information and revenue *(continued)*

5.1 Segment information *(continued)*

Other profit and loss disclosures *(continued)*

	As at 31 December	
	2023	2022
	Total liabilities	Total liabilities
		(Restated)
	RMB'000	RMB'000
Allocated liabilities		
Petroleum products	7,197,171	8,159,960
Chemical products	2,903,313	2,642,586
Trading of petrochemical products	718,651	1,370,346
Others	53,007	251,328
Allocated liabilities	10,872,142	12,424,220
Unallocated liabilities		
Borrowings	3,700,000	2,250,000
Deferred tax liabilities	31,564	30,898
Others	31,631	76,239
Unallocated liabilities	3,763,195	2,357,137
Total liabilities	14,635,337	14,781,357

	2023	2022
	RMB'000	RMB'000
Additions to property, plant and equipment, construction in progress, right-of-use assets, other non-current assets		
Petroleum products	457,199	544,806
Chemical products	1,078,218	2,657,772
Trading of petrochemical products	442	16,603
Others	17,305	235,406
	1,553,164	3,454,587

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Segment information and revenue *(continued)*

5.2 Revenue

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

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

Details of concentrations of credit risk arising from these customers are set out in note 3.1(c).

6 Other operating income

	2023 RMB'000	2022 RMB'000
Government grants (a)	39,819	33,055
Rental income from investment properties (note 17)	81,987	75,159
Others	9,943	2,427
	131,749	110,641

(a) Government grants

Grants related to R&D, other tax refund and subsidies are included in the government grants line item. There are no unfulfilled conditions or other contingencies attaching to these grants.

7 Other operating expenses

	2023 RMB'000	2022 RMB'000
Cost related to lease of investment properties	(11,633)	(12,037)
Others	(8,529)	(13,738)
	(20,162)	(25,775)

8 Other (losses)/gains – net

	2023 RMB'000	2022 RMB'000
Net losses on disposal of property, plant and equipment and other long-term assets	(26,758)	(26,767)
Net foreign exchange (losses)/gains	(4,909)	21,969
Losses on sale of financial assets at FVOCI	(4,403)	(3,148)
Net losses on disposal of inventories	(313)	(819)
Financial assets at fair value through profit or loss – net change in fair value	10,000	–
Gains from insurance claim	8,498	–
Gains from derecognition of expired payables	3,690	–
Net losses on commodity swaps contracts not qualified for hedging accounting	–	(35,434)
Gains from structured deposits (note a)	–	11,124
Net gains on foreign exchange forward contracts	–	7,583
Gains from entrusted loan receivables	–	2,704
	(14,195)	(22,788)

(a) Gains from structured deposits

Structured deposits are financial products issued by banks, return of which are linked to the performance of the embedded index, like foreign exchange rate, interest rate and etc..

(Expressed in Renminbi Yuan unless otherwise indicated)

9 Finance income and expenses

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

(Expressed in Renminbi Yuan unless otherwise indicated)

10 Expense by nature

	2023 RMB'000	2022 RMB'000
Cost of raw materials	65,553,670	55,997,717
Cost of trading products	8,070,375	11,910,488
Employee benefit expenses (note 11)	3,479,098	3,545,720
Depreciation and amortization:		
Property, plant and equipment (note 16)	1,685,008	1,494,176
Investment properties (note 17)	15,270	15,323
Other non-current assets (note 14)	256,198	270,881
Right-of-use assets (note 15)	32,305	32,918
Repairs and maintenance expenses	1,095,884	1,513,812
Changes of work in progress and finished goods	(154,992)	(78,255)
Transportation costs	202,856	193,144
Inventory write-down (note 21)	446,719	525,269
External processing fee	179,934	192,288
Commission expense (note 33)	99,026	90,341
Impairment loss of property, plant and equipment (note 16)	29,850	286,260
Auditors' remuneration – audit services	6,837	6,837
Auditors' remuneration – non-audit services	129	129
Expenses relating to short-term leases	14,764	14,774

(Expressed in Renminbi Yuan unless otherwise indicated)

11 Employee benefit expenses

	2023 RMB'000	2022 RMB'000
Wages and salaries	2,068,913	2,139,472
Social welfare costs	914,650	921,971
Others	495,535	484,277
Total employee benefit expense	3,479,098	3,545,720

(a) Five highest paid individuals

For the years ended 31 December 2023 and 31 December 2022, all 5 individuals with the highest emoluments are directors and supervisors whose emoluments are disclosed in note 37.

(b) Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as stipulated by the local municipal government to the scheme to fund the retirement benefits of the employees.

In addition, the Group provides a supplementary retirement plan for its staff at rates not exceeding 8% of the salaries. 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 year ended 31 December 2023, the Group's total contributions to defined contribution retirement plans was RMB460,224 thousand. (2022: RMB463,204 thousand)

(c) As at 31 December 2023 and 31 December 2022, there was no material outstanding contribution to the above defined contribution retirement plans.

12 Income tax

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

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

	Year ended 31 December	
	2023	2022
		(Restated)
	RMB'000	RMB'000
Loss before taxation	(1,655,407)	(3,573,654)
Expected PRC income tax at the statutory tax rate of 25%	413,852	893,414
Tax effect of share of net losses profits of investments accounted for using the equity method	(38,665)	(46,787)
Tax effect of other non-taxable income	6,484	8,496
Tax effect of additional deductions for R&D expenses	21,369	17,779
Additional deduction of wages for disabled employees	1,268	1,394
Tax effect of non-deductible loss, expenses and costs	(65,148)	(67,330)
True up for final settlement of enterprise income taxes in respect of previous years	227	(54,017)
Tax losses for which no deferred tax asset was recognized	(29,676)	(24,948)
Utilization of previously unrecognized tax losses	519	3,353
Derecognition of previously recognized tax losses	(4,074)	–
Tax effect of changes in accounting policies	(63)	106
Actual income tax benefits	306,093	731,460

(Expressed in Renminbi Yuan unless otherwise indicated)

12 Income tax *(continued)*

The provision for PRC income tax is calculated at the rate of 25% (2022: 25%) on the estimated taxable income of the year ended 31 December 2023 determined in accordance with relevant income tax rules and regulations. The Group did not carry out business overseas and therefore does not incur overseas income taxes.

(a) Current taxation in the consolidated statement of financial position represents:

	2023 RMB'000	2022 RMB'000
At beginning of the year	(51,650)	258,466
Provision for current income tax for the year	14,907	66,649
Refund/(payment) during the year	37,556	(376,765)
At the end of the year	813	(51,650)
Representing		
Income tax		
– Payable	2,369	2,754
– Prepaid	(1,556)	(54,404)
	813	(51,650)

(Expressed in Renminbi Yuan unless otherwise indicated)

12 Income tax *(continued)*

(b) Movements in deferred tax assets and liabilities are as follows:

	Balance as at 1 January 2023 RMB'000	Credited/ (Charged) to profit or loss RMB'000	Credited/ (Charged) to reserves RMB'000	Balance as at 31 December 2023 RMB'000
Deferred tax assets:				
Impairment for bad and doubtful debts and provision for inventories	128,110	(4,603)	–	123,507
Provision for impairment losses in property, plant and equipment and construction in progress	428,710	5,597	–	434,307
Tax losses	872,648	519,080	–	1,391,728
Lease liabilities	3,873	(1,759)	–	2,114
Fair value gain and loss	–	–	283	283
Accurals and others	26,305	(3,299)	–	23,006
	1,459,646	515,016	283	1,974,945
Deferred tax liabilities:				
Difference in depreciation	(493,563)	(193,488)	–	(687,051)
Capitalization of borrowing costs	(1,255)	212	–	(1,043)
Right-of-use assets	(3,834)	1,760	–	(2,074)
Fair value gain and loss	–	(2,500)	–	(2,500)
	(498,652)	(194,016)	–	(692,668)
Deferred tax assets – net	991,892	321,666	283	1,313,841
Deferred tax liabilities – net	(30,898)	(666)	–	(31,564)

(Expressed in Renminbi Yuan unless otherwise indicated)

12 Income tax *(continued)*

(b) Movements in deferred tax assets and liabilities are as follows: *(continued)*

	Balance as at 1 January 2022 RMB'000	Credited/ (charged) to profit or loss RMB'000	Credited/ (charged) to reserves RMB'000	Balance as at 31 December 2022 RMB'000
Deferred tax assets:				
Impairment for bad and doubtful debts and provision for inventories	56,349	71,761	–	128,110
Provision for impairment losses in property, plant and equipment and construction in progress	358,211	70,499	–	428,710
Tax losses	–	872,648	–	872,648
Lease liabilities	1,153	2,720	–	3,873
Accurals and others	82,178	(55,873)	–	26,305
	497,891	961,755	–	1,459,646
Deferred tax liabilities:				
Difference in depreciation	(330,071)	(163,492)	–	(493,563)
Capitalization of borrowing costs	(1,468)	213	–	(1,255)
Right-of-use assets	(1,220)	(2,614)	–	(3,834)
Derivative financial instruments	(14,400)	2,247	12,153	–
	(347,159)	(163,646)	12,153	(498,652)
Deferred tax assets – net	184,143	795,596	12,153	991,892
Deferred tax liabilities – net	(33,411)	2,513	–	(30,898)

The Group recognizes deferred tax assets only to the extent that it is probable that future taxable income will be available against which the assets can be utilized. Based on the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets will be utilized, management believes that it is probable the Group will realize the benefits of these temporary differences for which deferred tax assets have been recognized.

(Expressed in Renminbi Yuan unless otherwise indicated)

12 Income tax *(continued)*

(c) Deferred tax assets not recognized:

As at 31 December 2023, certain subsidiaries of the Company did not recognize the deferred tax assets in respect of the impairment losses on property, plant and equipment amounting to RMB29,856 thousand (31 December 2022: RMB29,856 thousand), because it was not probable that the related tax benefit would be realized.

As at 31 December 2023, certain subsidiaries of the Company did not recognize the deferred tax assets in respect of tax losses of RMB454,782 thousand (31 December 2022: RMB393,896 thousand) carried forward for PRC income tax purpose because it was not probable that the related tax benefit would be realized.

Tax losses carried forward that are not recognized as deferred tax assets will expire in the following years:

	2023 RMB'000	2022 RMB'000
2023	–	65,585
2024	91,901	91,901
2025	41,475	41,475
2026	95,144	95,144
2027	107,558	99,791
2028	118,704	–
	454,782	393,896

(Expressed in Renminbi Yuan unless otherwise indicated)

13 Losses per share

(a) Basic losses per share

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

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

Weighted average number of ordinary shares

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

(b) Diluted losses per share

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

14 Other non-current assets

	Intangible assets	Long-term prepaid expense	Investment deposits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022				
Cost	85,908	1,726,622	–	1,812,530
Accumulated amortization	(74,064)	(950,659)	–	(1,024,723)
Net book amount	11,844	775,963	–	787,807
Year ended 31 December 2022				
Opening net book amount	11,844	775,963	–	787,807
Additions	–	268,474	50,000	318,474
Charge for the year	(2,924)	(267,957)	–	(270,881)
Closing net book amount	8,920	776,480	50,000	835,400
As at 31 December 2022				
Cost	85,908	1,995,096	50,000	2,131,004
Accumulated amortization	(76,988)	(1,218,616)	–	(1,295,604)
Net book amount	8,920	776,480	50,000	835,400
Year ended 31 December 2023				
Opening net book amount	8,920	776,480	50,000	835,400
Additions	–	118,122	–	118,122
Charge for the year	(2,924)	(253,274)	–	(256,198)
Decrease	–	–	(50,000)	(50,000)
Closing net book amount	5,996	641,328	–	647,324
As at 31 December 2023				
Cost	85,908	2,113,218	–	2,199,126
Accumulated amortization	(79,912)	(1,471,890)	–	(1,551,802)
Net book amount	5,996	641,328	–	647,324

For the year ended 31 December 2023, the amortization of intangible assets and long-term prepaid expense of RMB256,198 thousand (2022: RMB270,881 thousand) has been charged in Cost of sales.

(Expressed in Renminbi Yuan unless otherwise indicated)

15 Leases

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

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

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

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

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

	2023
	RMB'000
Within 1 year	7,878
After 1 year but within 2 years	857
After 2 years but within 5 years	201
	8,936

15 Leases *(continued)*

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

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

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

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

(Expressed in Renminbi Yuan unless otherwise indicated)

16 Property, plant and equipment

	Buildings RMB'000	Plant and machinery RMB'000	Vehicles and other equipment RMB'000	Total RMB'000
Cost:				
At 1 January 2022	3,874,092	43,364,732	1,996,860	49,235,684
Additions	132	187,460	39,934	227,526
Transferred from construction in progress (note 18)	609,303	1,768,395	90,219	2,467,917
Reclassification	9,088	(47,399)	38,311	–
Disposals	(2,596)	(393,686)	(51,813)	(448,095)
Transferred from investment properties (note 17)	47	–	–	47
Others	1,208	–	–	1,208
At 31 December 2022 and 1 January 2023	4,491,274	44,879,502	2,113,511	51,484,287
Additions	89	149,393	32,139	181,621
Transferred from construction in progress (note 18)	207,727	3,266,210	79,627	3,553,564
Reclassification	28,988	(88,803)	59,815	–
Disposals	(28,235)	(227,124)	(35,900)	(291,259)
Transferred from investment properties – net (note 17)	3,220	–	–	3,220
At 31 December 2023	4,703,063	47,979,178	2,249,192	54,931,433
Accumulated depreciation:				
At 1 January 2022	(2,696,149)	(32,276,268)	(1,512,724)	(36,485,141)
Charge for the year	(95,661)	(1,270,423)	(128,092)	(1,494,176)
Reclassification	(787)	6,340	(5,553)	–
Written back on disposals	2,469	344,469	50,036	396,974
Transferred from investment properties (note 17)	(45)	–	–	(45)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 Property, plant and equipment *(continued)*

	Buildings RMB'000	Plant and machinery RMB'000	Vehicles and other equipment RMB'000	Total RMB'000
At 31 December 2022 and 1 January 2023	(2,790,173)	(33,195,882)	(1,596,333)	(37,582,388)
Charge for the year	(108,945)	(1,432,837)	(143,226)	(1,685,008)
Reclassification	(40,521)	45,407	(4,886)	–
Written back on disposals	26,781	200,434	33,009	260,224
Transferred from investment properties – net (note 17)	(2,664)	–	–	(2,664)
At 31 December 2023	(2,915,522)	(34,382,878)	(1,711,436)	(39,009,836)
Impairment losses:				
At 1 January 2022	(80,718)	(1,350,826)	(8,967)	(1,440,511)
Charge for the year	(984)	(283,624)	(1,652)	(286,260)
Written back on disposals	–	4,264	112	4,376
Reclassification	(2,146)	2,202	(56)	–
At 31 December 2022 and 1 January 2023	(83,848)	(1,627,984)	(10,563)	(1,722,395)
Charge for the year	–	(29,632)	(218)	(29,850)
Written back on disposals	–	7,462	–	7,462
Reclassification	(21,181)	21,470	(289)	–
At 31 December 2023	(105,029)	(1,628,684)	(11,070)	(1,744,783)
Net book value:				
At 31 December 2023	1,682,512	11,967,616	526,686	14,176,814
At 31 December 2022	1,617,253	10,055,636	506,615	12,179,504

(Expressed in Renminbi Yuan unless otherwise indicated)

16 Property, plant and equipment *(continued)*

(i) During the year ended 31 December 2023, due to deteriorating market conditions, the increasing production cost is not expected to be covered by the estimated selling price of the products, the Group identified an impairment indicator for property, plant and equipment in relation to certain production facilities under chemical products segment, and performed an impairment assessment of these assets based on their estimated recoverable amounts, which indicated that no further impairment loss provision was required.

The recoverable amounts of certain production facilities of intermediate petrochemicals are estimated using the present value of future cash flows based on the financial budgets approved by management covering a five-year period, which is determined based on remaining life of primary facilities. Forecasted cash flows are developed using several key assumptions, including the product sales growth rates, related costs growth rates ("forecasted growth rates") and discount rate. The forecasted growth rates are based on past business performance and market participants' expectations for market development, with an compound average growth rate of 2.52% for revenue from 2024 to 2028 and a compound average cost growth rate of 0.02% from 2024 to 2028, which are consistent with the forecasts included in industry reports. The discount rate used is a pre-tax ratio of 11.89% and reflects specific risks relating to the Group.

The recoverable amounts of certain production facilities ofsynthetic fibres are estimated based on the fair value of the assets, net of disposal costs. Fair value of the assets are developed using several key assumptions, including the replacement cost, newness rate and other key assumptions. The replacement cost are based on acquisition and construction costs adjusted by the corresponding price index. The newness rate is determined by remaining economic life of the asset. The disposal costs is determined by the calculation of agent fee and tax rate.

(ii) During the year ended 31 December 2023, a number of production facilities were idle or obsolete. The Group does not expect to have future economic benefits recoverable from the use of those production facilities. There is no alternative use of those production facilities which is specifically designed. The recoverable amounts of property, plant and equipment related to those production facilities are estimated to be their residual value. As a result, impairment loss of RMB29,850 thousand under chemical products segment was made against the carrying amounts of those assets.

As a result of these assessments, an impairment loss of RMB29,850 thousand on property, plant and equipment was recognized in "cost of sales" for the year ended 31 December 2023.

(Expressed in Renminbi Yuan unless otherwise indicated)

17 Investment properties

	RMB'000
Cost:	
As at 1 January 2022	626,414
Transferred to property plant and equipment (note 16)	(47)
At 31 December 2022 and 1 January 2023	626,367
Transferred to property plant and equipment – net (note 16)	(3,220)
At 31 December 2023	623,147
Accumulated depreciation:	
At 1 January 2022	(274,226)
Charge for the year	(15,323)
Transferred to property plant and equipment (note 16)	45
At 31 December 2022 and 1 January 2023	(289,504)
Charge for the year	(15,270)
Transferred to property plant and equipment – (note 16)	2,664
At 31 December 2023	(302,110)
Net book value:	
At 31 December 2023	321,037
At 31 December 2022	336,863

(Expressed in Renminbi Yuan unless otherwise indicated)

17 Investment properties *(continued)*

As at 31 December 2023, the Group has no contractual obligations for future repairs and maintenance (31 December 2022: Nil).

Investment properties represent certain floors of an office building leased to other entities including related parties.

a. The fair value of the investment properties of the Group as at 31 December 2023 was estimated by the directors to be approximately RMB1,236,298 thousand by reference to market values of similar properties in the nearby area (31 December 2022: RMB1,236,686 thousand). This fair value estimation was at level 3 of fair value hierarchy by using market observable inputs. The investment properties have not been valued by external independent appraisers.

b. Rental income of RMB81,987 thousand was recognized in other operating income by the Group for the year ended 31 December 2023 (2022: RMB75,159 thousand).

c. Leasing arrangements

The investment properties are leased out under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually renegotiated every year to reflect market rentals.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	43,237	52,138
Between 1 and 2 years	4,929	6,638
Above 2 years	1,862	6,522
	50,028	65,298

18 Construction in progress

	2023 RMB'000	2022 RMB'000
As at 1 January	3,748,461	3,293,177
Additions	1,245,749	2,927,950
Disposal	(240,044)	(4,749)
Transferred to property plant and equipment (note 16)	(3,553,564)	(2,467,917)
As at 31 December	1,200,602	3,748,461

As at 31 December 2023, the impairment loss in construction in progress was RMB24,486 thousand (31 December 2022: RMB24,486 thousand).

For the year ended 31 December 2023, the Group capitalized borrowing costs amounting to RMB11,700 thousand (2022: RMB24,136 thousand) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its borrowings of 1.70%(2022: 1.78%).

(Expressed in Renminbi Yuan unless otherwise indicated)

19 Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of paid-up capital '000	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Shanghai Petrochemical Investment Development Company Limited ("Toufa")	Mainland China	RMB1,000,000	100.00	100.00	–	Investment management
China Jinshan Associated Trading Corporation ("Jinmao")	Mainland China	RMB25,000	67.33	67.33	–	Import and export of petrochemical products and equipment
Shanghai Jinchang Engineering Plastics Company Limited ("Jinchang")	Mainland China	USD9,154	74.25	–	74.25	Production of polypropylene compound products
Shanghai Golden Phillips Petrochemical Company Limited ("Jinfei")	Mainland China	RMB415,623	100.00	–	100.00	Production of polyethylene products
Shanghai Jinshan Trading Corporation ("JMGJ")	Mainland China	RMB100,000	67.33	–	67.33	Import and export of petrochemical products
Zhejiang Jinlian Petrochemical Storage and Transportation Co., Ltd. ("Jinlian")	Mainland China	RMB400,000	100.00	–	100.00	Storage and transportation

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method

The amounts recognized in the consolidated statement of financial position are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Associates		
– Share of net assets	2,802,507	3,027,632
Joint ventures		
– Share of net assets	469,434	476,761
As at 31 December	3,271,941	3,504,393

The amounts recognized in the share of net (losses)/profits of associates and joint ventures accounted for using the equity method are as follows:

	2023	2022
	RMB'000	RMB'000
Associates	(154,199)	(188,549)
Joint ventures	13,071	14,933
	(141,128)	(173,616)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method *(continued)*

(a) Investment in associates

	2023 RMB'000	2022 RMB'000
As at 1 January	3,027,632	3,812,845
Additions (note i)	–	96,672
Share of net loss	(154,199)	(188,549)
Other comprehensive income	767	(23,771)
Cash dividends distribution	(71,693)	(669,565)
As at 31 December	2,802,507	3,027,632

Set out below are the material associates of the Group as at 31 December 2023. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method *(continued)*

(a) Investment in associates *(continued)*

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

				Proportion of ownership interest			
Name of company	Form of business structure	Place of incorporation and business	Particulars of paid- up capital '000	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Shanghai Secco Petrochemical Company Limited ("Shanghai Secco")	Incorporated	Mainland China	RMB3,115,180	20.00%	20.00%	–	Manufacturing and distribution of chemical products
Shanghai Chemical Industry Park Development Company Limited ("Chemical Industry")	Incorporated	Mainland China	RMB2,372,439	38.26%	38.26%	–	Planning, development and operation of the Chemical Industry Park in Shanghai, PRC
Shanghai Jinsen Hydrocarbon Resins Company Limited ("Jinsen")	Incorporated	Mainland China	RMB193,695	40.00%	–	40.00%	Production of resins products
Shanghai Azbil Automation Company Limited ("Azbil")	Incorporated	Mainland China	RMB24,440	40.00%	–	40.00%	Service and maintenance of building automation systems and products
Shanghai Shidian Energy Company Limited ("Shidian Energy") (note i)	Incorporated	Mainland China	RMB1,000,000	40.00%	–	40.00%	Electric power supply

There are no contingent liabilities relating to the Group's interest in the associates.

i. Pursuant to the articles of association of Shidian Energy in August 2019, Toufa agreed to make a capital contribution of RMB400,000 thousand to acquire 40% share of Shidian Energy, RMB320,000 thousand was paid up in 2019. In 2022, Toufa contributed paid up the remaining amount of RMB80,000 thousand to Shidian Energy and the total investment amounted to RMB400,000 thousand as at 31 December 2023 and 31 December 2022.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

20 Investments accounted for using the equity method *(continued)*

(a) Investment in associates *(continued)*

Summarized financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Summarized financial information for material associates

Set out below are the summarized financial information for the above associates.

Summarized statement of financial position for material associates

As at 31 December 2023	Shanghai Secco RMB'000	Chemical Industry RMB'000	Jinsen RMB'000	Azbil RMB'000	Shidian Energy RMB'000
Current					
– Current assets	4,669,471	3,858,856	17,460	245,285	928,769
– Current liabilities	(5,838,648)	(1,932,014)	(1,114)	(82,457)	(38,066)
Non-current					
– Non-current assets	5,438,241	5,607,507	54,901	11,529	214,348
– Non-current liabilities	(4,476,514)	(880,938)	–	(3,384)	(39,538)
Net (liabilities)/assets	(207,450)	6,653,411	71,247	170,973	1,065,513
Group's effective interest	20.00%	38.26%	40.00%	40.00%	40.00%
Group's share of net assets	(41,490)	2,545,595	28,499	68,389	426,205
Unrealized upstream and downstream transaction	2,035	–	–	–	(9,250)
Unrecognized loss in the current year	39,455	–	–	–	–
Unentitled portion (note i)	–	(329,890)	–	–	–
Impairment loss	–	–	(28,392)	–	–
Carrying value	–	2,215,705	107	68,389	416,955

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method *(continued)*

(a) Investment in associates *(continued)*

Summarized statement of financial position for material associates *(continued)*

As at 31 December 2022	Shanghai Secco RMB'000	Chemical Industry RMB'000	Jinsen RMB'000	Azbil RMB'000	Shidian Energy RMB'000
Current					
– Current assets	4,941,394	4,327,622	49,810	276,707	950,614
– Current liabilities	(8,977,030)	(1,765,771)	(17,905)	(125,216)	(38,133)
Non-current					
– Non-current assets	5,683,409	4,480,448	50,360	12,338	166,068
– Non-current liabilities	(1)	(651,729)	–	(5,518)	(35,355)
Net assets	1,647,772	6,390,570	82,265	158,311	1,043,194
Group's effective interest	20.00%	38.26%	40.00%	40.00%	40.00%
Group's share of net assets	329,554	2,445,032	32,906	63,324	417,278
Unrealized upstream and downstream transaction	4,342	–	–	–	(12,615)
Unentitled portion (note i)	–	(329,890)	–	–	–
Impairment loss	–	–	(28,392)	–	–
Carrying value	333,896	2,115,142	4,514	63,324	404,663

Note i: Unentitled portion represented the earnings from sales of the lands injected by Government in Chemical Industry that cannot be shared by other shareholders.

