中国石化
SINOPEC

中国石油化工股份有限公司
CHINA PETROLEUM & CHEMICAL CORPORATION
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00386)

Annual Results for the Year Ended 31 December 2023

The board of directors (the "**Board**") of China Petroleum & Chemical Corporation ("**Sinopec Corp.**" or the "**Company**") hereby announces the audited results of Sinopec Corp. and its subsidiaries for the year ended 31 December 2023. This announcement, containing the full text of the 2023 Annual Report of Sinopec Corp., complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results. The full text of the 2023 Annual Report of Sinopec Corp. is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and of Sinopec Corp. (www.sinopec.com/listco/).

PUBLICATION OF RESULTS ANNOUNCEMENT

Both the Chinese and English versions of this results announcement are available on the websites of Sinopec Corp. (www.sinopec.com/listco/) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). In the event of any discrepancies in interpretations between the English version and Chinese version, the Chinese version shall prevail.

By Order of the Board
China Petroleum & Chemical Corporation
Huang Wensheng
Vice president, Secretary to the Board of Directors

Beijing, the PRC,
22 March 2024

As of the date of this announcement, directors of the Company are: Ma Yongsheng, Zhao Dong*, Yu Baocai#, Li Yonglin#, Lv Lianggong#, Cai Hongbin+, Ng, Kar Ling Johnny+, Shi Dan+ and Bi Mingjian+.*

 # Executive Director
** Non-executive Director*
+ Independent Non-executive Director

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This annual report includes forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that the Company expects or anticipates will or may occur in the future (including but not limited to projections, targets, reserve and other estimates and business plans) are forward-looking statements. The Company's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties. The Company makes the forward-looking statements referred to herein as at 22 March 2024 and unless required by regulatory authorities, the Company undertakes no obligation to update these forward-looking statements.

IMPORTANT NOTICE: THE BOARD OF DIRECTORS, THE SUPERVISORY COMMITTEE, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF SINOPEC CORP. WARRANT THAT THERE ARE NO FALSE REPRESENTATIONS, MISLEADING STATEMENTS OR MATERIAL OMISSIONS IN THIS ANNUAL REPORT, AND JOINTLY AND SEVERALLY ACCEPT FULL RESPONSIBILITY FOR THE AUTHENTICITY, ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THIS ANNUAL REPORT. THERE IS NO OCCUPANCY OF NON-OPERATING FUNDS BY THE CONTROLLING SHAREHOLDERS OF SINOPEC CORP. ALL DIRECTORS ATTENDED THE 21ST MEETING OF THE EIGHTH SESSION OF THE BOARD. MR. MA YONGSHENG, CHAIRMAN OF THE BOARD, MR. YU BAOCAI, PRESIDENT, MS. SHOU DONGHUA, CHIEF FINANCIAL OFFICER AND HEAD OF THE FINANCIAL DEPARTMENT OF SINOPEC CORP. WARRANT THE AUTHENTICITY, ACCURACY AND COMPLETENESS OF THE FINANCIAL STATEMENTS CONTAINED IN THIS ANNUAL REPORT. THE AUDIT COMMITTEE OF SINOPEC CORP. HAS REVIEWED THE ANNUAL REPORT OF SINOPEC CORP. FOR THE YEAR ENDED 31 DECEMBER 2023.

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 OF THE COMPANY PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CASs) AND IFRS ACCOUNTING STANDARDS HAVE BEEN AUDITED BY KPMG HUAZHEN LLP AND KPMG RESPECTIVELY. BOTH FIRMS HAVE ISSUED STANDARD UNQUALIFIED AUDITOR'S REPORT.

AS APPROVED AT THE 21ST MEETING OF THE EIGHTH SESSION OF THE BOARD OF DIRECTORS OF SINOPEC CORP., THE BOARD PROPOSED A FINAL CASH DIVIDEND OF RMB0.2 (TAX INCLUSIVE) PER SHARE FOR 2023, COMBINING WITH THE INTERIM CASH DIVIDEND OF RMB0.145 (TAX INCLUSIVE) PER SHARE, THE TOTAL CASH DIVIDEND FOR 2023 WILL BE RMB0.345 (TAX INCLUSIVE) PER SHARE. THE DIVIDEND PROPOSAL IS SUBJECT TO THE SHAREHOLDERS' APPROVAL AT THE ANNUAL GENERAL MEETING FOR THE YEAR 2023.

COMPANY PROFILE

Sinopec Corp.'s H shares were listed in Hong Kong Stock Exchange on 18 October 2000 and A shares were listed in the SSE on 8 August 2001. Sinopec Corp. is one of the largest integrated energy and chemical companies in China. Its principal operations include the exploration and production, pipeline transportation and sale of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fibre, and other chemical products; the import and export, including an import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; research, development and application of technologies and information; hydrogen energy business and related services such as hydrogen production, storage, transportation and sales; battery charging and swapping, solar energy, wind energy and other new energy business and related services.

DEFINITIONS:

In this report, unless the context otherwise requires, the following terms shall have the meaning as set out below:
Sinopec Corp.: China Petroleum & Chemical Corporation
Company: Sinopec Corp. and its subsidiaries
China Petrochemical Corporation: the controlling shareholder of Sinopec Corp., China Petrochemical Corporation
Sinopec Group: China Petrochemical Corporation and its subsidiaries
NDRC: China National Development and Reform Commission
SSE: Shanghai Stock Exchange
RMC: Oil and Natural Gas Reserves Management Committee of the Company
Sinopec Finance Co.: Sinopec Finance Co., Ltd.
Century Bright: Sinopec Century Bright Capital Investment, Ltd.
CSRC: China Securities Regulatory Commission.
Hong Kong Stock Exchange: The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules: Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

CONVERSION:

For domestic production of crude oil, 1 tonne = 7.1 barrels;
For overseas production of crude oil: 1 tonne = 7.26 barrels in 2023, 1 tonne = 7.26 barrels in 2022, 1 tonne = 7.22 barrels in 2021;
For production of natural gas, 1 cubic meter = 35.31 cubic feet;
Refinery throughput is converted at 1 tonne = 7.35 barrels.

1. FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH CASS

(1) Principal financial data

Items	For the year ended 31 December **2023** **RMB million**	2022 RMB million	Change (%)	2021 RMB million
Operating income	**3,212,215**	3,318,168	(3.2)	2,740,884
Operating profit	**86,744**	96,414	(10.0)	112,414
Profit before taxation	**86,116**	94,515	(8.9)	108,348
Net profit attributable to equity shareholders of the Company	**60,463**	67,082	(9.9)	71,716
Net profit attributable to equity shareholders of the Company excluding extraordinary gains and losses	**60,692**	57,962	4.7	72,728
Net cash flow from operating activities	**161,475**	116,269	38.9	225,174

Items	2023 First Quarter RMB million	Second Quarter RMB million	Third Quarter RMB million	Fourth Quarter RMB million	Total RMB million
Operating income	791,331	802,351	876,259	742,274	3,212,215
Net profit attributable to equity shareholders of the Company	20,102	15,009	17,855	7,497	60,463
Net profit attributable to equity shareholders of the Company excluding extraordinary gains and losses	19,716	13,939	16,624	10,413	60,692
Net cash flow (used in)/generated from operating activities	(18,397)	45,959	70,747	63,166	161,475

Items	As of 31 December **2023** **RMB million**	2022 RMB million	Change (%)	2021 RMB million
Total assets	**2,026,674**	1,951,121	3.9	1,890,964
Total liabilities	**1,068,019**	1,010,664	5.7	972,475
Total equity attributable to equity shareholders of the Company	**805,794**	788,471	2.2	777,216
Total number of shares (1,000 shares)	**119,349,252**	119,896,408	(0.5)	121,071,210

(2) Principal financial indicators

Items	For the year ended 31 December **2023** **RMB Yuan**	2022 RMB Yuan	Change (%)	2021 RMB Yuan
Basic earnings per share	**0.505**	0.555	(9.0)	0.592
Diluted earnings per share	**0.505**	0.555	(9.0)	0.592
Basic earnings per share (excluding extraordinary gains and losses)	**0.507**	0.479	5.9	0.601
Weighted average return on net assets (%)	**7.59**	8.57	(0.98) percentage points	9.40
Weighted average return (excluding extraordinary gains and losses) on net assets (%)	**7.61**	7.40	0.21 percentage points	9.53
Net cash flow from operating activities per share	**1.348**	0.962	40.1	1.860

Items	As of 31 December **2023** **RMB Yuan**	2022 RMB Yuan	Change (%)	2021 RMB Yuan
Net assets attributable to equity shareholders of the Company per share	**6.752**	6.576	2.7	6.420
Liabilities to assets ratio (%)	**52.70**	51.80	0.90 percentage points	51.43

(3) Extraordinary items and corresponding amounts

Items	For the year ended 31 December (Income)/expenses 2023 RMB million	2022 RMB million	2021 RMB million
Net gain on disposal of non-current assets	**(4,226)**	(672)	(665)
Donations	**310**	447	165
Government grants	**(3,533)**	(3,826)	(3,085)
Gain on holding and disposal of various investments	**(931)**	(13,902)	(259)
Other non-operating expenses, net	**797**	2,178	4,720
Net loss acquired through business combination under common control during the reporting period	**–**	–	101
One-time impact on loss during the reporting period due to adjustments to laws and regulations	**5,955**	–	–
Subtotal	**(1,628)**	**(15,775)**	**977**
Tax effect	**635**	2,304	(72)
Total	**(993)**	**(13,471)**	**905**
Attributable to: Equity shareholders of the Company	**229**	(9,120)	1,012
Minority interests	**(1,222)**	(4,351)	(107)

(4) Items measured by fair values

Unit: RMB million

Items	Beginning of the year	End of the year	Changes	Influence on the profit of the year
Other equity instruments investment	730	450	(280)	10
Receivables financing	3,507	2,221	(1,286)	–
Derivative financial instruments and cash flow hedging	12,022	6,969	(5,053)	541
Financial assets held for trading	2	3	1	10
Total	**16,261**	**9,643**	**(6,618)**	**561**

(5) Significant changes of items in the financial statements

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

Items of Consolidated Balance Sheet	**As of 31 December 2023 RMB million**	As of 31 December 2022 RMB million	Increase/(Decrease) Amount RMB million	Percentage (%)	Main reasons for changes
Financial assets held for trading	**3**	2	1	50.0	Impact of changes in fair value of funds held by the Company.
Derivative financial assets	**9,721**	19,335	(9,614)	(49.7)	Impact of changes in fair value of hedging business.
Derivative financial liabilities	**2,752**	7,313	(4,561)	(62.4)	
Receivables financing	**2,221**	3,507	(1,286)	(36.7)	Improved efficiency in the use of capital resulting from accelerated turnover of bills.
Prepayments	**5,067**	7,956	(2,889)	(36.3)	Decrease in prepayments for equipment purchases.
Short-term loans	**59,815**	21,313	38,502	180.7	Increase in low-interest short-term loans to meet the capital needs of production and operation activities during the reporting period.
Bills payable	**29,122**	10,782	18,340	170.1	Increase in bill-settled purchases.
Taxes payable	**40,008**	28,379	11,629	41.0	The impact of the Company's provision of levy for mineral rights concessions and the increase in turnover taxes including consumption tax.
Non-current liabilities due within one year	**30,457**	62,844	(32,387)	(51.5)	Repayment of long-term loans due within one year and maturity of debentures payable.
Long-term loans	**179,347**	94,964	84,383	88.9	Increase in low-interest long-term loans to meet the capital needs of investment, production and operation activities.
Debentures payable	**8,513**	12,997	(4,484)	(34.5)	Partial amount of debentures payable reclassifying to non-current liabilities due within one year.

Items of Consolidated Income Statement	**For the year ended 31 December 2023 RMB Million**	2022 RMB Million	Increase/(Decrease) Amount RMB Million	Percentage (%)	Main reasons for changes
Investment income	**5,811**	14,462	(8,651)	(59.8)	The impact of gains from the sale of Shanghai SECCO's equity in the previous year and the decline in the profit of affiliates and joint ventures, resulting from the weak chemical market.
Gains/(losses) from changes in fair value	**467**	(1,715)	2,182	–	Impact of increase in floating profit of hedging business.
Credit impairment reversals	**243**	1,084	(841)	(77.6)	Decrease in bad debt reversal of accounts receivables.
Impairment losses	**(8,772)**	(12,009)	3,237	–	Decrease in impairment of oil and gas assets and refining and chemical facilities.
Asset disposal gains	**4,226**	672	3,554	528.9	Land and facilities disposal income generated by the relocation of Hunan Petrochemical, as well as increase in the disposal income of part of gas stations, oil depots, and pipeline assets.

Items of Consolidated Cash Flow Statement	**For the year ended 31 December 2023 RMB Million**	2022 RMB Million	Increase/(Decrease) Amount RMB Million	Percentage (%)	Main reasons for changes
Other cash received relating to operating activities	**165,002**	269,895	(104,893)	(38.9)	Impact of margin changes of derivative business.
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**5,363**	212	5,151	2,429.7	Proceeds from disposal of fixed assets including Hunan Petrochemical increased year-on-year.
Net cash received from disposal of subsidiaries and other business entities	**–**	10,041	(10,041)	(100.0)	Impact of cash consideration on the sale of Shanghai SECCO's equity in the previous year.
Cash paid for acquisition of investments	**(5,918)**	(10,456)	4,538	(43.4)	Capital injection to associates and joint ventures in this period decreased year-on-year.
Net cash paid for the acquisition of subsidiaries and other business entities	**(110)**	(7,881)	7,771	(98.6)	Payment for equity and asset acquisition in the previous year, which did not happen during the reporting period.
Other cash paid relating to investing activities	**(92,090)**	(33,505)	(58,585)	174.9	Increase in time deposits with maturities over three months.
Cash received from capital contributions	**1,509**	3,946	(2,437)	(61.8)	Decrease in capital injection for projects received from minority shareholders year-on-year.

2 FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS ACCOUNTING STANDARDS

Unit: RMB million

	For the year ended 31 December				
Items	**2023**	2022	2021	2020	2019
Revenue	**3,212,215**	3,318,168	2,740,884	2,104,724	2,957,868
Operating profit	**86,828**	75,835	94,628	13,669	86,516
Profit before taxation	**83,934**	94,400	109,169	48,615	90,161
Profit attributable to shareholders of the Company	**58,310**	66,933	72,483	34,196	58,370
Basic earnings per share (RMB)	**0.487**	0.554	0.599	0.282	0.482
Diluted earnings per share (RMB)	**0.487**	0.554	0.599	0.282	0.482
Return on capital employed (%)	**7.22**	8.73	11.33	6.50	9.11
Return on net assets (%)	**7.26**	8.50	9.34	4.57	7.90
Net cash generated from operating activities per share (RMB)	**1.348**	0.962	1.860	1.392	1.275

Unit: RMB million

	As of 31 December				
Items	**2023**	2022	2021	2020	2019
Non-current assets	**1,490,261**	1,427,981	1,332,940	1,284,416	1,318,889
Net current liabilities	**112,641**	144,245	83,256	67,335	133,166
Non-current liabilities	**421,811**	344,194	332,162	327,517	302,665
Non-controlling interests	**152,820**	151,942	141,226	141,633	138,486
Total equity attributable to shareholders of the Company	**802,989**	787,600	776,296	747,931	744,572
Net assets per share (RMB)	**6.728**	6.569	6.412	6.178	6.150
Adjusted net assets per share (RMB)	**6.486**	6.310	6.228	5.957	5.995

3 MAJOR DIFFERENCES BETWEEN THE AUDITED FINANCIAL STATEMENTS PREPARED UNDER CASs AND IFRS ACCOUNTING STANDARDS PLEASE REFER TO PAGE 213 OF THE REPORT.

Dear Shareholders and Friends:

First of all, on behalf of the board of directors, management and all our employees, I would like to express my sincere gratitude to our shareholders and all walks of life in the community for their care and support for Sinopec Corp.

In 2023, the global economy recovered slowly, geopolitical tensions intensified, macro-environment became increasingly unstable and uncertain, and international oil prices fluctuated widely. In domestic China, the economy regained steam, refined oil products demand gradually picked up, new energy developed rapidly, chemical industry faced supply glut and the petroleum and chemical industry changed profoundly. In the face of complicated operating environment and fierce market competition, the Company stepped up efforts to promote high-quality development, drove all-round improvement in production and operations management, and proceeded with the customer-centric strategy. As a result, we achieved promising operating results with new progress and new developments made in various aspects of work.

In accordance with IFRS Accounting Standards, the Company realized revenues from primary business and other operating revenues of RMB3.2 trillion. The profit attributable to shareholders of the Company amounted to RMB58.3 billion. The Company retained a stable financial position and saw substantial increase in operating cash flow. Taking into account the Company's profitability, shareholders' returns and sustainable development, the board of directors proposed a final cash dividend of RMB0.2 per share (tax inclusive). Together with the interim cash dividend of RMB0.145 per share (tax inclusive) already paid, the total dividend for the year amounted to RMB0.345 per share (tax inclusive), and the total distribution ratio for 2023 reaches 75% including share repurchase.

Remarkable enhancement of corporate governance. The board of directors insisted on scientific decision-making, dynamically optimized the development plan, and strengthened the strategic management of ESG. While exercising performing their responsibilities diligently and with due care, the independent directors thoroughly conducted in-depth research on the enterprises and communicated extensively with shareholders. They played an effective role in decision-making, supervision and independence and the provision of professional consultancy. With an aim to enhance the quality, the Company beefed up efforts to deepen corporate reform. Our internal control and risk management mechanisms were constantly improved. Meanwhile, we continued to implement the share repurchase with a view to safeguarding the Company's market value and shareholders' interests. In recognition of our strict adherence to high quality information disclosure practice and investor relations management, the Company has been rated grade-A for information disclosure by the SSE for ten consecutive years.

Effective improvement in quality and reasonable growth of quantity in each business segment. As for the upstream business, we reinforced our resource base with major breakthroughs in a number of oil and gas explorations. Our efforts to boost reserves and output, reduce costs and enhance profitability bore fruitful results. While the natural gas production, supply, storage and marketing system was further improved, the value-creation capability of entire industrial chain substantially increased. We insisted on the integrated operation in refining and marketing businesses, strengthened orientation of market needs and profitability, dynamic coordinated the resource allocation, and enhanced cost reduction and efficiency improvement. The strategy of adjusting the yield of refined oil products, chemical feedstocks and refining specialities was carried out in a scientific manner. As we vigorously drove market expansion, boosted sales and improved profitability, the refinery throughput and domestic sales volume of refined oil products hit a record high and non-fuel business maintained brisk growth. At the same time, we strengthened the collaborative development of chemicals and refining businesses, whereby improving our profitability, adjusting the utilization rate, strengthening cost management and expanding external sales. As a result, the overall sales volume of chemical products steadily increased.