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method *(continued)*

(a) Investment in associates *(continued)*

Summarized statement of comprehensive income for material associates

2023	Shanghai Secco RMB'000	Chemical Industry RMB'000	Jinsen RMB'000	Azbil RMB'000	Shidian Energy RMB'000
Revenue	17,425,839	1,925,655	22,884	433,131	527,731
Post-tax (loss)/profit from continuing operations	(1,855,222)	540,797	(11,078)	62,662	32,319
Other comprehensive income	–	2,003	–	–	–
Total comprehensive income	(1,855,222)	542,800	(11,078)	62,662	32,319
Dividend received from the associate	–	46,103	–	20,000	4,000

2022	Shanghai Secco RMB'000	Chemical Industry RMB'000	Jinsen RMB'000	Azbil RMB'000	Shidian Energy RMB'000
Revenue	24,096,829	1,806,888	119,098	384,655	508,704
Post-tax (loss)/profit from continuing operations	(1,947,579)	441,369	(29,188)	46,894	28,065
Other comprehensive income	–	(62,130)	–	–	–
Total comprehensive income	(1,947,579)	379,239	(29,188)	46,894	28,065
Dividend received from the associate	554,438	55,477	–	24,000	24,000

20 Investments accounted for using the equity method *(continued)*

(a) Investment in associates *(continued)*

Aggregate information of associates that are not individually material:

	2023 RMB'000	2022 RMB'000
Aggregate carrying value of investments at 31 December	101,351	106,093
Aggregate amounts of the Group's share of those associates:		
(loss)/profit for the year	(6,572)	876
Total comprehensive income	(6,572)	876
Dividend received from the associate	1,590	11,650

(b) Investment in joint ventures

	2023 RMB'000	2022 RMB'000
As at 1 January	476,761	276,043
Addition (note i)	–	200,000
Share of net profits	13,071	14,933
Cash dividends distribution	(20,398)	(14,215)
As at 31 December	469,434	476,761

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method *(continued)*

(b) Investment in joint ventures *(continued)*

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

The following list contains only the particulars of material joint ventures, all of the Group's joint ventures are unlisted corporate entities whose quoted market price is not available:

				Proportion of ownership interest			
Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of paid-up capital '000	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Linde-SPC Gases Company Limited ("Linde"), formerly known as "BOC-SPC Gases Company Limited")	Incorporated	Mainland China	USD 32,000	50.00%	–	50.00%	Production and sales of industrial gases
Shanghai Petrochemical Pressure Vessel Testing Center ("JYJC")	Incorporated	Mainland China	RMB10,000	50.00%	–	50.00%	Providing inspection and testing service
Shanghai Petrochemical Yangu Gas Development Company Limited ("Yangu Gas")	Incorporated	Mainland China	USD10,560	50.00%	–	50.00%	Production and sales of industrial gases
Shanghai Jinshan Baling New Materials Co., Ltd. ("Baling Materials") (note i)	Incorporated	Mainland China	RMB500,000	50.00%	–	50.00%	Production and sales of new styrene thermoplastic elastomer materials

i. In September 2021, Sinopec Baling Petrochemical Co., Ltd. and the Company jointly established Baling Materials, the Company agreed to contribute RMB400,000 thousand to acquire 50% share of Baling Materials. As at 31 December 2023, the Company has paid up capital of RMB250,000 thousand, representing 50% of the current paid-in registered capital of Baling Materials.

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method *(continued)*

(b) Investment in joint ventures *(continued)*

Summarized financial information for joint ventures

Set out below are the summarized financial information for joint ventures which are accounted for using the equity method.

Summarized statement of financial position for joint ventures

As at 31 December 2023	Linde RMB'000	JYJC RMB'000	Yangu Gas RMB'000	Baling Materials RMB'000
Current				
Cash and cash equivalents	223,486	10,215	73,849	77,859
Other current assets (excluding cash)	77,286	10,083	2,252	62,061
Total current assets	300,772	20,298	76,101	139,920
Total current liabilities	(37,985)	(2,455)	(13,242)	(657,863)
Non-current				
Total non-current assets	90,912	1,453	8,784	1,624,943
Total non-current liabilities	(5,600)	–	–	(607,000)
Net assets	348,099	19,296	71,643	500,000
Group's effective interest	50%	50%	50%	50%
Interest in joint ventures	174,050	9,648	35,822	250,000
Unrealized downstream transactions	(86)	–	–	–
Carrying value	173,964	9,648	35,822	250,000

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method *(continued)*

(b) Investment in joint ventures *(continued)*

Summarized statement of financial position for joint ventures *(continued)*

As at 31 December 2022	Linde	JYJC	Yangu Gas	Baling Materials
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Cash and cash equivalents	237,902	11,482	62,639	13,948
Other current assets (excluding cash)	73,026	9,167	6,423	60,243
Total current assets	310,928	20,649	69,062	74,191
Total current liabilities	(32,670)	(2,437)	(2,392)	(153,952)
Non-current				
Total non-current assets	92,325	1,478	13,765	626,761
Total non-current liabilities	(17,016)	–	–	(47,000)
Net assets	353,567	19,690	80,435	500,000
Group's effective interest	50%	50%	50%	50%
Interest in joint ventures	176,784	9,845	40,218	250,000
Unrealized downstream transactions	(86)	–	–	–
Carrying value	176,698	9,845	40,218	250,000

20 Investments accounted for using the equity method *(continued)*

(b) Investment in joint ventures *(continued)*

Summarized statement of comprehensive income for joint ventures

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.

2023	Linde RMB'000	JYJC RMB'000	Yangu Gas RMB'000	Baling Materials RMB'000
Revenue	367,186	22,151	28,593	–
Depreciation and amortization	(7,283)	(341)	16,362	–
Interest income	3,040	298	1,153	–
Profit/(loss) from continuing operations	45,259	1,055	(8,792)	–
Income tax expenses	(11,327)	(53)	–	–
Post-tax profit/(loss) from continuing operations	33,932	1,002	(8,792)	–
Other comprehensive income	–	–	–	–
Total comprehensive income	33,932	1,002	(8,792)	–
Dividend received from joint venture	19,700	698	–	–

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method *(continued)*

(b) Investment in joint ventures *(continued)*

Summarized statement of comprehensive income for joint ventures *(continued)*

2022	Linde RMB'000	JYJC RMB'000	Yangu Gas RMB'000	Baling Materials RMB'000
Revenue	375,795	25,129	26,091	–
Depreciation and amortization	(20,902)	(341)	(8,061)	–
Interest income	4,799	351	1,029	–
Profit/(loss) from continuing operations	58,338	1,996	(15,802)	–
Income tax expense	(14,590)	(76)	–	–
Post-tax Profit/(loss) from continuing operations	43,748	1,920	(15,802)	–
Other comprehensive income	–	–	–	–
Total comprehensive income	43,748	1,920	(15,802)	–
Dividend received from joint venture	11,200	1,215	1,800	–

(Expressed in Renminbi Yuan unless otherwise indicated)

21 Inventories

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

	As at 31 December 2023			As at 31 December 2022		
	Gross carrying amount RMB'000	Provision for diminution in value of inventories RMB'000	Carrying amount RMB'000	Gross carrying amount RMB'000	Provision for diminution in value of inventories RMB'000	Carrying amount RMB'000
Raw materials	6,018,092	(11,481)	6,006,611	5,700,215	(26,491)	5,673,724
Work in progress	885,340	(206,701)	678,639	756,007	(237,959)	518,048
Finished goods	1,098,755	(189,766)	908,989	1,096,623	(182,035)	914,588
Spare parts and consumables	236,636	(79,188)	157,448	246,161	(58,461)	187,700
	8,238,823	(487,136)	7,751,687	7,799,006	(504,946)	7,294,060

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

The cost of inventories recognized in Cost of sales amounted to RMB78,334,346 thousand for the year ended 31 December 2023 (2022: RMB72,419,098 thousand) which excluded an inventory provision of RMB446,719 thousand (2022: RMB525,269 thousand).

For the year ended 31 December 2023, the Group sold certain finished goods and utilized certain spare parts and consumables which were previously provided for. The related provision of RMB455,694 thousand was reversed and included in cost of sales in the consolidated statement of profit or loss (2022: RMB243,590 thousand).

(Expressed in Renminbi Yuan unless otherwise indicated)

22 Trade receivables and other receivables

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

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

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

(Expressed in Renminbi Yuan unless otherwise indicated)

22 Trade receivables 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 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Within one year	1,451,676	2,649,673
Over one year but within two years	–	165
	1,451,676	2,649,838

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

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

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

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

(Expressed in Renminbi Yuan unless otherwise indicated)

23 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Cash at bank and on hand	4,906,368	889,413
Cash and cash equivalents in the consolidated statement of financial position	4,906,368	889,413

(Expressed in Renminbi Yuan unless otherwise indicated)

23 Cash and cash equivalents *(continued)*

(b) Cash generated from/(used in) operations

Reconciliation of profit before taxation to cash generated from operations

	2023 RMB'000	2022 RMB'000
Loss before taxation	(1,655,407)	(3,573,654)
Adjustments items:		
Interest income from time deposits with maturity more than 3 months	(189,600)	(410,652)
Share of net losses of investments accounted for using the equity method	141,128	173,616
Net losses on foreign exchange option contracts and commodity swaps contracts not qualifying as hedges	–	27,851
Gains from structured deposits	–	(11,124)
Gains from entrusted loan receivables	–	(2,704)
Net unrealised gain on financial assets measured at fair value through profit or loss	(10,000)	–
Losses on sale of FVOCI	–	3,148
Interest expense	145,313	98,502
Foreign exchange gains	(2,459)	(15,320)
Depreciation of property, plant and equipment	1,685,008	1,494,176
Depreciation of investment property	15,270	15,323
Depreciation of right-of-use assets	32,305	32,918
Amortization of other non-current assets	256,198	270,881
Impairment loss on property, plant and equipment	29,850	286,260
Losses on disposal of property, plant and equipment and other long-term assets-net	26,758	26,767
Profit/(loss) on operation before change of working capital	474,364	(1,584,012)
Increase in inventories	(457,627)	(1,370,535)
Decrease in operation receivables	985,660	511,325
Increase/(decrease) in operation payables	1,313,935	(4,673,853)
(Decrease)/increase in balances to related parties – net	(1,546,892)	156,341
Cash generated from/(used in) operations	769,440	(6,960,734)

(Expressed in Renminbi Yuan unless otherwise indicated)

23 Cash and cash equivalents *(continued)*

(c) Reconciliation of liabilities arising from financing activities

	Borrowings	Lease liabilities	Short-term bonds	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	2,259,800	4,613	–	2,264,413
Changes from financing cash flows:				
Proceeds from new bank loans	19,485,000	–	–	19,485,000
Repayment of bank loans	(19,494,800)	–	–	(19,494,800)
Proceeds from short-term bonds	–	–	5,000,000	5,000,000
Repayments of short-term bonds	–	–	(5,000,000)	(5,000,000)
Capital and interest elements of lease payments	–	(13,069)	–	(13,069)
Total changes from financing cash flows	(9,800)	(13,069)	–	(22,869)
Other changes:				
Addition of lease liabilities	–	23,668	–	23,668
Issuance costs on short-term bonds	–	–	–	–
Interest expense	–	1,039	–	1,039
Others	–	–	–	–
Total other changes	–	24,707	–	24,707

23 Cash and cash equivalents *(continued)*

(c) Reconciliation of liabilities arising from financing activities *(continued)*

	Borrowings	Lease liabilities	Short-term bonds	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022 and 1 January 2023	2,250,000	16,251	–	2,266,251
Changes from financing cash flows:				
Proceeds from new bank loans	33,544,998	–	–	33,544,998
Repayment of bank loans	(32,094,998)	–	–	(32,094,998)
Capital and interest elements of lease payments	–	(15,935)	–	(15,935)
Total changes from financing cash flows	1,450,000	(15,935)	–	1,434,065
Other changes:				
Addition of lease liabilities	–	7,446	–	7,446
Interest expense	–	695	–	695
Total other changes	–	8,141	–	8,141
As at 31 December 2023	3,700,000	8,457	–	3,708,457

(Expressed in Renminbi Yuan unless otherwise indicated)

23 Cash and cash equivalents *(continued)*

(d) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2023 RMB'000	2022 RMB'000
Within operating cash flows	(14,764)	(14,774)
Within financing cash flows	(15,935)	(13,069)
	(30,699)	(27,843)

These amounts relate to the following:

	2023 RMB'000	2022 RMB'000
Lease rentals paid	(30,699)	(27,843)

24 Time deposits with banks

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Time deposits with maturity less than one year	700,645	3,108,919
Time deposits with maturity more than one year	2,782,500	3,389,559
	3,483,145	6,498,478

As at 31 December 2023, interest rates of time deposits with maturity less than one year ranged from 3.85% to 4.2% per annum (31 December 2022: 3.85% to 4.13% per annum), which were presented as current assets. Time deposits with maturity of more than one year were time deposits of three or five years with the interest rates from 3.55% per annum, which were presented as non-current assets in the consolidated statement of financial position (31 December 2022: 3.55% to 4.20% per annum).

25 Financial assets at fair value through other comprehensive income

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade and bills receivable (note i)	**236,487**	582,354
Equity investments	**3,869**	5,000
	240,356	587,354

(i) As at 31 December 2023 and 2022, 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 31 December 2023, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers on a full recourse basis for settling trade payables of the same amount. 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 31 December 2023, the Group's maximum exposure to loss and undiscounted cash outflow, which is the 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 RMB398,230 thousand (31 December 2022: RMB178,369 thousand) and RMB95,477 thousand (31 December 2022: RMB196,667 thousand) respectively.

26 Financial assets measured at fair value through profit or loss

	As at 31 December	As at 31 December
	2023	2022
	RMB'000	RMB'000
Redeemable preference share investments	**36,500**	–

As at 31 December 2023, 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.

(Expressed in Renminbi Yuan unless otherwise indicated)

27 Borrowings

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Credit loans due within one year		
– Short-term bank loan	3,000,000	1,550,000
– Long-term bank loan due within one year(note 33(c))	700,000	–
Borrowings – current	3,700,000	1,550,000
Credit loans due over one year but within three years		
– Long-term borrowing from a related party (note 33(c))	–	700,000
Borrowings – non-current	–	700,000
Total borrowings	3,700,000	2,250,000

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

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

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

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

(Expressed in Renminbi Yuan unless otherwise indicated)

28 Trade and other payables

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

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

As at 31 December 2023 and 31 December 2022, all trade and other payables of the Group were non-interest bearing, and their fair value, approximated their carrying amounts due to their short maturities.

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

(Expressed in Renminbi Yuan unless otherwise indicated)

28 Trade and other payables *(continued)*

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

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

29 Contract liabilities

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Contract liabilities	323,279	372,760

The contract liabilities of the Group are advance for goods from customers. Related performance obligations are expected to be satisfied and revenue is recognized within one year. Revenue amounted to RMB372,760 thousand has been recognized in the current year relates to carried-forward contract liabilities (2022: RMB424,607 thousand).

30 Deferred income

	2023 RMB'000	2022 RMB'000
As at 1 January	44,608	12,720
Additions	25,433	34,623
Amortization	(39,819)	(2,735)
As at 31 December	30,222	44,608

31 Share capital

(i) Issued share capital

	2023		2022	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Registered, issued and fully paid:				
At 1 January	10,823,814	10,823,814	10,823,814	10,823,814
Cancellation of repurchased own shares	(24,528)	(24,528)	–	–
At 31 December	10,799,286	10,799,286	10,823,814	10,823,814
Including:				
Ordinary A shares listed in PRC	7,328,814	7,328,814	7,328,814	7,328,814
Foreign invested H shares listed overseas	3,470,472	3,470,472	3,495,000	3,495,000

(Expressed in Renminbi Yuan unless otherwise indicated)

31 Share capital *(continued)*

(ii) Purchase of own shares

During the year, the Company repurchased its own ordinary shares on the Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate amount paid
		HKD	HKD	RMB'000
November 2023	41,342,000	1.15	1.07	41,570
December 2023	28,850,000	1.12	1.07	29,009
	70,192,000			70,579

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 2021 Annual General Meeting, the Second A Shareholders Class Meeting for 2022 and the Second H Shareholders Class Meeting for 2022 on 22 June 2022. According to the authorization, the Company repurchased shares in call auction since 27 October 2022. In 2022, the Company has repurchased 24,528,000 H-share ordinary shares on the Hong Kong Stock Exchange for an aggregate consideration of RMB25,689 thousand.

On 17 February 2023, the Company cancelled 24,528,000 H shares repurchased. After the cancellation, the total number of issued share capital reduced by RMB24,528 thousand, and the share premium reduced by RMB1,161 thousand.

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 first A Shareholders Class Meeting for 2023 on 28 June 2023. According to the authorization, the Company repurchased shares in call auction since 3 November 2023. In 2023, the Company repurchased 70,192,000 H-shares ordinary shares on the Hong Kong Stock Exchange for an aggregate consideration of RMB70,579 thousand.

(Expressed in Renminbi Yuan unless otherwise indicated)

32 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 (note 3.1(a)) RMB'000	Share premium (note(e)) RMB'000	Safety production fund (note(f)) RMB'000	Treasury shares (note 31(ii)) RMB'000	Retained earnings (note(g)) RMB'000	Total RMB'000
Balance at 1 January 2022	6,571,284	13,739	101,355	22,965	36,460	106,846	186,326	–	12,379,350	19,418,325
Change in accounting policy (Note 2.1(c))	(5)	–	–	–	–	–	–	–	(57)	(62)
Balance at 1 January 2022 (Restated)	6,571,279	13,739	101,355	22,965	36,460	106,846	186,326	–	12,379,293	19,418,263
Total comprehensive income for the year attributable to shareholders of the Company	–	–	–	(23,771)	201,519	–	–	–	(2,846,053)	(2,668,305)
Amounts transferred from hedging reserve to initial carrying amount of hedged items	–	–	–	–	(237,979)	–	–	–	–	(237,979)
Dividends declared and approved in respect of previous year	–	–	–	–	–	–	–	–	(1,082,381)	(1,082,381)
Purchase of own shares	–	–	–	–	–	–	–	(25,689)	–	(25,689)
Transfer to legal surplus	–	–	–	–	–	–	–	–	–	–
Appropriation of safety production fund	–	–	–	–	–	–	54,092	–	(54,092)	–
Balance at 31 December 2022 and 1 January 2023 (Restated)	6,571,279	13,739	101,355	(806)	–	106,846	240,418	(25,689)	8,396,767	15,403,909

	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 (note 3.1(a)) RMB'000	Share premium (note(e)) RMB'000	Safety production fund (note(f)) RMB'000	Treasury shares (note 31(ii)) RMB'000	Retained earnings (note(g)) 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 year attributable to shareholders of the Company	–	–	–	(81)	45,830	–	–	–	(1,346,147)	(1,300,398)
Amounts transferred from hedging reserve to initial carrying amount of hedged items	–	–	–	–	(45,830)	–	–	–	–	(45,830)
Purchase of own shares	–	–	–	–	–	–	–	(70,579)	–	(70,579)
Cancellation of repurchased own shares	–	–	–	–	–	(1,161)	–	25,689	–	24,528
Transfer to legal surplus	–	–	–	–	–	–	–	–	–	–
Appropriation of safety production fund	–	–	–	–	–	–	57,719	–	(57,719)	–
Balance at 31 December 2023	6,571,279	13,739	101,355	(887)	–	105,685	298,137	(70,579)	6,992,901	14,011,630

(Expressed in Renminbi Yuan unless otherwise indicated)

32 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.

(b) This reserve represents 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.

(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 the 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 167 and 168 of the PRC Company Law.

(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) 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.

(Expressed in Renminbi Yuan unless otherwise indicated)

33 Related-party transactions

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

Names of related parties	Relationship with the Company
China International United Petroleum & 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) Company Limited	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 Material & 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
China Petrochemical International Co., Ltd.	Subsidiary of the ultimate parent company
China Petrochemical Refinery Sales Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd.	Subsidiary of the ultimate parent company
China Petrochemical International (Tianjin) Co., Ltd.	Subsidiary of the ultimate parent company
Ningbo East sea Line fan Technology Company Limited	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
Dalian Furuipu Technology Co., Ltd.	Subsidiary of the ultimate parent company
Nantong Donghai Petrochemical Co., Ltd.	Subsidiary of the ultimate parent company
China Petroleum and Chemical Corporation Qingdao Security Engineering Research Institute	Subsidiary of the ultimate parent company
Sinopec (Shanghai) Energy Trade Co., Ltd.	Subsidiary of the ultimate parent company
Storage and Transportation Installation Company of Ningbo Engineering Company Limited	Subsidiary of the ultimate parent company

(Expressed in Renminbi Yuan unless otherwise indicated)

33 Related-party transactions *(continued)*

Names of related parties	Relationship with the Company
Sinopec Chemical Commercial Holding (Hong Kong) Company Limited	Subsidiary of the ultimate parent company
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 China East Chemical Sales Co., Ltd.	Subsidiary of the ultimate parent company
Unipec 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
Sinopec Baling Petrochemical Co., Ltd.	Subsidiary of the ultimate parent company
Shengli Oil Field Exploration and Development Research Institute	Subsidiary of the ultimate parent company
Shanghai Lide Catalyst Co., Ltd.	Subsidiary of the ultimate parent company
Ypc-gpro (Nanjing) Rubber Co., Ltd.	Subsidiary of the ultimate parent company
Fujian Refining & Petrochemical Company Limited	Subsidiary of the ultimate parent company
Sinopec Dalian (Fushun) Research Institute of Petroleum and Petrochemicals	Subsidiary of the ultimate parent company
Sinopec Jianghan Salt Chemical Hubei Co., Ltd.	Subsidiary of the ultimate parent company
Yipaike Business Factoring Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Great Wall Energy and Chemical (Ningxia) Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec (Shenzhen) E-Commerce Company Limited	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 Zhongyuan Petrol-Chemical Industry Co., Ltd.	Subsidiary of the ultimate parent company
Epec E-commerce Co., Ltd.	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
Unipec (Qingdao) International Logistics Company Limited	Subsidiary of the ultimate parent company
Qingdao Zhonghua Sunshine Management System Certification Center	Subsidiary of the ultimate parent company
Zhejiang Baling Hengyi Caprolactam Limited Company	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
Basf Gao-Qiao Performance Chemicals (Shanghai) Company Limited	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 Nanjing Chemical Research Institute Co., Ltd.	Subsidiary of the immediate parent company
China Economy Phulishing House Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Publishing House Co., Ltd.	Subsidiary of the immediate parent company
Sinopec International Travel Service Co., Ltd.	Subsidiary of the immediate parent company

(Expressed in Renminbi Yuan unless otherwise indicated)

33 Related-party transactions *(continued)*

Names of related parties	Relationship with the Company
Sinopec Assets Management Co., Ltd.	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 Petroleum Engineering Geophysics Ltd.	Subsidiary of the immediate parent company
Sinopec Baichuan Economic and Trade Company	Subsidiary of the immediate parent company
Sinopec Group Jiangsu Petroleum Exploration Bureau Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Newspaper Office	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
Beijing Petro-Chemical Construction Consulting Co., Ltd.	Subsidiary of the immediate parent company
China Economicbooks Co., Ltd.	Subsidiary of the immediate parent company
Petrol-Chemical Industry Management Cadre College	Subsidiary of the immediate parent company
Sinopec Engineering Quality Supervision Terminal	Subsidiary of the immediate parent company
Sinopec Group Shanghai Training Center Ltd.	Subsidiary of the immediate parent company
Sinopec Beijing Yanshan Petrochemical Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Zhongyuan Petroleum Exploration Bureau Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Shengli Petroleum Administration 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 Tenth Construction Company of Sinopec	Subsidiary of the immediate parent company
The Fifth Construction Company of Sinopec	Subsidiary of the immediate parent company
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
Jiangsu Jinling Opta Polymer Company Limited	Subsidiary of the immediate parent company
Shanghai Petro-Chemical Haidi Administration Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Chongqing Svw Chemical 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
Sinopec Consulting Company Limited	Subsidiary of the immediate parent company
China Petrochemical Corp. Engineering Ration Management Station	Subsidiary of the immediate parent company
Beijing Victory Hotel Company Limited	Subsidiary of the immediate parent company
Maoming Shihua Dongcheng Chemical Co., Ltd.	Subsidiary of the immediate parent company

(Expressed in Renminbi Yuan unless otherwise indicated)

33 Related-party transactions *(continued)*

Names of related parties	Relationship with the 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
Yihua Bonar Yarns and Fabrics Co., Ltd.	Associate of the immediate parent
Unipec Singapore	Subsidiary of the immediate parent company
Unipec America, Inc	Subsidiary of the immediate parent company
Sinopec Japan Company Limited	Subsidiary of the immediate parent company
Rizhao Shihua Crude Oil Terminal Co., Ltd.	Joint venture of the ultimate parent company
Sinopec Europe Company Limited	Subsidiary of the immediate parent company
Sinopec Chemical Commercial Holding (North America), Inc.	Subsidiary of the immediate parent company
Sinopec International (Australia) Pty. Ltd.	Subsidiary of the immediate parent company
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 International (Russia) Pty. Ltd.	Subsidiary of the immediate parent company
Sinopec Jianghan Petroleum Administration Co., Ltd	Subsidiary of the ultimate parent company
Sinopec America Company Limited	Subsidiary of the ultimate parent company
Sinopec (Beijing) Chemical Research Institute Co., Ltd	Subsidiary of the ultimate parent company
Sinopec-Sk(Wuhan)Petrochemical Co., Ltd.	Subsidiary of the ultimate parent company
Shanghai Petroleum&Natural Gas General Co., Ltd	Associate of the ultimate parent company
Beijing Heyuan Jingyi Hotel Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Henan Oilfield Training Center	Subsidiary of the ultimate parent company
Sinopec Jiangsu Petroleum Exploration Bureau Co., Ltd. Training Center	Subsidiary of the ultimate parent company
Sinopec Capital Co., Ltd.	Subsidiary of the ultimate parent company

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 34.

33 Related-party transactions *(continued)*

(a) Most of the transactions undertaken by the Group during the year ended 31 December 2023 have been affected on such terms as determined by Sinopec Corp. and relevant PRC authorities.

Sinopec Corp. negotiates and agrees with 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 the 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 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 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).