Technological innovation to enhance development quality and drive business transformation and upgrading. With increased emphasis on technological innovation, we enhanced R&D efforts and strengthened cutting-edge basic research. Persistent efforts were made in oil and gas exploration and the development of high-end new materials. Major breakthroughs were achieved in a number of core technologies with the quality of our patents ranked best among the top in domestic market. We accelerated the transformation and upgrade of refining and chemical business, and completed the transformation of certain refining projects to chemical projects and the upgrading of some ethylene projects. Moreover, our transformation towards an integrated energy service provider of "petrol, gas, hydrogen, power and services" progressed in an orderly manner. The three-year plan for charging network development was kicked off with an aim to vigorously promote battery charging and swapping operation. We created a roadmap for the development of hydrogen energy business with primary focus on hydrogen transportation and green hydrogen for refining and chemical. Meanwhile, the power generated from wind and solar energy steadily grew and breakthroughs were made in the industrialization of the CCUS project, hence reinforcing our competitive edges in green and low-carbon development.

Commitment to fulfill the corporate social responsibilities. The Company was actively responding to global climate change and made relentless efforts to promote the development of clean energy. While the action plan for carbon peak went ahead smoothly, we took measures to protect the ecosystem and ensure biodiversity. We stepped up efforts to enhance safety management and intrinsic safety standards. In addition, we supported rural revitalization, participated in domestic emergency and disaster relief programs and the charitable projects such as "Spring Bud Gas Station for Girls" and "Classes Given by Academicians", which received favourable response in the society. We cared about the staff's physical and mental health and create stable and harmonious community relationships in our domestic and overseas projects operate.

The eighth session of the board of directors (the "Board") and the supervisory committee (the "Supervisory Committee") of the Company will complete their terms this year. The past three years were extremely extraordinary and challenging for Sinopec Corp. Faced with a severe and complex external environment and unexpected adversity, the Board steadfastly pursued the new development philosophy, launched the action plan to drive high-quality development, and played the advantages of integrated value chain to the full. Besides, we continued to promote the business layout with "One Foundation of energy and resources, Two Wings of clean fuels and advanced chemicals, and Three Growth Engines in new energy, new materials and new economy ". The management led the entire staff to overcome difficulties and made every effort to strengthen development quality, enhance profitability and stabilize growth. While new progress and achievements were made in all aspects of work, our operating performance remained stable amid volatile market conditions. All operating costs continued to decline, and the Company retained a stable financial position and delivered promising returns to shareholders.

Enhanced high-quality development as defining feature of the Company's over past three years. We continued to push ahead with the seven-year action plan to reinforce the resource base, leading to continual growth in our oil and gas reserves and output. Besides, our efforts to boost reserves, stabilize oil output, ramp up gas output and reduce costs achieved remarkable results. By accelerating the development of world-class refining and chemicals centers, we increased capacity with competitive edges. At the same time, the strategy of shifting refined oil products to chemical feedstocks and refining specialties progressed steadily with the capacity of our refining and polyolefin capacity ranked first in the world. In addition, oil and gas equivalent output and refinery throughput climbed to historic highs, and the high value-added chemical products portion continued growing. As for the marketing business, the advantage of sales network was further enhanced. The number of gas stations ranked second in the world and domestic sales volume of refined oil products achieved a new record. Meanwhile, non-fuel business maintained healthy growth. With an aim to build ourselves into an integrated energy service provider of "petrol, gas, hydrogen, power and services", we pushed for the development of hydrogen energy, battery charging and swapping, renewable power generation, CCUS operations, etc., creating new competence from green development. With an emphasis on the innovation-driven development strategy, we achieved fruitful results in the development of core technologies in a number of key areas, such as exploration and development, refining, new chemical materials, new energy, and green and low carbon sector, laying a solid foundation for the Company's high-quality development.

Continued strengthening of corporate governance effectiveness in past three years. The Board strengthened strategic planning, studied and formulated the development strategy for the "14th Five-Year Plan" period. While maintaining high cash dividend payout ratio, the Board has implemented the share repurchase in both domestic and overseas markets for two consecutive years to safeguard the Company's market value and shareholders' interests. In addition, we improved the fundamental system for corporate governance, enhanced the compliance system, and continuously improved the effectiveness of the internal control system. Our management was enhanced by benchmarking against the world-class standards so as to promote the Company's professional development. As the quality of information disclosure and investor relations practices further improved, our communication with stakeholders became more effective. The delisting of our American depositary shares was completed in an orderly manner. The Company leveraged the advantage of party-building, strengthened the supervisory and protection work, boosted the employees' vitality, and improved their motivation. Our outstanding corporate governance has gained wide recognition in various capital markets.

Significant progress in ESG practice over past three years. The Board bolstered the ESG governance based on strategic height, attached great importance to the guiding principles and strengthened the management effectiveness. We implemented the low carbon development strategy and action plan for carbon peak. While continuously enhancing the HSE management system, the Company conducted specialized work safety rectification, vigorously promoted pollution prevention and contributed our efforts to promote the development of ecological civilization. In the face of major disasters and emergencies, we actively participated in relief operations, made every effort to ensure the supply of energy and materials, and ensured the stable operation of industrial and supply chains. In addition, we supported rural revitalization, contributed efforts to the Winter Olympics and Paralympics in Beijing, and extensively participated in charities. In adherence to the people-oriented approach, we protected the physical and mental health of employees, promoted the harmoniously development of economies, environment and communities of the sites where our domestic and overseas projects located. As our development brought many benefits to the public, the Company's corporate image as a responsible enterprise became more prominent.

The hard-won achievements were attributable to the joint efforts of the Board, the Supervisory Committee, management and all employees. They would not have been gained without the strong support from shareholders and all walks of life in the community. On behalf of the Board, I would like to express my sincere gratitude to all shareholders and all walks of life in the community for their support. I would also express my sincere gratitude to all of directors, supervisors and management for their dedicated work and outstanding contributions!

In 2024, Sinopec Corp. will continue to act on the principle of seeking progress while maintaining stability, promoting stability through progress. We will improve the operation and profitability, transformation and upgrading, reform and innovation, and risk management. In addition, greater emphasis will be put on the value creation and persistent efforts will be carried out to effectively enhance our development quality and ensure the reasonable growth of business volume. By cultivating new quality productivity, we will lay a decisive foundation for the Company to fully complete the goals and tasks for the "14th Five-Year Plan" period.

We will improve development quality, enhance profitability, stabilize growth and emphasis on tackling difficulties and creating value. We will leverage on our integrated advantage, coordinate the whole value chain of procurement, transportation, production, storage and marketing, tap the potential of system optimisation, meet market demand, improve service quality, continue to increasing business scale, thereby maximizing the overall profitability of our industrial chain. **We will emphasis on promoting transition and upgrading, and push for the development of new growth drivers.** The integrative development oil and gas exploration and development operation and new energy business will be expedited, and greater efforts will be made to boost the exploration and development. We will fuel the growth of natural gas business, expand the utilization of green electricity, and establish and promote the collaborative development of a safe and reliable green energy supply system which is complementary to multi-energy consumption. At the same time, the development of world-class, high-tech and integrated refining and chemical center will be accelerated and the plan for developing strategic emerging businesses such as new materials and bio-technology will be formulated. The Company is determined to become the best hydrogen energy company in China. We will take a multi-scenario approach to the expansion of recharging network, create first-tier directly-operated platform, cultivate diversified service models and add value to the sales network across the board. The digital and intelligent transformation of the industry will be vigorously promoted and the coordinated development of a modern service and trading system incorporating the consumer Internet and the industrial Internet will be carried out. Besides, the ProMACE industrial platform will be further strengthened. **We will power the green transformation and craft new competitive edges from green development.** While driving all-round improvement in ESG management, the Company will vigorously promote the conservation and efficient utilization of resources. The carbon peak strategy will be steadily implemented, and collaborative efforts will be taken to reduce carbon emissions and pollution, promoting green development and business growth. As enhanced efforts will be made to drive the R&D and applications of green and low carbon technology, we will push for the industrialization and large-scale application of CCUS technology, expand carbon trading and enhance carbon footprint management. In order to contribute our efforts to the ecosystem protection, we will accelerate the implementation of pollution prevention and control projects. **Meanwhile, greater efforts will be made to promote technological advancement and innovation-driven development.** The integration of innovation chain and industrial chain will be further strengthened to support the transition and upgrading of our businesses and the development of strategic emerging businesses, whereby reinforcing our capability of proprietary innovation and original innovation.

Ambitious players are most likely to win in fierce competition. I believe that Sinopec Corp. is poised to forge our own path for high-quality development under the leadership of new Board members to be elected, with the joint efforts of the management and all employees, and with the strong support from shareholders and all walks of life in the community. We will expedite our development into a world-class enterprise, and thus deliver greater value for shareholders and the society.

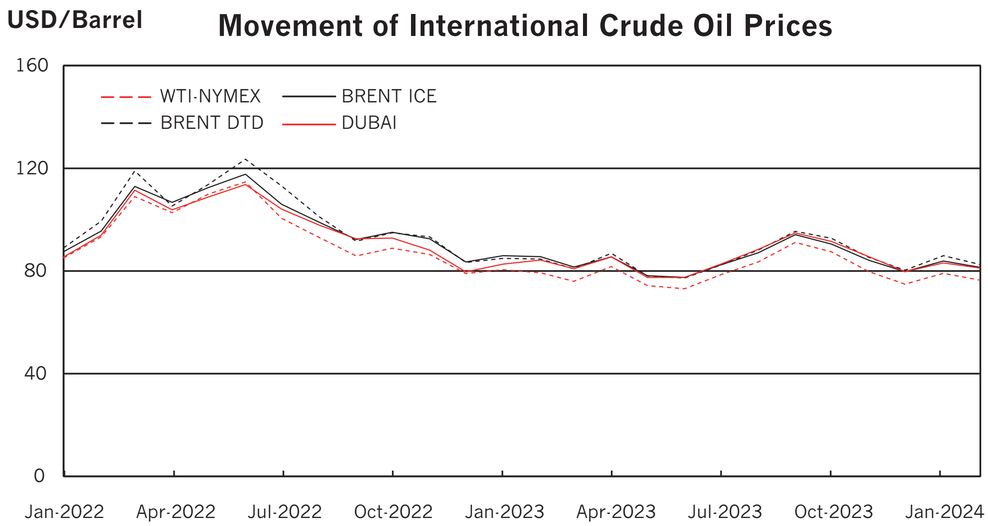
Ma Yongsheng
Chairman

Beijing, China
22 March 2024

BUSINESS REVIEW

In 2023, global economy recorded slow growth. China's economy picked up, registering a GDP growth of 5.2% year on year. International oil prices fluctuated widely. Domestic demand for refined oil products rebounded. Demand for natural gas kept growing and that for chemical products was improving.

The Company carried out in-depth high-quality development actions, fully leveraged its integration advantages, optimised production and operation on all fronts, and pressed ahead to generate profit, which helped achieve favorable operating results.



1 MARKET REVIEW

(1) Crude Oil & Natural Gas Market

In 2023, international crude oil prices fluctuated in a wide range. The spot price of Platt's Brent for the year averaged USD82.6 per barrel, down by 18.4% year on year. Based on the statistics of NDRC, domestic apparent consumption of natural gas reached 394.5 billion cubic meters, up by 7.6% year on year.

(2) Refined Oil Products Market

In 2023, domestic demand for refined oil products rebounded. According to the statistics released by NDRC, domestic apparent consumption of refined oil products (including gasoline, diesel and kerosene) was 385 million tonnes, up by 11.8% from the previous year, with gasoline up by 10.1%, diesel up by 5.3% and kerosene up by 90.3%.

(3) Chemical Products Market

Domestic demand for chemicals picked up in 2023. Based on our statistics, domestic consumption of ethylene equivalent was up by 8.2% from the previous year, and the apparent consumption of synthetic resin, synthetic fibre and synthetic rubber rose by 6.2%, 7.8% and 6.6% respectively. Affected by newly-released production capacity, domestic chemical product prices down by 7.0% with chemical margin at a low level.

2 PRODUCTION & OPERATIONS REVIEW

(1) Exploration and Production

In 2023, the Company made breakthroughs in increasing reserve, production and profit as well as cutting cost. In terms of exploration, we spared no efforts in seeking new discoveries and reserves and obtaining more exploration rights. We strengthened risk exploration, trap pre-exploration and integrated evaluation exploration, and achieved a number of oil and gas discoveries, including breakthroughs in Tarim Basin, deep coal-bed methane in Ordos Basin, continental tight oil and gas in Sichuan Basin and deep shale gas of Permian marine facies in Puguang. We continued to efficiently promote the "Deep Earth Project" and construction of the Shengli Jiyang Shale Oil National Demonstration Zone. Domestic oil and gas reserve replacement ratio amounted to 131%. In terms of crude oil development, we accelerated the capacity building of major oilfields, such as Jiyang, Tahe and West Junggar, and strengthened fine-tuned development of mature oil fields. In natural gas development, we actively promoted the capacity building of key blocks in Shunbei Zone Two and marine facies gas in West Sichuan, scaled up mid and long term LNG contracts, and further optimised integrated gas system covering production, supply, storage and sales, with profitability greatly enhanced for the whole natural gas business chain. The Company's production of oil and gas in 2023 was 504.09 million barrels of oil equivalent, up by 3.1%, among which, domestic crude production totaled 251.63 million barrels, and natural gas production reached 1,337.8 billion cubic feet, up by 7.1%.

Summary of Operations for the Exploration and Production Segment

	2023	2022	2021	Change from 2022 to 2023 (%)
Oil and gas production (mmboe)	504.09	488.99	479.74	3.1
Crude oil production (mmbbls)	281.12	280.86	279.76	0.1
China	251.63	250.79	249.60	0.3
Overseas	29.49	30.07	30.16	(1.9)
Natural gas production (bcf)	1,337.82	1,248.75	1,199.44	7.1

Summary of Reserves of Crude Oil and Natural Gas

	Crude oil reserves (mmbbls)	
Items	**31 December 2023**	31 December 2022
Proved reserves	2,003	1,962
Proved developed reserves	1,777	1,766
China	1,507	1,489
Consolidated companies	1,507	1,489
Shengli	1,119	1,105
Others	388	384
Overseas	270	277
Consolidated companies	17	17
Equity accounted entities	253	260
Proved undeveloped reserves	226	196
China	189	153
Consolidated companies	189	153
Shengli	67	41
Others	122	112
Overseas	37	43
Consolidated companies	3	0
Equity accounted entities	34	43

Items	Natural gas reserves (bcf) 31 December 2023	31 December 2022
Proved reserves	9,311	8,806
Proved developed reserves	7,529	7,138
China	7,525	7,135
Consolidated companies	7,525	7,135
Puguang	1,213	1,417
Fuling	1,701	1,632
Others	4,611	4,086
Overseas	4	3
Consolidated companies	0	0
Equity accounted entities	4	3
Proved undeveloped reserves	1,782	1,668
China	1,782	1,667
Consolidated companies	1,782	1,667
Fuling	113	99
Others	1,669	1,568
Overseas	0	1
Consolidated companies	0	0
Equity accounted entities	0	1

Exploration and Production Activities

Wells drilled	As of 31 December 2023 Exploratory		Development		2022 Exploratory		Development	
	Productive	Dry	Productive	Dry	Productive	Dry	Productive	Dry
China	343	105	2,312	6	364	111	1,958	3
Consolidated companies	343	105	2,312	6	364	111	1,958	3
Shengli	127	29	1,379	3	159	48	1,029	2
Others	216	76	933	3	205	63	929	1
Overseas	0	0	144	0	5	1	200	0
Consolidated companies	0	0	0	0	0	0	0	0
Equity accounted entities	0	0	144	0	5	1	200	0
Total	343	105	2,456	6	369	112	2,158	3

Wells drilling	As of 31 December 2023 Gross		Net		2022 Gross		Net	
	Exploratory	Development	Exploratory	Development	Exploratory	Development	Exploratory	Development
China	80	184	80	184	103	207	103	207
Consolidated companies	80	184	80	184	103	207	103	207
Shengli	19	60	19	60	29	61	29	61
Others	61	124	61	124	74	146	74	146
Overseas	1	8	1	4	0	2	0	1
Consolidated companies	0	0	0	0	0	0	0	0
Equity accounted entities	1	8	1	4	0	2	0	1
Total	81	192	81	188	103	209	103	208

Oil productive wells	As of 31 December 2023 Gross	Net	2022 Gross	Net
China	55,548	55,548	54,089	54,089
Consolidated companies	55,548	55,548	54,089	54,089
Shengli	36,024	36,024	35,171	35,171
Others	19,524	19,524	18,918	18,918
Overseas	5,476	2,314	5,460	2,313
Consolidated companies	30	11	30	11
Equity accounted entities	5,446	2,303	5,430	2,302
Total	61,024	57,862	59,549	56,402

Natural gas productive wells	As of 31 December			
	2023		2022	
	Gross	**Net**	Gross	Net
China	8,256	8,186	7,779	7,719
Consolidated companies	8,256	8,186	7,779	7,719
Puguang	90	90	82	82
Fuling	1,019	1,019	886	886
Others	7,147	7,077	6,811	6,751
Total	8,256	8,186	7,779	7,719

Unit: Square kilometers

	As of 31 December	
	2023	2022
Acreage with exploration licenses	365,219	372,078
China	365,219	372,078
Acreage with development licenses	47,567	44,617
China	41,596	38,937
Overseas	5,971	5,680

(2) Refining

In 2023, the Company actively addressed the challenges brought by the wide fluctuation of oil prices and the significant narrowing of margins for some refining products, and insisted on optimisation and integration of production and marketing. Annual crude throughput hit new high. We enhanced coordination among procurement, storage and transportation as well as production to reduce procurement cost. Closely following the market demand, we flexibly adjusted the utilisation rate and product slate. We optimised the rhythm of carrying forward the "oil to chemicals" and "oil to specialties" projects, and increased production of market-oriented products such as refined oil products and lubricating grease. We scaled up export volume and optimised arrangement for exports. Structural adjustment projects were proceeding in an orderly manner. In 2023, the Company processed 258 million tonnes of crude, up by 6.3% and produced 156 million tonnes of refined oil products, up by 11.3% with kerosene output up by 60.7% year on year.

Summary of Operations for the Refining Segment

Unit: million tonnes

	2023	2022	2021	Change from 2022 to 2023 (%)
Refinery throughput	257.52	242.27	255.28	6.3
Gasoline, diesel and kerosene production	156.00	140.15	146.21	11.3
Gasoline	62.51	59.05	65.21	5.9
Diesel	64.54	63.09	59.85	2.3
Kerosene	28.95	18.01	21.15	60.7
Light chemical feedstock production	43.29	42.65	45.41	1.5
Light product yield (%)	74.79	74.06	73.83	0.73 percentage points
Refinery yield (%)	94.98	94.96	94.65	0.02 percentage points

Note: Includes 100% of the production from domestic joint ventures.