Transactions between the Group and Sinopec Corp, its subsidiaries and joint ventures during the year ended 31 December 2023 and the year ended 31 December 2022 were as follows:

	2023 RMB'000	2022 RMB'000
Sales of petroleum products	55,836,523	44,392,225
Sales other than petroleum products	11,379,412	8,194,827
Purchases of crude oil	47,447,847	46,790,433
Purchases other than crude oil	12,660,730	7,544,094
Commission expense	99,026	90,341
Rental income	34,060	34,088

(Expressed in Renminbi Yuan unless otherwise indicated)

33 Related-party transactions *(continued)*

(b) Other transactions between the Group and Sinopec Group and its subsidiaries (excluding Sinopec Corp. and its subsidiaries), associates and joint ventures of the Group during the year ended 31 December 2023 and the year ended 31 December 2022 were as follows:

	2023 RMB'000	2022 RMB'000
Sales of goods and service fee income		
– Sinopec Group and its subsidiaries	96,805	19,450
– Associates and joint ventures of the Group	2,340,177	3,171,835
	2,436,982	3,191,285
Purchases		
– Sinopec Group and its subsidiaries	2,267,497	1,870,287
– Associates and joint ventures of the Group	1,853,755	2,411,552
	4,121,252	4,281,839
Insurance premium expenses		
– Sinopec Group and its subsidiaries	114,350	109,597
Addition to right-of-use assets		
– Sinopec Group and its subsidiaries	1,403	20,023
Interest expense of lease liabilities		
– Sinopec Group and its subsidiaries	492	787
– Joint ventures of the Group	10	17
	502	804

33 Related-party transactions *(continued)*

(b) *(continued)*

	2023 RMB'000	2022 RMB'000
Interest expense		
– Sinopec Finance	7,665	7,665
Interest income		
– Sinopec Finance	28	213
– Joint ventures of the Group	–	2,704
	28	2,917
Construction and installation cost		
– Sinopec Group and its subsidiaries	213,613	812,516
Rental income		
– Associates and joint ventures of the Group	15,328	14,032
– Sinopec Group and its subsidiaries	478	427
	15,806	14,459
Long-term borrowings		
– Sinopec Finance	–	–

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 33(a) and 33(b) were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

(Expressed in Renminbi Yuan unless otherwise indicated)

33 Related-party transactions *(continued)*

(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 33(a) and 33(b), are summarized as follows:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Amounts due from related parties		
– Sinopec Corp., its subsidiaries and joint ventures	1,376,284	2,593,908
– Associates and joint ventures of the Group	77,580	45,075
	1,453,864	2,638,983
Amounts due to related parties		
– Sinopec Corp., its subsidiaries and joint ventures	4,702,463	6,569,219
– Sinopec Group and its subsidiaries	263,157	1,232,589
– Associates and joint ventures of the Group	190,178	86,001
	5,155,798	7,887,809
Lease liabilities		
– Sinopec Group and its subsidiaries	6,506	12,714
– Joint ventures of the Group	138	290
	6,644	13,004
Long-term borrowings		
– Sinopec Finance (note d)	700,000	700,000

(d) Except for long-term borrowings from Sinopec Finance, the balances with related parties as above are unsecured, interest-free and repayable on demand.

33 Related-party transactions *(continued)*

(e) 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:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Short-term employee benefits	11,659	13,667
Post-employment benefits	618	639
	12,277	14,306

(f) Transactions with other state-owned entities in the PRC

The Group is a state-controlled enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government (collectively referred to as "state-controlled entities") through its government authorities, agencies, affiliations and other organizations.

Apart from transactions with related parties, the Group has transactions with other state-controlled entities which include, but are not limited to, the following:

- sales and purchases of goods and ancillary materials;
- rendering and receiving services;
- lease of assets, purchase of property, plant and equipment;
- placing deposits and obtaining finance; and
- use of public utilities

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its procurement policies, pricing strategy and approval process for purchases and sales of products and services which do not depend on whether the counterparties are state-controlled entities or not.

(Expressed in Renminbi Yuan unless otherwise indicated)

33 Related-party transactions *(continued)*

(g) Commitments with related parties

(i) Construction and installation cost

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Sinopec Group and its subsidiaries	810,730	930,665

(h) Investment commitments with related parties

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Capital contribution to Baling Materials (i)	150,000	150,000

(i) 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 31 December 2023, the Company has made a paid-up capital contribution of RMB250,000 thousand.

Except for the above disclosed in notes 33 (g) and 33 (h), the Group had no other material commitments with related parties as at 31 December 2023, which are contracted, but not included in the financial statements.

(Expressed in Renminbi Yuan unless otherwise indicated)

34 Dividend

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

	2023 RMB'000	2022 RMB'000
No final dividend proposed after the end of the reporting period (2022: Nil)	–	–

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

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

	2023 RMB'000	2022 RMB'000
No final dividend in respect of the previous financial year was approved during the year (2022: RMB0.10)	–	1,082,381

35 Commitments

Capital commitments outstanding at 31 December 2023 not provided for in the financial statements were as follows:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Property, plant and equipment contracted for	1,736,358	1,783,781

(Expressed in Renminbi Yuan unless otherwise indicated)

36 Statement of financial position and equity movement of the Company

	As at 31 December 2023 RMB'000	As at 31 December 2022 (Restated) RMB'000
Non-current assets		
Property, plant and equipment	13,768,613	11,823,562
Investment properties	348,253	365,147
Right-of-use assets	256,449	274,926
Construction in progress	1,192,629	3,647,200
Investments in subsidiaries	2,048,328	2,048,328
Investments accounted for using the equity method	2,420,818	2,654,151
Time deposits with banks	2,782,500	3,139,559
Deferred tax assets	1,309,022	986,870
Other non-current assets	637,572	821,397
	24,764,184	25,761,140
Current assets		
Inventories	7,514,146	7,043,613
Other receivables	333,585	88,839
Amounts due from related parties	1,328,638	2,526,598
Prepayments	38,999	10,711
Value added tax recoverable	30	1,045,002
Financial assets at fair value through other comprehensive income (FVOCI)	75,238	127,558
Time deposits with banks	500,642	3,108,916
Cash and cash equivalents	4,734,944	671,538
	14,526,222	14,622,775

(Expressed in Renminbi Yuan unless otherwise indicated)

36 Statement of financial position and equity movement of the Company *(continued)*

	As at 31 December 2023 RMB'000	As at 31 December 2022 (Restated) RMB'000
Current liabilities		
Trade and other payables	3,348,573	2,217,580
Contract liabilities	211,516	289,407
Amounts due to related parties	6,155,769	8,809,690
Staff salaries and welfares payable	316,661	307,190
Borrowings	3,700,000	1,500,000
Lease liabilities	6,940	7,172
Current tax liabilities	1,209,700	913,231
	14,949,159	14,044,270
Net current (liabilities)/assets	(422,937)	578,505
Total assets less current liabilities	24,341,247	26,339,645
Non-current liabilities		
Interest-bearing borrowings	–	700,000
Lease liabilities	539	6,481
Deferred income	30,091	44,494
	30,630	750,975
NET ASSETS	24,310,617	25,588,670

(Expressed in Renminbi Yuan unless otherwise indicated)

36 Statement of financial position and equity movement of the Company *(continued)*

	As at 31 December 2023 RMB'000	As at 31 December 2022 (Restated) RMB'000
CAPITAL AND RESERVES		
Share capital	10,799,286	10,823,814
Reserves	13,511,331	14,764,856
TOTAL EQUITY	24,310,617	25,588,670

Approved and authorized for issue by the Board of Directors on 20 March 2024.

Wan Tao
Director

Du Jun
Director

36 Statement of financial position and equity movement of the Company *(continued)*

(a) Movements in components of equity of the Company

	Share capital	Legal surplus	Capital surplus	Surplus reserve	Other reserve	Hedging	Share premium	Safety production fund	Treasury reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	10,823,814	6,571,284	4,180	101,355	22,965	36,460	106,846	177,907	-	11,705,682	29,550,493
Change in accounting policy	-	(5)	-	-	-	-	-	-	-	(44)	(49)
Balance at 1 January 2022 (Restated)	10,823,814	6,571,279	4,180	101,355	22,965	36,460	106,846	177,907	-	11,705,638	29,550,444
Total comprehensive income for the year	-	-	-	-	(23,771)	201,519	-	-	-	(2,793,473)	(2,615,725)
Amounts transferred from hedging reserve to initial carrying amount of hedged items	-	-	-	-	-	(237,979)	-	-	-	-	(237,979)
Dividends declared and approved in respect of previous year	-	-	-	-	-	-	-	-	-	(1,082,381)	(1,082,381)
Transfer to legal surplus	-	-	-	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-	(25,689)	-	(25,689)
Appropriation of safety production fund	-	-	-	-	-	-	-	61,782	-	(61,782)	-
Balance at 31 December 2022 and 1 January 2023 (Restated)	10,823,814	6,571,279	4,180	101,355	(806)	-	106,846	239,689	(25,689)	7,768,002	25,588,670
Balance at 31 December 2022 and 1 January 2023 (Restated)	10,823,814	6,571,279	4,180	101,355	(806)	-	106,846	239,689	(25,689)	7,768,002	25,588,670
Total comprehensive income for the year	-	-	-	-	767	45,830	-	-	-	(1,208,241)	(1,161,644)
Amounts transferred from hedging reserve to initial carrying amount of hedged items	-	-	-	-	-	(45,830)	-	-	-	-	(45,830)
Purchase of own shares	-	-	-	-	-	-	-	-	(70,579)	-	(70,579)
Cancellation of repurchased own shares	(24,528)	-	-	-	-	-	(1,161)	-	25,689	-	-
Appropriation of safety production fund	-	-	-	-	-	-	-	58,443	-	(58,443)	-
Balance at 31 December 2023	10,799,286	6,571,279	4,180	101,355	(39)	-	105,685	298,132	(70,579)	6,501,318	24,310,617

(Expressed in Renminbi Yuan unless otherwise indicated)

37 Benefits and interests of directors and supervisors

(a) Directors' and supervisors' emoluments:

	2023				
	Salaries and other benefits RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Directors' fees RMB'000	Total RMB'000
Executive directors					
Wan Tao	431	54	845	–	1,330
Zhou Jijun *(appointed in January 2023, resigned in August 2023)*	225	33	678	–	936
Guan Zemin	435	54	668	–	1,157
Du Jun	393	54	600	–	1,047
Huang Xiangyu	279	54	588	–	921
Non-executive directors					
Xie Zhenglin	–	–	–	–	–
Peng Kun *(resigned in June 2023)*	98	27	318	–	443
Qin Zhaohui *(appointed in June 2023)*	102	24	334	–	460
Independent non-executive directors					
Li Yuanqin *(resigned in June 2023)*	–	–	–	75	75
Tang Song	–	–	–	150	150
Chen Haifeng	–	–	–	150	150
Yang Jun	–	–	–	150	150
Gao Song *(resigned in June 2023)*	–	–	–	75	75
Zhou Ying *(appointed in June 2023)*	–	–	–	75	75
Huang Jiangdong *(appointed in June 2023)*	–	–	–	75	75
Supervisors					
Ma Yanhui *(resigned in May 2023)*	113	19	257	–	389
Zhang Feng	180	46	629	–	855
Chen Hongjun	190	48	649	–	887
Zheng Yunrui	100	–	–	–	100
Cai Tingji	100	–	–	–	100
Xie Li *(appointed in June 2023)*	252	32	441	–	725
	2,898	445	6,007	750	10,100

37 Benefits and interests of directors and supervisors *(continued)*

(a) Directors' and supervisors' emoluments: *(continued)*

	2022				
	Salaries and other benefits RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Directors' fees RMB'000	Total RMB'000
Executive directors					
Wan Tao *(appointed in September 2022)*	177	24	90	–	291
Wu Haijun *(resigned in September 2022)*	207	35	634	-	876
Guan Zemin	412	55	992	–	1,459
Jin Qiang *(resigned in February 2022)*	372	55	907	–	1,334
Du Jun	373	55	894	–	1,322
Jin Wenmin *(resigned in February 2022)*	259	55	812	–	1,126
Huang Xiangyu	250	54	817	–	1,121
Huang Fei *(resigned in February 2022)*	246	52	811	–	1,109
Non-executive directors					
Xie Zhenglin	–	–	–	–	–
Peng Kun	193	52	641	–	886
Independent non-executive directors					
Li Yuanqin	–	–	–	150	150
Tang Song	–	–	–	150	150
Chen Haifeng	–	–	–	150	150
Yang Jun	–	–	–	150	150
Gao Song	–	–	–	150	150
Supervisors					
Ma Yanhui	343	55	899	–	1,297
Zhang Feng	174	46	560	–	780
Chen Hongjun	184	47	603	–	834
Zheng Yunrui	100	–	–	–	100
Cai Tingji	100	–	–	–	100
	3,390	585	8,660	750	13,385

(Expressed in Renminbi Yuan unless otherwise indicated)

37 Benefits and interests of directors and supervisors *(continued)*

(b) Directors' retirement benefits

No specific retirement benefits were paid to directors in respect of services in connection with the management of the affairs of the Company or its subsidiary undertaking (2022: Nil).

38 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Non-current Liabilities with Covenants – Amendments to IAS 1 *and Classification of Liabilities as Current or Non-current* – Amendments to IAS 1	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IAS 16	1 January 2024
Supplier Finance Arrangements – Amendments to IAS 7	1 January 2024
Lack of Exchangeability – Amendments to IAS 21	1 January 2025

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations are expected to be in the period of initial application. So far, the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

畢馬威華振審字第2401689號

The Shareholders of Sinopec Shanghai Petrochemical Company Limited:

Opinion

We have audited the accompanying financial statements of Sinopec Shanghai Petrochemical Company Limited ("Sinopec Shanghai"), which comprise the consolidated and company balance sheets as at 31 December 2023, 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 year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of Sinopec Shanghai as at 31 December 2023, and the consolidated and company financial performance and cash flows of Sinopec Shanghai for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Sinopec Shanghai in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Assessment of net realizable value of raw materials, work in progress and finished goods</th></tr>
<tr><td colspan="2">Refer to notes III.11 Inventory, III.33(1)(a) of the accounting policies to the consolidated financial statements and Note V.6 Inventory to the consolidated financial statements.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group is principally engaged in processing of crude oil into petroleum products and other chemical products. The crude oil can be processed into various finished goods by different processing procedures. Inventories are valued at the lower of cost and net realizable value.

The gross carrying amount of raw materials, work in progress and finished goods, and provision for diminution in value were RMB8,002,187 thousand and RMB407,948 thousand, respectively, as at 31 December 2023.

The net realizable value is determined based on the estimated selling prices in the ordinary course of business less the estimated costs to completion, estimated selling expenses and relevant taxes necessary to make the sale.

We identified the assessment of net realizable value of raw materials, work in progress and finished goods as a key audit matter because evaluation of estimated selling prices of inventories, estimated costs to completion, estimated selling expenses and relevant taxes necessary to make the sale involved a high degree of auditor judgements.</td><td>Our audit procedures to assess net realizable value of raw materials, work in progress and finished goods included the following:

• Evaluating the design, implementation and operating effectiveness of key internal controls over the process of determination of net realizable value of raw materials, work in progress and finished goods, including controls related to the determination of estimated selling prices, estimated costs to completion, estimated selling expenses and relevant taxes necessary to make the sale;

• Evaluating the estimated selling price at the reporting date for a sample of inventory items by comparison of the estimated selling price to the price from publicly available market data and the actual prices of sales transactions subsequent to the reporting date if available; and

• Evaluating the estimated costs to completion, estimated selling expenses and relevant taxes necessary to make the sale by comparing with the historical costs to completion and other costs necessary to make the sale for the same type of inventories on a sample basis.</td></tr>
</table>

Key audit matters *(continued)*

<table>
<tr><th colspan="2">Assessment of the present value of future cash flow of certain production facilities</th></tr>
<tr><td colspan="2">Refer to notes III.14 Fixed Assets, III.33(1)(b) of the accounting policies to the consolidated financial statements and Note V Fixed Assets.11 to the consolidated financial statements.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The consolidated carrying amount of fixed assets was RMB14,190,827 thousand as of 31 December 2023, a portion of which related to certain intermediate petrochemicals production facilities under chemical products segment ("certain production facilities"). At the end of each reporting period, if any indication of impairment exists, the Group estimates the recoverable amount of an asset, or a cash-generating unit, at the higher of its fair value less costs of disposal and its present value of future cash flow, to determine the impairment losses. The Group's estimated present value of future cash flow includes assumptions on product sales growth rates, related costs growth rates ("forecasted growth rates") and discount rate.

We identified the assessment of the present value of future cash flow of certain production facilities as a key audit matter because high degree of subjectivity and auditor judgment was involved to evaluate the forecasted growth rates and the discount rate used to estimate the present value of future cash flow of these assets. The forecasted growth rates and the discount rate were challenging to test as minor changes to those assumptions would have a significant effect on the Group's assessment of the present value of future cash flow of these assets. In addition, specialized skills and knowledge were required to assess the discount rate used to estimate the present value of future cash flow of these assets.</td><td>Our audit procedures to assess the present value of future cash flow of certain production facilities included the following:

• Evaluating the design, implementation and operating effectiveness of key internal controls related to the process in assessing the present value of future cash flow of certain production facilities, including controls related to the determination of the forecasted growth rates and the discount rate;

• Assessing the forecasted growth rates adopted in the Group's the present value of future cash flow assessment by comparing them with historical results, future operation plans and external market data;

• Involving valuation professionals with specialized skills and knowledge assisted in evaluating the discount rate used by comparing it against discount rate that was independently developed using publicly available industry data; and

• Performing sensitivity analysis over the forecasted growth rates and the discount rate assumptions to assess their impact on the certain production facilities' impairment assessment.</td></tr>
</table>

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Sinopec Shanghai's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Sinopec Shanghai or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Sinopec Shanghai's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Sinopec Shanghai's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Sinopec Shanghai to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Sinopec Shanghai to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Huazhen LLP

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

Wang Wenli (Engagement Partner)
Zhang Lin

Beijing, China
20 March 2024

Consolidated and Company Balance Sheets

As at 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

Assets	Note	31 December 2023 Consolidated	31 December 2022 (restated) Consolidated	31 December 2023 Company	31 December 2022 (restated) Company
Current Assets					
Cash at bank and on hand	V.1	5,607,013	3,998,332	5,235,586	3,780,454
Accounts receivable	V.2, XIII.1	1,448,947	2,512,362	1,324,693	2,334,828
Receivables under financing	V.3, XIII.2	236,487	582,354	75,238	127,558
Prepayments	V.4	32,536	67,008	31,176	55,961
Other receivables	V.5, XIII.3	352,064	190,579	336,033	172,076
Inventories	V.6	7,751,687	7,294,060	7,514,146	7,043,613
Other current assets	V.7	26,098	1,121,187	9,350	1,108,285
Total Current Assets		15,454,832	15,765,882	14,526,222	14,622,775
Non-Current Assets					
Long-term equity investments	V.8, XIII.4	3,351,941	3,594,393	4,594,033	4,837,366
Investments in other equity instruments		3,869	5,000	–	–
Other non-current financial assets	V.9	36,500	–	–	–
Investment properties	V.10	321,037	336,863	348,253	365,147
Fixed assets	V.11, XIII.5	14,190,827	12,195,527	13,782,626	11,839,585
Construction in progress	V.12	1,200,602	3,748,461	1,192,629	3,647,200
Right-of-use assets	V.13	8,295	16,085	7,303	13,494
Intangible assets	V.14	352,672	372,640	249,146	261,432
Long-term deferred expenses	V.15	641,328	776,480	637,572	771,397
Deferred tax assets	V.16	1,313,841	991,892	1,309,022	986,870
Other non-current assets	V.17	2,782,500	3,439,559	2,782,500	3,189,559
Total Non-current Assets		24,203,412	25,476,900	24,903,084	25,912,050
Total Assets		39,658,244	41,242,782	39,429,306	40,534,825

The notes on pages 319 to 489 form part of these financial statements.

As at 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

Liabilities and shareholders' equity	Note	31 December 2023 Consolidated	31 December 2022 (restated) Consolidated	31 December 2023 Company	31 December 2022 (restated) Company
Current Liabilities					
Short-term loans	V.19	3,000,000	1,550,000	3,000,000	1,500,000
Bills payable	V.20	1,535,334	40,951	1,492,983	–
Accounts payable	V.21	6,296,912	9,144,554	5,731,500	8,295,462
Contract liabilities	V.22	335,006	383,246	223,517	300,168
Employee benefits payable	V.23	322,265	317,891	316,661	307,190
Taxes payable	V.24	1,187,075	889,856	1,175,345	874,213
Other payables	V.25	1,144,683	1,618,352	2,267,858	2,721,047
Non-current liabilities due within one year	V.26	707,515	8,738	706,940	7,172
Other current liabilities	V.27	43,819	44,750	34,355	39,018
Total Current Liabilities		14,572,609	13,998,338	14,949,159	14,044,270
Non-Current Liabilities					
Long-term loans	V.28	–	700,000	–	700,000
Lease liabilities	V.29	942	7,513	539	6,481
Deferred income	V.30	110,222	134,608	110,091	134,494
Deferred tax liabilities	V.16	31,564	30,898	–	–
Total Non-Current Liabilities		142,728	873,019	110,630	840,975
Total Liabilities		14,715,337	14,871,357	15,059,789	14,885,245

The notes on pages 319 to 489 form part of these financial statements.

As at 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

Liabilities and shareholders' equity	Note	31 December 2023 Consolidated	31 December 2022 (restated) Consolidated	31 December 2023 Company	31 December 2022 (restated) Company
Shareholders' equity					
Share capital	I, V.31	10,799,286	10,823,814	10,799,286	10,823,814
Capital reserve	V.32	609,166	610,327	599,607	600,768
Less: Treasury stock	V.33	70,579	25,689	70,579	25,689
Other comprehensive income	V.34	(887)	(806)	(39)	(806)
Specific reserve	V.35	298,137	240,418	298,132	239,689
Surplus reserve	V.36	6,672,634	6,672,634	6,672,634	6,672,634
Retained earnings	V.37	6,517,172	7,923,048	6,070,476	7,339,170
Total equity attributable to shareholders of the Company		24,824,929	26,243,746	24,369,517	25,649,580
Non-controlling interests	V.38	117,978	127,679	–	–
Total Shareholders' Equity		24,942,907	26,371,425	24,369,517	25,649,580
Total Liabilities and Shareholders' Equity		39,658,244	41,242,782	39,429,306	40,534,825

These financial statements were approved by the Board of Directors of the Company on 20 March 2024.

Wan Tao	**Du Jun**	**Fu Hejuan**
Chairman	*Director and Chief Financial Officer*	*Accounting Chief*

The notes on pages 319 to 489 form part of these financial statements.

Consolidated and Company Income Statements

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	Twelve months ended 31 December 2023 Consolidated	Twelve months ended 31 December 2022 (restated) Consolidated	Twelve months ended 31 December 2023 Company	Twelve months ended 31 December 2022 (restated) Company
I. Operating income	V.39, XIII.6	93,013,595	82,518,315	84,403,440	70,516,484
Less: Operating costs	V.39, XIII.6	79,157,873	73,518,024	70,708,913	61,667,159
Taxes and surcharges	V.40	12,853,851	9,788,593	12,839,974	9,774,331
Selling and distribution expenses	V.41	315,853	282,841	234,241	195,703
General and administrative expenses	V.42	1,827,268	1,795,867	1,681,307	1,671,934
Research and development expenses	V.43	186,978	130,516	181,627	121,844
Financial expenses ("-" for income)	V.44	(228,627)	(459,437)	(214,986)	(426,095)
Including: Interest expense		145,313	98,502	143,817	96,371
Interest income		383,988	541,830	359,483	524,126
Add: Other income	V.45	38,095	30,320	35,145	27,253
Investment income ("-" for losses)	V.46, XIII.7	(155,531)	(191,800)	(86,986)	(204,071)
Including: Loss from investment in associates and joint ventures		(151,128)	(183,616)	(197,997)	(221,213)
Gains from changes in fair value ("-" for losses)	V.47	10,000	(8,987)	–	(8,987)
Credit losses ("-" for losses)	V.48	5,455	(5,366)	4,010	(4,742)
Impairment losses of assets ("-" for losses)	V.49	(476,569)	(811,529)	(476,150)	(811,475)
Gains from asset disposals ("-" for losses)	V.50	923	(1,231)	492	–
II. Operating profit ("-" for loss)		(1,677,228)	(3,526,682)	(1,551,125)	(3,490,414)
Add: Non-operating income	V.51	39,337	21,826	29,575	21,161
Less: Non-operating expenses	V.52	77,245	94,714	68,975	91,907
III. Profit before income tax ("-" for loss)		(1,715,136)	(3,599,570)	(1,590,525)	(3,561,160)
Less: Income tax benefits	V.53	(306,093)	(731,460)	(321,831)	(742,496)

The notes on pages 319 to 489 form part of these financial statements.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	Twelve months ended 31 December 2023	Twelve months ended 31 December 2022 (restated)	Twelve months ended 31 December 2023	Twelve months ended 31 December 2022 (restated)
		Consolidated	Consolidated	Company	Company
IV. Net profit ("-" for net loss)		(1,409,043)	(2,868,110)	(1,268,694)	(2,818,664)
(1) Net profit classified by continuity of operations:					
1. Net profit from continuing operations ("-" for net loss)		(1,409,043)	(2,868,110)	(1,268,694)	(2,818,664)
2. Net profit from discontinued operations ("-" for net loss)		–	–	–	–
(2) Net profit classified by ownership:					
1. Shareholders of the Company ("-" for net loss)		(1,405,876)	(2,871,969)	–	–
2. Non-controlling interests ("-" for net loss)		(3,167)	3,859	–	–
V. Other comprehensive income, net of tax		45,749	177,748	46,597	177,748
(1) Other comprehensive income (net of tax) attributable to shareholders of the Company		45,749	177,748	46,597	177,748
Items that will not be reclassified to profit or loss		(848)	–	–	–
1. Changes in fair value of the investment of other equity instruments		(848)	–	–	–
Items that may be reclassified to profit or loss		46,597	177,748	46,597	177,748
1. Other comprehensive income recognized under equity method		767	(23,771)	767	(23,771)
2. Cash flow hedge reserve		45,830	201,519	45,830	201,519
(2) Other comprehensive income (net of tax) attributable to non-controlling interests		–	–	–	–

The notes on pages 319 to 489 form part of these financial statements.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

		Twelve months ended 31 December		Twelve months ended 31 December	
		2023	2022 (restated)	2023	2022 (restated)
	Note	Consolidated	Consolidated	Company	Company
VI. Total comprehensive income		(1,363,294)	(2,690,362)	(1,222,097)	(2,640,916)
(1) Attributable to shareholders of the Company		(1,360,127)	(2,694,221)	–	–
(2) Attributable to non-controlling interests		(3,167)	3,859	–	–
VII. Losses per share					
(1) Basic losses per share (RMB Yuan)	V.54	(0.130)	(0.265)	–	–
(2) Diluted losses per share (RMB Yuan)	V.54	(0.130)	(0.265)	–	–

These financial statements were approved by the Board of Directors of the Company on 20 March 2024.

Wan Tao	**Du Jun**	**Fu Hejuan**
Chairman	*Director and Chief Financial Officer*	*Accounting Chief*

The notes on pages 319 to 489 form part of these financial statements.