(3) Marketing and Distribution

In 2023, by seizing the opportunity of rebounded market demand, the Company brought the advantages in integrated business into full play to expand the market and improve profit. Domestic refined oil products sales volume realised a record high. We focused on client demand and carried forward targeted and differentiated marketing tactics. The sales volume of gasoline rose by 15.9% and the retail volume of vehicle LNG was up by 85%. We fully leveraged our strength in existing end-market network, stepped up efforts in developing EV battery charging and swapping business and demonstrating application scenarios of hydrogen mobility, and transforming to an integrated energy service provider of fuel, gas, hydrogen, electricity and non-fuel services. We vigorously expanded our global business, explored the low-sulfur bunker fuel market both home and abroad and became the world's second largest bunker fuel supplier. We continued to enrich the Easy Joy service ecosystem with the quality and profitability both boosted for the non-fuel business. Total sales volume of refined oil products for the year was 239 million tonnes, up by 15.6%, of which total domestic sales volume accounted for 188 million tonnes, up by 15.8%.

Summary of Operations for the Marketing and Distribution Segment

	2023	2022	2021	Change from 2022 to 2023 (%)
Total sales volume of refined oil products (million tonnes)*	239.05	206.74	220.79	15.6
Total domestic sales volume of refined oil products (million tonnes)	188.17	162.55	171.31	15.8
Retail sales (million tonnes)	120.12	106.91	114.30	12.4
Direct sales and distribution (million tonnes)	68.05	55.65	57.01	22.3
Annual average throughput per station (tonne/station)	3,880	3,470	3,720	11.8

	31 December 2023	31 December 2022	31 December 2021	Change from the end of the previous year to the end of the reporting period (%)
Total number of service stations under the Sinopec brand	30,958	30,808	30,725	0.5
Number of company-operated stations	30,958	30,808	30,725	0.5

Note: The total sales volume of refined oil products includes the amount of refined oil marketing and trading sales volume.

(4) Chemicals

In 2023, in the face of the tough external environment of the significantly increased domestic chemicals supply and narrowed chemical margins, the Company optimised the structure of feedstock, facilities and products, maintained high utilisation rate in profitable facilities such as aromatics and EVA, and reduced production or shut down units of products with no marginal contribution, thus responding to market demand. We reinforced cost control to bring down cost throughout the chemical value chain. Integration of production, marketing, research and application was further cemented to steadily increase the proportion of high value-added products. Annual ethylene production was 14.31 million tonnes. We actively explored domestic and global market, international business volume grew rapidly. Total chemical sales volume reached 83 million tonnes, up by 1.7%.

Summary of Operations for the Chemicals Segment **Unit: thousand tonnes**

	2023	2022	2021	Change from 2022 to 2023 (%)
Ethylene	14,314	13,437	13,380	6.5
Synthetic resin	20,574	18,544	18,999	10.9
Synthetic rubber	1,424	1,284	1,252	10.9
Synthetic fiber monomer and polymer	7,866	8,886	9,201	(11.5)
Synthetic fiber	1,113	1,112	1,357	0.1

Note: Includes 100% of the production of domestic joint ventures.

(5) Science and Technology Innovation

In 2023, the Company enhanced investment in science and technology innovation, sought breakthrough in key and core technologies, beefed up front-end basic research and further deepened the reform of the science and technology system and mechanism, all contributing to the progress made in innovation. In upstream, breakthroughs were made in the exploration and development theory and technologies for ultra-deep oil and gas as well as continental facies shale oil and gas. In refining, we successfully started up world's first 3 mtpa catalytic cracking unit for heavy oil RTC. A full range of bio fuel products successfully passed the RSB (Roundtable on Sustainable Biomaterials) certification. In chemicals, the first epoxy butane unit using CHP process and the industrial unit for high-performance liquid rubber were put into operation successfully. In addition, we accelerated research and development of technologies for the whole hydrogen value chain and independently developed key materials for fuel cells. Demonstration projects such as "Industrial Internet+" and "Artificial Intelligence Infrastructure Project" are progressing smoothly. In 2023, the Company filed 9,601 patent applications at home and abroad with 5,483 granted. The Company also won one silver award and four excellent awards in China's Patent Award competition.

(6) HSE

In 2023, the Company continued to improve the HSE management system with professional management further strengthened. We enhanced employee health and safety management, fully implemented grassroots safety responsibility management, carried out health management services for all employees, improved working conditions and enhanced personal protective equipment, thus the occupational, physical and psychological health of employees at home and abroad were safeguarded. We implemented the all-staff work safety responsibility mechanism, launched the scheme of the Safety Management Enhancement Year, made every effort to promote risk control and incident prevention, and continued to reinforce process safety management, so that the operations safety was achieved.

(7) Capital Expenditure

In 2023, focused on the quality and return of investments, the Company continued to optimise the management of invested projects, with a capital expenditure of RMB176.8 billion for the whole year. The capital expenditure of the E&P segment was RMB78.6 billion, mainly for the crude production capacity building in Tahe and Shengli Offshore, natural gas production capacity building in Shunbei, Western Sichuan, Fuling and Weirong, the development of the Shengli Jiyang Shale Oil National Demonstration Zone, as well as the oil and gas storage and transportation facilities. The capital expenditure of the refining segment was RMB22.9 billion, mainly for Zhenhai Expansion, Yangzi Refining Restructuring, etc. The capital expenditure of the marketing and distribution segment of RMB15.7 billion, mainly for the development of the “petro, gas, hydrogen, power and service” integrated energy station network, the revamping of the existing marketing network, non-fuel business and other projects. The capital expenditure of the chemical segment was RMB55.1 billion, mainly for the ethylene units in the second phase of Zhenhai, Tianjin Nangang, Hainan and Maoming, Baling caprolactam unit relocation, coal chemical projects, etc. The capital expenditure of corporate and others was RMB4.5 billion, mainly for R&D and IT, etc.

BUSINESS OUTLOOK

1 Market Outlook

Looking forward to 2024, as China’s economy maintains the sustainable trend of recovery, domestic demand for natural gas, refined oil products and chemicals is expected to maintain growth. Due to changes in global supply and demand, geopolitics and inventory levels, international oil prices are expected to fluctuate at medium to high levels.

2 Production & Operation

In 2024, the Company will put more focus on value creation with priority given to profit generation, transition, upgrading, reform, innovation, and risk control.

E&P: The Company will strengthen risk exploration, intensify efforts in the “Deep Earth Project”, shale oil and gas, and other fields to increase high-quality and large-scale reserves; enhance profitable development and stabilize oil production while increasing gas production and reducing costs. In crude development, we will accelerate the production capacity building in Jiyang, Tahe and Junggar, strengthen the fine-tuned development of mature fields, continue to improve the reserve development ratio and recovery rate, and stabilize conventional oil production and increase the profitable production of shale oil. In natural gas development, the Company will accelerate the capacity building in western Sichuan and Shunbei and drive up the natural gas profitable output; diversify and expand the channels of natural gas resources, focus on reducing resource costs, and continue to improve the natural gas production, supply, storage and marketing system. The planned annual production of crude is 279.06 million barrels, of which 26.65 million barrels from overseas. The planned annual natural gas production is 1,379.7 billion cubic feet.

Refining: Efficiency and profitability oriented, the Company will coordinate production and marketing, and improve the operating efficiency of the value chain. We will optimise crude procurement to reduce costs; adjust crude throughput, facility utilization and product slate to improve profitability; optimise the structure and pace of export products; carry forward the adjustment to increase the yield of chemical feedstock in an orderly and cost effective manner, and enhance the efforts on shifting from refined products to chemical feedstock and refining specialties such as lubricating grease and needle coke. The annual plan is to process 260 million tonnes of crude and produce 159 million tonnes of refined oil products.

Marketing and Distribution: The Company will give full play to its advantages in integration, strengthen digital intelligence empowerment, and expand its market share. We will improve our market monitoring system, dynamically optimise marketing strategy, and consolidate the retail market share; develop high-quality outlets and continuously optimise the network layout; strengthen the development of Sinopec-brand products, diversify services, and build a high-value ecosystem of “customers-vehicles-life”, so as to improve the quality and profitability of our non-fuel business; strengthen international operations and expand the overseas retail market; enhance advantages in the low-sulphur bunker fuel market, and improve the quality of operations; promote the development of charging network and the demonstration application of hydrogen-powered mobility, and accelerate the building-up of the Company into an integrated energy provider covering “petro, gas, hydrogen, power and service”. The planned annual domestic sales volume of refined oil products is 191 million tonnes.

Chemicals: The Company will closely track changes in the chemical market, improve production and marketing synergies and scheduling, adhere to “basic + high-end” strategy, and cultivate new advantages in “low-cost + value-added + green and low-carbon”. We will continue to diversify feedstock and reduce costs; dynamically optimise product slates and facility utilization, keep profitable facilities running at high loads, and improve profit from high-quality assets; continue to intensify the development of new materials and high value-added products, seize the market demand, and create more value; and promote the construction of new capacity with high-quality. At the same time, we will enhance the efforts in meeting differentiated and customised needs, continuously increase the proportion of sales to strategic customers, intensify the export of market-favoured products, and improve international operations. For the whole year, we plan to produce 14.35 million tonnes of ethylene.

R&D: The Company will firmly implement the innovation-driven strategy, promote the deep integration of the innovation chain, value chain, capital chain and talent chain, make every effort to develop key technologies, and give full play to the supporting and leading role of science and technology innovation to development. Focusing on stabilising oil production, increasing gas output, reducing costs and improving profitability, the Company will promote oil and gas exploration and development technology research to increase reserves and production; optimise the structure of products in refining and enhance the clean, efficient and low-carbon utilisation of resources; carry out research and application of key technologies relating to “oil to chemicals” and “oil to specialties”, hydrogen energy and CCUS. Based on the upgrading needs of chemicals and materials, we will focus on diversified and green basic chemical production technologies and accelerate the breakthrough of key technologies for the production of high value-added synthetic materials. We will promote the transformation and upgrading of digital intelligence, give full play to the role of data, and strengthen the research of new technologies, digital intelligence application scenarios and the commercialisation of pilot projects.

Capital Expenditure: In 2024, the planned capital expenditure for the Company is RMB173 billion, of which RMB77.8 billion will be spent in E&P, mainly for the crude capacity building in Jiyang and Tahe, natural gas production capacity build-up in western Sichuan, and the construction of oil and gas storage and transportation facilities; RMB24.8 billion will be spent in refining, mainly for the Zhenhai refining expansion, the technological upgrading of Guangzhou and Maoming companies; RMB18.4 billion will be spent in marketing and distribution, mainly for the development of the integrated energy station network, the revamping of the existing marketing network, and the non-fuel business; RMB45.8 billion will be spent in chemicals, mainly for the construction of the Zhenhai Phase II ethylene, Maoming ethylene, and Jiujiang aromatics projects; and RMB6.2 billion will be spent in corporate and others, mainly for R&D and IT.

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S AUDITED FINANCIAL STATEMENTS AND THE ACCOMPANYING NOTES. PARTS OF THE FOLLOWING FINANCIAL DATA WERE ABSTRACTED FROM THE COMPANY'S AUDITED FINANCIAL STATEMENTS THAT HAVE BEEN PREPARED ACCORDING TO THE IFRS ACCOUNTING STANDARDS. THE PRICES IN THE FOLLOWING DISCUSSION DO NOT INCLUDE VALUE-ADDED TAX.

1 CONSOLIDATED RESULTS OF OPERATIONS

In 2023, facing the condition that international crude oil price fluctuated widely, refined oil products demand rebounded, and petrochemical market was weak, the Company vigorously expanded market, actively deepened optimisation of production and operation with the oil and gas equivalent production, refinery throughput, ethylene production, and domestic refined oil products sales volume hitting a record high, and the Company realised operating profit of RMB86.8 billion, increased by 14.5% year-on-year. Due to the decrease in crude oil prices, revenue was RMB3,212.2 billion, decreased by 3.2% year-on-year.

The following table sets forth the main revenue and expenses from the Company's consolidated financial statements in relevant period:

	Year ended 31 December		
	2023	2022	Change (%)
	RMB million	RMB million	
Revenue	**3,212,215**	**3,318,168**	**(3.2)**
Revenue from primary business	3,146,873	3,257,356	(3.4)
Other operating revenues	65,342	60,812	7.4
Operating expenses	**(3,125,387)**	**(3,242,333)**	**(3.6)**
Purchased crude oil, products and operating supplies and expenses	(2,569,412)	(2,684,756)	(4.3)
Selling, general and administrative expenses	(59,575)	(55,809)	6.7
Depreciation, depletion and amortisation	(113,750)	(109,906)	3.5
Exploration expenses, including dry wells	(11,055)	(10,591)	4.4
Personnel expenses	(108,017)	(103,585)	4.3
Taxes other than income tax	(272,921)	(263,991)	3.4
Impairment reversals on trade and other receivables	243	1,084	(77.6)
Other operating income/(expenses), net	9,100	(14,779)	–
Operating profit	**86,828**	**75,835**	**14.5**
Net finance costs	(9,922)	(9,974)	(0.5)
Investment income and share of profits less losses from associates and joint ventures	7,028	28,539	(75.4)
Profit before taxation	**83,934**	**94,400**	**(11.1)**
Income tax expense	(16,070)	(17,901)	(10.2)
Profit for the year	**67,864**	**76,499**	**(11.3)**
Attributable to:			
Shareholders of the Company	58,310	66,933	(12.9)
Non-controlling interests	9,554	9,566	(0.1)

(1) Revenue

In 2023, the Company's revenue from primary business was RMB3,146.9 billion, representing a decrease of 3.4% year-on-year. This was mainly due to the decreased prices in products including crude oil, refined oil products and chemical products.

The following table sets forth the external sales volume, average realised prices and respective rates of change of the Company's major products in 2023 and 2022:

	Sales volume (thousand tonnes)			Average realised price (RMB/tonne, RMB/thousand cubic meters)		
	Year ended 31 December		Change (%)	Year ended 31 December		Change (%)
	2023	2022		**2023**	2022	
Crude oil	7,237	8,171	(11.4)	3,962	4,449	(10.9)
Natural gas (million cubic meters)	32,223	30,845	4.5	1,770	1,808	(2.1)
Gasoline	92,483	80,884	14.3	8,980	9,319	(3.6)
Diesel	86,866	81,657	6.4	7,182	7,738	(7.2)
Kerosene	25,962	17,361	49.5	5,948	6,545	(9.1)
Basic chemical feedstock	36,605	36,053	1.5	5,743	6,204	(7.4)
Monomer and polymer for synthetic fibre	6,297	7,412	(15.0)	5,409	6,116	(11.6)
Synthetic resin	17,938	17,471	2.7	7,393	8,272	(10.6)
Synthetic fibre	1,172	1,193	(1.8)	7,779	8,119	(4.2)
Synthetic rubber	1,455	1,364	6.7	10,545	11,363	(7.2)
Chemical fertiliser	753	779	(3.3)	2,636	3,015	(12.6)

Most crude oil and a small portion of natural gas produced by the Company were internally used for refining and chemical production, with the remaining sold to external customers. In 2023, the turnover from crude oil, natural gas and other upstream products sold externally amounted to RMB178.0 billion (accounting for 5.5% of the Company's revenue and other operating revenues), down by 7.5% year-on-year. The change was mainly due to decreases in crude oil and natural gas prices.

In 2023, petroleum products (mainly consisting of refined oil products and other refined petroleum products) sold by Refining Segment and Marketing and Distribution Segment achieved external sales revenues of RMB1,927.3 billion (accounting for 60.0% of the Company's revenue and other operating revenues), representing an increase of 3.9% over 2022, mainly due to the increase in sales volume of refinery products, such as gasoline, diesel and kerosene, which effectively offset the impact of decrease in price. The sales revenue of gasoline, diesel and kerosene was RMB1,608.7 billion (accounting for 83.5% of the total sales revenue of petroleum products), representing an increase of 7.3% over 2022. Sales revenue of other refined petroleum products was RMB318.6 billion (accounting for 16.5% of the total sales revenue of petroleum products), representing a decrease of 10.7% compared with that of 2022.

The Company's external sales revenue of chemical products was RMB411.4 billion (accounting for 12.8% of the Company's total revenue), representing a decrease of 8.6% over 2022. This was mainly due to decrease in sales volume and price of most chemical products.

(2) Operating expenses

In 2023, the Company's operating expenses was RMB3,125.4 billion, decreased by 3.6% compared with that of 2022. The operating expenses mainly consisted of the following:

Purchased crude oil, products and operating supplies and expenses was RMB2,569.4 billion, representing a decrease of 4.3% over the same period of 2022, accounting for 82.2% of the total operating expenses, of which:

Crude oil purchasing expenses was RMB944.2 billion, representing a decrease of 5.6% over the same period of 2022. Crude oil purchased externally used for processing in 2023 was 212.61 million tonnes (excluding the volume processed for third parties), representing an increase of 5.3% over the same period of 2022. The average cost of processing crude oil purchased externally was RMB4,441 per tonne, representing a decrease by 10.3% over 2022.

The Company's other purchasing expenses was RMB1,625.2 billion, representing a decrease of 3.5% over the same period of 2022. This was mainly attributable to the decreased prices in outsourced chemical raw materials including naphtha and traded crude oil and refined oil products.

Selling, general and administrative expenses was RMB59.6 billion, representing an increase of 6.7% over 2022, mainly due to the increased marketing expenses resulting from the increased sales volume of refined oil products.

Depreciation, depletion and amortisation was RMB113.8 billion, representing an increase of 3.5% over the same period of 2022. This was mainly due to the increased scale of assets.

Exploration expenses was RMB11.1 billion, representing an increase of 4.4% compared with 2022. That was mainly due to the Company's increased investment in exploration to consolidate the foundation of oil and gas resource base.

Personnel expenses was RMB108.0 billion, representing an increase of 4.3% over 2022.

Taxes other than income tax was RMB272.9 billion, representing an increase of 3.4% over the same period of 2022. That was mainly because the consumption tax increased by RMB8.7 billion resulting from the increased sales volume of domestic refined oil products in the refining segment, provision for levy for mineral rights concessions of RMB7.4 billion and the special oil gain levy decreased by RMB7.7 billion resulting from the decreased crude oil price.

Other operating income/(expenses), net was RMB9.1 billion, representing an increase of RMB23.9 billion over the same period of 2022. It was mainly attributable to increase in the income from the hedging business of commodity derivatives, income from the disposal of land and equipment from the relocation of Hunan Petrochemical and increase in the disposal income of some gas stations and depots, as well as the year-on-year decrease in the impairment of long-term assets.

(3) Operating profit was RMB86.8 billion, representing an increase of 14.5% over the same period of 2022. That was mainly because that the Company seized the opportunity of market demand recovery, actively expanded the throughput and sales volume based on profit, and achieved a significant increase in operating profit year-on-year.

(4) Investment income and share of profits or losses from associates and joint ventures was RMB7.0 billion, down by 75.4% year-on-year. It was mainly attributable to the gains from Company's sale of Shanghai SECCO's equity of RMB13.7 billion last year, and the operating profit of some chemical associates and joint ventures decreased significantly, resulting from the weak market.

(5) Profit before taxation was RMB83.9 billion, representing a decrease of 11.1% compared with 2022.