Consolidated and Company Cash Flow Statements

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

		Twelve months ended 31 December		Twelve months ended 31 December	
		2023	2022	2023	2022
	Note	Consolidated	Consolidated	Company	Company
I. Cash flows from operating activities					
Proceeds from sale of goods and rendering of services		103,063,526	87,729,513	93,695,004	75,156,046
Refund of taxes		666,304	1,210,010	480,747	940,016
Proceeds from other operating activities	V.56	503,995	272,209	254,409	265,085
Sub-total of cash inflows		104,233,825	89,211,732	94,430,160	76,361,147
Payment for goods and services		(86,719,356)	(78,324,323)	(77,483,378)	(65,858,885)
Payment to and for employees		(3,471,720)	(3,503,196)	(3,250,280)	(3,305,855)
Payment of various taxes		(12,659,264)	(14,313,830)	(12,593,700)	(14,224,143)
Payment for other operating activities	V.56	(576,489)	(407,882)	(360,831)	(469,653)
Sub-total of cash outflows		(103,426,829)	(96,549,231)	(93,688,189)	(83,858,536)
Net cash flows generated from/(used in) operating activities	V.57, XIII.8	806,996	(7,337,499)	741,971	(7,497,389)
II. Cash flows from investing activities					
Cash received from structured deposits		–	1,000,000	–	1,000,000
Proceeds from capital reduction of an associate		50,000	150,000	–	150,000
Cash received from returns on investments		92,091	682,929	159,569	632,116
Net cash received from disposal of fixed assets and other long-term assets		281,351	13,937	283,304	13,143
Proceeds from other investing activities	V.56	3,202,802	9,480,216	3,197,022	9,472,516
Sub-total of cash inflows		3,626,244	11,327,082	3,639,895	11,267,775
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(1,615,369)	(2,836,912)	(1,601,340)	(2,811,588)
Payment of structured deposits		–	(1,000,000)	–	(1,000,000)
Cash paid to acquire investments		(26,500)	–	–	–
Payment for establishing of a subsidiary and an associate		–	(296,672)	–	(200,000)
Payment for other investing activities	V.56	–	(2,803,148)	–	(2,751,032)
Sub-total of cash outflows		(1,641,869)	(6,936,732)	(1,601,340)	(6,762,620)
Net cash flows generated from investing activities		1,984,375	4,390,350	2,038,555	4,505,155

The notes on pages 319 to 489 form part of these financial statements.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

		Twelve months ended 31 December		Twelve months ended 31 December	
		2023	2022	2023	2022
	Note	Consolidated	Consolidated	Company	Company
III. Cash flows from financing activities					
Proceeds from borrowings		33,544,998	19,485,000	33,499,998	19,435,000
Proceeds from short-term bonds		–	5,000,000	–	5,000,000
Sub-total of cash inflows		33,544,998	24,485,000	33,499,998	24,435,000
Repayments of borrowings		(32,094,998)	(19,494,800)	(31,999,998)	(19,435,000)
Repayments of short-term bonds		–	(5,000,000)	–	(5,000,000)
Payment for dividends, profit distributions or interest		(152,096)	(1,214,637)	(144,083)	(1,201,182)
Including: Dividends paid by subsidiaries to non-controlling interests		(6,534)	(11,434)	–	–
Payment for other financing activities	V.56	(74,779)	(66,331)	(73,036)	(62,565)
Sub-total of cash outflows		(32,321,873)	(25,775,768)	(32,217,117)	(25,698,747)
Net cash flows generated from/(used in) financing activities		1,223,125	(1,290,768)	1,282,881	(1,263,747)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		2,459	15,320	–	–
V. Net increase in cash and cash equivalents ("-" for decrease)		4,016,955	(4,222,597)	4,063,407	(4,255,981)
Add: Cash and cash equivalents at the beginning of the period	V.57, XIII.8	889,413	5,112,010	671,538	4,927,519
VI. Cash and cash equivalents at the end of the period	V.57, XIII.8	4,906,368	889,413	4,734,945	671,538

These financial statements were approved by the Board of Directors of the Company on 20 March 2024.

Wan Tao	**Du Jun**	**Fu Hejuan**
Chairman	*Director and Chief Financial Officer*	*Accounting Chief*

The notes on pages 319 to 489 form part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

		Attributable to equity shareholders of the Company									
	Note	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Sub-total	Non-controlling interests	Total
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	III.34	-	-	-	-	-	(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 equity for the twelve months ended 31 December 2023 ("-" for decreases)											
(1) Total comprehensive income											
1. Net profit ("-" for net loss)		-	-	-	-	-	-	(1,405,876)	(1,405,876)	(3,167)	(1,409,043)
2. Other comprehensive income	V.34	-	-	-	45,749	-	-	-	45,749	-	45,749
(2) The capital of shareholders' reduction											
1. Treasury stock repurchase		-	-	70,579	-	-	-	-	(70,579)	-	(70,579)
2. Cancellation of treasury stock repurchase	V.33	(24,528)	(1,161)	(25,689)	-	-	-	-	-	-	-
(3) Amounts transferred from hedging reserve to initial carrying amount of hedged items	V.34	-	-	-	(45,830)	-	-	-	(45,830)	-	(45,830)
(4) Appropriation of profits											
1. Distributions to shareholders		-	-	-	-	-	-	-	-	(6,534)	(6,534)
(5) Specific reserve											
1. Accrued	V.35	-	-	-	-	153,920	-	-	153,920	-	153,920
2. Utilized	V.35	-	-	-	-	(96,201)	-	-	(96,201)	-	(96,201)
III. Balance at 31 December 2023		10,799,286	609,166	70,579	(887)	298,137	6,672,634	6,517,172	24,824,929	117,978	24,942,907

These financial statements were approved by the Board of Directors of the Company on 20 March 2024.

Wan Tao
Chairman

Du Jun
Director and Chief Financial Officer

Fu Hejuan
Accounting Chief

The notes on pages 319 to 489 form part of these financial statements.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

		Attributable to equity shareholders of the Company									
	Note	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Sub-total	Non-controlling interests	Total
I. Balance at 1 January 2022		10,823,814	610,327	–	59,425	216,512	6,672,639	11,877,455	30,260,172	135,259	30,395,431
Add: Changes in accounting policies	III.34	–	–	–	–	–	(5)	(57)	(62)	(5)	(67)
Adjusted balance at the beginning of the current period		10,823,814	610,327	–	59,425	216,512	6,672,634	11,877,398	30,260,110	135,254	30,395,364
II. Changes in equity for the year ended 31 December 2022 ("-" for decreases)											
1. Total comprehensive income											
(1) Net profit ("-" for net loss)		–	–	–	–	–	–	(2,871,969)	(2,871,969)	3,859	(2,868,110)
(2) Other comprehensive income	V.34	–	–	–	177,748	–	–	–	177,748	–	177,748
2. The capital of shareholders' input and reduction											
(1) Treasury stock repurchase		–	–	25,689	–	–	–	–	(25,689)	–	(25,689)
3. Amounts transferred from hedging reserve to initial carrying amount of hedged items	V.34	–	–	–	(237,979)	–	–	–	(237,979)	–	(237,979)
4. Appropriation of profits											
(1) Distributions to shareholders	V.37	–	–	–	–	–	–	(1,082,381)	(1,082,381)	(11,434)	(1,093,815)
5. Specific reserve											
(1) Accrued	V.35	–	–	–	–	171,040	–	–	171,040	–	171,040
(2) Utilized	V.35	–	–	–	–	(147,134)	–	–	(147,134)	–	(147,134)
III. Balance at 31 December 2022 (restated)		10,823,814	610,327	25,689	(806)	240,418	6,672,634	7,923,048	26,243,746	127,679	26,371,425

These financial statements were approved by the Board of Directors of the Company on 20 March 2024.

Wan Tao	**Du Jun**	**Fu Hejuan**
Chairman	*Director and Chief Financial Officer*	*Accounting Chief*

The notes on pages 319 to 489 form part of these financial statements.

Statement of Changes in Shareholders' Equity

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	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	III.34	–	–	–	–	–	(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 for the year ended 31 December 2023 ("-" for decreases)									
(1) Total comprehensive income									
1. Net profit ("-" for net loss)		–	–	–	–	–	–	(1,268,694)	(1,268,694)
2. Other comprehensive income		–	–	–	46,597	–	–	–	46,597
(2) The capital of shareholders' reduction									
1. Treasury stock repurchase		–	–	70,579	–	–	–	–	(70,579)
2. Cancellation of treasury stock repurchase		(24,528)	(1,161)	(25,689)	–	–	–	–	–
(3) Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	(45,830)	–	–	–	(45,830)
(4) Specific reserve									
1. Accrued		–	–	–	–	146,458	–	–	146,458
2. Utilized		–	–	–	–	(88,015)	–	–	(88,015)
III. Balance at 31 December 2023		10,799,286	599,607	70,579	(39)	298,132	6,672,634	6,070,476	24,369,517

These financial statements were approved by the Board of Directors of the Company on 20 March 2024.

Wan Tao	**Du Jun**	**Fu Hejuan**
Chairman	*Director and Chief Financial Officer*	*Accounting Chief*

The notes on pages 319 to 489 form part of these financial statements.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Total
I. Balance at 1 January 2022		10,823,814	600,768	–	59,425	216,508	6,672,639	11,240,259	29,613,413
Add: Changes in accounting policies	III.34	–	–	–	–	–	(5)	(44)	(49)
Adjusted balance at the beginning of the current period		10,823,814	600,768	–	59,425	216,508	6,672,634	11,240,215	29,613,364
II. Changes in for the year ended 31 December 2022 ("-" for decreases)									
1. Total comprehensive income									
(1) Net profit ("-" for net loss)		–	–	–	–	–	–	(2,818,664)	(2,818,664)
(2) Other comprehensive income		–	–	–	177,748	–	–	–	177,748
2. The capital of shareholders' input and reduction									
(1) Treasury stock repurchase		–	–	25,689	–	–	–	–	(25,689)
3. Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	(237,979)	–	–	–	(237,979)
4. Appropriation of profits									
(1) Distributions to shareholders		–	–	–	–	–	–	(1,082,381)	(1,082,381)
5. Specific reserve									
(1) Accrued		–	–	–	–	161,766	–	–	161,766
(2) Utilized		–	–	–	–	(138,585)	–	–	(138,585)
III. Balance at 31 December 2022 (restated)		10,823,814	600,768	25,689	(806)	239,689	6,672,634	7,339,170	25,649,580

These financial statements were approved by the Board of Directors of the Company on 20 March 2024.

Wan Tao	**Du Jun**	**Fu Hejuan**
Chairman	*Director and Chief Financial Officer*	*Accounting Chief*

The notes on pages 319 to 489 form part of these financial statements.

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.

At 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.

As at 31 December 2023, total share capital of the Company were RMB10,799,285,500, 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 chemical products and petroleum products.

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

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(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 safety production expenses 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 at 31 December 2023, 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 2023 to 31 December 2023.

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.

For the year ended 31 December 2023
(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 ≥ RMB30 million
Significant joint arrangements or associates	Carrying amount of long-term equity investment or the impact of the current year's income statement ≥ 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.

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.

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.

For the year ended 31 December 2023
(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.

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 withdraw 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 eeceivable 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.

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(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.

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)

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.

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.

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

– 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.

– 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.

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)

– 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.

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or 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 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.

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

10. Financial instruments *(continued)*

(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.

(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.

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

10. Financial instruments *(continued)*

(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.

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).

For the year ended 31 December 2023
(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 (continued)

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.

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.

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

10. Financial instruments *(continued)*

(6) Impairment *(continued)*

Provision for bad debts for trade receivables (continued)

(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 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.

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 and when estimating ECL, 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);

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(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)*

Significant increases in credit risk (continued)

– 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.

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.

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

10. Financial instruments *(continued)*

(6) Impairment *(continued)*

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.

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.

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

11. Inventories *(continued)*

(2) Measurement method of cost

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

(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.

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.

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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.

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.

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)

– 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.

– 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.

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

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

(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.

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.

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

13. Investment properties *(continued)*

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 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.

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.

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

14. Fixed assets *(continued)*

(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:

Class	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.

(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.

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

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

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.

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

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.

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.

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

17. Intangible assets

(1) Estimated 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 estimated 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.

(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.

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

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:

Item	Amortization period
Catalysts	1.5-10 years
Leasehold improvements	15-27 years

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.

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

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

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.

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.

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

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.

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.

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

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.

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.

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

22. Revenue recognition *(continued)*

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.

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.

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

22. Revenue recognition *(continued)*

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.

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.

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on something other than the passage of time. The Group recognizes loss allowances for expected credit loss on contract assets (see Note III 10(6)). 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.

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

22. Revenue recognition *(continued)*

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.

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.

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

23. Contract costs *(continued)*

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; less

– the costs that relate directly to providing those goods or services that have not yet been recognized as expenses.

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.

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

24. Employee benefits *(continued)*

(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.

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.

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

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

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.

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.

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

27. Income tax *(continued)*

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.

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.

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

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.

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.

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

28. Leases *(continued)*

(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.

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;

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

28. Leases *(continued)*

(1) As a lessee *(continued)*

– 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.

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.

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

29. Hedge accounting *(continued)*

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.

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.

For the year ended 31 December 2023
(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

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.

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.

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

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.

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.

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

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.

(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.

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

33. Significant accounting estimates and judgements *(continued)*

(1) Significant accounting estimates *(continued)*

(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.

(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.

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

34. Changes in significant accounting policies and accounting estimates

(1) Description of and reasons for changes in accounting policies

(a) Accounting treatment of deferred tax related to assets and liabilities arising from a single transaction for which initial recognition exemption does not apply:

In 2023, the Group has adopted the accounting requirements and guidance under CAS newly issued by the Ministry of Finance:

– "Accounting treatment of deferred tax related to assets and liabilities arising from a single transaction for which initial recognition exemption does not apply" in CAS Bulletin No.16 (Caikuai [2022] No.31).

In accordance with CAS Bulletin No.16, the provisions of the Accounting Standards for Business Enterprises No. 18 — Income Taxes on exemption from initial recognition of deferred tax liabilities and deferred tax assets shall not apply to single transactions that are not business combinations, that do not affect accounting profits or taxable income (or deductible losses) upon transaction's occurrence, and result in equal amount of taxable temporary differences and deductible temporary differences caused by initially recognised assets and liabilities. As for the taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities in a single transaction, the Group shall, according to the Accounting Standards for Business Enterprises No. 18 – Income Taxes and other relevant provisions, respectively recognise the corresponding deferred tax liabilities and deferred tax assets upon the occurrence of the transaction.

The Group has made retrospective adjustments in accordance with these requirements for applicable single transactions occurring between 1 January 2022 and the date of initial implementation. With regard to deductible temporary differences and taxable temporary differences arising from lease liabilities and right-of-use assets recognised as at 1 January 2022 as a result of single transactions to which these provisions apply, the Group shall, in accordance with CAS Bulletin No.16 and Accounting Standards for Business Enterprises No. 18 — Income Taxes, adjust the cumulative effect amount with the retained earnings at the beginning of the earliest period presented in the financial statements and other relevant items of the financial statements.

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) Accounting treatment of deferred tax related to assets and liabilities arising from a single transaction for which initial recognition exemption does not apply: (continued)

(i) The effects on the financial statements

The effects of the above changes in accounting policies on each item of the consolidated balance sheet as at 31 December 2023 and the Company's balance sheet are summarized as follows:

	Increase/(decrease) in the line items as a result of applying new accounting policies	
	The Group	**The Company**
Assets:		
Deferred tax assets	46	44
Liabilities:		
Deferred tax liabilities	4	–
Shareholders' equity:		
Surplus reserve	(5)	(5)
Retained earnings	47	49
Non-controlling interests	–	–

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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) Accounting treatment of deferred tax related to assets and liabilities arising from a single transaction for which initial recognition exemption does not apply: (continued)

(i) The effects on the financial statements *(continued)*

The effects of the above changes in accounting policies on each item of the consolidated income statement and company income statement for the year ended 31 December 2023 are as follows:

	Increase/(decrease) in the line items as a result of applying new accounting policies	
	The Group	**The Company**
Less: Income tax benefits	1	4
Net loss	(1)	(4)
Attributable to: Shareholders of the Company	(1)	–
Non-controlling interests	–	–
Total comprehensive income for the year		
Attributable to: Shareholders of the Company	(1)	–
Non-controlling interests	–	–

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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) Accounting treatment of deferred tax related to assets and liabilities arising from a single transaction for which initial recognition exemption does not apply: (continued)

(ii) The effects on the comparative financial statements

The effects of these changes in accounting policies on the net loss for the year ended 31 December 2022, and opening and closing balances of shareholders' equity as at 1 January and 31 December 2022 are summarised as follows:

		The Group	
	Net loss for Twelve months ended 31 December	**2022 Closing balance of shareholders' equity**	**2022 Opening balance of shareholders' equity**
Net loss and shareholders' equity before adjustments	(2,868,216)	26,371,386	30,395,431
Deferred income tax relating to assets and liabilities arising from an individual transaction does not apply to the impact of initial recognition exemptions	106	39	(67)
Net loss and shareholders' equity after adjustments	(2,868,110)	26,371,425	30,395,364

		The Company	
	Net loss for Twelve months ended 31 December	**2022 Closing balance of shareholders' equity**	**2022 Opening balance of shareholders' equity**
Net loss and shareholders' equity before adjustments	(2,818,753)	25,649,540	29,613,413
Deferred income tax relating to assets and liabilities arising from an individual transaction does not apply to the impact of initial recognition exemptions	89	40	(49)
Net loss and shareholders' equity after adjustments	(2,818,664)	25,649,580	29,613,364

For the year ended 31 December 2023
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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) Accounting treatment of deferred tax related to assets and liabilities arising from a single transaction for which initial recognition exemption does not apply: (continued)

(ii) The effects on the comparative financial statements *(continued)*

The effects on each of the line items in the consolidated balance sheet and company balance sheet as at 31 December 2022 are as follows:

	The Group		
	Before adjustments	**The amounts of adjustments**	**After adjustments**
Assets:			
Deferred tax assets	991,850	42	991,892
Liabilities:			
Deferred tax liabilities	30,895	3	30,898
Shareholders' equity:			
Surplus reserve	6,672,639	(5)	6,672,634
Retained earnings	7,923,002	46	7,923,048
Non-controlling interests	127,681	(2)	127,679

	The Company		
	Before adjustments	**The amounts of adjustments**	**After adjustments**
Assets:			
Deferred tax assets	986,830	40	986,870
Shareholders' equity:			
Surplus reserve	6,672,639	(5)	6,672,634
Retained earnings	7,339,125	45	7,339,170

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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) *Accounting treatment of deferred tax related to assets and liabilities arising from a single transaction for which initial recognition exemption does not apply: (continued)*

(ii) The effects on the comparative financial statements *(continued)*

The effects on each of the line items in the consolidated income statement and company income statement for the year ended 31 December 2022 are as follows:

	The Group		
	Before adjustments	The amounts of adjustments	After adjustments
Less: Income tax benefits	(731,354)	(106)	(731,460)
Net profit for the year ("-" for losses)	(2,868,216)	106	(2,868,110)
Attributable to: Shareholders of the Company ("-" for net loss)	(2,872,072)	103	(2,871,969)
Non-controlling interests	3,856	3	3,859
Total comprehensive income for the year	(2,690,468)	106	(2,690,362)
Attributable to: Shareholders of the Company	(2,694,324)	103	(2,694,221)
Attributable to: non-controlling interests	3,856	3	3,859

	The Company		
	Before adjustments	The amounts of adjustments	After adjustments
Less: Income tax benefits	(742,407)	(89)	(742,496)
Net profit for the year ("-" for losses)	(2,818,753)	89	(2,818,664)
Total comprehensive income for the year	(2,641,005)	89	(2,640,916)

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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) Accounting treatment of deferred tax related to assets and liabilities arising from a single transaction for which initial recognition exemption does not apply: (continued)

(iii) After retrospective adjustments of the above accounting policy changes, the consolidated balance sheet and company balance sheet as at 1 January 2022 are as follows:

	The Group	The Company
Assets		
Deferred tax assets	184,143	178,035
Total non-current assets	26,106,346	26,612,539
Total assets	47,038,622	46,488,789
Liabilities and shareholders' equity		
Deferred tax liabilities	33,411	–
Total non-current liabilities	847,515	813,119
Total liabilities	16,643,258	16,875,425
Shareholders' equity:		
Surplus reserve	6,672,634	6,672,634
Retained earnings	11,877,398	11,240,215
Total equity attributable to shareholders of the Company	30,260,110	29,613,364
Non-controlling interests	135,254	–
Total shareholders' equity	30,395,364	29,613,364
Total liabilities and shareholders' equity	47,038,622	46,488,789

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) Segment reporting

In order to adapt to the optimization and adjustment of the management business strategy, the Group has adjusted the reporting segments in 2023.

Before adjustment:

The Group principally operated in five operating segments. On the basis of operating segments, the Group identified five reportable segments: petroleum products, intermediate petrochemicals, synthetic fibers, resins and plastics and trading of petrochemical products.

After adjustment:

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

the Group has made retrospective adjustments of the above accounting policy and adjusted the comparative data, as detailed in Note VII

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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 to
Urban maintenance and construction tax	Based on VAT and consumption tax paid	5% and 7%

(1) Pursuant to the 'Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances' (Cai Shui [2018] 54) issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2020, the cost of newly purchased equipment with the original cost less than RMB5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing. Pursuant to the 'Announcement on the extension of the implementation period of some tax incentives' (Cai Shui [2021] 6) issued by the State Administration of Taxation, the implementation period of Cai Shui [2018] 54 is extended to December 31, 2023.

For the year ended 31 December 2023
(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	31 December 2023	31 December 2022
Deposits with banks	5,607,010	3,998,329
Other monetary funds	3	3
Total	5,607,013	3,998,332

Cash and cash equivalents shown in the cash flow statement:

Item	31 December 2023	31 December 2022
Deposits with banks	5,607,010	3,998,329
Less: Time deposits (1)	(700,642)	(3,108,916)
Ending balance of cash and cash equivalents	4,906,368	889,413

(1) As at 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%.

As at 31 December 2022, time deposits are time deposits of 1,080 days to three years that will mature in one year, with annual interest rate of 3.85%-4.125%.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

2. Accounts receivable

(1) Accounts receivable by customer type are as follows:

Category	31 December 2023	31 December 2022
Amounts due from related parties (Note VIII.6)	1,448,887	2,443,018
Amounts due from third parties	2,228	72,110
Sub-total	1,451,115	2,515,128
Less: Provision for bad and doubtful debts	(2,168)	(2,766)
Total	1,448,947	2,512,362

(2) The ageing analysis of accounts receivable is as follows:

Aging	31 December 2023	31 December 2022
Within 1 year (inclusive)	1,449,001	2,512,964
Over 1 year but within 2 years (inclusive)	–	50
Over 2 years but within 3 years (inclusive)	–	–
Over 3 years	2,114	2,114
Total	1,451,115	2,515,128

The ageing is counted starting from the date when accounts receivables are recognized.

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

V. Notes to the consolidated financial statements *(continued)*

2. Accounts receivable *(continued)*

(3) Accounts receivable by provisioning method

	31 December 2023					31 December 2022				
	Book value		Provision for bad and doubtful debts			Book value		Provision for bad and doubtful debts		
Category	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Individual assessment	-	-	-	-	-	489	0.02	489	100.00	-
Collective assessment	1,451,115	100.00	2,168	0.15	1,448,947	2,514,639	99.98	2,277	0.09	2,512,362
Total	1,451,115	100.00	2,168	0.15	1,448,947	2,515,128	100.00	2,766	0.11	2,512,362

(i) *As at 31 December 2023, the Group has no provision for bad debts on a single basis.*

As at 31 December 2022, the basis of provision for bad debts on a single basis is as follows:

Name	Book value	Provision for impairment	Percentage (%)	Basis of provision
Ningbo Hezhong Auto Parts Co., Ltd.	489	489	100.00	It is estimated ultimately irrecoverable

(ii) *The recognition standard and instruction of provision for bad debts on combination:*

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.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

2. Accounts receivable *(continued)*

(4) Movements of provisions for bad and doubtful debts:

Provisions for bad and doubtful debts	2023	2022
Balance at the beginning	2,766	1,988
Additions during the period	47	778
Recoveries or reversals during the year	(645)	–
Balance at the end	2,168	2,766

(5) As at 31 December 2023, 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	1,451,000	2,168	99.99%

(6) Derecognition of accounts receivable due to transfer of financial assets

(i) For the year ended 31 December 2023, the Group has no accounts receivable derecognized due to transfer of financial assets.

(ii) For the year ended 31 December 2023, the Group has recovered accounts receivable of RMB489 thousand that have been fully provisioned for bad debts in previous. (For the year ended 31 December 2022: Nil).

(iii) For the year ended 31 December 2023, the Group has not written off significant accounts receivable. (For the year ended 31 December 2022: Nil)

(iv) At 31 December 2023, the Group has no pledged accounts receivable. (31 December 2022: Nil)

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

V. Notes to the consolidated financial statements *(continued)*

3. Receivables under financing

Item	Note	31 December 2023	31 December 2022
Bills receivable	(1)	79,146	136,945
Accounts receivable	(2)	157,341	445,409
Total		236,487	582,354

(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 at 31 December 2023, the Group classified RMB79,146 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 2022: RMB136,945 thousand).*

(ii) *The Group has no individually impaired bank acceptance notes, with all provision was accrued by their expected credit loss. As at 31 December 2023 and 31 December 2022, 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 at 31 December 2023, the Group had no pledged bank acceptance notes (31 December 2022: Nil).*

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

3. Receivables under financing *(continued)*

(1) Bills receivable *(continued)*

(iv) As at 31 December 2023, unmatured bills receivable that have been endorsed or discounted by the Group is as follows:

Item	Derecognized	Not derecognized
Bank acceptance notes	493,707	–

As at 31 December 2023, the Group endorsed and discounted the undue bills receivable of RMB493,707 thousand (31 December 2022: RMB375,036 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 RMB493,707 thousand (31 December 2022: RMB244,589 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 forfeiting 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 at 31 December 2023, the Group classified RMB157,341 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 2022, RMB445,409 thousand).

(ii) The analysis of accounts receivable derecognized due to the transfer of financial assets is as follows:

For the year ended 31 December 2023, the Group's subsidiaries JMGJ and Jinmao International derecognized RMB254,029 thousand-yuan accounts receivable due to the non-recourse forfeiting. (For the year ended 31 December 2022: RMB203,834 thousand).

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

4. Prepayments

(1) Prepayments by category:

Item	31 December 2023	31 December 2022
Amounts advance to related parties (Note VIII.6)	2,303	58,496
Amounts advance to third parties	30,233	8,512
Total	32,536	67,008

(2) The ageing analysis of prepayments is as follows:

	31 December 2023		31 December 2022	
Aging	Amount	Percentage	Amount	Percentage
Within 1 year	32,536	100%	67,008	100%

The ageing is counted starting from the date when prepayments are recognized.