(6) Income tax expense was RMB16.1 billion, representing a decrease of 10.2% year-on-year.

(7) Profit attributable to non-controlling shareholders was RMB9.6 billion, representing a decrease of 0.1% over the same period of 2022.

(8) Profit attributable to shareholders of the Company was RMB58.3 billion, representing a year-on-year decrease of 12.9%.

2 RESULTS OF SEGMENT OPERATIONS

The Company manages its operations through four business segments, namely exploration and production segment, refining segment, marketing and distribution segment and chemicals segment, and corporate and others. Unless otherwise specified, the inter-segment transactions have not been eliminated from financial data discussed in this section. In addition, the operating revenue data of each segment includes other operating revenues.

The following table shows the operating revenues by each segment, the contribution of external sales and inter-segment sales as a percentage of operating revenues before elimination of inter-segment sales, and the contribution of external sales as a percentage of consolidated operating revenues (i.e. after elimination of inter-segment sales) for the periods indicated.

	Operating revenues Year ended 31 December		As a percentage of consolidated operating revenue before elimination of inter-segment sales Year ended 31 December		As a percentage of consolidated operating revenue after elimination of inter-segment sales Year ended 31 December	
	2023	2022	**2023**	2022	**2023**	2022
	RMB million		(%)		(%)	
Exploration and Production Segment						
External sales*	183,316	197,499	3.2	3.3	5.7	6.0
Inter-segment sales	116,703	121,912	2.0	2.1		
Operating revenues	**300,019**	**319,411**	**5.2**	**5.4**		
Refining Segment						
External sales*	174,476	198,714	3.1	3.3	5.4	6.0
Inter-segment sales	1,355,310	1,376,425	23.7	23.3		
Operating revenues	**1,529,786**	**1,575,139**	**26.8**	**26.6**		
Marketing and Distribution Segment						
External sales*	1,800,486	1,700,453	31.6	28.6	56.1	51.2
Inter-segment sales	17,943	13,421	0.3	0.2		
Operating revenues	**1,818,429**	**1,713,874**	**31.9**	**28.8**		
Chemicals Segment						
External sales*	420,881	459,824	7.4	7.7	13.1	13.8
Inter-segment sales	94,426	80,328	1.7	1.4		
Operating revenues	**515,307**	**540,152**	**9.1**	**9.1**		
Corporate and Others						
External sales*	633,056	761,678	11.1	12.8	19.7	23.0
Inter-segment sales	905,264	1,028,800	15.9	17.3		
Operating revenues	**1,538,320**	**1,790,478**	**27.0**	**30.1**		
Operating revenue before elimination of inter-segment sales	**5,701,861**	**5,939,054**	**100.0**	**100.0**		
Elimination of inter-segment sales	**(2,489,646)**	**(2,620,886)**				
Revenue	**3,212,215**	**3,318,168**			**100.0**	**100.0**

* Other operating revenues are included.

The following table sets forth the operating revenues, operating expenses and operating profit by each segment before elimination of the inter-segment transactions for the periods indicated, and the percentage change of 2023 compared to 2022.

	Year ended 31 December		
	2023	2022	Change
	RMB million		(%)
Exploration and Production Segment			
Operating revenues	300,019	319,411	(6.1)
Operating expenses	255,056	265,695	(4.0)
Operating profit	**44,963**	**53,716**	**(16.3)**
Refining Segment			
Operating revenues	1,529,786	1,575,139	(2.9)
Operating expenses	1,509,178	1,562,928	(3.4)
Operating profit	**20,608**	**12,211**	**68.8**
Marketing and Distribution Segment			
Operating revenues	1,818,429	1,713,874	6.1
Operating expenses	1,792,490	1,689,337	6.1
Operating profit	**25,939**	**24,537**	**5.7**
Chemicals Segment			
Operating revenues	515,307	540,152	(4.6)
Operating expenses	521,343	554,279	(5.9)
Operating loss	**(6,036)**	**(14,127)**	**–**
Corporate and Others			
Operating revenues	1,538,320	1,790,478	(14.1)
Operating expenses	1,537,716	1,789,160	(14.1)
Operating profit	**604**	**1,318**	**(54.2)**
Elimination of inter-segment loss/(profit)	**750**	**(1,820)**	**–**

(1) Exploration and Production Segment

Most crude oil and a small portion of the natural gas produced by the exploration and production segment were used for the Company's refining and chemical production. Most of the natural gas and a small portion of crude oil were sold externally to other customers.

In 2023, the operating revenue of this segment was RMB300.0 billion, representing a decrease of 6.1% over 2022. This was mainly attributable to the decrease in prices of crude oil and natural gas.

In 2023, the segment sold 34.37 million tonnes of crude oil, representing an increase of 0.3% over 2022. Natural gas sales volume was 33.4 billion cubic meters (bcm), representing an increase of 4.9% over 2022. Regasified LNG sales volume was 17.1 bcm, representing a decrease of 20.7% over 2022. LNG sales volume was 1.41 million tonnes, representing a decrease of 0.8% over 2022. Average realised prices of crude oil, natural gas, regasified LNG, and LNG were RMB3,833 per tonne, RMB1,774 per thousand cubic meters, RMB3,561 per thousand cubic meters, and RMB4,135 per tonne, respectively, representing a decrease of 11.1%, a decrease of 2.3%, an increase of 0.7%, and a decrease of 27.6% respectively over 2022.

In 2023, the operating expenses of this segment was RMB255.1 billion, representing a decrease of 4.0% over 2022. That was mainly due to the following: Procurement cost decreased by RMB11.0 billion year on year resulting from decline in import LNG price; Provision for impairment of oil and gas assets decreased by RMB2.0 billion year on year; Depreciation, depletion increased by RMB1.4 billion year on year; Exploration expense increased by RMB0.5 billion year on year.

In 2023, the oil and gas lifting cost was RMB755.2 per tonne, representing a decrease of 2.3% year on year. That was mainly attributable to the increase in the Company's oil and gas production year-on-year, as well as a decrease of outsourced material and fuel costs, resulting from the enhanced efforts in cost control.

In 2023, the exploration and production segment seized the opportunity of relative high crude oil prices, spared no efforts to increase reserves, boost production, cut cost, and achieved good performance, but impact by decrease in crude oil price year on year and provision for levy for mineral rights concessions of RMB7.4 billion. The operating profit of the segment was RMB45.0 billion, representing a decrease of RMB8.8 billion and 16.3% over the same period of 2022.

(2) Refining Segment

Business activities of the refining segment include purchasing crude oil from third parties and the exploration and production segment of the Company, as well as processing crude oil into refined petroleum products. Most of gasoline, diesel and kerosene were sold internally to the marketing and distribution segment of the Company; part of the chemical feedstock was sold internally to the chemicals segment of the Company; and other refined petroleum products were sold externally to both domestic and overseas customers.

In 2023, the operating revenue of this segment was RMB1,529.8 billion, representing a decrease of 2.9% over 2022. This was mainly attributable to the decreases in prices of products including refined oil products.

The following table sets forth the sales volumes, average realised prices and the respective changes of the refined oil products of the segment in 2023 and 2022.

	Sales Volume (thousand tonnes)			Average realised price (RMB/tonne)		
	Year ended 31 December		Change (%)	Year ended 31 December		Change (%)
	2023	2022		**2023**	2022	
Gasoline	60,926	57,562	5.8	8,494	8,967	(5.3)
Diesel	61,807	61,169	1.0	6,872	7,376	(6.8)
Kerosene	23,097	14,782	56.3	5,884	6,468	(9.0)
Chemical feedstock	42,035	41,470	1.4	4,473	5,016	(10.8)
Other refined petroleum products	67,321	65,945	2.1	3,859	4,553	(15.2)

In 2023, sales revenue of gasoline was RMB517.5 billion, representing an increase of 0.3% over 2022.

The sales revenue of diesel was RMB424.7 billion, representing a decrease of 5.9% over 2022.

The sales revenue of kerosene was RMB135.9 billion, representing an increase of 42.1% over 2022.

The sales revenue of chemical feedstock was RMB188.0 billion, representing a decrease of 9.6% over 2022.

The sales revenue of refined petroleum products other than gasoline, diesel, kerosene and chemical feedstock was RMB259.8 billion, representing a decrease of 13.5% over 2022.

In 2023, the segment's operating expense was RMB1,509.2 billion, representing a decrease of 3.4% over 2022 which was mainly attributable to a decrease in the crude oil and refining feedstock procurement cost.

In 2023, the average processing cost for crude oil was RMB4,475 per tonne, representing a decrease of 9.8% over 2022. Total crude oil processed was 262.52 million tonnes (excluding volume processed for third parties), representing an increase of 6.0% over 2022. The total cost of crude oil processed was RMB1,174.8 billion, representing a decrease of 4.4% over 2022.

In 2023, refining margin was RMB353 per tonne, representing an increase of RMB9 per tonne compared with that of the same period of 2022. This was mainly attributable to increase of domestic gasoline and diesel processing margin, resulting from the significant decrease in international crude oil price and overseas freight and insurance cost year-on-year, but partially offset by the significant decrease in inventory gain year on year.

In 2023, the refining unit cash operating cost (defined as operating expenses less the processing cost of crude oil and refining feedstock, depreciation and amortisation, taxes other than income tax and other operating expenses, then divided by the throughput of crude oil and refining feedstock) was RMB212.3 per tonne, representing a decrease of 4.8% over 2022, which was mainly attributable to the increase of processing volume as well as the decrease in costs of fuels and power resulting from enhanced efforts to reduce cost.

In 2023, the segment brought synergy advantages in integrated business chain into full play, flexibly adjusted the utilisation rate and product structure following the market demand, increased exports of refined oil products when appropriate, and realised an operating profit of RMB20.6 billion, increased by RMB8.4 billion or 68.8% year-on-year.

(3) Marketing and Distribution Segment

The business activities of the marketing and distribution segment include purchasing refined oil products from the refining segment and the third parties, conducting direct sales and wholesale to domestic customers and retailing, distributing oil products through the segment's retail and distribution network as well as providing related services.

In 2023, the operating revenues of this segment was RMB1,818.4 billion, up by 6.1% year-on-year. This was mainly attributable to an increased demand for refined oil products and an increase in the Company's sales volume of refined oil products year-on-year. The sales revenues of gasoline totalled RMB831.3 billion, up by 10.2% year-on-year; the sales revenues of diesel were RMB625.8 billion, down by 1.3% year-on-year; the sales revenues of kerosene were RMB154.7 billion, up by 35.3% year-on-year.

The following table sets forth the sales volumes, average realised prices and respective percentage changes of the segment's four major refined oil products in 2023 and 2022, including detailed information about retail, direct sales and distribution of gasoline and diesel:

	Sales volume (thousand tonnes)			Average realised price (RMB/tonne)		
	Year ended 31 December		Change (%)	Year ended 31 December		Change (%)
	2023	2022		**2023**	2022	
Gasoline	**92,595**	**80,957**	**14.4**	**8,978**	**9,318**	**(3.7)**
Retail	65,833	56,989	15.5	9,453	9,938	(4.9)
Direct sales and distribution	26,762	23,968	11.7	7,808	7,845	(0.5)
Diesel	**87,141**	**81,932**	**6.4**	**7,181**	**7,737**	**(7.2)**
Retail	36,772	34,481	6.6	7,673	8,176	(6.1)
Direct sales and distribution	50,368	47,451	6.1	6,822	7,419	(8.0)
Kerosene	**26,045**	**17,474**	**49.0**	**5,941**	**6,546**	**(9.2)**
Fuel oil	**31,996**	**26,162**	**22.3**	**3,985**	**4,817**	**(17.3)**

In 2023, the operating expenses of the segment were RMB1,792.5 billion, up by 6.1% year-on-year. This was mainly due to the rising procurement costs resulting from the increase in sales volume of refined oil products.

In 2023, the segment's marketing expense (defined as the operating expenses less the purchase costs, taxes other than income tax, depreciation and amortization, divided by sales volume) was RMB193.4 per tonne, down by 7.3% year on year. This was mainly due to the increase in refined oil products sales volume, and the Company continuously improved competitiveness in cost and effectively reduced various circulation expenses.

In 2023, the operating revenues of non-fuel business was RMB42.0 billion, up by RMB3.9 billion year-on-year and the profit of non-fuel business was RMB4.6 billion, up by RMB0.3 billion. This was mainly because the Company actively explored new retail marketing models, proactively promoted the sales volume of Sinopec-branded products, continuously expanded new business models and marketing activities, and promoted quality of non-fuel business.

In 2023, the segment seized opportunities of rebounded refined oil products demand, actively expanded total sales volume, accurately carried out various marketing activities, enhanced efforts in expanding market and promoting profitability, and realised an operating profit of RMB25.9 billion, representing an increase of RMB1.4 billion year-on-year, up by 5.7% year-on-year.

(4) Chemicals segment

The business activities of the chemicals segment include purchasing chemical feedstock from the refining segment and the third parties and producing, marketing and distributing petrochemical and inorganic chemical products.

In 2023, the operating revenue of this segment was RMB515.3 billion, down by 4.6% year-on-year. This was mainly due to the decrease in prices of major chemical products year on year.

In 2023, the sales revenue generated by the segment's six major categories of chemical products (namely basic organic chemicals, synthetic resin, synthetic fiber monomer and polymer, synthetic fibre, synthetic rubber, and chemical fertiliser) was approximately RMB476.0 billion, down by 6.5% year-on-year, accounting for 92.4% of the operating revenues of the segment.

The following table sets forth the sales volume, average realised prices and respective changes of each of the segment's six categories of chemical products in 2023 and 2022.

	Sales Volume (Thousand tonnes)			Average realised price (RMB/tonne)		
	Year ended 31 December		Change (%)	Year ended 31 December		Change (%)
	2023	2022		**2023**	2022	
Basic organic chemicals	49,202	46,972	4.8	5,740	6,192	(7.3)
Synthetic fibre monomer and polymer	6,350	7,496	(15.3)	5,416	6,140	(11.8)
Synthetic resin	17,941	17,475	2.7	7,393	8,272	(10.6)
Synthetic fibre	1,172	1,193	(1.7)	7,779	8,122	(4.2)
Synthetic rubber	1,456	1,367	6.5	10,551	11,369	(7.2)
Chemical fertiliser	800	812	(1.5)	2,619	2,988	(12.4)

In 2023, the operating expenses of the chemicals segment was RMB521.3 billion, representing a decrease of 5.9% over 2022, mainly due to decreased procurement cost of chemical feedstock including naphtha, etc.

In 2023, facing the tough market situation of oversupply and weak margin in the chemical market, the segment focused on promoting quality and increasing profitability, dynamically adjusted production and operation strategies, continuously promoted structure optimization, and vigorously reduced costs and expenses, with an operating loss of RMB6.0 billion and reduced losses of RMB8.1 billion year-on-year.

(5) Corporate and Others

The business activities of corporate and others mainly consist of import and export business activities of the Company's subsidiaries, R&D activities of the Company, and managerial activities of headquarters.

In 2023, the operating revenue generated from corporate and others was approximately RMB1,538.3 billion, representing a decrease of 14.1% over 2022. This was mainly attributed to the year-on-year decrease in the trading prices of crude oil and refined oil products.

In 2023, the operating expense of corporate and others was RMB1,537.7 billion, representing a decrease of 14.1% over 2022.

In 2023, the operating profit from corporate and others was RMB0.6 billion, representing a decrease of RMB0.7 billion over the same period of 2022.

3 ASSETS, LIABILITIES, EQUITY AND CASH FLOWS

The major funding sources of the Company are its operating activities and short-term and long-term loans. The major use of funds includes operating expenses, capital expenditures, and repayment of the short-term and long-term debts.

(1) Assets, liabilities and equity

Unit: RMB million

	As of 31 December 2023	As of 31 December 2022	Change
Total assets	2,024,696	1,951,121	73,575
Current assets	534,435	523,140	11,295
Non-current assets	1,490,261	1,427,981	62,280
Total liabilities	1,068,887	1,011,579	57,308
Current liabilities	647,076	667,385	(20,309)
Non-current liabilities	421,811	344,194	77,617
Total equity attributable to shareholders of the Company	802,989	787,600	15,389
Share capital	119,349	119,896	(547)
Reserves	683,640	667,704	15,936
Non-controlling interests	152,820	151,942	878
Total equity	955,809	939,542	16,267

As of 31 December 2023, the Company's total assets were RMB2,024.7 billion, representing an increase of RMB73.6 billion compared with that of the end of 2022, of which:

Current assets were RMB534.4 billion, representing an increase of RMB11.3 billion compared with that of the end of 2022, mainly because the cash and deposit increased by RMB18.5 billion, international crude oil price decreased year on year resulting in derivative financial assets decreasing by RMB9.6 billion, and inventories increased by RMB6.7 billion as a result of operation volume increase due to market recovery.

Non-current assets were RMB1,490.3 billion, representing an increase of RMB62.3 billion as compared with that of the end of 2022. This was mainly because net value of property, plant and equipment increased by RMB60.2 billion, resulting from the increased investments in refining and chemical bases construction, structural adjustment and new chemical materials business.

The Company's total liabilities were RMB1,068.9 billion, representing an increase of RMB57.3 billion compared with that of the end of 2022, of which:

Current liabilities were RMB647.1 billion, representing a decrease of RMB20.3 billion as compared with that of the end of 2022. This was mainly due to decrease in derivative margin.

Non-current liabilities were RMB421.8 billion, representing an increase of RMB77.6 billion compared with that of the end of 2022. This was mainly because the low-interest long-term domestic loans increased.

Total equity attributable to owners of the Company was RMB803.0 billion, representing an increase of RMB15.4 billion compared with that of the end of 2022.

(2) Cash Flow

The following table sets forth the major items in the consolidated cash flow statements for 2023 and 2022.

Unit: RMB million

Major items of cash flows	Year ended 31 December **2023**	2022
Net cash generated from operating activities	161,475	116,269
Net cash used in investing activities	(155,865)	(95,010)
Net cash generated from/(used in) financing activities	22,732	(39,699)

In 2023, the net cash generated from operating activities of the Company was RMB161.5 billion, representing an increase of RMB45.2 billion over 2022. This was mainly due to the decrease of occupation in working capital.

In 2023, the Company's net cash used in investing activities was RMB155.9 billion, representing an increase of cash outflow RMB60.9 billion year-on-year. This was mainly due to a RMB58.9 billion year-on-year increase in time deposits with maturities over three months.

In 2023, the Company's net cash generated from financing activities was RMB22.7 billion, representing an increase of RMB62.4 billion year-on-year. This was mainly due to a year-on-year increase of RMB49.3 billion of cash inflow in net interest-bearing debt, and a decrease of RMB16.1 billion of cash outflow in cash dividends distribution.

At the end of 2023, the cash and cash equivalents were RMB121.8 billion.

(3) Contingent Liabilities

Please refer to "Material Guarantee Contracts and their Performance" in the "Significant Events" section of this report

(4) Capital Expenditure

Please refer to "Capital Expenditure" in the "Business Review and Prospects" section of this report.