(3) As at 31 December 2023, 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	30,877	94.90%

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

5. Other receivables

	Note	31 December 2023	31 December 2022
Amounts due from related parties	VIII.6	5,524	140,271
Amounts due from third parties		351,271	55,036
Sub-total		356,795	195,307
Less: Provision for bad and doubtful debts		(4,731)	(4,728)
Total		352,064	190,579

(a) The aging analysis is as follows:

Aging	31 December 2023	31 December 2022
Within 1 year (inclusive)	344,197	193,228
Over 1 year but within 2 years (inclusive)	10,663	2,074
Over 2 years but within 3 years (inclusive)	1,930	5
Over 3 years	5	–
Total	356,795	195,307

The ageing is counted starting from the date when other receivables are recognized.

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

V. Notes to the consolidated financial statements *(continued)*

5. Other receivables *(continued)*

(2) Others by provisioning method:

	31 December 2023					31 December 2022				
	Book value		Provision for bad and doubtful debts			Book value		Provision for bad and doubtful debts		
Category	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Individual assessment	4,725	1.32	(4,725)	100.00	–	4,725	2.42	(4,725)	100.00	-
Collective assessment	352,070	98.68	(6)	0.00	352,064	190,582	97.58	(3)	0.00	190,579
Total	356,795	100.00	(4,731)	1.33	352,064	195,307	100.00	(4,728)	2.42	190,579

As at 31 December 2023 and 31 December 2022, 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	

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

5. Other receivables *(continued)*

(3) Provision for and movements of provisions for bad debts

	Stage 1					Stage 3		
	12-month ECL (collective)		12-month ECL (individual)		Sub-total	Lifetime ECL – Credit impaired		Total
	Book value	Provision for bad and doubtful debts	Book value	Provision for bad and doubtful debts	Provision for bad and doubtful debts	Book value	Provision for bad and doubtful debts	Provision for bad and doubtful debts
Balance at 31 December 2022	190,582	(3)	–	–	(3)	4,725	(4,725)	(4,728)
Additions during the period	–	(3)	–	–	(3)	–	–	(3)
Recoveries or reversals during the period	–	–	–	–	–	–	–	–
Balance at 31 December 2023	352,070	(6)	–	–	(6)	4,725	(4,725)	(4,731)

As at 31 December 2023 and 31 December 2022, the Group has no other receivables under Stage 2.

(i) *For the year ended 31 December 2023, 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 year ended 31 December 2022, the Group has fully recovered other receivables of RMB139 thousand which have been fully withdrawn as bad debt reserve in previous years.

(ii) *For the year ended 31 December 2023, the Group has not written off significant other receivables (For the year ended 31 December 2022: Nil).*

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

5. Other receivables *(continued)*

(4) Others categorised by nature

Nature of other receivables	31 December 2023	31 December 2022
Refund of consumption tax receivable	315,659	–
Export tax rebate	11,168	13,711
Prepayment for share repurchase	6,333	27,573
Advance payment for compensation	5,814	4,380
Amounts due from related parties	5,524	140,271
Others	12,297	9,372
Sub-total	356,795	195,307
Less: Provision for bad debts	(4,731)	(4,728)
Total	352,064	190,579

(5) Five largest other receivables-by debtors as at 31 December 2023

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	315,659	Within 1 year (inclusive)	88.47%	–
State Administration of Taxation, Shanghai Jinshan	Export tax rebate	11,168	Within 1 year (inclusive)	3.13%	–
China International Capital Corporation Hong Kong Securities Limited	Prepayment for share repurchase	6,333	Within 1 year (inclusive)	1.77%	–
Pacific Anxin Crop Insurance Co., Ltd.	Advance payment of compensation	5,814	Within 1 year (inclusive)	1.63%	–
Sinopec Materials & Equipment Co., Ltd.	Business transaction	2,795	Over 1 year but within 2 years (inclusive)	0.78%	(2,795)
Total		341,769		95.78%	(2,795)

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

6. Inventories

(1) Inventories by categories are as follows:

	31 December 2023			31 December 2022		
Inventories by categories	Book value	Provision for impairment of inventories	Carrying amount	Book value	Provision for impairment of inventories	Carrying amount
Raw materials	6,018,092	(11,481)	6,006,611	5,700,215	(26,491)	5,673,724
Work in progress	885,340	(206,701)	678,639	756,007	(237,959)	518,048
Finished goods	1,098,755	(189,766)	908,989	1,096,623	(182,035)	914,588
Spare parts and consumables	236,636	(79,188)	157,448	246,161	(58,461)	187,700
Total	8,238,823	(487,136)	7,751,687	7,799,006	(504,946)	7,294,060

The balance of inventories of the Group does not include the capitalized interest at 31 December 2023 (31 December 2022: Nil).

The Group has no inventory for guarantee as at 31 December 2023 (31 December 2022: Nil).

(2) Provision for impairment of inventories is analysed as follows:

Inventories by categories	31 December 2022	Increases during the period	Decreases during the period	31 December 2023
Raw materials	26,491	3,290	(18,300)	11,481
Work in progress	237,959	205,702	(236,960)	206,701
Finished goods	182,035	208,165	(200,434)	189,766
Spare parts and consumables	58,461	29,562	(8,835)	79,188
Total	504,946	446,719	(464,529)	487,136

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

V. Notes to the consolidated financial statements *(continued)*

6. Inventories *(continued)*

(3) Provision for impairment of inventories are 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.	Not applicable
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

7. Other current assets

Item	31 December 2023	31 December 2022
VAT deductible	15,222	1,057,463
Corporate income tax prepaid	1,556	54,404
Others	9,320	9,320
Total	26,098	1,121,187

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

8. Long-term equity investments

Item	Note	31 December 2023	31 December 2022
Joint ventures	(1)	469,434	476,761
Associates	(2)	2,910,899	3,146,024
Sub-total		3,380,333	3,622,785
Less: Provision for impairment			
– Joint ventures		–	–
– Associates		(28,392)	(28,392)
Total		3,351,941	3,594,393

(1) Joint ventures

Investee	31 December 2022	Current period movement: Additional/ (negative) investment	Investment income recognized under equity method	Cash dividends declared in current period	Impairment provision	31 December 2023	Ending balance of impairment provision 31 December 2023
Joint venture of the Company							
Shanghai Jinshan Baling New Material Co., Ltd. ("Baling Materials")	250,000	–	–	–	–	250,000	–
Joint ventures of subsidiaries							
Shanghai Petrochemical Equipment Inspection and Testing Co., Ltd. ("Inspection and Testing company")	9,845	–	501	(698)	–	9,648	–
Shanghai Petrochemical Yangu Gas Development Company Limited ("Yangu Gas")	40,218	–	(4,396)	–	–	35,822	–
Linde-SPC Gases Company Limited ("Linde"), formerly known as "BOC-SPC Gases Company Limited")	176,698	–	16,966	(19,700)	–	173,964	–
Total	476,761	–	13,071	(20,398)	–	469,434	–

Interests in joint ventures, refer to Note VI.2.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

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

(2) Associates

		Current period movement							
Investee	31 December 2022	Additional/ (negative) investment	Investment (loss)/ incomes recognized under equity method	Cash dividends declared in current period	Impairment provision	Change in other equity	Others	31 December 2023	Ending balance of impairment provision 31 December 2023
Associates of the Company									
Shanghai Secco	333,896	–	(333,896)	–	–	–	–	–	–
Shanghai Chemical Industry Park Development Company Limited ("Chemical Industry")	2,205,142	–	135,899	(46,103)	–	767	–	2,295,705	–
Associates of subsidiaries									
Shanghai Jinsen Hydrocarbon Resins Company Limited ("Jinsen")	4,514	–	(4,407)	–	–	–	–	107	(28,392)
Shanghai Azbil Automation Company Limited ("Azbil")	63,324	–	25,065	(20,000)	–	–	–	68,389	–
Shanghai Shidian Energy Company Limited ("Shidian Energy")	404,663	–	16,292	(4,000)	–	–	–	416,955	–
Others	106,093	–	(3,152)	(1,590)	–	–	–	101,351	–
Total	3,117,632	–	(164,199)	(71,693)	–	767	–	2,882,507	(28,392)

Interests in associates, refer to Note VI.2.

Note 1: During the year ended 31 December 2021, the Group reviewed the carrying value of the Group's associate and joint ventures. The entire carrying amount of the interests in an associate is tested for impairment in accordance with CAS 8 Impairment of Assets as a single asset by comparing its recoverable amount with its carrying amount. Since the recoverable amount of investment in an associate Jinsen is lower when compared with its carrying amount, impairment loss amounting to RMB28,392 thousand is recognized during the year ended 31 December 2021.

The recoverable amount of the investment in an associate was based on its fair value less costs to sell. The fair value was determined by reference to the actual price at which another shareholder of Jinsen sold its equity interest in fiscal 2021.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

9. Other non-current financial properties

Item	31 December 2023	31 December 2022
Financial assets measured at fair value through profit or loss	36,500	–
Including: Equity investments with resale clauses	36,500	–

10. Investment properties

	Buildings
Cost	
31 December 2022	626,367
Additions during the period	271
Decrease during the period	
– Transfer out to fixed assets (Note V.11)	(3,491)
31 December 2023	623,147
Accumulated depreciation	
31 December 2022	289,504
Additions during the period	
– Charge for current period	15,270
– Transfer in to fixed assets (Note V.11)	43
Decrease during the period	
– Transfer out to fixed assets (Note V.11)	(2,707)
31 December 2023	302,110
Carrying amount	
31 December 2023	321,037
31 December 2022	336,863

For the year ended 31 December 2023, the depreciation amount of the investment properties is RMB15,270 thousand (for the year ended 31 December 2022, depreciation amount is RMB15,323 thousand). No provision for impairment has been made (For the year ended 31 December 2022: Nil).

As at 31 December 2023 and 31 December 2022 the Group had no investment properties pending certificates of ownership.

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

V. Notes to the consolidated financial statements *(continued)*

11. Fixed assets

(1) Fixed assets situation

	Buildings	Plant and machinery	Vehicles and other equipment	Total
Cost				
31 December 2022	4,480,502	45,299,395	2,114,644	51,894,541
Reclassification in current period	41,738	(100,490)	58,752	–
Increase in current period				
– Purchase	89	149,393	32,139	181,621
– Transfer from CIP (Note V.12)	207,727	3,266,210	79,627	3,553,564
– Transfer from investment properties (Note V.10)	3,491	–	–	3,491
Decrease in current period				
– Disposal	(28,235)	(227,124)	(35,900)	(291,259)
– Transfer out to investment properties (Note V.10)	(271)	–	–	(271)
31 December 2023	4,705,041	48,387,384	2,249,262	55,341,687
Accumulated depreciation				
31 December 2022	2,790,861	33,591,549	1,596,395	37,978,805
Reclassification in current period	40,521	(45,407)	4,886	–
Increase in current period				
– Charge for current period	109,009	1,434,779	143,230	1,687,018
– Transfer from investment properties (Note V.10)	2,707	–	–	2,707
Decrease in current period				
– Disposal	(26,781)	(200,434)	(33,009)	(260,224)
– Transfer out to investment properties (Note V.10)	(43)	–	–	(43)
31 December 2023	2,916,274	34,780,487	1,711,502	39,408,263
Provision for impairment				
31 December 2022	83,848	1,625,798	10,563	1,720,209
Reclassification in current period	21,181	(21,470)	289	–
Increase in current period	–	29,632	218	29,850
Decrease in current period				
– Disposal	–	(7,462)	–	(7,462)
31 December 2023	105,029	1,626,498	11,070	1,742,597
Carrying amount				
31 December 2023	1,683,738	11,980,399	526,690	14,190,827
31 December 2022	1,605,793	10,082,048	507,686	12,195,527

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

11. Fixed assets *(continued)*

(2) During 2023, In addition to the provision for impairment of some production units that have ceased production or have outdated production processes, as a result of the increasingly severe market conditions, which caused the cash-generating units of specific production units, to produce products whose expected selling prices could not compensate for the increase in their production and operating costs, the Group's management believes that there are indications of impairment of the assets related to specific production units.

In 2023, the Group performed an impairment test on the assets related to specific production units in accordance with the accounting policy set out in note III.19 to the financial statements. Based on the results of the test, the recoverable amount of the assets related to the specific production units was higher than the carrying amount of the assets, and the Group did not need to make any provision for asset impairment for the related fixed assets.

The recoverable amounts of the assets or cash-generating units of the intermediate petrochemicals segment mentioned above are determined on the basis of the present value of the expected future cash flows from the assets. The Group calculates the present value of the projected future cash flows based on the approved financial budgets for a five-year period. The projected cash flows are based on several key assumptions, including the rate of growth of product sales, the rate of growth of related costs ("projected growth rate") and the discount rate. Of these key assumptions, the projected growth rates are based on historical operating experience and expectations of market participants, average compound annual growth rate of revenue is 2.52% from 2024 to 2028, average compound annual growth rate of cost is 0.02% from 2024 to 2028,and consistent with projections in relevant industry reports, and the pre-tax discount rate used in assessing the present value of the projected future cash flows is 11.89%, which reflects the Group's particular risks.

The recoverable amounts of the assets or cash-generating units of the synthetic fibers from chemical products segment mentioned above are determined on the basis of the fair value of the assets, net of disposal costs. The fair value of the assets is determined based on key assumptions such as replacement cost, ageing rate and other key assumptions. Of these key assumptions, full replacement value is determined based on the purchase cost adjusted by the corresponding price index, ageing rate is determined based on the remaining economic life, and disposal cost is determined based on the projected brokerage fee and tax rate calculations.

In fiscal year 2023, except for the assets or cash-generating units mentioned above, some of the Group's production units have ceased production or have outdated production processes. The Group expects that the use of fixed assets related to these production units will not generate economic benefits in the future, and the related fixed assets cannot be used for other purposes due to customization, therefore, the Group has made asset impairment provisions of RMB29,850 thousand for the related fixed assets of the chemical products segment.

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

V. Notes to the consolidated financial statements *(continued)*

11. Fixed assets *(continued)*

(3) As at December 31 2023, the original carrying amount of the Group's temporarily idle property, plant and equipment 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 at December 31, 2022: original carrying amount amounted to RMB3,358,312 thousand, accumulated depreciation amounted to RMB2,685,006 thousand, provision for impairment amounted to RMB493,944 thousand, and the carrying value amounted to RMB179,362 thousand).

As at December 31, 2023 and December 31, 2022, the Group had no fixed assets used as collateral.

(4) As at December 31, 2023, the carrying value of the Group's fixed assets leased out under operating leases amounted to RMB49,951,000 (December 31, 2022: carrying value of RMB54,110,000).

(5) As at December 31, 2023 and December 31, 2022, the Group had no fixed assets with outstanding title certificates.

12. Construction in progress

(1) Construction in progress

	31 December 2023			31 December 2022		
	Original cost	Provision for impairment	Carrying amount	Original cost	Provision for impairment	Carrying amount
Construction in progress	1,225,088	(24,486)	1,200,602	3,772,947	(24,486)	3,748,461

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

V. Notes to the consolidated financial statements *(continued)*

12. Construction in progress *(continued)*

(2) The movement of the Group's major construction in progress is listed as follows:

Project	Budget	31 December 2022	Increase during the period	Transfer to fixed Assets (Note V.10)	Disposals during the year	31 December 2023	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	3,388,540	-	100,000	-	-	100,000	0.74%	0.74%	-	-	-	own funds
250,000 tons/year thermoplastic elastomer project supporting engineering	201,785	-	80,000	-	-	80,000	39.65%	39.65%	114	114	1.91%	own funds and borrowings
Cogeneration Department East Area 220 kV System Hazard Management Project	85,813	15,483	40,000	-	-	55,483	64.66%	64.66%	285	285	1.91%	own funds and borrowings
Jinshan Area Comprehensive Environmental Improvement Shanghai Petrochemical Storage and Transportation Department T-135, T	95,085	8,697	40,000	-	-	48,697	51.21%	51.21%	-	-	-	own funds
2022 Renewal of equipment in the Cogeneration Department	50,000	29,188	6,523	-	-	35,711	71.42%	71.42%	-	-	-	own funds
2023 Refining Department equipment upgrade	150,000	-	35,333	-	-	35,333	23.56%	23.56%	-	-	-	own funds
Shanghai Petrochemical Second Process Crude Oil System Efficiency Improvement and Upgrading Project	65,489	-	35,000	-	-	35,000	53.44%	53.44%	-	-	-	own funds
100,000 tons/year EVA production plant	1,131,520	257,853	-	(25,298)	(232,555)	-	20.79%	20.79%	1,081	-	-	own funds and borrowings
Shanghai Petrochemical Third Circuit 220KV Power Inlet Project	507,120	449,487	20,000	(469,487)	-	-	92.58%	92.58%	4,740	-	-	own funds and borrowings
Shanghai Petrochemical Sewage Separation and Improvement Project	155,293	80,000	40,000	(120,000)	-	-	77.27%	77.27%	-	-	-	own funds
Jinshan Area Comprehensive Environmental Improvement Shanghai Petrochemical Storage and Transportation Department T-121~1	156,259	80,000	25,000	(105,000)	-	-	67.20%	67.20%	-	-	-	own funds
Aerospace Carbon Fiber Reinforced Thermoplastic Composites Pilot Line Project	87,682	30,520	47,520	(78,040)	-	-	87.82%	87.82%	-	-	-	own funds
Shanghai Petrochemical Suitang River Stormwater Outfall Installation Online Monitoring Project	43,392	26,679	7,436	(34,115)	-	-	78.62%	78.62%	-	-	-	own funds
2022 Olefins Department equipment upgrade	50,000	26,044	18,505	(44,549)	-	-	75.86%	75.86%	-	-	-	own funds
Hundred-ton high-performance carbon fiber plant	566,183	493,407	50,000	(543,407)	-	-	95.98%	95.98%	9,806	6,059	1.91%	own funds and borrowings
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	1,035,672	250,000	(1,285,672)	-	-	75.37%	75.37%	27,431	5,242	1.51%	own funds and borrowings
Coal power unit energy consumption to meet the standard 2 x CC100 turbine (No. 5, No. 6)	93,260	84,000	-	(84,000)	-	-	89.67%	100.00%	-	-	-	own funds
Synthetic Resins Division (formerly Plastics Division) Control Room Compliance Improvement Project	121,991	-	40,000	(40,000)	-	-	81.97%	81.97%	-	-	-	own funds
Shanghai Petrochemical Nan Suitang River and Acrylic Department Rooftop Distributed Photovoltaic Power Generation Project	54,759	6,000	41,000	(47,000)	-	-	85.83%	85.83%	-	-	-	own funds
Other projects		1,149,917	369,432	(676,996)	(7,489)	834,864	-	-	-	-	-	
Sub-total		3,772,947	1,245,749	(3,553,564)	(240,044)	1,225,088	-	-	43,457	11,700	1.70%	
Less: Provision for impairment		(24,486)	-	-	-	(24,486)	-	-	-	-	-	
Total		3,748,461	1,245,749	(3,553,564)	(240,044)	1,200,602	-	-	43,457	11,700	1.70%	

In 2023, the Group's borrowing costs were capitalized at RMB11,700 thousand (2022: RMB24,136 thousand).

As at December 31, 2023 and December 31, 2022, 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.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

13. Right-of-use assets

	Buildings	Plant and machinery	Vehicles and other equipment	Total
Cost				
31 December 2022	36,438	1,602	3,677	41,717
Increase in current period	5,823	1,248	601	7,672
Decrease in current period	(13,597)	(1,305)	(2,142)	(17,044)
31 December 2023	28,664	1,545	2,136	32,345
Accumulated depreciation				
31 December 2022	21,898	1,229	2,505	25,632
Increase in current period	13,519	592	1,150	15,261
Decrease in current period	(13,554)	(1,256)	(2,033)	(16,843)
31 December 2023	21,863	565	1,622	24,050
Carrying amount				
31 December 2023	6,801	980	514	8,295
31 December 2022	14,540	373	1,172	16,085

For the Group's specific arrangements relating to leasing activities, refer to Note V.59.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

14. Intangible assets

Intangible assets situation

	Land-use rights	Other intangible assets	Total
Cost			
31 December 2022	785,567	100,193	885,760
Increase in current period	–	–	–
Disposal in current period	–	–	–
31 December 2023	785,567	100,193	885,760
Accumulated amortization			
31 December 2022	421,847	91,273	513,120
Charge for current period	17,044	2,924	19,968
Disposal in current period	–	–	–
31 December 2023	438,891	94,197	533,088
Carrying amount			
31 December 2023	346,676	5,996	352,672
31 December 2022	363,720	8,920	372,640

As at 31 December 2023 and at 31 December 2022, the Group had no land-use right without property right certificate.

As at 31 December 2023 and at 31 December 2022, the Group has no intangible assets formed through internal research and development.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

15. Long-term deferred expenses

	31 December 2022	Increase during the period	Amortization during the period	31 December 2023
Catalysts	771,395	118,122	(251,947)	637,570
Lease holding improvements	4,550	–	(1,109)	3,441
Others	535	–	(218)	317
Less: Provision for impairment	–	–	–	–
Total	776,480	118,122	(253,274)	641,328

16. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting

	31 December 2023		31 December 2022 (restated)	
Item	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Provision for bad debts	6,893	1,723	7,491	1,873
Provision for inventory	487,136	121,784	504,946	126,237
Provision for impairment of fixed assets	1,712,741	428,185	1,690,353	422,588
Provision for impairment of construction in progress	24,486	6,122	24,486	6,122
Accrued expenses	51,693	12,923	48,111	12,028
Deductible loss	5,566,915	1,391,728	3,490,594	872,648
Rental liabilities	8,457	2,114	15,494	3,873
Other deferred tax assets	41,457	10,366	57,110	14,277
Total	7,899,778	1,974,945	5,838,585	1,459,646

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

16. Deferred tax assets and deferred tax liabilities *(continued)*

(2) Deferred tax liabilities before offsetting

	31 December 2023		31 December 2022 (restated)	
Item	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Capitalized interest	(4,172)	(1,043)	(5,018)	(1,255)
Difference in fixed assets depreciation and intangible assets amortization	(2,748,204)	(687,051)	(1,974,253)	(493,563)
Gains and losses on changes in fair value	(10,000)	(2,500)	–	–
Right-of-use assets	(8,294)	(2,074)	(15,336)	(3,834)
Total	(2,770,670)	(692,668)	(1,994,607)	(498,652)

(3) Deductible temporary differences and deductible losses that are not recognized as deferred tax assets are analysed as follows:

Item	31 December 2023	31 December 2022
Deductible temporary differences	29,861	29,859
Deductible losses	454,782	393,896
Total	484,643	423,755

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 2023 and 2028 in accordance with current tax laws.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

16. 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	31 December 2023	31 December 2022
Shanghai Petrochemical Investment Development Company Limited ("Toufa")	135,837	112,386
Shanghai Jinchang Engineering Plastics Company Limited ("Jinchang")	162,719	102,262
Shanghai Jinshan Hotel Company Limited ("Jinshan Hotel")	–	7,685
Zhejiang Jinlian Petrochemical Storage and Transportation Co., LTD. ("Jinlian")	156,226	171,563
Total	454,782	393,896

(4) Deductible losses that are not recognized as deferred tax assets will expire in the following years:

Year	31 December 2023	31 December 2022
2023	–	65,585
2024	91,901	91,901
2025	41,475	41,475
2026	95,144	95,144
2027	107,558	99,791
2028	118,704	–
Total	454,782	393,896

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

16. Deferred tax assets and deferred tax liabilities *(continued)*

(5) The net balance of deferred tax assets and liabilities after offsetting is as follows:

	31 December 2023		31 December 2022 (restated)	
Item	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	(661,104)	1,313,841	(467,754)	991,892
Deferred tax liabilities	661,104	(31,564)	467,754	(30,898)

17. Other non-current assets

Item	31 December 2023	31 December 2022
Time deposit	2,782,500	3,389,559
Investment security deposits	–	50,000
Total	2,782,500	3,439,559

As at December 31, 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% (December 31, 2022: 3.55% to 4.20%), which will mature in one year.

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

V. Notes to the consolidated financial statements *(continued)*

18. Provision for assets impairment

	31 December 2022	Increase in current period	Decrease in current period			31 December 2023
			Reverse	Sold	Written-off	
Provision for accounts receivable (Note V.2)	2,766	47	(645)	–	–	2,168
Provision for other receivable (Note V.5)	4,728	3	–	–	–	4,731
Sub-total	7,494	50	(645)	–	–	6,899
Provision for inventory (Note V.6)	504,946	446,719	–	(455,694)	(8,835)	487,136
Provision for fixed assets (Note V.11)	1,720,209	29,850	–	–	(7,462)	1,742,597
Provision for CIP (Note V.12)	24,486	–	–	–	–	24,486
Impairment loss of investments accounted for using equity method (Note V.8)	28,392	–	–	–	–	28,392
Sub-total	2,278,033	476,569	–	(455,694)	(16,297)	2,282,611
Total	2,285,527	476,619	(645)	(455,694)	(16,297)	2,289,510

19. Short-term loans

Item	Currency	31 December 2023	31 December 2022
Credit loans			
– bank loans	RMB	3,000,000	1,550,000

At December 31, 2023, the interest rate range for short-term borrowings was 1.95% to 2.08% (December 31, 2022: 2.10% to 3.50%).

As at December 31, 2023 and December 31, 2022, the Group had no overdue short-term borrowings.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

20. Bills payable

Item	31 December 2023	31 December 2022
Bank acceptance notes	1,535,334	40,951

The bills above are all due within one year.

21. Accounts payable

Item	31 December 2023	31 December 2022
Amount due to related parties (Note VIII.6)	4,727,391	7,326,101
Amount due to third parties	1,569,521	1,818,453
Total	6,296,912	9,144,554

As at 31 December 2023 and 31 December 2022, there was no individually significant accounts payable aged over one year.

22. Contract liabilities

Item	31 December 2023	31 December 2022
Advance from related parties (Note VIII.6)	11,727	10,486
Advance from third parties	323,279	372,760
Total	335,006	383,246

As at 31 December 2023 and 31 December 2022, 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.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

22. Contract liabilities *(continued)*

Changes in the contract liabilities of the Group are as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Balance at the beginning of the period	383,246	430,882
Revenue recognized that was included in the contract liability balance at the beginning of the period	(383,246)	(430,882)
Net increase due to cash received during the period	335,006	383,246
Balance at the end of the period	335,006	383,246

23. Employee benefits payable

(1) Employee benefits payable:

	Note	31 December 2023	31 December 2022
Short-term employee benefits	(2)	297,449	289,102
Post-employment benefits			
– defined contribution plans	(3)	24,816	28,789
Termination benefits		–	–
Total		322,265	317,891

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

23. Employee benefits payable *(continued)*

(2) Short-term employee benefits

	31 December 2022	Increase in current period	Decrease in current period	31 December 2023
Salaries, bonuses, allowances	265,200	2,068,913	(2,057,313)	276,800
Staff welfare	3,569	212,659	(212,659)	3,569
Social insurances	19,726	219,302	(222,493)	16,535
Including: Medical insurance	17,989	189,252	(192,209)	15,032
Work injury insurance	1,724	18,848	(19,069)	1,503
Maternity insurance	13	4	(17)	–
Supplementary medical insurance	–	11,198	(11,198)	–
Housing funds	8	225,662	(225,670)	–
Labour union fee, staff and workers' education fee	599	80,312	(80,366)	545
Non-monetary benefits	–	104,649	(104,649)	–
Others	–	48,567	(48,567)	–
Total	289,102	2,960,064	(2,951,717)	297,449

(3) Defined contribution plans

	31 December 2022	Increase in current period	Decrease in current period	31 December 2023
Basic pensions	27,915	302,901	(306,753)	24,063
Unemployment insurance	874	9,462	(9,583)	753
Supplemental basic pensions	–	157,323	(157,323)	–
Total	28,789	469,686	(473,659)	24,816

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.

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

V. Notes to the consolidated financial statements *(continued)*

23. Employee benefits payable *(continued)*

(3) Defined contribution plans *(continued)*

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 year ended 31 December 2023, the Group's contribution to the above two plans amounted to RMB302,901 thousand and RMB157,323 thousand respectively (for the year ended 31 December 2022: RMB300,582 thousand and RMB162,622 thousand respectively).

(4) Termination benefits

	31 December 2022	Increase in current period	Decrease in current period	31 December 2023
Termination benefits	–	49,348	(49,348)	–

24. Taxes payable

	31 December 2023	31 December 2022
Consumption tax payable	914,411	733,334
Value-added tax payable	39,428	5,277
Educational surcharge payable	69,134	36,868
Urban maintenance and construction tax payable	96,776	51,557
Corporate income tax payable	2,369	2,754
Land-use tax payable	12,200	12,149
Individual income tax payable	31,036	28,032
Others	21,721	19,885
Total	1,187,075	889,856

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

25. Other payables

	31 December 2023	31 December 2022
Dividends payable on ordinary shares	31,631	31,631
Amounts due to related parties (Note VIII.6)	282,634	535,222
Amounts due to third parties	830,418	1,051,499
Total	1,144,683	1,618,352

(5) As at 31 December 2023, the Group has no other payables that are individually significant aged over 1 year except unpaid project guaranty deposit. (Ended 31 December 2022: Nil).

(6) Other payables by categories are analysed as follows:

Item	31 December 2023	31 December 2022
Accrued expenses	128,671	143,299
Equipment project payables	912,594	1,251,897
Closed derivative gains and losses to be settled	–	102,068
Dividends payable on ordinary shares	31,631	31,631
Withholding social insurance	15,990	18,254
Sales discount	833	5,968
Warranty payable	7,821	9,353
Deposits	9,467	10,346
Others	37,676	45,536
Total	1,144,683	1,618,352

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

V. Notes to the consolidated financial statements *(continued)*

26. Non-current liabilities due within one year

	31 December 2023	31 December 2022
Long-term borrowings due within one year (Note V.28)	700,000	–
Lease liabilities due within one year (Note V.29)	7,515	8,738
Total	707,515	8,738

27. Other current liabilities

Item	31 December 2023	31 December 2022
Output VAT to be transferred	43,819	44,750

28. Long-term loans

Item	31 December 2023	31 December 2022
Credit loans		
– Borrowing from a related party (Note VIII.6)	700,000	700,000
Less: Long-term borrowing from a related party	(700,000)	–
Total	–	700,000

The interest rate of the Group's long-term borrowings was 1.08% as at 31 December 2023 (31 December 2022: 1.08%).

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

V. Notes to the consolidated financial statements *(continued)*

29. Lease liabilities

	31 December 2023	31 December 2022
Lease liabilities	8,457	16,251
Less: Non-current liabilities due within one year (Note V.26)	(7,515)	(8,738)
Total	942	7,513

For the Group's specific arrangements relating to leasing activities, refer to Note V.59.

30. Deferred income

Item	31 December 2022	Increase in current period	Decrease in current period	31 December 2023	Cause
Government grants	134,608	25,433	(49,819)	110,222	related to assets/income

Liability Items	31 December 2022	Increase in current period	Deduct from Property plant and Equipment	Include in other income	Deduct from general and administrative expenses	Deduct from financial expenses	Include in non-operating income	Deduct from non-operating expense	31 December 2023	Related to assets/ income
Investment subsidy for Chemical Industry	90,000	–	–	–	–	–	(10,000)	–	80,000	related to assets
Other government subsidy related to assets	22,985	–	–	–	–	–	(1,724)	–	21,261	related to assets
Other government subsidy related to income	21,623	25,433	–	(38,095)	–	–	–	–	8,961	related to income
Total	134,608	25,433	–	(38,095)	–	–	(11,724)	–	110,222	

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

V. Notes to the consolidated financial statements *(continued)*

31. Share capital

		Increase or decrease in current period					
	31 December 2022	Issue new share	Stock dividend	Transfer from capital surplus to paid-in capital	Cancelled treasury shares	Sub-total	31 December 2023
Non-restricted Shares							
Ordinary A shares listed in PRC	7,328,814	–	–	–	–	–	7,328,814
Foreign investment H shared listed overseas	3,495,000	–	–	–	(24,528)	(24,528)	3,470,472
Total Shares	10,823,814	–	–	–	(24,528)	(24,528)	10,799,286

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.

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V. Notes to the consolidated financial statements *(continued)*

31. Share capital *(continued)*

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.

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 noncirculating 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.

V. Notes to the consolidated financial statements *(continued)*

31. Share capital *(continued)*

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 at 31 December 2016.

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 at 31 December 2023 and 31 December 2022, the total share capital of the Company was 10,823,813,500 shares.

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

V. Notes to the consolidated financial statements *(continued)*

31. Share capital *(continued)*

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.

At December 31, 2023, the total share capital of the Company was 10,799,285,500 shares.

32. Capital reserve

Item	31 December 2022	Increase in current period	Decrease in current period	31 December 2023
Government grants	412,370	–	–	412,370
Refund of harbour construction charge	32,485	–	–	32,485
Share premium (Note V.31)	106,846	–	(1,161)	105,685
Others	58,626	–	–	58,626
Total	610,327	–	(1,161)	609,166

As at 31 December 2023 and 31 December 2022, there were no outstanding share options.

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

V. Notes to the consolidated financial statements *(continued)*

33. Treasury stock

Item	31 December 2022	Increase in current period	Decrease in current period	31 December 2023
Repurchase of Hong Kong ordinary shares	25,689	70,579	(25,689)	70,579

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 at 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.

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 at 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.

For the year ended 31 December 2023
(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 twelve months ended 31 December 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	31 December 2023	Before-tax amount	Less: Previously recognized amount transferred to profit or loss	Less: income tax benefit/ (expense)	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)	(1,131)	–	283	(848)	–
Items that can be reclassified to profit or loss									
Cash flow hedge reserves	–	45,830	(45,830)	–	15,624	45,482	(15,276)	45,830	–
Other comprehensive income recognized under equity method	(806)	767	–	(39)	767	–	–	767	–
Total	(806)	45,749	(45,830)	(887)	15,260	45,482	(14,993)	45,749	–

The Group's initial recognition of the transfer out of cash flow hedge reserve to inventories in fiscal year 2023 was RMB45,830 thousand and the amount reclassified to revenue from principal operations was RMB45,482 thousand.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

34. Other comprehensive income *(continued)*

	Other comprehensive income in Balance Sheet				Other comprehensive income in the year ended 31 December 2022 Income Statement				
	31 December 2021	Net-of-tax amount attributable to shareholders of the Company	Less: Amounts transferred from hedging reserve to initial carrying amount of hedged items	31 December 2022	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	36,460	201,519	(237,979)	–	375,701	(107,009)	(67,173)	201,519	–
Other comprehensive income recognized under equity method	22,965	(23,771)	–	(806)	(23,771)	–	–	(23,771)	–
Total	59,425	177,748	(237,979)	(806)	351,930	(107,009)	(67,173)	177,748	–

The Group's initial recognition of the transfer out of cash flow hedge reserve to inventories in fiscal year 2022 was RMB237,979 thousand and the amount reclassified to revenue from principal operations was RMB107,009 thousand.

35. Specific reserve

Item	31 December 2022	Accrued in current period	Utilized in current period	31 December 2023
Safety fund	240,418	153,920	(96,201)	298,137

Item	31 December 2021	Accrued in current period	Utilized in current period	31 December 2022
Safety fund	216,512	171,040	(147,134)	240,418

Specific reserve represents unutilized safety fund accrued in accordance with state regulations (Note III.26).

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

36. Surplus reserve

Item	31 December 2022 (restated)	Increase in current period	Decrease in current period	31 December 2023
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 2021 (restated)	Increase in current period	Decrease in current period	31 December 2022 (restated)
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 year ended 31 December 2022: 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 year ended 31 December 2022: Nil).

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

V. Notes to the consolidated financial statements *(continued)*

37. Retained earnings

	2023	2022
Retained earnings at the end of the previous year before adjustment	7,923,002	11,877,455
Total undistributed profits at the beginning of the adjustment period (increase+, decrease-) (Note III. 33)	46	(57)
Retained earnings at the beginning of the period after adjustment	7,923,048	11,877,398
Add: Net loss attributable to shareholders of the Company	(1,405,876)	(2,871,969)
Less: Appropriation to statutory reserve (Note V. 36)	–	–
Dividend to ordinary shares (1)	–	(1,082,381)
Retained earnings at the end of the period	6,517,172	7,923,048

(1) Pursuant to the resolution of the General Meeting of shareholders at 28 June 2023, the company did not distribute cash dividends for the year 2022.

Pursuant to the resolution of the General Meeting of shareholders 22 June 2022, the company distributed a cash dividend of RMB0.1 per share (including tax) to all shareholders for the year 2021, totalling RMB1,082,381 thousand. The dividend was paid in July 2022.

(2) Retained earnings at the end of the year

As at 31 December 2023, the consolidated retained earnings attributable to the Group included appropriation to surplus reserves made by the Company's subsidiaries amounting to RMB297,224 thousand (31 December 2022: RMB296,083 thousand).

For the year ended 31 December 2023
(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	31 December 2023	31 December 2022 (restated)
China Jinshan Associated Trading Corporation ("Jinmao")	105,362	101,448
Shanghai Jinchang Engineering Plastics Company Limited ("Jinchang")	12,616	26,231
Total	117,978	127,679

39. Operating income and operating costs

Item	Note	2023	2022
Income from principal activities	(1)	92,434,202	82,048,185
Income from other operating activities		579,393	470,130
Total		93,013,595	82,518,315

Item	Note	2023	2022
Cost of principal activities	(1)	78,695,511	73,201,001
Cost of other operating activities		462,362	317,023
Total		79,157,873	73,518,024

(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:

	2023		2022	
Product Description	Income from principal activities	Cost of principal activities	Income from principal activities	Cost of principal activities
Petroleum products	64,642,544	51,778,757	51,153,867	41,092,010
Chemical products	19,111,302	18,342,975	18,334,840	19,577,703
Trading of petrochemical products	8,179,335	8,070,375	12,016,586	11,910,488
Others	501,021	503,404	542,892	620,800
Total	92,434,202	78,695,511	82,048,185	73,201,001

(2) For the year ended 31 December 2023, analysis of revenue, cost of sales is as following:

	2023				
Classification	Petroleum products	Chemical products	Trading of petrochemical products	Others	Total
Income from principal activities	64,642,544	19,111,302	8,179,335	501,021	92,434,202
Including: Recognized at a point in time	64,642,544	19,111,302	8,123,135	501,021	92,378,002
Recognized over time	–	–	56,200	–	56,200
Income from other operating activities	–	–	–	579,393	579,393
Total	64,642,544	19,111,302	8,179,335	1,080,414	93,013,595

For the year ended 31 December 2023
(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 year ended 31 December 2023, analysis of revenue, cost of sales is as following: *(continued)*

	2023				
Classification	Petroleum products	Chemical products	Trading of petrochemical products	Others	Total
Cost from principal activities	51,778,757	18,342,975	8,070,375	503,404	78,695,511
Including: Recognized at a point in time	51,778,757	18,342,975	8,014,175	503,404	78,639,311
Recognized over time	–	–	56,200	–	56,200
Cost from other operating activities	–	–	–	462,362	462,362
Total	51,778,757	18,342,975	8,070,375	965,766	79,157,873

For the year ended 31 December 2022, analysis of revenue and cost of sales is as following:

	2022				
Classification	Petroleum products	Chemical products	Trading of petrochemical products	Others	Total
Income from principal activities	51,153,867	18,334,840	12,016,586	542,892	82,048,185
Including: Recognized at a point in time	51,153,867	18,334,840	11,917,827	542,892	81,949,426
Recognized over time	–	–	98,759	–	98,759
Income from other operating activities	–	–	–	470,130	470,130
Total	51,153,867	18,334,840	12,016,586	1,013,022	82,518,315

For the year ended 31 December 2023
(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 year ended 31 December 2023, analysis of revenue, cost of sales is as following: *(continued)*

	2022				
Classification	Petroleum products	Chemical products	Trading of petrochemical products	Others	Total
Cost from principal activities	41,092,010	19,577,703	11,910,488	620,800	73,201,001
Including: Recognized at a point in time	41,092,010	19,577,703	11,811,729	620,800	73,102,242
Recognized over time	–	–	98,759	–	98,759
Cost from other operating activities	–	–	–	317,023	317,023
Total	41,092,010	19,577,703	11,910,488	937,823	73,518,024

In 2023, the Group has no revenues and costs from trial sales (2022: nil).

(3) Deductions from the Group's operating income is set out below:

Items	2023	Deductions	2022	Deductions
Amount of operating income	93,013,595		82,518,315	
Total operating income deductions	579,393		470,130	
Total amount of operating income deductions as a percentage of operating income	0.62%		0.57%	
Income from operations not related to the main business				
Income from operations other than normal operations. Income realized from leasing fixed assets, intangible assets, packaging, sales of materials, non-monetary asset exchanges of materials, management of fiduciary business, and other income that is included in the main business income but is outside the normal operations of the listed company.	579,393	Income from leasing of fixed assets, rental income from investment properties, income from technical services, income from contract processing services, etc.	470,130	Income from leasing of fixed assets, rental income from investment properties, income from technical services, income from contract processing services, etc.
Operating income after deductions	92,434,202		82,048,185	

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

40. Taxes and surcharges

Item	2023	2022	Tax base and rate
Consumption tax	11,218,369	8,584,160	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	897,647	653,829	5% or 7% of actual payments of consumption tax and VAT during the period
Education surcharges	648,873	475,050	3% of actual payments of consumption tax and VAT during the period
Stamp tax	22,268	29,141	Applicable tax rate
Property tax	32,587	17,958	1.2% of taxable property value or 12% of rental expense
Land use tax	24,993	16,671	Applicable tax rate
Others	9,114	11,784	
Total	12,853,851	9,788,593	

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

V. Notes to the consolidated financial statements *(continued)*

41. Selling expenses

Item	2023	2022
Transportation fee	61,928	44,393
Sales commission	100,391	90,341
Staff costs	84,910	84,360
Storage and logistics expenses	40,529	42,261
Others	28,095	21,486
Total	315,853	282,841

42. General and administrative expenses

Item	2023	2022
Staff costs	1,081,516	992,287
Repair and maintenance expense	191,200	271,165
Depreciation and amortization	192,478	180,152
Security and fire fighting expenses	50,897	51,221
Information system operation maintenance	42,221	48,050
Depreciation of right-of-use assets	13,391	12,951
Others	255,565	240,041
Total	1,827,268	1,795,867

43. Research and development expenses

Item	2023	2022
R&D material cost	24,166	34,230
Technical cooperation fee	41,095	35,840
Payroll	72,227	43,581
Depreciation and amortization	19,597	3,444
Others	29,893	13,421
Total	186,978	130,516

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

V. Notes to the consolidated financial statements *(continued)*

44. Financial expenses ("-" for income)

Item	2023	2022
Interest expenses from loans and payables	156,318	121,599
Less: Capitalized borrowing costs	(11,700)	(24,136)
Add: Interest expenses from lease liabilities	695	1,039
Interest income from deposits and receivables	(383,988)	(541,830)
Net exchange losses/(gains)	4,909	(21,969)
Others	5,139	5,860
Total	(228,627)	(459,437)

The interest rate per annum, at which the borrowing costs were capitalized by the Group, was 1.70% for 2023 (for the year ended 31 December 2022: 1.78%).

45. Other income

Item	2023	2022	related to asset/ related to income
Local education surcharge special fund subsidy	15,999	12,399	related to income
Refund of harbour construction charge	5,279	8,553	related to income
Tax refunds	2,339	2,104	related to income
Scientific research expenditures subsidy	12,496	3,858	related to income
Others	1,982	3,406	related to income
Total	38,095	30,320	related to income

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V. Notes to the consolidated financial statements *(continued)*

46. Investment income ("-" for losses)

Item	2023	2022
Losses from investment in associates and joint ventures	(151,128)	(183,616)
Structured deposits income	–	11,124
Net losses from disposal of derivative financial instruments	–	(18,864)
Discount loss of receivables	(4,403)	(3,148)
Others	–	2,704
Total	(155,531)	(191,800)

There was no significant restriction on the repatriation of investment income.

47. Gains from changes in fair value ("-" for losses)

Item	2023	2022
Financial assets at fair value through profit or loss		
Other non-current financial assets	10,000	–
Derivative financial assets and derivative financial liabilities		
commodity swaps contracts	–	(8,987)
Total	10,000	(8,987)

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

V. Notes to the consolidated financial statements *(continued)*

48. Credit losses

Item	2023	2022
Accounts receivable credit reversals/(loss) (Note V. 2)	598	(778)
Other receivable credit loss (Note V. 5)	(3)	(4,588)
Others (Note)	4,860	–
Total	5,455	(5,366)

Note: On 23 August, 2019, Zhejiang Jin Yong Acrylics Company Limited ("Jin Yong Company"), a subsidiary of the Group within the original scope of consolidation, went into bankruptcy liquidation. Pursuant to the final distribution plan of the bankruptcy estate of Jin Yong Company, the Group recovered RMB4,860,000 from the payment of claims settlement made by the bankruptcy administrator of Jin Yong Company during the year.

49. Impairment losses

Item	2023	2022
Impairment loss on inventories (Note V. 6)	(446,719)	(525,269)
Impairment loss on fixed assets (Note V. 11)	(29,850)	(286,260)
Total	(476,569)	(811,529)

50. Gains from asset disposals

Item	2023	2022	Amount recognised in extraordinary gain and loss for the year ended 31 December
Gains from disposal of fixed assets	923	–	923
Losses from disposal of fixed assets	–	(1,231)	–
Total	923	(1,231)	923

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

V. Notes to the consolidated financial statements *(continued)*

51. Non-operating income

Item	Note	2023	2022	Amount recognised in extraordinary gain and loss for the year ended 31 December
Compensation payments, income from fines		16,843	857	16,340
Government grants	(1)	11,724	12,735	11,724
Fixed asset obsolescence gains		5,482	6,664	5,481
Others		5,288	1,570	5,792
Total		39,337	21,826	39,337

(1) Government grants mainly include:

Item	2023	2022
Amortization of deferred income (Note V.30)	11,724	12,735

52. Non-operating expenses

Item	2023	2022	Amount recognised in extraordinary gain and loss for the year ended 31 December
Losses from scrapping of fixed assets	25,572	32,200	25,572
Losses from scrapping of construction in progress	7,591	–	7,591
Allowances	38,256	51,476	38,256
Others	5,826	11,038	5,826
Total	77,245	94,714	77,245

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

V. Notes to the consolidated financial statements *(continued)*

53. Income tax benefits

Item	2023	2022 (Restated)
Current tax expense for the period based on tax law and regulations	15,134	12,632
Changes in deferred tax assets/liabilities	(321,000)	(798,109)
Tax filing differences	(227)	54,017
Total	(306,093)	(731,460)

Reconciliation between income tax expenses and accounting loss:

Item	2023	2022 (Restated)
Losses before income tax	(1,715,136)	(3,599,570)
Expected income tax expense at applicable tax rates	(428,784)	(899,893)
Tax effect of investment income accounted for using the equity method	38,665	46,787
Other non-taxable profit	(7,250)	(9,387)
Tax deductions for R&D expenses	(21,369)	(17,779)
Costs, expenses and losses not deductible	79,578	73,306
Difference in settlement of income tax in previous years and the supplementary income tax	(227)	54,017
Tax losses for which no deferred income tax asset was recognized	29,676	24,948
Other tax adjustments	3,618	(3,459)
Income tax expenses	(306,093)	(731,460)

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

V. Notes to the consolidated financial statements *(continued)*

54. Calculation of basic losses per share and diluted losses per share

(1) Basic losses per share

Basic losses per share is calculated by dividing the consolidated net loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

Item	2023	2022 (Restated)
Consolidated net loss attributable to ordinary shareholders of the Company	(1,405,876)	(2,871,969)
Weighted average number of the Company's ordinary shares outstanding (thousand share)	10,792,977	10,819,622
Basic losses per share (RMB per share)	(0.130)	(0.265)

The weighted average number of ordinary shares is calculated as follows:

	2023 (thousand share)	2022 (thousand share)
Amount of ordinary shares outstanding at 31 December 2022 (Note)	10,799,286	10,823,814
Weighted average number of ordinary shares during the period	(6,309)	(4,192)
Amount of ordinary shares outstanding at 31 December 2023	10,792,977	10,819,622

Note: The Company repurchased 24,528 thousand shares in fiscal year 2022 (see Note V.33), which were canceled in fiscal year 2023, and have deducted them from the number of common shares outstanding at the beginning of the year.

(2) Diluted losses per share

For the year ended 31 December 2023, there are no diluted ordinary shares outstanding, the diluted losses per share equals the basic losses per share.

For the year ended 31 December 2023
(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	2023	2022
Operating income	93,013,595	82,518,315
Less: Changes in inventories of finished goods and work in progress	(154,992)	(78,255)
Consumed raw materials and low value consumables, etc.	65,553,670	55,997,717
Cost of purchasing products	8,070,375	11,910,488
Employee benefits	3,479,098	3,545,720
Depreciation and amortization expenses	1,975,530	1,799,434
Depreciation of right-of-use assets	15,261	15,874
Taxes and surcharges	12,853,851	9,788,593
Repair and maintenance expenses	1,153,602	1,537,719
Other expenses	1,395,428	998,551
Finance expenses ("-" for income)	(228,627)	(459,437)
Add: Gains from changes in fair value ("-" for loss)	10,000	(8,987)
Gains from asset disposals ("-" for loss)	923	(1,231)
Other income	38,095	30,320
Investment income ("-" for loss)	(155,531)	(191,800)
Impairment losses ("-" for loss)	(476,569)	(811,529)
Credit losses ("-" for loss)	5,455	(5,366)
Operating loss	(1,677,228)	(3,526,682)

For the year ended 31 December 2023
(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	2023	2022
Subsidy income	35,756	28,216
Interest income on demand deposits	194,388	131,178
Agency income	147,239	–
Others	126,612	112,815
Total	503,995	272,209

(ii) Payments for other operating activities

Item	2023	2022
Agency fee	(100,391)	(90,341)
Research and development expenses	(70,988)	(49,261)
Information system operation maintenance	(42,221)	(48,050)
Commodity storage and logistics fee	(40,529)	(42,261)
Security and fire fighting expenses	(50,897)	(51,221)
Agency payment	(147,239)	–
Others	(124,224)	(126,748)
Total	(576,489)	(407,882)

For the year ended 31 December 2023
(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	2023	2022
Dividends received from joint ventures	20,398	14,215
Dividends received from associates	71,693	668,714
Total	92,091	682,929

b. Cash received from withdrawal of investments

Items	2023	2022
Withdrawal of investment margin	50,000	–
Withdrawal of entrusted loan	–	150,000
Total	50,000	150,000

(ii) Significant cash paid related to investing activities

Items	2023	2022
Cash paid for investment in unlisted preference shares	(26,500)	–
Cash paid for investments in joint ventures and associates	–	(296,672)
Total	(26,500)	(296,672)

For the year ended 31 December 2023
(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	2023	2022
Time deposits due within one-year receipts	3,000,000	9,150,000
Interest income on time deposits	202,802	327,512
Interest income on entrusted loans	–	2,704
Total	3,202,802	9,480,216

(iv) Payments for other investing activities

Item	2023	2022
Payments for time deposits due over one year	–	(2,600,000)
Entrusted loan	–	(150,000)
Discount loss of receivables	–	(3,148)
Others	–	(50,000)
Total	–	(2,803,148)

(3) Payments for other financing activities

(i) Other cash disbursements related to financing activities

Item	2023	2022
Lease liabilities payment	(15,935)	(13,069)
Payment of discount interest on buyer's interest-bearing notes	(9,505)	–
Hong Kong ordinary shares repurchase	(49,339)	(53,262)
Total	(74,779)	(66,331)

For the year ended 31 December 2023, cash payment of the Group related to lease activities is RMB30,699 thousand (for the year ended 31 December 2022: RMB27,843 thousand), except for the above amount included in financing activities, the rest are included in operating activities.