(5) Research & Development and Environmental Expenditures

R&D expenditures include expenses and investment cost in relation to R&D of the Company. In 2023, the expenditures for R&D were RMB23.2 billion, of which expense was RMB14.0 billion, and investment cost was RMB9.2 billion.

Environmental expenditures refer to the normal routine pollutant discharge fees paid by the Company, excluding capitalised cost of pollutant treatment properties. In 2023, the Company paid environmental expenditures of RMB19.2 billion.

(6) Measurement of fair values of derivatives and relevant system

The Company has established and continued improving decision-making mechanism, business process and internal control systems relevant to financial instrument accounting and information disclosure. The following table sets out the items relevant to measurement of fair values.

Items relevant to measurement of fair values **Unit: RMB million**

Items	Amount at the beginning of the year	Amount at the end of the year	Profits and losses from variation of fair values in the current year	Accumulated variation of fair values recorded as equity	Impairment loss provision of the current year	Funding source	Purchase amount in the current year	Sale or redemption amount in the current year	Other changes
Financial assets held for trading	2	3	1	–	–	–	–	–	–
Fund	2	3	1	–	–	–	–	–	–
Derivative financial instruments and cash flow hedges	12,022	6,969	(2,715)	7,420	–	–	–	(800)	(8,958)
Receivables financing	3,507	2,221	–	–	–	–	48,330	(49,616)	–
Other equity instrument investments	730	450	–	(13)	–	–	28	(298)	3
Total	16,261	9,643	(2,714)	7,407	–	–	48,358	(50,714)	(8,955)

Derivatives investment:

In 2023, the Company traded in commodity and currency derivatives according to the Annual Business Plan for Financial Derivatives approved by the Board. Such business met the regulatory requirements of financial derivatives, operated in a standardized manner, and achieved the goals of suppressing price fluctuation, stabilising operating profit, and preventing market risks.

4 ANALYSIS OF FINANCIAL STATEMENTS PREPARED UNDER CASS

The major differences between the Company's financial statements prepared under CASs and IFRS Accounting Standards are set out in Section C of the financial statements of the Company on page 213 of this report.

(1) Under CASs, the operating income and operating profit or loss by segments were as follows:

	For the year ended 31 December	
	2023	2022
	RMB million	RMB million
Operating income		
Exploration and Production Segment	300,019	319,411
Refining Segment	1,529,786	1,575,139
Marketing and Distribution Segment	1,818,429	1,713,874
Chemicals Segment	515,307	540,152
Corporate and Others	1,538,320	1,790,478
Elimination of inter-segment sales	(2,489,646)	(2,620,886)
Consolidated operating income	**3,212,215**	**3,318,168**
Operating profit/(loss)		
Exploration and Production Segment	37,976	48,538
Refining Segment	19,358	11,611
Marketing and Distribution Segment	25,531	25,197
Chemicals Segment	(10,273)	(14,256)
Corporate and Others	1,915	15,480
Elimination of inter-segment sales	750	(1,820)
Financial expenses, investment income and losses/gains from changes in fair value	11,487	11,664
Consolidated operating profit	**86,744**	**96,414**
Net profit attributable to equity shareholders of the Company	**60,463**	**67,082**

Operating profit: In 2023, the operating profit of the Company was RMB86.7 billion, representing a decrease of RMB9.7 billion as compared with that of 2022.

Net profit: In 2023, the net profit attributable to the equity shareholders of the Company was RMB60.5 billion, representing a decrease of RMB6.6 billion or 9.9% compared with 2022.

(2) Financial data prepared under CASs

	As of 31 December 2023 RMB million	As of 31 December 2022 RMB million	Change
Total assets	2,026,674	1,951,121	75,553
Non-current liabilities	420,943	343,279	77,664
Shareholder's equity	958,655	940,457	18,198

Change analysis:

At the end of 2023, the Company's total assets were RMB2,026.7 billion, representing an increase of RMB75.6 billion compared with that of the end of 2022. This was mainly due to the increased investment in transformation and upgrading, resulting in fixed assets increasing by RMB60.2 billion after construction, derivative financial assets decreased by RMB9.6 billion, and cash at bank and on hand increased by RMB19.9 billion.

At the end of 2023, the Company's non-current liabilities was RMB420.9 billion, representing an increase of RMB77.7 billion compared with that of the end of 2022. This was mainly because the low-interest long-term domestic loans increased by RMB84.4 billion resulting from meeting the capital needs of investment, production and operation activities, and bond payable decreased by RMB4.5 billion.

At the end of 2023, total shareholders' equity of the Company was RMB958.7 billion, representing an increase of RMB18.2 billion compared with that of the end of 2022.

(3) The results of the principal operations by segments

Segments	Operation income RMB million	Operation cost RMB million	Gross profit margin* (%)	Increase/ (decrease) of operation income on a year-on-year basis (%)	Increase/ (decrease) of operation cost on a year-on-year basis (%)	Increase/ (decrease) of gross profit margin on a year-on-year basis (%)
Exploration and Production	300,019	207,573	22.1	(6.1)	(3.4)	(2.3)
Refining	1,529,786	1,253,956	2.4	(2.9)	(4.8)	0.7
Marketing and Distribution	1,818,429	1,720,219	5.2	6.1	6.3	(0.2)
Chemicals	515,307	502,009	1.8	(4.6)	(5.1)	0.6
Corporate and Others	1,538,320	1,516,294	1.4	(14.1)	(13.7)	(0.4)
Elimination	(2,489,646)	(2,490,395)	N/A	N/A	N/A	N/A
Total	**3,212,215**	**2,709,656**	**7.1**	**(3.2)**	**(3.9)**	**0.0**

* Gross profit margin = (operation income – operation cost, tax and surcharges)/operation income.

5 THE CAUSE AND IMPACT OF THE CHANGE IN THE COMPANY'S ACCOUNTING POLICY, ACCOUNTING ESTIMATES AND ACCOUNTING METHODS

For details, please refer to Note 3(27) to the financial statements prepared in accordance with CASs and Note 1 to the financial statements prepared in accordance with IFRS Accounting Standards.

1 IMPROVEMENTS IN CORPORATE GOVERNANCE DURING THE REPORTING PERIOD

During the reporting period, Sinopec Corp. complied with the Articles of Association as well as domestic and overseas laws and regulations, adhered to the standard operation, operated in compliance with laws, continuously improved the level of corporate governance. The Board strengthened strategic planning, and promoted the implementation of the strategy. The Board attached great importance to shareholder returns, and the cash dividend amount maintained at a high level, and repurchased shares again both domestically and overseas to maintain the Company's value and shareholders' interests. The Independent Directors conscientiously fulfilled their duties, played a positive role in "participation in decision-making, supervision checks and balances, professional consultation", reviewed proposals with due care, listened to the reports on significant decisions, conducted research on a regular basis, and offered advice and suggestions on Company's reforms and development. The Company followed the latest regulatory requirements, and revised governance rules and regulations of the Company in a timely manner, such as Terms of Reference of the Independent Non-Executive Directors, Terms of Reference of the Audit Committee etc., to strengthen the corporate governance basis. It improved the internal control system, and promoted the effectiveness of the implementation of internal control system continuously. It improved the Company's transparency by focusing on high-quality information disclosure, and continuously obtained A-level rating of SSE in the assessment of information disclosure. It strengthened communication with investors, organized investor reverse roadshow covering the whole industry chain business and received positive market feedback. It strengthened ESG management, carried out the annual safety management strengthen campaign, enhanced the ecological environmental protection, steadily advanced the Action Plan for Carbon Dioxide Peaking, contributed to rural revitalization, to actively fulfill corporate social responsibility. It boosted the staff morale and enhanced the discipline inspection and supervision through continuously improving the quality of Party building, which contributed to the effective implementation of the Board resolutions and the high-quality development of the Company.

During the reporting period, there was no material inconsistency between Sinopec Corp.'s corporate governance and the requirements of the PRC Company Law and relevant regulations of the CSRC. The Supervisory Committee of Sinopec Corp. had no objection to any of the supervised matters. None of Sinopec Corp., the Board, the Directors, the Supervisors, the Senior Management, the controlling shareholder or de facto controller of Sinopec Corp. were under the investigation by the CSRC or received any regulatory sanction or was criticised publicly by the CSRC, the Hong Kong Securities and Futures Commission or received any public censure from SSE or Hong Kong Stock Exchange.

2 GENERAL MEETINGS

During the reporting period, Sinopec Corp. convened 2022 Annual General Meeting, First A Shareholders Class Meeting for 2023, and First H Shareholders Class Meeting for 2023 on 30 May 2023, in accordance with the required procedures of noticing, convening and holding the general meetings pursuant to the relevant laws and regulations and the Articles of Association. For details of the meetings, please refer to the poll results announcements published on 31 May 2023 on China Securities Journal, Shanghai Securities News, Securities Times and the website of SSE, as well as those published on 30 May 2023 on the website of Hong Kong Stock Exchange.

3 EQUITY INTERESTS HELD BY DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

As of 31 December 2023, Mr. Ling Yiqun, former Executive Director, Senior Vice President, held 13,000 A shares of Sinopec Corp.

Save as disclosed above, as of 31 December 2023, none of the Directors, Supervisors and senior management of Sinopec Corp. and their respective associates had any interests or short positions (including any interests or short positions that are regarded or treated as being held in accordance with the Securities and Futures Ordinance (SFO)) in any shares, underlying shares or debentures of Sinopec Corp. or any associated corporations (as defined in Part XV of the SFO), as recorded in the registry pursuant to Section 352 of the SFO or as otherwise notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (Model Code) contained in the Hong Kong Listing Rules.

As required under the Hong Kong Listing Rules, Sinopec Corp. has formulated Rules Governing Shares and Changes in Shares Held by Company Directors, Supervisors and Senior Management and Rules on Insider Registration and Management (collectively, Rules) to regulate securities transactions by relevant personnel. The standards of the Rules above-mentioned are no less strict than those set out in the Model Code. Upon the specific inquiries made by Sinopec Corp., all the Directors confirmed that they had complied with the required standards in the Model Code as well as those set out in the Rules during the reporting period.

4 COMPANY'S INDEPENDENCE FROM CONTROLLING SHAREHOLDER

The Company is independent from its controlling shareholder in terms of, among other matters, business, assets and finances. The controlling shareholder of the Company exercised shareholder's rights through the general meeting according to applicable laws and didn't overstep the authority of the general meeting or directly or indirectly interfere with the Company's operating decisions and operating activities. The Company has well-integrated independent businesses and independent operating capabilities. During the reporting period, the Company did not identify the controlling shareholder taking advantage of its special position to misappropriate and damage the interests of the Company or the other shareholders.

5 COMPETITION BETWEEN SINOPEC CORP. AND ITS CONTROLLING SHAREHOLDER

Please refer to "Performance of the Undertakings by China Petrochemical Corporation" under the section "Significant Events" for details.

6 IMPROVEMENT AND IMPLEMENTATION OF THE INTERNAL CONTROL SYSTEM

For details of internal control self-assessment and internal control auditing, please refer to the internal control assessment report and the internal control auditing report disclosed by the Company on the same date of this annual report.

7 MANAGEMENT CONTROL OF SUBSIDIARIES

The Company implements standardized control over different types of subsidiaries in accordance with laws and regulations, the Articles of Association and the internal control system. During the reporting period, the Company did not acquire any subsidiaries that met material criteria.

8 SENIOR MANAGEMENT APPRAISAL AND INCENTIVE SCHEMES

Sinopec Corp. has established and is continuously improving the fairness and transparency of its performance appraisal standards, incentive and restrictive mechanisms for Directors, Supervisors and other Senior Management. Sinopec Corp. has implemented incentive policies including the Measures of Sinopec Corp. for the Management of Performance Evaluations.

9 CORPORATE GOVERNANCE REPORT (IN ACCORDANCE WITH HONG KONG LISTING RULES)

(1) Compliance with the Corporate Governance Code

During the reporting period, Sinopec Corp. complied with all code provisions of the Corporate Governance Code set out in Appendix C1 of the Hong Kong Listing Rules.

A CORPORATE PURPOSE, STRATEGY AND GOVERNANCE

A.1 Corporate strategy, business model and culture

a. The Board has always adhered to the underlying principle of pursuing progress while ensuring stability, applied the new development philosophy fully, accurately and comprehensively, scientifically formulated the medium-term and long-term development strategy, facilitated the implementation of the strategy, actively promoted the high-quality development, and continuously created value for the stakeholders.

b. Sinopec Corp. attaches great importance to the construction of corporate culture. In the long process of reform and development, the Company has cultivated and formed its corporate culture, comprising the enterprise spirit of "loving China, strengthening the petrochemical industry", as well as such fine traditions as being hardworking, meticulous and rigorous. The Company strives to provide cutting-edge technologies, premium products and quality services. The relevant content is published on Sinopec Corp.'s website at http://www.sinopec.com.

A.2 Corporate Governance Functions

a. The Board of Sinopec Corp. is responsible for performing duties of corporate governance, formulating and approving related corporate governance rules, adhering to the standard operation, improving the corporate governance, ensuring that the Company complies with domestic and overseas laws and regulations, and disclosing the Company's compliance with the Corporate Governance Code in the Corporate Governance Report.

b. The Board arranged training sessions for Directors, Supervisors and Senior Management, and made relevant records. During the reporting period, the Directors, Supervisors and Senior Management of Sinopec Corp. actively participated in the trainings and attached great importance to continuing professional development to ensure that their contribution to the Sinopec Corp. remains informed and relevant.

The Directors' attendance to the trainings is as follows:

		Laws and regulations update		Accounting/finance/operational management	
Name	Positions	Reading materials	Training and lectures	Reading materials	Research
Ma Yongsheng	Chairman, Non-executive Director	√	√	√	√
Zhao Dong	Non-executive Director	√	√	√	√
Yu Baocai	Executive Director, President	√	√	√	√
Li Yonglin	Executive Director, Senior Vice President	√	√	√	√
Lv Lianggong	Executive Director, Senior Vice President	√	√	√	√
Cai Hongbin	Independent Non-executive Director	√	√	√	√
Ng, Kar Ling Johnny	Independent Non-executive Director	√	√	√	√
Shi Dan	Independent Non-executive Director	√	√	√	√
Bi Mingjian	Independent Non-executive Director	√	√	√	√

B BOARD COMPOSITION AND NOMINATION

B.1 Board composition, succession and evaluation

a. The Board is the decision-making body of Sinopec Corp. and abides by good corporate governance practices and procedures. All decisions made by the Board are implemented by the Management of Sinopec Corp.

b. The Board currently consists of nine members, among whom there are three Executive Directors and six Non-executive Directors. Among the Non-executive Directors, there are four Independent Non-executive Directors, accounting for approximately 44% of the total number of the Board.

c. Each of the Independent Non-executive Directors has conducted independence self-examination and submitted a letter of confirmation to the Company, regarding their compliance with relevant independence requirements set out in Rule 3.13 of the Hong Kong Listing Rules. The Board considers that each of the Independent Non-executive Directors is independent. The composition and operational mechanism of the Board ensure that independent and objective views and input are available to the Board of Sinopec Corp. For instance, the Company has established the mechanism of the Special Meeting of Independent Directors, and stipulates that matters such as connected transactions that subject to be disclosed, shall be submitted to the Board for consideration after approval by a majority of all the Independent Directors. The Board reviews and evaluates the effectiveness of such operational mechanism on an annual basis.

d. The Board established the Board Diversity Policy which stipulates that the members of the Board shall be nominated and appointed based on the skills and experience for the overall optimum operation of the Board, while taking into account the targets and requirements of the Board diversity. When deciding the composition of the Board, Sinopec Corp. shall consider factors in relation to the diversity of the Board, including but not limited to professional experience, skills, knowledge, term of office, regions, culture and educational backgrounds, gender, and age. The provisions of the Articles of Association concerning the term of office of directors help to ensure that the Board has a proper balance between continuous experience and new thinking, and enhance the level of diversity. Sinopec Corp. annually evaluates the implementation of the Board Diversity Policy. Currently, the Board achieved the diversity in terms of gender, culture, educational background and professional expertise. The Directors come from different industries domestically and abroad with rich working experience. Professional backgrounds of Directors include petroleum and petrochemical corporate management, as well as economics, accounting, finance, and industry and energy economy, which are conductive to strategic planning and scientific decision-making. In terms of the candidates of Directors, the Board and the Nomination Committee will, as and when necessary, look for potential female director candidates through self-regulatory organizations, professional recommendation and other channels to achieve gender diversity of the Board. Currently, female Director accounts for 11% of the Board members, and has achieved the numerical targets of at least one female Director.

   Sinopec Corp. has always devoted to establishing a workplace with diversity and equal opportunities, recruited female employees actively to increase the diversity of the team, and provided equal employment opportunities and environment for all employees, so as to offer them career development spaces to give full play to their personal characteristics and values. In 2023, female employees in the Company account for 30.3% of the total staff number. The Company adhered to the doctrine of gender equality, ensuring female employees have equal labor and social security rights as the males. For details, please refer to the sustainability report of Sinopec Corp. for the year 2023.

B.2 Appointment, re-election and removal

a. The term of office for each Director is three years, and the consecutive terms of office of any Independent Non-executive Director cannot exceed six years. During the reporting period, Mr. Lv Lianggong was nominated by the Board as a candidate for Executive Director of Sinopec Corp. and elected as an Executive Director of Sinopec Corp. by the general meeting. For details about the tenure of each Director, please refer to the item 11 under this section.

b. All Directors of Sinopec Corp. must be elected at the general meeting of shareholders. The Board has no power to appoint temporary Directors.

c. Each of the Directors was able to devote sufficient time and efforts to handling the affairs of Sinopec Corp.

B.3 Nomination Committee

a. The Board established the Nomination Committee, consisting of the Independent Non-executive Director, Ms. Shi Dan, who serves as the chairman, and the Chairman of the Board, Mr. Ma Yongsheng, and the Independent Non-executive Director, Mr. Ng, Kar Ling Johnny, who serve as members. The principal responsibilities of the Nomination Committee are to provide suggestions to the Board on Board's size and composition, the selecting standards and procedures, and candidates for Directors and Senior Management. When recommending candidates for Directors, the Nomination Committee mainly considers the skills, knowledge, experience and qualifications of the candidates, and also evaluates the time and energy they can devote as well as the Board Diversity Policy. Procedures for Nomination of Director of Sinopec Corp. and Terms of Reference of the Nomination Committee are published on Sinopec Corp.'s website at http://www.sinopec.com.

b. The members of the Nomination Committee can engage professionals when performing their duties. Reasonable costs arising from such consultations are borne by Sinopec Corp. In the meantime, the Nomination Committee has also appointed consultant members and can require such members to provide advice. The working expenses of the Nomination Committee are included in the budget of Sinopec Corp.

c. During the reporting period, the Nomination Committee held two meetings (please refer to "The Board Committees Meetings and the Special Meeting of Independent Directors" under the section "Report of the Board of Directors" in this annual report).

C DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS

C.1 Responsibility of Directors

a. Sinopec Corp. engages professional consultants to prepare detailed materials for newly elected Directors, to notify them of the regulations of each listing place of Sinopec Corp. and to remind them of their rights, responsibilities, and obligations as Directors. Sinopec Corp. has purchased liability insurance for all Directors to minimize the potential risks that might arise from the adequate performance of their duties.

b. All Non-executive Directors have the same duties and powers as the Executive Directors. In addition, the Independent Non-executive Directors are entitled to certain specific powers. The Articles of Association and the Rules and Procedures for Board of Directors' Meetings clearly prescribe the duties and powers of Directors, and Non-executive Directors including Independent Non-executive Directors, which are published on the Sinopec Corp.'s website at http://www.sinopec.com.

c. Each of the Directors confirmed that he/she has complied with the Model Code during the reporting period. Meanwhile, Sinopec Corp. formulated the Rules Governing Shares Held by Company Directors, Supervisors and Senior Managers and Changes in Shares and the Rules on Insider Registration and Management, which is no less exacting than the Model Code, to further regulate the dealings of Sinopec Corp.'s securities by relevant personnel.

d. All the Independent Non-executive Directors and other Non-executive Directors of the Sinopec Corp. regularly attended the Board meetings and the meetings held by the Board Committees they served, paid attention to production and operational status of the Company, and offered constructive suggestions on the Company's reforms and development based on their skills and professional knowledge. For details about each Director's attendance at relevant meetings, please refer to the section "Report of the Board of Directors" in this annual report.

C.2 Chairman and President

a. Mr. Ma Yongsheng, elected by all Directors, serves as Chairman of the Board. Mr. Yu Baocai, nominated and appointed by the Board, serves as President of Sinopec Corp. The respective main duties and responsibilities of the Chairman and the President are clearly distinguished from each other, and the scope of their respective duties and responsibilities are set out in the Articles of Association.

b. The Chairman of the Board ensure that all the Directors could receive full, clear and complete information in time, and be informed of proposals of the Board meetings.

c. The Chairman of the Board places great emphasis on communication with the Independent Non-executive Directors. The Chairman independently communicated with the Independent Non-executive Directors in respect of development strategy, medium-term and long-term development plans, corporate governance, and operational management, etc.

d. The Chairman of the Board encourages open and active discussions. The Directors fully and deeply participated in the discussions of significant decisions in the Board meetings.

C.3 Management functions

a. The Board and the Management have clear duties and responsibilities under written rules. The Articles of Association and the Rules and Procedures of Shareholders' General Meetings and the Rules and Procedures for Board of Directors' Meetings clearly set forth the scope of duties, powers, and delegation of power of the Board and Management, which are published on the website of Sinopec Corp. at http://www.sinopec.com.

C.4 Board Committees

a. In addition to the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee, the Board had established the Strategy Committee and the Sustainable Development Committee. The Strategy Committee is responsible for overseeing long-term development strategies and significant investment decisions of the Company. The Strategy Committee consists of seven Directors, including the Chairman of the Board, Mr. Ma Yongsheng, who serves as Chairman, Executive Directors, Mr. Yu Baocai, Mr. Li Yonglin, Mr. Lv Lianggong, and Independent Non-executive Directors, Mr. Cai Hongbin, Ms. Shi Dan, and Mr. Bi Mingjian, who serve as members. The Sustainable Development Committee is responsible for preparing policies, governance, strategies and plans for sustainable development of the Company, which consists of four Directors, including the Chairman of the Board, Mr. Ma Yongsheng, who serves as Chairman, the Non-executive Director, Mr. Zhao Dong, the Executive Director, Mr. Lv Lianggong, and the Independent Non-executive Director, Mr. Cai Hongbin, who serve as members.

b. Each Board Committee shall report its decisions and recommendations to the Board and has formulated its terms of references. Terms of Reference of the Audit Committee, Terms of Reference of the Remuneration and Appraisal Committee, Terms of Reference of the Sustainable Development Committee and Terms of Reference of the Nomination Committee are published on the website of Sinopec Corp. at http://www.sinopec.com.

C.5 Board proceedings and supply of and access to information

a. The Articles of Association and the Rules and Procedures for Board of Directors' Meetings of Sinopec Corp. clearly prescribe the proceedings of Board meetings, which are published on the website of Sinopec Corp. at http://www.sinopec.com.

b. The Board of Sinopec Corp. held its meetings at least once a quarter. The Board will usually communicate the time and proposals of the Board meeting 14 days before convening the meeting. The relevant documents and materials for Board meetings and for the Board Committees are usually delivered to each Director 10 days in advance. Before the meetings were held, assigned persons were responsible for answering the possible questions raised by the Directors, ensuring the Directors could participate in the proceedings of the Board meetings effectively and positively, and fully understand the proposals to make decisions. In 2023, Sinopec Corp. held six Board meetings. For details about each Director's attendance at the meetings, please refer to the section "Report of the Board of Directors" in this annual report.

c. Each Director of the Board can submit proposals to be included in the agenda of Board meetings, and each Director is entitled to request other related information. The agenda and other documents for reference for meetings of the Board and Board committees are distributed prior to the meetings to allow each Director sufficient time to review the materials so that Directors can make informed decisions.

d. Each Director can obtain all related information in a comprehensive and timely manner. The Secretary to the Board is responsible for organising and preparing the materials for the Board meetings, including preparation of explanations for each proposal to ensure fully understanding by the Directors. The Management is responsible for providing the Directors with necessary information and materials. The Directors can require the Management, or require relevant departments via the Management to provide necessary information or explanations. The Directors can seek advice from professional consultants when necessary.

e. Resolutions and minutes of Board meetings and the meetings held by the Board Committees were recorded and archived by designated recorders, and were reviewed and confirmed by the Directors attending the relevant meetings. All the matters and final decisions were recorded fully and accurately in the meeting minutes.

f. The Board has reviewed and evaluated its performance in 2023 and is of the view that the Board made decisions in compliance with domestic and overseas regulatory authorities' requirements and the Company's internal rules; that the Board has fully communicated, and considered the suggestions from the Party organisation, Supervisory Committee and Management during its decision-making process; and that the Board safeguarded the legitimate rights and interests of Sinopec Corp. and its shareholders.

C.6 Company Secretary

a. The Hong Kong Stock Exchange recognised the Secretary to the Board as having the relevant qualifications as Company Secretary. The Secretary to the Board, nominated by the Chairman of the Board and appointed by the Board, is a senior management officer of Sinopec Corp. He reports to the Chairman and the President and is responsible for the Company and the Board. The Secretary to the Board gives opinions on corporate governance to the Board and arranges orientation training and professional development for the Directors.

b. The Secretary to the Board assists the Directors in handling the day-to-day work of the Board, continuously informs the Directors of the regulations, policies or other requirements of domestic or overseas regulatory authorities in relation to corporate governance and ensures that the Directors comply with domestic and overseas laws and regulations when performing their duties and responsibilities.

c. During the reporting period, the Secretary to the Board actively participated in career development training for more than 15 training hours.

D. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

D.1 Financial reporting

a. Directors are responsible for supervising the preparation of accounts for each fiscal period to ensure that the accounts truly and fairly reflect the condition of the business, the performance, and the cash flow of the Company during the period. The Board approved the Financial Report for 2023 and warranted that the annual report contained no false representations, no material omissions or misleading statements and jointly and severally accepted full responsibility for the authenticity, accuracy, and completeness of the content.

b. The Management of Sinopec Corp. provides Directors with information about the financial, production and operating data of the Company, capital market updates, and securities regulatory developments every month to ensure that the Directors can learn about the latest developments of the Company and regulatory changes in a timely manner.

c. Sinopec Corp. has adopted an internal control mechanism to ensure that the Management and relevant departments have provided the Board and the Audit Committee with sufficient financial data and related explanations and materials.

d. The external auditors of Sinopec Corp. made a statement on their audit responsibilities in the auditor's report contained in the financial report.

D.2 Internal Control and Risk Management

a. Sinopec Corp. has formulated and implemented its internal control and risk management system. The Board as a decision-making body is responsible for evaluating and reviewing the effectiveness of its internal control and risk management. The Board and the Audit Committee periodically (at least annually) receive reports of the Company regarding internal control and risk management information from the Management. All major internal control and risk management issues are reported to the Board and the Audit Committee. Sinopec Corp. has set up its internal control and risk management department and internal auditing departments, which are equipped with sufficient staff, and these departments periodically (at least twice per year) report to the Audit Committee. The internal control and risk management system of the Company are designed to manage rather than eliminate all the risks of the Company.

b. In terms of internal control, Sinopec Corp. adopted the internal control framework prescribed in the internationally accepted report of Committee of Sponsoring Organisations of the Treadway Commission (COSO). Based upon the Articles of Association and the applicable management policies currently in effect, as well as in accordance with relevant domestic and overseas applicable regulations, Sinopec Corp. formulates and continuously improves the Internal Control Manual to achieve internal control of all factors of internal environment, risk assessment, controlling activities, information and communication, and internal supervision. At the same time, Sinopec Corp. has constantly supervised and evaluated its internal control, and conducted comprehensive and multi-level inspections including regular test, enterprise self-examination and auditing check, and included headquarters, branches and subsidiaries into the scope of internal control evaluation, with an internal control evaluation report being produced. The Board annually reviews the internal control evaluation report. For detailed information about the internal control during the reporting period, please refer to the "Report on Internal Control Evaluation" prepared by Sinopec Corp.

Sinopec Corp. has formulated and implemented its information disclosure policy and insider registration policy. The Company regularly evaluates the policy implementation and makes disclosure in accordance with relevant regulations. Please refer to the website of Sinopec Corp. (http://www.sinopec.com) for the details of the information disclosure policy.

c. In terms of risk management, Sinopec Corp. adopts the enterprise risk management framework provided by COSO, and establishes its risk management policy and risk management organisation system. The Company annually conducts risk evaluation to identify major and important risks and perform risk management duties. It has designed major and important risks tackling strategies and measures combined with its internal control system and periodically monitors their implementation to ensure adequate care, monitor and tackling of major risks.

The Board attaches great importance to the ESG management approach and strategy, optimises ESG mechanism, strengthens the Board's role in supervising and participation in ESG related issues, and integrates ESG considerations into the Company's development strategy, major decision-making processes and production and operation. The Company keeps strictly to the anti-corruption laws and regulations of China, as well as anti-corruption and anti-bribery laws applicable in the country (region) where the business is conducted. The Company fully supports the UN Convention against Corruption, the UN Global Compact and other relevant initiatives, abides by the rules and commitments of the

Company and business partners on clean practices and anti-corruption, and strengthens the construction of a culture of integrity. The Company has continuously improved the organizational and institutional systems of anti-corruption, organized and carried out anti-corruption training, and attached importance to risk assessment of anti-corruption. The Board has reviewed and evaluated the adequacy of resources, staff qualifications and experience, training programmes and budget of ESG performance and reporting during the reporting period. For details, please refer to the Report of Sustainable Development of Sinopec Corp. for the year 2023.

d. Based upon the review and evaluation of internal control and risk management in the reporting period, the Board is of the view that the internal control and risk management of the Company are effective.

D.3 Audit Committee

a. The Board has established an Audit Committee, formulated the Terms of Reference of the Audit Committee which included the scope of responsibility of the Audit Committee. The Audit Committee is responsible for supervising and evaluating internal and external audit work, reviewing and commenting on the financial reports of the Company, monitoring and evaluating the effectiveness of risk management and internal control system, and coordinating the communication between external auditor and management, internal auditor and related departments. The Audit Committee consists of Independent Non-executive Director, Mr. Ng, Kar Ling Johnny, who serves as the Chairman, and Independent Non-executive Directors, Mr. Cai Hongbin, Ms. Shi Dan, and Mr. Bi Mingjian, who serve as members.

b. During the reporting period, the Audit Committee held five meetings (please refer to the "The Board Committees Meetings and the Special Meeting of Independent Directors" under the section of "Report of the Board of Directors" in this annual report). The review opinions were issued at each meeting and submitted to the Board. During the reporting period, the Board and the Audit Committee had no disagreement.

c. Audit Committee can engage professionals when performing its duties. Reasonable costs arising from such consultations are borne by Sinopec Corp. In the meantime, the Audit Committee has appointed consultant members and can request such members to provide advice. The working expenses of the Audit Committee are included in the budget of Sinopec Corp. In accordance with the policies of Sinopec Corp., the Senior Management and relevant departments of Sinopec Corp. shall actively cooperate with the Audit Committee.

d. The Audit Committee has reviewed the adequacy and sufficiency of the resources for accounting, internal audit, financial reporting functions and the qualifications and experience of the relevant employees as well as the sufficiency of the training courses and the budget thereof. The Audit Committee is of the view that the Management has fulfilled the duties to establish an effective internal control system. The Company established a whistle-blowing policy in its internal control system reviewed and approved by the Audit Committee, providing several channels, including online reporting, reporting by letters, appeals and complaint mailbox, etc., to employees and others who have dealings with the Company (such as suppliers and customers) to raise concerns on improper matters of the Company secretly and anonymously. The Audit Committee has established an internal procedure, which contains receiving, retaining and handling complaints or anonymous reports concerning accounting, internal control or audit matters.

E. REMUNERATION

E.1 The level and make-up of remuneration and disclosure

a. The remuneration policy of the Director is stipulated in Director's service contracts approved at the general meeting. Remuneration of Executive Directors is determined according to the relevant regulations of the country and the Implementation Rules of the Remuneration of Senior Management of Sinopec Corp.; Non-executive Directors do not receive remuneration in the Company. Remuneration of Independent Non-executive Directors is approved at the general meeting, and the level is determined with comprehensively consideration of industry conditions, company size and other factors. For details about the annual remuneration of Directors, Supervisors, and other Senior Management, please refer to page 38 to page 45 in this annual report.

b. The Board established Remuneration and Appraisal Committee, consisting of Independent Non-executive Director, Mr. Bi Mingjian, who serves as the Chairman, and the Chairman of the Board, Mr. Ma Yongsheng and the Independent Non-executive Director, Mr. Ng, Kar Ling Johnny, who serve as the members. The Remuneration and Appraisal Committee is responsible for reviewing the implementation of the annual remuneration plans for Directors, Supervisors, and other Senior Management as approved at the general meeting of the shareholders, and reporting to the Board.

c. The Remuneration and Appraisal Committee always consults the Chairman of the Board and the President about the remuneration plans for other Executive Directors. After the Remuneration and Appraisal Committee's review, it is of the view that all the Executive Directors of Sinopec Corp. have fulfilled the duty clauses in their service contracts in 2023.

d. The members of the Remuneration and Appraisal Committee can engage independent professionals when performing its duties. Reasonable costs arising from such consultations are borne by Sinopec Corp. In the meantime, the Remuneration and Appraisal Committee has also appointed consultant members and can require such members to provide advice. The working expenses of the Remuneration and Appraisal Committee are included in the budget of Sinopec Corp. According to the policies of Sinopec Corp., the Senior Management and relevant departments of Sinopec Corp. shall actively cooperate with the Remuneration and Appraisal Committee.

e. During the reporting period, the Remuneration and Appraisal Committee held one meeting (please refer to "The Board Committees Meetings and the Special Meeting of Independent Directors" under the section of "Report of the Board of Directors" in this annual report).

F. SHAREHOLDERS ENGAGEMENT

F.1 Effective communication

a. In accordance with the actual situation on shares repurchase and cancellation of the repurchased shares, Sinopec Corp. revised the relevant provisions of equity structure and registered capital in the Articles of Association, which was reviewed and approved by the Annual General Meeting of 2022. For details, please refer to the announcements published by Sinopec Corp. on China Securities Journal, Shanghai Securities News, Securities Times, and on the website of SSE on 27 March and 31 May 2023, respectively, and on the website of Hong Kong Stock Exchange on 26 March and 30 May 2023, respectively.

b. The policy on payment of dividends of Sinopec Corp. is disclosed in the Report of the Board of Directors in this annual report, please refer to page 62 in this annual report.

c. Sinopec Corp. attaches considerable significance to investor relations. The Chairman of the Board attended annual and interim results conferences, and the Management attends road shows to answer questions on subjects of concern to investors, such as introducing the development strategies and the production and business performance of the Company. The Independent Director, Mr. Bi Mingjian, attended the annual and interim online performance meetings. The Board Secretariat of Sinopec Corp. is responsible for organizing the communication with investors. In compliance with regulatory provisions, Sinopec Corp. enhances communication with investors by holding meetings with institutional investors, reverse roadshow, setting up an investor hotline, and communicating through internet platform, etc.

d. According to relevant rules of Sinopec Corp., the Secretary to the Board is responsible for establishing an effective communication channel between Sinopec Corp. and its shareholders, for setting up special departments to communicate with the shareholders and for passing the opinions and proposals of the shareholders to the Board and Management in a timely manner. Contact details of Sinopec Corp. can be found in the "Investor Centre" column on Sinopec Corp.'s website, ensuring that shareholders can get in touch with the Company at any time. During this year, Sinopec Corp. kept on monitoring and evaluating the implementation and effectiveness of the Shareholders' Communication Policy, in order to ensure its effectiveness.

F.2 General meeting

a. During the reporting period, separate resolutions were proposed for each substantially separate issue at the general meeting of shareholders. All resolutions were voted by poll in protection of the interest of all shareholders. Notices of the general meeting were dispatched to shareholders 45 days (excluding the date of the general meeting) in advance.

b. The Chairman of the Board hosted the Annual General Meeting for 2022 (AGM), the First A Shareholders Class Meeting for 2023, and the First H Shareholders Class Meeting for 2023. Several members of the Board of Directors, the Supervisory Committee, and Senior Management attended the meetings and conducted in-depth communication with the investors. Some members of the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee, the Strategy Committee, and the Sustainable Development Committee attended the AGM. The external auditors of the Company attended the AGM. During the AGM, specially-assigned person of the Company recorded questions raised by investors as well as the feedback, which were related to each Board Committee. In the meetings, investors did not raise questions that need to be answered or matters that need to be paid attention to by each Board Committee. After the AGM, the Company communicated specially with investors.

c. Shareholders who individually or collectively hold 10% of the total voting shares of Sinopec Corp. may request the Board in writing to convene the general meeting of shareholders. If the Board fails to approve the request to convene the meeting according to the Rules and Procedures of Shareholders' General Meetings, the shareholders may convene and hold the meeting at their discretion according to applicable laws, and reasonable expenses incurred will be borne by Sinopec Corp. These aforementioned provisions are subject to the following conditions: the proposals at the general meeting of shareholders must fall within the responsibilities of the general meeting of shareholders, with specific proposals and resolutions and in compliance with relevant laws, administrative regulations and the Articles of Association. When Sinopec Corp. holds the general meeting of shareholders, shareholders who individually or collectively hold 3% of the total voting shares of Sinopec Corp. may propose a supplemental proposal 10 days before the date of the general meeting.

d. The eligibility for attending the general meeting, the rights of shareholders, the resolutions at the meeting and the voting procedures are clearly set out in the notice and circular of the general meeting of Sinopec Corp. dispatched to the shareholders.

e. Sinopec Corp. has established a special department for communication with shareholders and publishes relevant contact details to facilitate shareholders to make enquiries to the Board in accordance with Articles of Association.