For the year ended 31 December 2023
(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	Long term loan	Lease liabilities	Total
Balance at the beginning of the year	1,550,000	1,258	–	700,000	16,251	2,267,509
Increase for the year – change in cash						
borrowings	33,544,998	–	–	–	–	33,544,998
Increase for the year – non-cash changes						
Increase in lease liability as a result of entering into new leases	–	–	–	–	7,446	7,446
accrued interest	138,917	–	–	7,896	695	147,508
reclassification	–	2,509	700,000	–	–	702,509
Decrease in current year – change in cash						
Repayment of loans	(32,094,998)	–	–	–	–	(32,094,998)
Repayment of principal and interest on lease liabilities	–	–	–	–	(15,935)	(15,935)
Payment of interest	(136,639)	(1,258)	–	(7,665)	–	(145,562)
Decrease during the year – non-cash changes						
reclassification	(2,278)	–	–	(700,231)	–	(702,509)
Balance at end of year	3,000,000	2,509	700,000	–	8,457	3,710,966
Balance at end of year	3,000,000	2,509	700,000	–	8,457	3,710,966

For the year ended 31 December 2023
(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 loss to cash flows from operating activities:*

Item	2023	2022 (restated)
Net loss	(1,409,043)	(2,868,110)
Add: Provisions for impairment of assets	476,569	811,529
(Recovery)/provision of credit losses	(595)	5,366
Depreciation of investment properties	15,270	15,323
Depreciation of fixed assets	1,687,018	1,496,186
Depreciation of right-of-use assets	15,261	15,874
Amortization of intangible assets	19,968	19,968
Amortization of long-term deferred expenses	253,274	267,957
Losses on disposal of fixed assets	26,758	26,767
Gains from changes in fair value ("-" for income)	(10,000)	8,987
Finance expenses ("-" for income)	(46,746)	(327,470)
Investment loss ("-" for income)	151,128	191,800
Decrease in deferred tax assets ("-" for increase)	(321,666)	(795,596)
Increase/(decrease) in deferred tax liabilities ("-" for decrease)	666	(2,513)
(Decrease)/increase in deferred income ("-" for decrease)	(24,386)	21,888
Decrease in inventories ("-" for increase)	(904,346)	(1,895,804)
Decrease in operating receivables ("-" for increase)	2,220,592	(975,097)
Increase in operating payables ("-" for decrease)	(1,400,445)	(3,378,460)
Increase in specific reserve	57,719	23,906
Net cash flows generated/(used) in operating activities	806,996	(7,337,499)

For the year ended 31 December 2023
(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. No significant changes in cash receipts and disbursements

Items	2023	2022
Long-term loans due within one year	700,000	–

c. Change in cash and cash equivalents:

Item	2023	2022
Cash and cash equivalents at end of the year	4,906,368	889,413
Less: Cash and cash equivalents at beginning of the year	(889,413)	(5,112,010)
Net increase/(decrease) in cash and cash equivalents	4,016,955	(4,222,597)

(2) Details of cash and cash equivalents

Item	31 December 2023	31 December 2022
Cash at bank and on hand	4,906,368	889,413
Including: Bank deposits available on demand	4,906,368	889,413
Cash and cash equivalents at the end of the year	4,906,368	889,413

(3) Monetary funds not classified as cash and cash equivalents

Items	31 December 2023	31 December 2022
Other monetary funds	3	3

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

58. Foreign monetary items

	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 payables – USD	(275)	7.0827	(1,948)
Gross balance sheet exposure – USD	(12,928)		(91,566)
Gross balance sheet exposure – HKD	6,071		5,504

	31 December 2022		
	Foreign currency	Exchange rate	RMB currency
Cash at bank and on hand – USD	28,084	6.9646	195,594
Accounts receivable – USD	113	6.9646	787
Other receivable – USD	40	6.9646	279
Other receivable – HKD	30,328	0.8933	27,092
Receivables under financing – USD	55,589	6.9646	387,155
Accounts payable – USD	(92,502)	6.9646	(644,239)
Other payable – USD	(1,917)	6.9646	(13,351)
Gross balance sheet exposure – USD	(10,593)		(73,775)
Gross balance sheet exposure – HKD	30,328		27,092

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(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	2023	2022
Lease income	81,987	75,159

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	2023	2022
Short-term lease expenses applied the practical expedient	14,764	14,774
Total cash outflow for leases	30,699	27,843

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(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	80,000	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/non-operating income
Others subsidy relating to income	131	Deferred income
Local education surcharge special fund subsidy	57	Other income
Reimbursement of port construction costs	5,279	Other income
Financial subsidies for scientific research expenditures	12,496	Other income
Commission for withholding tax refund	2,339	Other income
Others subsidy relating to income	17,924	Other income

(2) Government grants recognized in profit or loss for the period

Type	2023	2022
Financial subsidies for scientific research expenditures	12,496	3,858
Investment subsidies for chemical industry zones	10,000	10,000
Reimbursement of port construction costs	5,279	8,553
Tax rebates	2,339	2,104
Other asset-related government grants	1,724	276
Subsidies from special funds for local education surcharges	57	12,399
Other government grants related to earnings	17,924	3,406
Subsidies for energy-saving retrofits of cogeneration units	–	2,022
Subsidy for pipeline re-routing in Wong Koo Tong	–	437

(3) For the year ended 31 December 2023, there is no repayment of government grants. (2022: nil)

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(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 at 31 December 2023:

Name of enterprise	Main business area	Place of registration	Principal activities	Registered capital (thousands)	Percentage of equity % Directly	Percentage of equity % Indirectly	Way of acquisition
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	–	74.25%	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	Trading	RMB400,000	–	100.00%	Business combinations involving entities not under common control

(2) As at 31 December 2023 and 31 December 2022, non-controlling interests of subsidiaries' non-controlling shareholders were not significant (Note V.38).

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(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 31 December 2023:

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	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 Baling Petrochemical Company Limited and the Company jointly established Baling New Materials and contributed RMB400 million in cash respectively. As of December 31, 2023, the Company has contributed RMB250 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.

For the year ended 31 December 2023
(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

	31 December 2023			31 December 2022		
	Linde Gases Company	Yangu Gas	Baling Materials	Linde Gases Company	Yangu Gas	Baling Materials
Current assets	300,772	76,101	139,920	310,928	69,062	74,191
Including: Cash and cash equivalents	223,486	73,849	77,859	237,902	62,639	13,948
Non-current assets	90,912	8,784	1,624,943	92,325	13,765	626,761
Total assets	391,684	84,885	1,764,863	403,253	82,827	700,952
Current liabilities	(37,985)	(13,242)	(657,863)	(32,670)	(2,392)	(153,952)
Non-current liabilities	(5,600)	–	(607,000)	(17,016)	–	(47,000)
Total liabilities	(43,585)	(13,242)	(1,264,863)	(49,686)	(2,392)	(200,952)
Net assets	348,099	71,643	500,000	353,567	80,435	500,000
Group's share of net assets (i)	174,050	35,822	250,000	176,784	40,218	250,000
Adjustments-elimination of unrealized profit or loss on intra-group transactions	(86)	–	–	(86)	–	–
Carrying amount of interests in joint ventures	173,964	35,822	250,000	176,698	40,218	250,000

For the year ended 31 December 2023
(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 *(continued)*

	For the year ended 31 December 2023			For the year ended 31 December 2022		
	Linde Gases Company	Yangu Gas	Baling Materials	Linde Gases Company	Yangu Gas	Baling Materials
Operating income	367,186	28,593	–	375,795	26,091	–
Financial income	3,040	1,153	–	4,799	1,029	–
Income tax expenses	11,327	–	–	14,590	–	–
Net profit/(loss)	33,932	(8,792)	–	43,748	(15,802)	–
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	33,932	(8,792)	–	43,748	(15,802)	–
Dividends received from joint ventures of this year	19,700	–	–	11,200	1,800	–

(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.

For the year ended 31 December 2023
(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

	31 December 2023				31 December 2022			
	Shanghai Secco	Chemical Industry	Azbil	Shidian Energy	Shanghai Secco	Chemical Industry	Azbil	Shidian Energy
Current assets	4,669,471	3,858,856	245,285	928,769	4,941,394	4,327,622	276,707	950,614
Including: Cash and cash equivalents	972,028	2,425,810	165,961	850,415	822,431	2,555,041	173,106	897,544
Non-current assets	5,438,241	7,248,350	11,529	214,348	5,683,409	6,294,394	12,338	166,068
Total assets	10,107,712	11,107,206	256,814	1,143,117	10,624,803	10,622,016	289,045	1,116,682
Current liabilities	(5,838,648)	(1,932,014)	(82,457)	(38,066)	(8,977,030)	(1,765,771)	(125,216)	(38,133)
Non-current liabilities	(4,476,514)	(880,938)	(3,384)	(39,538)	(1)	(651,729)	(5,518)	(35,355)
Total (liabilities)/assets	(10,315,162)	(2,812,952)	(85,841)	(77,604)	(8,977,031)	(2,417,500)	(130,734)	(73,488)
Net (liabilities)/assets	(207,450)	8,294,254	170,973	1,065,513	1,647,772	8,204,516	158,311	1,043,194
Non-controlling interests	–	1,431,747	–	–	–	1,578,714	–	–
Net assets attributable to equity shareholders of the Company	(207,450)	6,862,507	170,973	1,065,513	1,647,772	6,625,802	158,311	1,043,194
Group's share of net (liabilities)/assets (i)	(41,490)	2,625,595	68,389	426,205	329,554	2,535,032	63,324	417,278
Adjustment – elimination of unrealized profit or loss on intra-group transactions	2,035	–	–	(9,250)	4,342	–	–	(12,615)
Adjustments – excess losses not recognized in the current year	39,455	–	–	–	–	–	–	–
Adjustment (ii)	–	(329,890)	–	–	–	(329,890)	–	–
impairment loss	–	–	–	–	–	–	–	–
Carrying amount of interests in associates	–	2,295,705	68,389	416,955	333,896	2,205,142	63,324	404,663

For the year ended 31 December 2023
(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 year ended 31 December 2023				For the year ended 31 December 2022			
	Shanghai Secco	Chemical Industry	Azbil	Shidian Energy	Shanghai Secco	Chemical Industry	Azbil	Shidian Energy
Operating income	17,425,839	1,925,655	433,131	527,731	24,096,829	1,806,888	384,655	508,704
Net (loss)/profit	(1,855,222)	540,797	62,662	32,319	(1,947,579)	485,363	46,894	28,065
Other comprehensive income	–	2,003	–	–	–	(62,130)	–	–
Total comprehensive income	(1,855,222)	542,800	62,662	32,319	(1,947,579)	423,233	46,894	28,065
Dividends received from associates	–	46,103	20,000	4,000	554,438	55,477	24,000	24,000

(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 associates

Items	2023	2022
Aggregate carrying amount of investments as at 31 December	101,458	106,093
Aggregate amount of share of Net (loss)/profit (i)	(12,896)	876
Other comprehensive income (i)	–	–
Total comprehensive income	(12,896)	876
Dividends received from immaterial associates	1,590	11,650

(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.

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(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 five 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, 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.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VII. Segment information *(continued)*

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, deferred income, other income, gains from asset disposals, non-operating income and expenses and related expenses.

i. Segment information as at ended 31 December 2023 and for the year ended 31 December 2023 is as follows:

Item	Petroleum products	Chemical products	Trading of petrochemical products	Others	Unallocated	Elimination	Total
Revenue from external customers	64,642,544	19,111,302	8,179,335	1,080,414	–	–	93,013,595
Inter-segment revenue	12,435,124	16,633,628	894,509	702,071	–	(30,665,332)	–
Operating costs	(51,778,757)	(18,342,975)	(8,070,375)	(965,766)	–	–	(79,157,873)
Interest income	–	–	–	–	383,988	–	383,988
Interest expenses	–	–	–	–	(145,313)	–	(145,313)
Investment losses	–	(2,456)	(1,792)	(155)	(151,128)	–	(155,531)
Impairment losses	(37,456)	(439,113)	–	–	–	–	(476,569)
Impairment and expected credit losses	–	4,010	–	1,445	–	–	5,455
Gains on changes of fair value	–	–	–	–	10,000	–	10,000
Depreciation and amortization	(686,421)	(1,365,310)	8,228	52,712	–	–	(1,990,791)
(Loss)/profit before income tax	(230,020)	(1,547,240)	41,765	(62,049)	82,408	–	(1,715,136)
Income tax expenses	–	–	–	–	306,093	–	306,093
Net (loss)/profit	(230,020)	(1,547,240)	41,765	(62,049)	388,501	–	(1,409,043)
Total assets	15,498,918	8,085,538	768,621	2,183,405	13,121,762	–	39,658,244
Total liabilities	7,197,171	2,983,313	718,651	53,007	3,763,195	–	14,715,337
Investment in associates and joint ventures	–	–	–	–	3,351,941	–	3,351,941
Non-current assets increase (i)	457,199	1,078,218	442	17,305	–		1,553,164

(i) Non-current assets do not include financial assets, long-term equity investments or deferred tax assets.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VII. Segment information *(continued)*

ii. Segment information as at 31 December 2022 and for year ended 31 December 2022 is as follows:

Item	Petroleum products	Chemical Products	Trading of petrochemical products	Others	Unallocated	Elimination	Total
Revenue from external customers	51,153,867	18,334,840	12,016,586	1,013,022	–	–	82,518,315
Inter-segment revenue	11,575,451	15,608,413	922,043	703,672	–	(28,809,579)	–
Operating costs	(41,092,010)	(19,577,703)	(11,910,488)	(937,823)	–	–	(73,518,024)
Interest income	–	–	–	–	541,830	–	541,830
Interest expenses	–	–	–	–	(98,502)	–	(98,502)
Investment losses	–	–	–	(8,184)	(183,616)	–	(191,800)
Impairment losses	(37,900)	(773,629)	–	–	–	–	(811,529)
Impairment and expected credit losses	–	(5,357)	–	(9)	–	–	(5,366)
Losses from changes in fair value	–	–	–	(8,987)	–	–	(8,987)
Depreciation and amortization	(928,687)	(664,739)	(35,345)	(186,537)	–	–	(1,815,308)
Profit/(loss) before income tax	972	(3,716,450)	12,838	(151,864)	254,934	–	(3,599,570)
Income tax expenses	–	–	–	–	731,460	–	731,460
Net profit/(loss) (restated)	972	(3,716,450)	12,838	(151,864)	986,394	–	(2,868,110)
Total assets (restated)	16,021,111	7,902,216	1,391,104	2,777,520	13,150,831	–	41,242,782
Total liabilities (restated)	8,159,960	2,642,586	1,370,346	251,331	2,447,134	–	14,871,357
Investment in associates and joint ventures	–	–	–	–	3,594,393	–	3,594,393
Non-current assets increase (i)	544,806	2,657,772	16,603	235,406	–	–	3,454,587

(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 year ended 31 December 2023, revenue from the same customer accounted for 71% of total Group revenue (for the year ended 31 December 2022: 63%). The revenue from the customer derived from the following segments: petroleum products and other segment.

For the year ended 31 December 2023
(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 2022	Increase in current year	Decrease in current year	31 December 2023
China Petroleum & Chemical Corporation	119.9 billion	–	0.6 billion	119.3 billion

(3) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2023		31 December 2022	
	Share holding	Voting rights	Share holding	Voting rights
China Petroleum & Chemical Corporation	50.55%	50.55%	50.44%	50.44%

For the year ended 31 December 2023
(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%

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
China Petrochemical International Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd.	Subsidiary of the ultimate parent company
China Petrochemical International (Tianjin) 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
Dalian Furuipu Technology Co., Ltd.	Subsidiary of the ultimate parent company
Nantong Donghai Petrochemical Co., Ltd.	Subsidiary of the ultimate parent company
China Petroleum and Chemical Corporation Qingdao Security Engineering Research Institute	Subsidiary of the ultimate parent company
Sinopec (Shanghai) Energy Trade Co., Ltd.	Subsidiary of the ultimate parent company

For the year ended 31 December 2023
(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
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
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
Unipec 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
Sinopec Baling Petrochemical Co., Ltd.	Subsidiary of the ultimate parent company
Shengli Oil Field Exploration And Development Research Institute	Subsidiary of the ultimate parent company
Shanghai Lide Catalyst Co., Ltd	Subsidiary of the ultimate parent company
Ypc-gpro (Nanjing) Rubber Co., Ltd.	Subsidiary of the ultimate parent company
Fujian Refining & Petrochemical Company Limited	Subsidiary of the ultimate parent company
Sinopec Dalian (Fushun) Research Institute of Petroleum and Petrochemicals	Subsidiary of the ultimate parent company
Sinopec Jianghan Salt Chemical Hubei Co., Ltd.	Subsidiary of the ultimate parent company
Yipaike Business Factoring Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Great Wall Energy and Chemical Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec (Shenzhen) E-Commerce Company Limited	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 Zhongyuan Petrol-Chemical Industry Co., Ltd.	Subsidiary of the ultimate parent company
Epec E-commerce Co., Ltd.	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
Unipec (Qingdao) International Logistics Company Limited	Subsidiary of the ultimate parent company
Qingdao Zhonghua Sunshine Management System Certification Center	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
Basf Gao-Qiao Performance Chemicals (Shanghai) Company Limited	Associate of the ultimate parent company
Sinopec Chemical Commercial Holding (Singapore) Pte. Ltd	Subsidiary of the immediate parent company

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 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 Economy 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
Sinopec Assets Management Co., Ltd.	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 Petroleum Engineering Geophysics Ltd.	Subsidiary of the immediate parent company
Sinopec Baichuan Economic and Trade Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Group Jiangsu Petroleum Exploration Bureau Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Newspaper Office	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
Beijing Petro-Chemical Construction Consulting Co., Ltd.	Subsidiary of the immediate parent company
China Economic books 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
Sinopec Group Shanghai Training Center Ltd.	Subsidiary of the immediate parent company
Sinopec Beijing Yanshan Petrochemical Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Zhongyuan Petroleum Exploration Bureau Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Shengli Petroleum Administrative Bureau 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 Tenth Construction Company of Sinopec	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
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

VIII. Related parties and related party transactions *(continued)*

4. Information on other related parties *(continued)*

Names of other related parties	Relationship with the Group
Jiangsu Jinling Opta Polymer Company Limited	Subsidiary of the immediate parent company
Shanghai Petro-Chemical Haidi Administration Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Sichuan Vinylon Works	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
Sinopec Consulting Company Limited	Subsidiary of the immediate parent company
China Petrochemical Corp. Engineering Ration Management Station	Subsidiary of the immediate parent company
Beijing Victory Hotel Company Limited	Subsidiary of the immediate parent company
Maoming Shihua Dongcheng Chemical Co., Ltd.	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
Yihua Bonar Yarns and Fabrics Co., Ltd.	Associate of the immediate parent
Unipec Singapore	Subsidiary of the immediate parent company
Unipec America, Inc	Subsidiary of the immediate parent company
Sinopec Japan Company Limited	Subsidiary of the immediate parent company
Rizhao Shihua Crude Oil Terminal Co., Ltd.	Joint venture of the ultimate parent company
Sinopec Europe Company Limited	Subsidiary of the immediate parent company
Sinopec Chemical Commercial Holding (North America), Inc.	Subsidiary of the immediate parent company
Sinopec International (Australia) Pty. Ltd.	Subsidiary of the immediate parent company
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 International (Russia) Pty. Ltd.	Subsidiary of the immediate parent company
Sinopec Jianghan Petroleum Administration Co., Ltd	Subsidiary of the ultimate parent company
Sinopec America Company Limited	Subsidiary of the ultimate parent company
Sinopec (Beijing) Chemical Research Institute Co., Ltd	Subsidiary of the ultimate parent company
Sinopec-Sk (Wuhan) Petrochemical Co., Ltd	Subsidiary of the ultimate parent company
Shanghai Petroleum & Natural Gas General Co., Ltd	Associate of the ultimate parent company
Sinopec Henan Oilfield Training Center	Subsidiary of the ultimate parent company
Sinopec Jiangsu Petroleum Exploration Bureau Co., Ltd. Training Center	Subsidiary of the ultimate parent company
Sinopec Capital Co., Ltd.	Subsidiary of the ultimate parent company
Anqing Shuguang Petrochemical Oxo Co., Ltd.	Subsidiary of the ultimate parent company

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 Note V.8, other material related party transactions of the Group are as follows:

(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	2023 Amount	2023 Percentage of the same category	2022 Amount	2022 Percentage of the same category
Sinopec Corp., its subsidiaries and joint ventures	Purchases	Trade	60,108,577	77.00%	54,334,527	75.13%
Sinopec Group and its subsidiaries	Purchases	Trade	2,267,497	2.90%	1,870,287	2.59%
Associates of the Group	Purchases	Trade	1,500,050	1.92%	2,050,359	2.83%
Joint ventures of the Group	Purchases	Trade	353,705	0.45%	361,193	0.50%
Key management personnel	Short-term employee benefits	Compensation for services	11,659	0.39%	12,829	0.42%
Key management personnel	Retirement scheme contributions	Compensation for services	618	0.02%	659	0.14%

Sales of goods, rendering services:

Name of Related Parties	Category	Transaction type	2023 Amount	2023 Percentage of the same category	2022 Amount	2022 Percentage of the same category
Sinopec Corp., its subsidiaries and joint ventures	Sales/Service	Trade	67,215,935	72.30%	52,587,052	63.79%
Sinopec Group and its subsidiaries	Sales/Service	Trade	96,805	0.10%	19,450	0.02%
Associates of the Group	Sales/Service	Trade	2,295,776	2.47%	3,126,074	3.79%
Joint ventures of the Group	Sales/Service	Trade	44,401	0.05%	45,761	0.06%

(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	Rental income recognized in 2023	Rental income recognized in 2022
Sinopec Corp., its subsidiaries and joint ventures	Properties	34,060	34,088
Joint ventures of the Group	Equipment	6,225	6,014
Associates of the Group	Properties and equipment	9,103	8,018
Sinopec Group and its subsidiaries	Properties	478	427
Total		49,866	48,547

Rentals paid by the Group as lessee:

Name of lessee	2023	2022
Sinopec Group and its subsidiaries	9,187	111,378
Joint ventures of the Group	165	642
Total	9,352	112,020

Lease liabilities interest expense of the Group as lessor:

Name of Related Parties	2023	2022
Sinopec Group and its subsidiaries	492	787
Associates of the Group	10	17
Total	502	804

For the year ended 31 December 2023
(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	2023	2022
Sinopec Group and its subsidiaries	Leased equipment, buildings and land	1,403	20,023

(3) Other related transactions

Name of Related Parties	Type of transaction	2023	2022
Sinopec Group and its subsidiaries	Insurance premiums	114,350	109,597
Sinopec Finance Co., Ltd.	Interests received and receivable	28	213
Joint ventures of the Group	Interests received and receivable	–	2,704
Sinopec Finance	Interests paid and payable	7,665	7,665
Sinopec Group and its subsidiaries	Construction, installation and inspection cost	213,613	812,516
Sinopec Finance	Long-term loans	–	–
Sinopec Corp., its subsidiaries and joint ventures	Sales commission	99,026	90,341

(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:

		31 December 2023 Book value	31 December 2023 Provision for bad and doubtful debts	31 December 2022 Book value	31 December 2022 Provision for bad and doubtful debts
Accounts receivable	Sinopec Corp., its subsidiaries and joint ventures	1,374,391	–	2,403,649	–
	Associates of the Group	74,158	55	38,777	–
	Joint ventures of the Group	338	–	592	7
Sub-total		1,448,887	55	2,443,018	7
Other receivables	Sinopec Corp., its subsidiaries and joint ventures	3,141	2,795	137,902	2,795
	Joint ventures of the Group	2,203	–	2,190	–
	Associates of the Group	180	–	179	–
Sub-total		5,524	2,795	140,271	2,795
Prepayments	Sinopec Corp. and its subsidiaries	1,547	–	55,152	–
	Associates of the Group	756	–	3,344	–
Sub-total		2,303	–	58,496	–

For the year ended 31 December 2023
(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:

		31 December 2023	31 December 2022
Accounts payable	Sinopec Corp., its subsidiaries and joint ventures	4,664,225	6,445,704
	Sinopec Group and its subsidiaries	12,017	819,648
	Associates of the Group	9,991	19,076
	Joint ventures of the Group	41,158	41,673
Sub-total		4,727,391	7,326,101
Bills payable	Sinopec Corp., its subsidiaries and joint ventures	–	–
Bills payable	Associates of the Group	22,148	16,000
	Joint ventures of the Group	111,898	–
Sub-total		134,046	16,000
Other payables	Sinopec Group and its subsidiaries	251,121	412,917
	Sinopec Corp., its subsidiaries and joint ventures	31,513	122,305
	Associates of the Group	31,513	–
Sub-total		282,634	535,222
Contract liabilities	Associates of the Group	4,983	9,252
	Joint ventures of the Group	–	–
	Sinopec Corp., its subsidiaries and joint ventures	6,725	1,210
	Sinopec Group and its subsidiaries	19	24
Sub-total		11,727	10,486
Lease liabilities	Sinopec Group and its subsidiaries	6,506	12,714
	Joint ventures of the Group	138	290
Sub-total		6,644	13,004
Long-term loans	Sinopec Finance	700,000	700,000

For the year ended 31 December 2023
(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:

	31 December 2023	31 December 2022
Sinopec Group and its subsidiaries	810,730	930,665

(2) Investment commitments with related parties

	31 December 2023	31 December 2022
Capital contribution to Baling Materials (Note IX.2(ii))	150,000	150,000
Total	150,000	150,000

As at 31 December 2023 and 31 December 2022, 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.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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:

	31 December 2023	31 December 2022
Signed purchase contract of fixed assets	1,736,358	1,783,781

2. Investment commitments

(i) 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 31 December 2023, the Company has made a paid-up capital contribution of RMB250,000 thousand (As at 31 December 2022: RMB250,000 thousand).

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 at 31 December 2023 and 31 December 2022, the Group has not signed any currency swaps. As at 31 December 2023 and 31 December 2022, the Group has no unexpired foreign exchange contract and foreign exchange option contract.

(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)*

As at 31 December 2023 and 31 December 2022, 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:

	31 December 2023		31 December 2022	
	Foreign currency	RMB equivalent	Foreign currency	RMB equivalent
Cash at bank and on hand				
– USD	20,823	147,483	28,084	195,594
Receivables under financing				
– USD	18,650	132,092	55,589	387,155
Accounts receivable				
– USD	2,742	19,421	113	787
Other receivables				
– USD	40	283	40	279
Other receivables				
– HKD	6,071	5,504	30,328	27,092
Accounts payable				
– USD	(54,908)	(388,897)	(92,502)	(644,239)
Other payables				
– USD	(275)	(1,948)	(1,917)	(13,351)
Total				
– USD	(12,928)	(91,566)	(10,593)	(73,775)
– HKD	6,071	5,504	30,328	27,092

The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		Balance sheet date mid-spot rate	
	2023	2022	31 December 2023	31 December 2022
USD	7.0237	6.6702	7.0827	6.9646
HKD	0.9000	0.8968	0.9066	0.8933

Assuming all other risk variables remained constant, a 5% strengthening or weaken of the Renminbi against foreign currencies at 31 December 2023 would have decreased or increased the Group's net loss by the amount of RMB3,228 thousand (31 December 2022: decreased or increased net loss by RMB1,751 thousand).

For the year ended 31 December 2023
(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

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 year ended 31 December 2023 and 2022.