H. AUDITORS

The re-appointment of KPMG Huazhen LLP and KPMG as the external auditors of Sinopec Corp. for the year 2023 and the authorisation of the Board to determine their remunerations were approved at Sinopec Corp.'s Annual General Meeting on 30 May 2023. The audit fee for 2023 is RMB39.862 million (including audit fee of internal control), which was approved at the 21st Meeting of the Eighth Session of the Board. The annual financial statements of the year ended 31 December 2023 have been audited by KPMG Huazhen LLP and KPMG. The Chinese certified public accountants signing the report are Yang Jie and He Shu from KPMG Huazhen LLP. KPMG Huazhen LLP and KPMG have served Sinopec Corp. since 2021. For details of the number of consecutive years in which the current engagement partners and certified public accountants who have served the Company, please refer to the announcement on re-appointment of the external auditors published on China Securities Journal, Shanghai Securities News, Securities Times and the website of SSE on 27 March 2023, and on the website of Hong Kong Stock Exchange on 26 March 2023. During the reporting period, KPMG Huazhen LLP and KPMG and their affiliates firms provided non-audit service, such as tax consulting and due diligence investigation to the Company, and the fee charged was RMB7.45 million.

(2) Other information about Sinopec Corp.'s corporate governance

Except for their working relationships with Sinopec Corp., none of the Directors, Supervisors or other Senior Management has any financial, business or family relationship or any relationship in other material aspects with one another. For information about shareholdings of substantial shareholders and changes in share capital, please refer to page 70 to page 71; for information about meetings of the Board, please refer to page 59 to page 60; for information about meetings held by Board Committees, please refer to page 61; for information about tenure of Non-executive Directors, please refer to page 38; for information about equity interests of Directors, Supervisors and other Senior Management, please refer to page 27; for biographies of Directors, Supervisors and other Senior Management, please refer to page 34 to page 44.

10 DETAILED IMPLEMENTATION OF THE SHARE INCENTIVE SCHEME

The Company did not implement any share incentive scheme during the reporting period.

Ma Yongsheng

Zhao Dong

11 BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

(1) Directors

Ma Yongsheng, aged 62, Chairman of the Board of Sinopec Corp. Mr. Ma is a professor level senior engineer with a Ph.D. degree. Mr. Ma is a member of the 13th and 14th National Committee of Chinese People's Political Consultative Conference ("CPPCC") and an academician of the Chinese Academy of Engineering. In April 2002, he was appointed as Chief Geologist of Sinopec Southern Exploration and Production Company; in April 2006, he was appointed as Executive Deputy Manager (in charge of overall management), Chief Geologist of Sinopec Southern Exploration and Production Company; in January 2007, he was appointed as General Manager and Party Secretary of CPC Committee of Sinopec Southern Exploration and Production Company; in March 2007, he served as General Manager and Deputy Party Secretary of CPC Committee of Sinopec Exploration Company; in May 2007, he was appointed as Deputy Commander of Sichuan-East China Gas Pipeline Project Headquarter of Sinopec Corp.; in May 2008, he was appointed as Deputy Director General of Exploration and Production Department of Sinopec Corp. (Director General Level); in July 2010, he served as Deputy Chief Geologist of Sinopec Corp.; in August 2013, he was appointed as Chief Geologist of Sinopec Corp.; in December 2015, he served as Vice President of China Petrochemical Corporation and was appointed as Senior Vice President of Sinopec Corp.; in January 2017, he was appointed as Member of the Leading Party Member Group of China Petrochemical Corporation; in October 2018, he was appointed as President of Sinopec Corp; in April 2019, he was appointed as Director, President and Vice Secretary of the Leading Party Member Group of China Petrochemical Corporation; in November 2021, he was appointed as Chairman and Secretary of the Leading Party Member Group of China Petrochemical Corporation. Mr. Ma was elected as Director of Sinopec Corp. in February 2016, and was elected as the Chairman of the Board of Sinopec Corp. in November 2021.

Zhao Dong, aged 53, Director of Sinopec Corp. Mr. Zhao is a professor level senior accountant with a Ph.D. degree. Mr. Zhao is an alternate member of the 20th Central Committee of the Party. In July 2002, he was appointed as Chief Accountant and General Manager of Financial Assets Department of CNPC International (Nile) Ltd.; in January 2005, he was appointed as Deputy Chief Accountant and Executive Deputy Director of Financial and Capital Operation Department of China National Oil and Gas Exploration and Development Corporation; in April 2005, he was appointed as Deputy Chief Accountant and General Manager of Financial and Capital Operation Department of China National Oil and Gas Exploration and Development Corporation; in June 2008, he was appointed as Chief Accountant of China National Oil and Gas Exploration and Development Corporation; in October 2009, he was appointed as Chief Accountant of China National Oil and Gas Exploration and Development Corporation and Chief Financial Officer of PetroChina International Investment Company Limited; in September 2012, he was appointed as Deputy General Manager of CNPC Nile Company; in August 2013, he was appointed as General Manager of CNPC Nile Company; in November 2015, he was appointed as Chief Financial Officer of PetroChina Company Limited. In November 2016, he was appointed as a Member of the Leading Party Member Group and Chief Accountant of China Petrochemical Corporation; in May 2020, he was appointed as Director and Deputy Secretary of the Leading Party Member Group of China Petrochemical Corporation; in June 2022, he was appointed as Director, President and Vice Secretary of the Leading Party Member Group of China Petrochemical Corporation. In June 2017, he was elected as Chairman of Supervisory Committee of Sinopec Corp.; in May 2021, he was elected as Director of Sinopec Corp.

Yu Baocai

Li Yonglin

Lv Lianggong

Yu Baocai, aged 59, Director and President of Sinopec Corp. Mr. Yu is a senior engineer with a master's degree in economics. In September 1999, Mr. Yu was appointed as Deputy General Manager and Member of the CPC Committee of PetroChina Daqing Petrochemical Company; in December 2001, he was appointed as General Manager and Deputy Secretary of CPC Committee of PetroChina Daqing Petrochemical Company; in September 2003, he was appointed as General Manager and Secretary of CPC Committee of PetroChina Lanzhou Petrochemical Company; in June 2007, he was appointed as General Manager and Deputy Secretary of CPC Committee of PetroChina Lanzhou Petrochemical Company and General Manager of Lanzhou Petroleum & Chemical Company; in September 2008, he was appointed as a member of the Leading Party Member Group and Deputy General Manager of China National Petroleum Corporation ("CNPC") and since May 2011, he acted concurrently as Director of PetroChina Company Limited; in June 2018, he was appointed as a Member of the Leading Party Member Group and Vice President of China Petrochemical Corporation; in September 2020, he was appointed as Senior Vice President of Sinopec Corp. Mr. Yu was elected as Director of Sinopec Corp. in October 2018, and was appointed as President of Sinopec Corp. in November 2021.

Li Yonglin, aged 57, Director and Senior Vice President of Sinopec Corp. Mr. Li is a professor level senior engineer with a Ph.D. degree. Mr. Li is a member of the 13th National Committee of CPPCC. He was appointed as Vice General Manager of Sinopec Maoming Company in March 2003; in July 2009, he was appointed as Chief of Preparatory Group for the Beihai Refining Off-Site Reconstruction Project of Sinopec Corp.; in November 2011, he was appointed as General Manager and Deputy Secretary of CPC Committee of Sinopec Beihai Refining & Chemical Co., Ltd.; in March 2015, he was appointed as Vice Director General of Refining Division of Sinopec Corp. (Director General Level); in December 2016 he was appointed as General Manager and Deputy Secretary of CPC Committee of Sinopec Tianjin Petrochemical Company, General Manager of Sinopec Tianjin Company and Vice Chairman of SINOPEC SABIC Tianjin Petrochemical Co., Ltd.; in October 2019, he was appointed as Secretary of CPC Committee of Sinopec Tianjin Petrochemical Company and Corporate Representative of Sinopec Tianjin Company; in July 2020, he was appointed as Assistant to the President of China Petrochemical Corporation, concurrently serving as Head of Organizational Department of the Leading Party Member Group, General Manager of Human Resources Department, and General Manager of Human Resources Department of Sinopec Corp.; in November 2020, he was appointed as a member of Leading Party Member Group and Vice President of China Petrochemical Corporation.; in May 2021, he was elected as Director of Sinopec Corp. and was appointed as Senior Vice President of Sinopec Corp.

Lv Lianggong, aged 58, Director and Senior Vice President of Sinopec Corp. Mr. Lv is a professor level senior engineer with a master's degree. In December 2001, he was appointed as Deputy Manager of Sinopec Jinan Company; in August 2008, he was appointed as Manager and Deputy Secretary of the CPC Committee of Sinopec Jinan Company; in December 2008, he was appointed as General Manager and Deputy Secretary of the CPC Committee of Sinopec Jinan Company; in December 2016, he was appointed as General Manager and Deputy Secretary of the CPC Committee of Anqing Petrochemical General Plant of China Petrochemical Corporation and General Manager of Sinopec Corp. Anqing Company; in July 2017, he was appointed to serve a temporary position as a member of the Standing Committee of the CPC Anqing Municipal Committee; in September 2018, he was appointed as the General Manager and Deputy Secretary of the CPC Committee of Sinopec Zhenhai Refining & Chemical Company; in December 2019, he was appointed as Representative and Secretary of the CPC Committee of Sinopec Zhenhai Refining & Chemical Company; in December 2020, he was appointed as Deputy Chief Economist, Director General of Organization Department of Leading Party Member Group and General Manager of Human Resources Department of China Petrochemical Corporation. and General Manager of Human Resource Department of Sinopec Corp.; in June 2021, he was appointed as Director General of the Office of the Organizational Structure Establishment Committee of Leading Party Member Group of China Petrochemical Corporation; in August 2022, he was appointed as a Member of the Leading Party Member Group and Deputy General Manager of China Petrochemical Corporation. In October 2022, he concurrently served as Chief Security Officer of China Petrochemical Corporation; in May 2022, he was elected as Supervisor of Sinopec Corp., and in October 2022, he was appointed as Senior Vice President of Sinopec Corp. and in May 2023, he was elected as Director of Sinopec Corp.

Cai Hongbin

Ng, Kar Ling Johnny

Shi Dan

Cai Hongbin, aged 56, Independent Director of Sinopec Corp. Mr. Cai is the Dean and chair professor of Business School of the University of Hong Kong. Mr. Cai has a Ph.D. degree in Economics. From 1997 to 2005, Mr. Cai taught at the University of California, Los Angeles. Since 2005, he served as a professor and Ph.D. supervisor in Applied Economics Department at Guanghua School of Management at Peking University, and served as Director of the Applied Economics Department, Assistant to the Dean and Vice Dean of Guanghua School of Management of Peking University. From December 2010 to January 2017, he served as Dean of Guanghua School of Management at Peking University. In June 2017, he joined Business School of the University of Hong Kong. Mr. Cai once served as a member of the 12th National People's Congress, a member of Beijing Municipal Committee of CPPCC, a member of the 11th Central Committee of China Democratic League, Vice Chairman of Beijing Municipal Committee of China Democratic League and a Chartered Auditor of the National Audit Office of China. He currently serves as an Independent Director of CCB International (Holdings) Limited, China Merchants Finance Holdings Company Limited and Ping An Bank Co., Ltd. In May 2018, he was elected as Independent Director of Sinopec Corp.

Ng, Kar Ling Johnny, aged 63, Independent Director of Sinopec Corp. Mr. Ng currently is a practicing Certified Public Accountant in Hong Kong, a practicing auditor and accountant in Macau, a Fellow of the Hong Kong Institute of Certified Public Accountants (FCPA), a Fellow of the Association of Chartered Certified Accountant (FCCA), and a Fellow of the Institute of Chartered Accountants in England and Wales (FCA). Mr. Ng obtained a bachelor's degree and a master's degree in business administration from the Chinese University of Hong Kong in 1984 and 1999, respectively. Mr. Ng joined KPMG (Hong Kong) in 1984 and became a Partner in 1996. He acted as a Managing Partner from June 2000 to September 2015 and Vice Chairman of KPMG China from October 2015 to March 2016. Mr. Ng currently serves as Independent Director of Metallurgical Corporation of China Ltd. and China Telecom Corporation Limited. In May 2018, he was elected as Independent Director of Sinopec Corp.

Shi Dan, aged 62, Independent Director of Sinopec Corp. Ms. Shi is the legal representative and Chairman of China Industrial Economics Society, a member of Expert Advisory Committee of the National Energy Commission and a member of National Expert Committee on Climate Change and enjoys special government subsidies from the State Council. Ms. Shi obtained bachelor's degree in engineering, master's degree in economics, master's degree of development economics and Ph.D. degree in management from Changchun University of Technology, Renmin University of China, Australian National University and Huazhong University of Science and Technology respectively. In October 1993, Ms. Shi was appointed as Research Fellow and Assistant to the Dean of the Institute of Industrial Economics of Chinese Academy of Social Sciences (CASS); in August 2010, Ms. Shi was appointed as a Research Fellow and Deputy Dean of National Academy of Economic Strategy of CASS; in November 2013, she was appointed as a Research Fellow and Secretary of CPC Committee (Deputy Dean) of the Institute of Industrial Economics of CASS; from November 2017 to August 2021, she served concurrently as External Director of China Energy Investment Corporation Limited. In March 2019, she was appointed as Dean of Institute of Industrial Economics of CASS. In May 2021, she was elected as Independent Director of Sinopec Corp.

Bi Mingjian

Bi Mingjian, aged 68, Independent Director of Sinopec Corp. Mr. Bi obtained the certificate of diploma majoring in English from East China Normal University in 1982 and master's degree in business administration from George Mason University in the United States of America in 1993 respectively. Mr. Bi served as a cadre at Shanghai Subei Haifeng Farm from April 1977 to April 1979; he studied at the External Training Program of the Cadre School of the Ministry of State Farms and Land Reclamation, and subsequently he studied at a farm in Saskatchewan Province of Canada from April 1979 to November 1980; he served as a cadre at the Foreign Affairs Bureau of the Ministry of State Farms and Land Reclamation from November 1980 to December 1983; he served as a member and Deputy Division Chief of the State Farms and Land Reclamation Bureau of the Ministry of Agriculture from January 1984 to December 1985; he served as Operation Officer of the World Bank Representative Office in China from December 1985 to June 1988; he served as Deputy Director of the World Bank project office of China Rural Trust and Investment Corporation from June 1988 to October 1988; he served as Project Economist and Advisor of the World Bank from October 1988 to January 1994; he served as a cadre at People's Construction Bank of China from January 1994 to July 1995; he served as Senior Manager, Deputy Chief Executive Officer, member and Acting Chairman of the Management Committee, Co-Chief Operating Officer and Co-Head of the Investment Banking Department of China International Capital Corporation Limited ("CICC") from August 1995 to February 2006; he served as a Senior Advisor to CICC from March 2006 to November 2012; he served as a Managing Partner of HOPU Investment Management Co., Ltd. from November 2012 to March 2015; he served as a non-executive director for China Investment Securities Co., Ltd. (currently known as China CICC Wealth Management Securities Company Limited) from March 2017 to January 2020; from March 2015 to December 2019, he served as Chief Executive Officer and Chairman of Management Committee of CICC; from May 2015 to February 2020, he served as Executive Director of CICC. In May 2021, he was elected as Independent Director of Sinopec Corp.

LIST OF MEMBERS OF THE BOARD

Name	Gender	Age	Position in Sinopec Corp.	Tenure	Remuneration paid by Sinopec Corp. in 2023 (RMB1,000, before tax)	Whether paid by the shareholders of the Company or their related entities in 2023	Equity interests in Sinopec Corp. (as at 31 December)	
							2023	2022
Ma Yongsheng	Male	62	Chairman of the Board, Non-executive Director	2016.2-2024.5	–	Yes	0	0
Zhao Dong	Male	53	Non-executive Director	2021.5-2024.5	–	Yes	0	0
Yu Baocai	Male	59	Executive Director, President	2018.10-2024.5	1,123.4	No	0	0
Li Yonglin	Male	57	Executive Director, Senior Vice President	2021.5-2024.5	–	Yes	0	0
Lv Lianggong	Male	58	Executive Director, Senior Vice President	2023.5-2024.5	–	Yes	0	0
Cai Hongbin	Male	56	Independent Non-Executive Director	2018.5-2024.5	450.0	No	0	0
Ng, Kar Ling Johnny	Male	63	Independent Non-Executive Director	2018.5-2024.5	450.0	No	0	0
Shi Dan	Female	62	Independent Non-Executive Director	2021.5-2024.5	450.0	No	0	0
Bi Mingjian	Male	68	Independent Non-Executive Director	2021.5-2024.5	450.0	No	0	0

LIST OF FORMER MEMBERS OF THE BOARD OF DIRECTORS

Name	Gender	Age	Position in Sinopec Corp	Tenure	Remuneration paid by Sinopec Corp. in 2023 (RMB1,000, before tax)	Whether paid by the shareholders of the Company or their related entities in 2023	Equity interests in Sinopec Corp. (as at 31 December)	
							2023	2022
Ling Yiqun	Male	61	Former Executive Director, Senior Vice President	2018.5-2023.4	–	Yes	13,000	13,000
Liu Hongbin	Male	61	Former Executive Director, Senior Vice President	2020.5-2023.5	229.7	No	0	0

Zhang Shaofeng

Qiu Fasen

Wu Bo

(2) Supervisors

Zhang Shaofeng, aged 52, Chairman of Supervisory Committee of Sinopec Corp. Mr. Zhang is a professor level senior accountant with a master's degree in business administration. In December 2008, he was appointed as Chief Accountant and Member of the CPC Committee of Trans-Asia Gas Pipeline Company Limited of CNPC; in July 2017, he was appointed as General Manager of Finance Department of CNPC (中國石油天然氣集團公司) and PetroChina Company Limited; in December 2017, he was appointed as General Manager of Finance Department of CNPC (中國石油天然氣集團有限公司) and PetroChina Company Limited; in July 2020, he was appointed as Member of the Leading Party Member Group and Chief Accountant of China Petrochemical Corporation. In September 2020, he was elected as Director of Sinopec Corp.; in May 2021, he was elected as Chairman of Supervisory Committee of Sinopec Corp.