As at 31 December 2023 and 31 December 2022, the Group held the following interest-bearing financial instruments:

Fixed rate instruments:

	31 December 2023		31 December 2022	
Item	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
– Cash at bank and on hand	3.55%-4.20%	700,000	3.85%-4.13%	3,000,000
– Other non-current assets	3.55%-4.20%	2,600,000	3.55%-4.20%	3,300,000
Financial liabilities				
– Short-term loans	1.90%-2.08%	(3,000,000)	2.10%-3.50%	(1,550,000)
– Lease liabilities	4.35%-4.90%	(8,457)	4.35%-4.90%	(16,251)
Total		291,543		4,733,749

For the year ended 31 December 2023
(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)*

Variable rate instruments:

Item	31 December 2023 Effective interest rate	31 December 2023 Amounts	31 December 2022 Effective interest rate	31 December 2022 Amounts
Financial assets				
– Cash at bank and on hand	0.05%-1.90%	4,906,368	0.30%-2.00%	889,416
Financial liabilities				
Short-term loan	–	–	–	–
Non-current liabilities due within 1 year	1.08% in the first year, with regular annual adjustments thereafter	(700,000)	–	–
– Long-term loans	–	–	1.08% in the first year, with regular annual adjustments thereafter	(700,000)
Total		4,206,368		189,416

As at 31 December 2023, 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 RMB31,600 thousand, and net losses would decrease or increase by approximately RMB31,600thousand (31 December 2022: the Group's equity would increase or decrease by approximately RMB1,460 thousand).

X. Risk related to financial instruments *(continued)*

1. Market risk *(continued)*

(3) Commodity price risk

The Group principally engages in processing crude oil into chemical products 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 used in the Group's petrochemical business are similar to those of the hedged items, such as billing period, payment date, transaction price, commodity variety and commodity quantity, and the Group uses cash flow hedges for such hedges.

As at 31 December 2023 and at 31 December 2022, the Group did not hold commodity swap contracts designated as effective cash flow hedges and economic hedges, as well as accounts payable to related parties measured at fair value. Changes in fair value of hedging instruments in profit or loss and other comprehensive income for the period are shown in note V.34.

Commodity swaps may give rise to hedge ineffectiveness when the settlement time of the hedged item changes. In FY2023, the Group did not give rise to hedge ineffectiveness due to commodity swaps. (FY2022: None)

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 at 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 at the balance sheet date, 94.71% (31 December 2022: 95.57%) and 99.99% (31 December 2022: 97.65%) of total accounts receivable were due from the Group's largest and five largest customers respectively.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

X. Risk related to financial instruments *(continued)*

2. Credit risk *(continued)*

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 at 31 December 2023 and 31 December 2022, 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 at December 31, 2023, 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 RMB12,500,000 thousand of which the Group's unutilized back-up credit lines amounted to RMB8,800,000 thousand.

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(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:

	31 December 2023					
	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	Carrying amount at balance sheet date
Short-term loans	3,010,703	–	–	–	3,010,703	3,000,000
Long-term loans	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

	31 December 2022					
	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	Carrying amount at balance sheet date
Short-term loans	1,562,617	–	–	–	1,562,617	1,550,000
Long-term loans	7,665	704,914	–	–	712,579	700,000
Lease liabilities	9,395	7,531	655	–	17,581	16,251
Accounts payable	9,144,554	–	–	–	9,144,554	9,144,554
Bills payable	40,951	–	–	–	40,951	40,951
Other payables	1,618,352	–	–	–	1,618,352	1,618,352
Total	12,383,534	712,445	655	–	13,096,634	13,070,108

For the year ended 31 December 2023
(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 at 31 December 2023, 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	–	236,487	–	236,487
– Investments in other equity instruments	–	–	3,869	3,869
Total	–	236,487	40,369	276,856

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XI. Fair value disclosure *(continued)*

1. Assets recurring measured at fair value *(continued)*

As at 31 December 2022, 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				
FVOCI				
– Receivables under financing	–	582,354	–	582,354
– Investments in other equity instruments	–	–	5,000	5,000
Total	–	582,354	5,000	587,354

For the year ended 31 December 2023, there were no transfers between different levels (For the year ended 31 December 2022: 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.

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, among them:

(i) For the unlisted equity investments, as the operating environment, operating status and financial position of the investee do not have significant change, the fair value is measured at its investment cost.

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

XI. Fair value disclosure *(continued)*

1. Assets recurring measured at fair value *(continued)*

(ii) For redeemable preference share investments, the fair value is determined using most recent transaction price.

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 2022	Purchase	Sell	Profit or loss for the year recognized in profit or loss	Profit or losses for the year recognized in equity	31 December 2023	Unearned profits or losses for assets held at the end of the year
– Investments in other equity instruments	5,000	–	–	–	(1,131)	3,869	–
– Other non-current financial assets	–	26,500	–	10,000	–	36,500	10,000
Total	5,000	26,500	–	10,000	(1,131)	40,369	10,000

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, long-term loans, lease liabilities and other current liabilities.

As at 31 December 2023 and 31 December 2022, the carrying amount of these financial assets and financial liabilities not measured at fair value are a reasonable approximation of their fair value.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

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 2023, the Group's strategy, which was unchanged from 2022, was to maintain a reasonable range of net debt-to-capital ratio by the management.

XIII. Notes to the Company's financial statements

1. Accounts receivable

(1) Accounts receivable by customer type are as follows:

Type of customers	31 December 2023	31 December 2022
Amounts due from related parties	1,324,745	2,334,835
Amounts due from third parties	2,114	2,114
Sub-total	1,326,859	2,336,949
Less: provision for bad and doubtful debts	(2,166)	(2,121)
Total	1,324,693	2,334,828

(2) The ageing analysis of accounts receivable is as follows:

Aging	31 December 2023	31 December 2022
Within 1 year (inclusive)	1,324,745	2,334,835
Over 1 year but within 2 years (inclusive)	–	–
Over 2 years but within 3 years (inclusive)	–	–
Over 3 years	2,114	2,114
Total	1,326,859	2,336,949

The ageing is counted starting from the date when accounts receivable are recognized.

(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

	31 December 2023					31 December 2022				
	Book value		Provision for bad and doubtful debts		Carrying amount	Book value		Provision for bad and doubtful debts		Carrying amount
Category	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Individual assessment	-	-	-	-	-	-	-	-	-	-
Collective assessment	1,326,859	100	2,166	0.16	1,324,693	2,336,949	100.00	2,121	0.09	2,334,828
Total	1,326,859	100	2,166	0.16	1,324,693	2,336,949	100.00	2,121	0.09	2,334,828

(i) *As at 31 December 2023, the Company has no individually impaired accounts receivable (as at 31 December 2022: Nil).*

(ii) *Criteria for collective assessment for the year ended 31 December 2023 and details:*

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.

For the year ended 31 December 2023
(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	2023	2022
Balance at the beginning of the year	2,121	1,965
Additions during the year	45	156
Recoveries or reversals during the year	–	–
Balance at the end of the year	2,166	2,121

(i) For the year ended 31 December 2023, the Company has no accounts 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 year ended 31 December 2022: Nil).

(ii) For the year ended 31 December 2023, the Company has not written off significant accounts receivable (For the year ended 31 December 2022: Nil).

(5) Five largest accounts receivable by debtor as at 31 December 2023

Item	Amount	Provision	Percent of total amount
Total amount of five largest accounts receivable by debtor of the Company	1,326,859	54	100.00%

(6) For the year ended 31 December 2023, the Company has no accounts receivable derecognized due to transfer of financial assets (for the year ended 31 December 2022: Nil).

(7) As at 31 December 2023, the Company has no pledged accounts receivable (31 December 2022: Nil).

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

XIII. Notes to the Company's financial statements *(continued)*

2. Receivables under financing

	Note	31 December 2023	31 December 2022
Bills receivable	(1)	75,238	127,558

(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 at 31 December 2023, the Company classified RMB75,238 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 2022: RMB127,558 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 at 31 December 2023 and 31 December 2022, 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 at 31 December 2023, the Company had no pledged bills receivable (31 December 2022: Nil).

(iv) As at 31 December 2023, unmatured notes receivable that have been endorsed or discounted by the Company is as follows:

Item	Derecognized	Not derecognized
Bank acceptance notes	363,573	–

As at 31 December 2023, the Company endorsed and discounted the undue bills receivable of RMB363,573 thousand (31 December 2022: RMB244,589 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 RMB363,573 thousand (31 December 2022: RMB244,589 thousand). The term of the outstanding bills receivable is within one year.

For the year ended 31 December 2023
(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	31 December 2023	31 December 2022
Amounts due from related parties	5,243	139,995
Amounts due from third parties	1,087,807	793,153
Sub-total	1,093,050	933,148
Less: Provision for bad and doubtful debts	(757,017)	(761,072)
Total	336,033	172,076

(2) The ageing analysis is as follows:

Aging	31 December 2023	31 December 2022
Within 1 year (inclusive)	328,165	174,866
Over 1 year but within 2 years (inclusive)	10,663	1,935
Over 2 years but within 3 years (inclusive)	1,930	–
Over 3 years	752,292	756,347
Total	1,093,050	933,148

The ageing is counted starting from the date when other receivables are recognized.

(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:

	31 December 2023					31 December 2022				
	Book value		Provision for bad and doubtful debts		Carrying amount	Book value		Provision for bad and doubtful debts		Carrying amount
Category	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Individual assessment	757,017	69.26	757,017	100	–	761,072	81.56	761,072	100.00	–
Collective assessment	336,033	30.74	–	–	336,033	172,076	18.44	–	–	172,076
Total	1,093,050	100.00	757,017	69.26	336,033	933,148	100.00	761,072	81.56	172,076

(4) Movements of provisions for bad and doubtful debts

	Stage 1					Stage 3		
	12-month ECL (collective)		12-month ECL (individual)		Sub-total	Lifetime ECL-Credit impaired		Total
	Book value	Provision for bad and doubtful debts	Book value	Provision for bad and doubtful debts	Provision for bad and doubtful debts	Book value	Provision for bad and doubtful debts	Provision for bad and doubtful debts
Balance at 31 December 2022	172,076	–	–	–	–	761,072	(761,072)	(761,072)
Additions during the year	–	–	–	–	–	–	–	–
Recoveries or reversals during the year	–	–	–	–	–	(4,055)	4,055	4,055
Balance at 31 December 2023	336,033	–	–	–	–	757,017	(757,017)	(757,017)

As at 31 December 2023 and 31 December 2022, the Company has no other receivables under Stage 2.

For the year ended 31 December 2023
(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 at 31 December 2023, the amount receivable from Jinyong company, a subsidiary within the original scope of merger, was RMB752,292 thousand (31 December 2022: RMB756,347 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 at 31 December 2023, the bankruptcy liquidation procedure has been completed. The Company plans to account for the write-off of bad debts upon fulfillment of the board of directors' approval process.

In 2023, the Company recovered RMB4,055 thousand from the settlement of claims paid by the bankruptcy administrator of Jin Yong in accordance with the final distribution plan of the bankruptcy estate of Jin Yong, and therefore reversed the corresponding amount of provision for bad debts.

In 2022, the Company fully recovered other receivables of RMB139 thousand that had been fully provided for bad debts in prior years.

For the year ended 31 December 2023, the Company has not written off significant other receivables (for the year ended 31 December 2022: Nil).

(5) Others categorised by nature

Nature of other receivables	31 December 2023	31 December 2022
Receivable from Jinyong company	752,292	756,347
Advance payment of compensation	5,814	4,380
Prepayment for share repurchase	6,333	27,573
Refund of consumption tax receivable	315,659	–
Accounts due from related parties	5,243	139,995
Rent receivable	–	140
Water, electricity and gas charges receivable	–	278
Others	7,709	4,435
Sub-total	1,093,050	933,148
Less: provisions for bad and doubtful debts	(757,017)	(761,072)
Total	336,033	172,076

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements *(continued)*

3. Other receivables *(continued)*

(6) Five largest others by debtor as at 31 December 2023

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	68.83%	(752,292)
Jinshan Customs, People's Republic of China	Refund of consumption tax receivable	315,659	Within 1 year (inclusive)	28.88%	–
China International Capital Corporation Hong Kong Securities Limited	Prepayment for share repurchase	6,333	Within 1 year (inclusive)	0.58%	–
Pacific Anxin Agricultural Insurance Co.	Advance payment of compensation	5,814	Within 1 year (inclusive)	0.53%	–
China Petroleum and Chemical Corporation Material and Equipment Department	Business transaction	2,795	Over 1 year but within 2 years (inclusive)	0.25%	(2,795)
Total		1,082,893		99.07%	(755,087)

4. Long-term equity investment

Item	Note	31 December 2023	31 December 2022
Subsidiaries	(1)	2,048,328	2,048,328
Associates	(2)	2,295,705	2,539,038
Joint ventures	(3)	250,000	250,000
Sub-total		4,594,033	4,837,366
Less: Impairment provision for long-term equity investment		–	–
Total		4,594,033	4,837,366

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

XIII. Notes to the Company's financial statements *(continued)*

4. Long-term equity investment *(continued)*

(1) Subsidiaries

Name of subsidiaries	31 December 2022	Additional/ negative investment	31 December 2023	Impairment Provision Ending balance	Cash dividends declared in current year
Toufa	2,031,496	–	2,031,496	–	100,000
Jinmao	16,832	–	16,832	–	20,000
Total	2,048,328	–	2,048,328	–	120,000

(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.

For the year ended 31 December 2023
(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 2022	3,924,468	44,186,806	2,046,695	50,157,969
Reclassification in current year	41,738	(100,490)	58,752	–
Increase				
– Purchase	89	149,393	31,416	180,898
– Transfer from construction in progress	196,669	3,180,495	74,301	3,451,465
– Transfer from investment properties	3,491	–	–	3,491
Decrease				
– Disposal	(28,145)	(227,121)	(34,743)	(290,009)
– Transfer to investment properties	(271)	–	–	(271)
31 December 2023	4,138,039	47,189,083	2,176,421	53,503,543
Accumulated depreciation				
31 December 2022	2,449,275	32,631,340	1,538,454	36,619,069
Reclassification in current year	40,521	(45,407)	4,886	–
Increase				
– Charge for current year	99,756	1,397,760	139,398	1,636,914
– Transfer from investment properties	2,707	–	–	2,707
Decrease				
– Disposal	(26,694)	(200,433)	(32,306)	(259,433)
– Transfer to investment properties	(43)	–	–	(43)
31 December 2023	2,565,522	33,783,260	1,650,432	37,999,214
Provision for impairment				
31 December 2022	62,842	1,625,798	10,675	1,699,315
Reclassification in current year	21,181	(21,470)	289	–
Increase				
– Charge for current period	–	29,632	218	29,850
Decrease	–	(7,462)	–	(7,462)
31 December 2023	84,023	1,626,498	11,182	1,721,703
Carrying amount				
31 December 2023	1,488,494	11,779,325	514,807	13,782,626
31 December 2022	1,412,351	9,929,668	497,566	11,839,585

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements *(continued)*

5. Fixed assets *(continued)*

(2) During 2023, In addition to the provision for impairment of some production units that have ceased production or have outdated production processes, as a result of the increasingly severe market conditions, which caused the cash-generating units of specific production units, to produce products whose expected selling prices could not compensate for the increase in their production and operating costs, the Group's management believes that there are indications of impairment of the assets related to specific production units.

In 2023, the Group conducted an impairment test on the assets related to specific production units in accordance with the accounting policy set out in Note III.19 to the financial statements. Based on the test results the recoverable amount of the assets related to specific production units was higher than the carrying amount of the assets, the Company was not required to make asset impairment provision for the related fixed assets.

The recoverable amounts of the assets or cash-generating units of the intermediate petrochemicals segment mentioned above are determined on the basis of the present value of the expected future cash flows from the assets. The Group calculates the present value of the projected future cash flows based on the approved financial budgets for a five-year period. The projected cash flows are based on several key assumptions, including the rate of growth of product sales, the rate of growth of related costs ("projected growth rate") and the discount rate. Of these key assumptions, the projected growth rates are based on historical operating experience and expectations of market participants, average compound annual growth rate of revenue is 2.52% from 2024 to 2028, average compound annual growth rate of cost is 0.02% from 2024 to 2028,and consistent with projections in relevant industry reports, and the pre-tax discount rate used in assessing the present value of the projected future cash flows is 11.89%, which reflects the Group's particular risks.

The recoverable amounts of the assets or cash-generating units of the synthetic fibers from chemical products segment mentioned above are determined on the basis of the fair value of the assets, net of disposal costs. The fair value of the assets is determined based on key assumptions such as replacement cost, ageing rate and other key assumptions. Of these key assumptions, full replacement value is determined based on the purchase cost adjusted by the corresponding price index, ageing rate is determined based on the remaining economic life, and disposal cost is determined based on the projected brokerage fee and tax rate calculations.

In fiscal year 2023, except for the assets or cash-generating units mentioned above, some of the Group's production units have ceased production or have outdated production processes. The Group expects that the use of fixed assets related to these production units will not generate economic benefits in the future, and the related fixed assets cannot be used for other purposes due to customization, therefore, the Group has made asset impairment provisions of RMB29,850 thousand for the related fixed assets of the chemical products segment.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements *(continued)*

5. Fixed assets *(continued)*

(3) As at December 31 2023, the original carrying amount of the Group's temporarily idle property, plant and equipment 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 at December 31, 2022: original carrying amount amounted to RMB3,358,312 thousand, accumulated depreciation amounted to RMB2,685,006 thousand, provision for impairment amounted to RMB493,944 thousand, and the carrying value amounted to RMB179,362 thousand).

(4) As at December 31, 2023, the carrying value of the Group's fixed assets leased out under operating leases amounted to RMB49,951,000 (December 31, 2022: carrying value of RMB54,110,000).

(5) As at December 31, 2023 and December 31, 2022, the Group had no fixed assets with outstanding title certificates.

6. Operating income and operating costs

Items	Note	2023	2022
Income from principal activities	(1)	83,867,047	70,112,942
Income from other operating activities		536,393	403,542
Total		84,403,440	70,516,484

Items	Note	2023	2022
Cost of principal activities	(1)	70,295,789	61,409,711
Cost of other operating activities		413,124	257,448
Total		70,708,913	61,667,159

For the year ended 31 December 2023
(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)*

(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:

	2023		2022	
	Income from principal activities	Cost from principal activities	Income from principal activities	Cost from principal activities
Petroleum products	64,642,544	51,778,757	51,153,867	41,092,010
Chemical products	18,730,388	18,021,137	18,410,010	19,690,727
Others	494,115	495,895	549,065	626,974
Total	83,867,047	70,295,789	70,112,942	61,409,711

The operating income of the Company is recognized at a point in time.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIII. Notes to the Company's financial statements *(continued)*

7. Investment income ("-" for losses)

	Note	2023	2022
Investment accounted for using the cost method		113,466	23,565
Investment accounted for using the equity method	(1)	(197,997)	(221,213)
Structured deposits income		–	11,124
Loss on disposal of derivative financial instruments		–	(19,218)
Discount loss of receivables		(2,455)	(1,031)
Others		–	2,702
Total		(86,986)	(204,071)

There are no severe restrictions on the investee's ability to transfer investment income to the Company.

(1) Income from investment in associates accounted for using the equity method is as follow:

	2023	2022
Shanghai Secco	(333,896)	(382,017)
Chemical Industry	135,899	160,804
Total	(197,997)	(221,213)

For the year ended 31 December 2023
(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

	2023	2022 (Restated)
Net loss	(1,268,694)	(2,818,664)
Add: Provisions for impairment of assets	476,150	811,475
Impairment credit losses	45	4,742
Depreciation of investment properties	16,338	16,391
Depreciation of fixed assets	1,636,914	1,443,803
Depreciation of right-of-use assets	12,764	12,149
Amortization of intangible assets	12,286	12,287
Amortization of long-term deferred expense	251,947	266,571
Net losses on disposal of long-term assets	24,346	25,736
Losses from changes in fair value	–	8,987
Financial expenses ("-" for income)	(37,871)	(306,866)
Investment income ("-" for decrease)	84,531	204,071
Decrease in deferred tax assets ("-" for increase)	(322,152)	(796,682)
Increase in deferred income ("-" for decrease)	(24,403)	21,774
Decrease in inventories ("-" for increase)	(916,833)	(1,842,564)
Decrease in operating receivables ("-" for increase)	1,862,681	(985,627)
Increase in operating payables ("-" for decrease)	(1,124,521)	(3,598,153)
Increase of reserve	58,443	23,181
Net cash outflow used in operating activities	741,971	(7,497,389)

(2) Movement of cash and cash equivalent

	2023	2022
Cash and cash equivalents at the end of the year	4,734,945	671,538
Less: Cash and cash equivalents at the beginning of the year	(671,538)	(4,927,519)
Net decrease in cash and cash equivalents	4,063,407	(4,255,981)

For the year ended 31 December 2023
(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	Long-term loan	Lease liabilities	Total
Balance at the beginning of the year	1,500,000	1,194	–	700,000	13,653	2,214,847
Increase for the year – change in cash borrowings	33,499,998	–	–	–	–	33,499,998
Increase for the year – non-cash changes						
Increase in lease liability as a result of entering into new leases	–	–	–	–	7,404	7,404
accrued interest	137,502	–	–	7,896	614	146,012
reclassification	–	2,509	700,000	–	–	702,509
Decrease in current year – change in cash						
Repayment of loans	(31,999,998)	–	–	–	–	(31,999,998)
Repayment of principal and interest on lease liabilities	–	–	–		(14,192)	(14,192)
Interest payments	(135,224)	(1,194)	–	(7,665)	–	(144,083)
Decrease during the year – non-cash changes reclassification	(2,278)	–	–	(700,231)	–	(702,509)
Balance at end of year	3,000,000	2,509	700,000	–	7,479	3,709,988

(4) Significant activities not involving cash receipts and disbursements

Items	2023	2022
Long-term loans due within one year	700,000	-

Supplementary Information to the Financial Statements

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

I. Extraordinary gains and losses

	for the twelve months ended 31 December	
	2023	2022
Losses on disposal of non-current assets	(26,758)	(26,767)
Government grants recorded in profit or loss	49,819	43,055
Employee reduction expenses	(49,348)	(33,739)
Losses from changes in fair value of financial assets and liabilities	10,000	(8,987)
Gains from structured deposits income	–	11,124
Losses from disposal of derivative financial instruments	–	(18,864)
Discount loss of receivables	(4,403)	(3,148)
Gains on entrusted loans	–	2,704
Reversal of provision for impairment of receivables separately tested for impairment	645	–
Other non-operating income and expenses other than those mentioned above	(21,951)	(60,087)
Income tax effect for the above items	(5,279)	12,692
Effect on non-controlling interests after tax	6,912	718
Total	(40,363)	(81,299)

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.

For the year ended 31 December 2023
(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 loss		Net assets	
	2023	2022 (restated)	**31 December 2023**	31 December 2022 (restated)
Under CAS	**(1,409,043)**	(2,868,110)	**24,942,907**	26,371,425
Difference items and amounts –				
Government grants [(1)]	**2,010**	2,010	**(14,013)**	(16,023)
Safety production costs [(2)]	**57,719**	23,906	**–**	–
Under IFRS	**(1,349,314)**	(2,842,194)	**24,928,894**	26,355,402

Notes in relation to the reconciliation items:

(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.

For the year ended 31 December 2023
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

II. Reconciliation between financial statements prepared under CAS and IFRS

(continued)

(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.

III. Loss on net assets and loss per share

	Weighted average loss on net assets (%)		Loss per share (RMB per share)			
			Basic		Diluted	
	2023	2022	**2023**	2022	**2023**	2022
Net loss attributable to shareholders of the Company	**(5.504)**	(10.162)	**(0.130)**	(0.265)	**(0.130)**	(0.265)
Net loss attributable to shareholders of the Company excluding extraordinary gains and losses	**(5.346)**	(9.875)	**(0.127)**	(0.258)	**(0.127)**	(0.258)

Written Confirmation Issued by Directors, Supervisors and Senior Management

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.2--Contents and Formats of Annual Reports (2021 Revision), and Shanghai Stock Exchange Stock Listing Rules (2023 Revision),* as the Company's directors, supervisors and senior management, we fully understood and reviewed the Company's 2023 Annual 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 2023 Annual Report fully, truly and fairly reflected the Company's financial performance and operating results. The formulation and review procedures of the Company's 2023 Annual 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 2023 Annual 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 2023 Annual 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 2023 Annual Report.
   (4) The Company's 2023 Annual 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 2023 Annual 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.

Signature:

Directors:

Wan Tao　Guan Zemin　Du Jun　Huang Xiangyu　Xie Zhenglin　Qin Zhaohui

Tang Song　Chen Haifeng　Yang Jun　Zhou Ying　Huang Jiangdong

Supervisors:

Xie Li　Zhang Feng　Chen Hongjun　Zhang Xiaofeng　Zheng Yunrui　Choi Ting Ki

Senior Management:

Huang Fei　Li Shantao　Liu Gang

Corporate Information

During the Reporting Period:

(I) Corporate Information

Chinese Name of the Company	中国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	Wan Tao

(II) 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

(III) 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 were no change in registered address of the Company during the Reporting Period

(IV) Information Disclosure and Access

Designated newspapers for the publication of the Company's announcements	Securities Times
Websites for the publication of the Company's annual reports	Shanghai Stock Exchange website, Hong Kong Stock Exchange website and the website of the Company
Place for access to the Company's annual reports	Secretariat Office to the Board, No.48 Jinyi Road, Jinshan District, Shanghai, PRC

(V) 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

(VI) 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
	Signing Auditors	Wang Wenli, Zhang Lin
Auditor Engaged by the Company (Overseas)	Name	KPMG Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
	Address	8th Floor, Prince Building, 10 Chater Road, Central, Hong Kong
	Signing Auditors	Au Yat Fo

Legal Advisors:

PRC Law:	Haiwen & Partners 20th Floor, Fortune & Finance Center No.5 Dong San Huan Central Road Chaoyang District, Beijing, PRC Postal Code: 100020
Hong Kong Law:	Zhong Lun Law Firm 4th floor, Jardine house, 1 Connaught Plaza, central, Hong Kong Postal Code: 100020
United States Law:	Morrison & Foerster 425 Market Street San Francisco, California 94105-2482 U.S.A.

Joint Company Secretaries:
Liu Gang, Chan Sze Ting

Authorised Representatives for Hong Kong Stock Exchange:
Wan Tao, Chan Sze Ting

H Shares Share Registrar:
Hong Kong Registrars Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Documents Available for Inspection

(I) The financial statements signed and sealed by the chairman, chief financial officer, general manager of the finance department.

(II) The original audit report containing the signatures of the certified public accountants of the accounting firm.

(III) The originals of all company documents and announcements publicly disclosed in the newspapers designated by CSRC during the Reporting Period.

(IV) Written confirmation of the annual report signed by the Directors, Supervisors and senior management of the Company.

Chairman: Wan Tao
Date of approval by the Board: 20 March 2024