Qiu Fasen, aged 58, Supervisor of Sinopec Corp. Mr. Qiu is a professor level senior auditor with a master's degree. In December 2001, he was appointed as the Deputy Director General of Audit Bureau of China Petrochemical Corporation and Deputy Director General of Audit Department of Sinopec Corp.; in January 2007, he was appointed as the Director General of Beijing branch of Audit Bureau (Department) of China Petrochemical Corporation; in November 2010, he was appointed as the Deputy Director General of Audit Bureau of China Petrochemical Corporation; in May 2014, he was appointed as Secretary of CPC Committee and Deputy General Manager of Sinopec Xinjiang Oil Products Company; in March 2015, he was appointed as General Manager and Deputy Secretary of CPC Committee of Sinopec Xinjiang Oil Products Company; in December 2018, he was appointed as Director General of Mineral Acreage (Community) Management Department of China Petrochemical Corporation; in December 2019, he was appointed as Deputy General Manager of Audit Department and Deputy Director General (Director General Level) of the Office of Audit Committee of Leading Party Member Group of China Petrochemical Corporation and Deputy General Manager of Audit Department of Sinopec Corp.; in April 2021, he was appointed as General Manager of Audit Department and Director General of the Office of Audit Committee of Leading Party Member Group of China Petrochemical Corporation and General Manager of Audit Department of Sinopec Corp.; in July 2021, he was appointed as Secretary of the CPC Committee of the Audit Centre of China Petrochemical Corporation. In May 2022, he was appointed as Chief Auditor of China Petrochemical Corporation. In May 2022, he was elected as Supervisor of Sinopec Corp.

Wu Bo, aged 50, Supervisor of Sinopec Corp. Mr. Wu is a senior economist with a bachelor's degree. In May 2012, he was appointed as Chief Accountant and Member of CPC Committee of Sinopec Hainan Refining and Chemical Company Limited; in August 2017, he was appointed as Deputy General Manager and Chief Accountant and Member of CPC Committee of Sinopec Chemical Sales Company Limited; in December 2018, he was appointed as Deputy General Manager and Chief Accountant and Member of CPC Committee of China International United Petroleum and Chemical Company Limited; in December 2019, he was appointed as General Manager of Finance Department of China Petrochemical Corporation; in July 2021, he was also appointed as Chairman of Sinopec Century Bright Capital Investment Limited. In May 2022, he was elected as Supervisor of Sinopec Corp.

Zhai Yalin

Guo Hongjin

Yin Zhaolin

Zhai Yalin, aged 60, Supervisor of Sinopec Corp. Mr. Zhai is a professor level senior economist with a bachelor's degree. In December 2001, he was appointed as Deputy Director General of Audit Bureau of China Petrochemical Corporation and Deputy Director General of Audit Department of Sinopec Corp.; in April 2018, he was appointed as Director General of the Inspection Team of Leading Party Member Group and Deputy Director General of Audit Bureau of China Petrochemical Corporation and Deputy Director General of Audit Department of Sinopec Corp; in October 2020, he was appointed as Executive Director and Secretary of the CPC Committee of Sinopec Baichuan Economic and Trade Co., Ltd.; in May 2022, he was appointed as General Manager of Sinopec Logistics Service Center. In May 2023, he was appointed as General Manager of Retired Personnel Service Center of China Petrochemical Corporation and General Manager of Retired Personnel Service Center of Sinopec Corp. In May 2022, he was elected as Supervisor of Sinopec Corp.

Guo Hongjin, aged 58, Employee's Representative Supervisor of Sinopec Corp. Mr. Guo is a professor level senior engineer with a Ph.D. degree. In July 2013, he was appointed as Deputy General Manager of Sinopec Shengli Oilfield Company; in March 2018, he was appointed as General Manager and Deputy Secretary of CPC Committee of Sinopec Shengli Petroleum Administrative Bureau Co., Ltd. and General Manager of Sinopec Shengli Oilfield Company; in December 2018, he was appointed as Executive Director, General Manager and Deputy Secretary of CPC Committee of Sinopec Jianghan Petroleum Administrative Bureau Co., Ltd. and General Manager of Sinopec Jianghan Oilfield Company; in July 2019, he was appointed as Executive Director and Secretary of CPC Committee of Sinopec Jianghan Petroleum Administrative Bureau Co., Ltd. and the representative of Sinopec Jianghan Oilfield Company; in April 2020, he was appointed as General Manager of the Petroleum Exploration & Development Department of Sinopec Corp.; in May 2021, he was elected as Supervisor of Sinopec Corp. In May 2022, he was elected as Employee's Representative Supervisor of Sinopec Corp.

Yin Zhaolin, aged 58, Employee's Representative Supervisor of Sinopec Corp. Mr. Yin is a professor level senior engineer with a master's degree in engineering. In April 2010, he was appointed as Deputy General Manager of Sinopec Maoming Company; in January 2017, he was appointed as Executive Deputy General Manager of Sinopec Maoming Company (administrated as a General Manager of a Level-I Largescale Enterprise); in April 2017, he was appointed as General Manager and Deputy Secretary of CPC Committee of Sinopec Maoming Petrochemical Company and General Manager of Sinopec Maoming Company; in July 2017, he was appointed to serve a temporary position as a member of the Standing Committee of the CPC Maoming Municipal Committee; in October 2020, he was appointed as Executive Director and Secretary of CPC Committee of the Sinopec Maoming Petrochemical Company and the representative of the Sinopec Maoming Company, head of Maoming-Zhanjiang Integration Leading Group; in May 2021, he was elected as Supervisor of Sinopec Corp. In May 2022, he was elected as Employee's Representative Supervisor of Sinopec Corp.

Chen Yaohuan

Chen Yaohuan, aged 60, Employee's Representative Supervisor of Sinopec Corp. Mr. Chen is a professor level senior engineer with a Master's degree awarded by Central Party School of the CPC. In October 2008, he was appointed as Deputy Director General of Refining Department of Sinopec Corp.; in March 2015, he was appointed as Executive Director, General Manager and Deputy Secretary of the CPC Committee of Sinopec Beihai Refining and Chemical Limited Liability Company; in May 2015, he was appointed as a member of the Standing Committee of the CPC Beihai Municipal Committee; in June 2018, he was appointed as General Manager and Deputy Secretary of the CPC Committee of Guanzhou Branch of Sinopec Corp. and General Manager of Guangzhou Branch of Sinopec Group Asset Management Co., Ltd; in July 2019, he was appointed as Deputy Director General (Director General Level) and Chief Engineer of Refining Department of Sinopec Corp.; in October 2019, he was appointed concurrently as Chairman of Sinopec Kantons International Limited and Sinopec Kantons Holdings Limited in December 2019, he was appointed as General Manager and Chief Engineer of Refining Department of Sinopec Corp., Vice Chairman and Chairman of Audit Committee of Yanbu Aramco Sinopec Refining Company Ltd.; in August 2020, he was appointed concurrently as Executive Director and Secretary of CPC Committee of Sinopec Petroleum Marketing Company Limited and Chairman of Sinopec Petroleum Storage and Reserve Limited. In January 2021, he was elected as Employee's Representative Supervisor of Sinopec Corp.

LIST OF MEMBERS OF THE SUPERVISORY COMMITTEE

Name	Gender	Age	Position in Sinopec Corp.	Tenure	Remuneration paid by Sinopec Corp. in 2023 (RMB1,000, before tax)	Whether paid by the shareholders of Sinopec Corp. or their related entities in 2023	Equity interests in Sinopec Corp. (as at 31 December) 2023	2022
Zhang Shaofeng	Male	52	Chairman of the Supervisory Committee	2021.5-2024.5	–	Yes	0	0
Qiu Fasen	Male	58	Supervisor	2022.5-2024.5	–	Yes	0	0
Wu Bo	Male	50	Supervisor	2022.5-2024.5	–	Yes	0	0
Zhai Yalin	Male	60	Supervisor	2022.5-2024.5	–	Yes	0	0
Guo Hongjin	Male	58	Employee's Representative Supervisor	2022.5-2024.5	1,564.6	No	0	0
Yin Zhaolin	Male	58	Employee's Representative Supervisor	2022.5-2024.5	1,000.6	No	0	0
Chen Yaohuan	Male	60	Employee's Representative Supervisor	2021.1-2024.5	1,549.7	No	0	0

LIST OF FORMER MEMBERS OF THE SUPERVISORY COMMITTEE

Name	Gender	Age	Position in Sinopec Corp.	Tenure	Remuneration paid by Sinopec Corp. in 2023 (RMB1,000, before tax)	Whether paid by the shareholders of Sinopec Corp. or their related entities in 2023	Equity interests in Sinopec Corp. (as at 31 December) 2023	2022
Zhang Zhiguo	Male	61	Former Supervisor	2021.5-2023.5	–	Yes	0	0

Niu Shuanwen

Shou Donghua

Huang Wensheng

(3) Other Members of Senior Management

Niu Shuanwen, aged 49, Senior Vice President of Sinopec Corp. Mr. Niu is a professor level senior engineer with a doctor's degree. In October 2018, he was appointed as Deputy General Manager of Sinopec Shengli Oilfield Company; in May 2020, he was appointed as General Manager and Deputy Secretary of CPC Committee of Sinopec Shengli Petroleum Administrative Bureau Co., Ltd., and General Manager of Sinopec Shengli Oilfield Company; in January 2022, he was appointed as Executive Director and Secretary of CPC Committee of Sinopec Shengli Petroleum Administrative Bureau Co., Ltd., and Representative of Sinopec Shengli Oilfield Company; in June 2023, he was appointed as Member of the Leading Party Member Group and Vice President of China Petrochemical Corporation. In July 2023, he was appointed as Senior Vice President of Sinopec Corp.

Shou Donghua, aged 55, Chief Financial Officer of Sinopec Corp. Ms. Shou is a professor level senior accountant with a Master's degree of business administration. In July 2010, she was appointed as the Chief Financial Officer of Sinopec Zhenhai Refining & Chemical Company; in October 2014, she was appointed as Deputy Director General of Human Resource Department of China Petrochemical Corporation and Deputy Director General of Human Resource Department of Sinopec Corp.; in August 2017, she was appointed as the Secretary of CPC Committee and Deputy General Manager of Sinopec Zhenhai Refining & Chemical Company; in September 2018, she was appointed as the Director General of Finance Department of China Petrochemical Corporation; in December 2019, she was appointed as General Manager of Finance Department of Sinopec Corp.; in January 2020, she was appointed as Chief Financial Officer of Sinopec Corp.

Huang Wensheng, aged 57, Vice President of Sinopec Corp., Secretary to the Board of Directors. Mr. Huang is a professor level senior economist with a university diploma. In March 2003, he was appointed as Deputy Director General of the Board Secretariat of Sinopec Corp.; in May 2006, he was appointed as Representative on Securities Matters of Sinopec Corp.; in August 2009, he was appointed as the Deputy Director of the General Office of China Petrochemical Corporation, and Deputy Director General of President's office of Sinopec Corp.; in September 2009, he was appointed as Director General of the Board Secretariat of Sinopec Corp.; in June 2018, he was appointed as Director General of Department of Capital Management and Financial Services of Sinopec Corp.; in July 2018, he was appointed as Chairman, General Manager and Secretary of CPC Committee of Sinopec Capital Co., Ltd.; in December 2019, he was appointed as General Manager of Department of Capital Management and Financial Services of Sinopec Corp. In May 2012, he was appointed as Secretary to the Board of Directors of Sinopec Corp.; in May 2014, he was appointed as Vice President of Sinopec Corp.

Guo Xusheng

Guo Xusheng, aged 58, Chief Geologist of Sinopec Corp. Mr. Guo is a professor level senior engineer with a doctor's degree and an academician of the Chinese Academy of Engineering. In January 2007, he was appointed as the deputy manager, Member of CPC Committee, Commander of Sichuan-North China Exploration Headquarter, Secretary of CPC Committee of Sinopec Southern Exploration and Production Company; in March 2007, he was appointed as the Manager of Sinopec Southern Exploration and Production Company; in December 2008, he was appointed as General Manager of Sinopec Southern Exploration and Production Company. In September 2014, he was appointed as General Manager and Member of CPC Committee of Sinopec Exploration Company; in November 2020, he was appointed as Deputy Chief Geologist of Sinopec Corp.; in July 2022, he was appointed as Dean and Deputy Party Secretary of CPC Committee of Sinopec Petroleum Exploration and Production Research Institute, and Executive Director and General Manager of Sinopec Petroleum Exploration and Production Research Institute Co. Ltd. In January 2024, he was appointed as Chief Geologist of Sinopec Corp.

LIST OF MEMBERS OF THE SENIOR MANAGEMENT

Name	Gender	Age	Position in Sinopec Corp.	Remuneration paid by Sinopec Corp. in 2023 (RMB1,000, before tax)	Whether paid by the shareholders of Sinopec Corp. or their related entities in 2023	Equity interests in Sinopec Corp. (as at 31 December) 2023	2022
Niu Shuanwen	Male	49	Senior Vice President	–	Yes	0	0
Shou Donghua	Female	55	Chief Financial Officer	1,632.3	No	0	0
Huang Wensheng	Male	57	Vice President, Board Secretary	1,617.0	No	0	0
Guo Xusheng	Male	58	Chief Geologist	0	No	0	0

LIST OF FORMER MEMBERS OF THE SENIOR MANAGEMENT

Name	Gender	Age	Position in Sinopec Corp.	Remuneration paid by Sinopec Corp. in 2023 (RMB1,000, before tax)	Whether paid by the shareholders of Sinopec Corp. or their related entities in 2023	Equity interests in Sinopec Corp. (as at 31 December) 2023	2022
Yu Xizhi	Male	61	Former Vice President	411.4	No	0	0
Zhao Rifeng	Male	61	Former Vice President	525.8	No	0	0

12 INFORMATION ON APPOINTMENT OR TERMINATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 6 January 2023, Mr. Ng, Kar Ling Johnny served as the Independent Director of China Telecom Corporation Limited.

On 9 March 2023, Mr. Yu Xizhi resigned as Vice President of Sinopec Corp. due to his age.

On 6 April 2023, Mr. Ling Yiqun resigned as Executive Director, member of the Strategy Committee of the Board, Senior Vice President of Sinopec Corp. due to his age.

On 16 May 2023, Mr. Liu Hongbin resigned as Executive Director, member of the Strategy Committee of the Board, Senior Vice President of Sinopec Corp. due to his age; Mr. Zhao Rifeng resigned as Vice President of Sinopec Corp. due to his age.

On 19 May 2023, Mr. Zhang Zhiguo resigned as Supervisor of Sinopec Corp. due to his age.

On 30 May 2023, Mr. Lv Lianggong was elected as Executive Director of the eighth session of the Board of Sinopec Corp.

On 30 June 2023, Mr. Ng, Kar Ling Johnny ceased to be the Independent Non-Executive Director of China Vanke Co., Ltd.

On 25 July 2023, Mr. Niu Shuanwen was appointed as Senior Vice President of Sinopec Corp.

On 22 January 2024, Mr. Guo Xusheng was appointed as Chief Geologist of Sinopec Corp.

13 CHANGE OF SHAREHOLDING OF DIRECTORS, SUPERVISORS, AND THE SENIOR MANAGEMENT

There is no change in shareholdings of Sinopec Corp. of Directors, Supervisors and other senior managements during the reporting period.

14 CONTRACTUAL INTERESTS OF DIRECTORS AND SUPERVISORS

As of 31 December 2023 or any time during the reporting period, no Director or Supervisor entered into any agreement with Sinopec Corp., its controlling shareholder, any subsidiary or related subsidiary which shall substantially benefit such Director or Supervisor.

15 CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all the Directors and Supervisors. None of the Directors and Supervisors has entered into or will enter into service contracts that are not terminable by the Company within one year without compensation (except for statutory compensation).

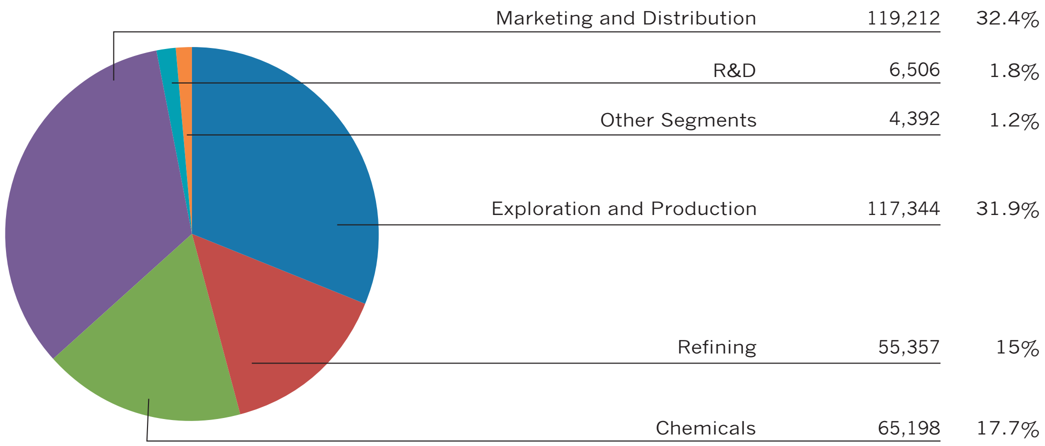
16 REMUNERATION OF DIRECTORS, SUPERVISORS, AND THE SENIOR MANAGEMENT

During this reporting period, a total of 14 Directors, Supervisors and other senior managers received remuneration from Sinopec Corp. with a total amount of RMB11.4545 million.

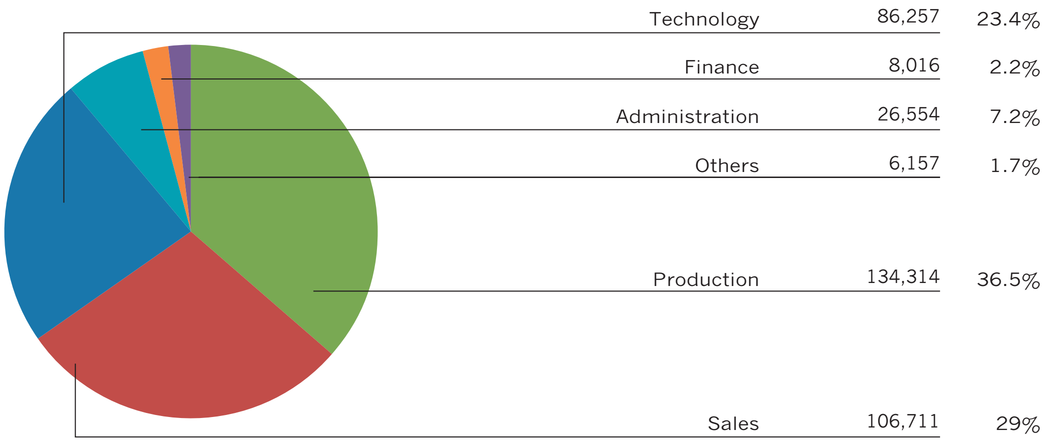
17 THE COMPANY'S EMPLOYEES

As at 31 December 2023, the Company has a total of 368,009 employees. There are a total of 296,762 retired employees to be reimbursed by the Company. Sinopec Marketing Co. Limited and China International United Petroleum & Chemicals Co. Limited, the principal subsidiaries of Sinopec Corp., have 119,212 and 568 employees respectively. The male and female ratio of all employees is 2.3:1, achieved the Company's target for the female representation, and the male and female ratio of the members of senior management is 13.6:1.

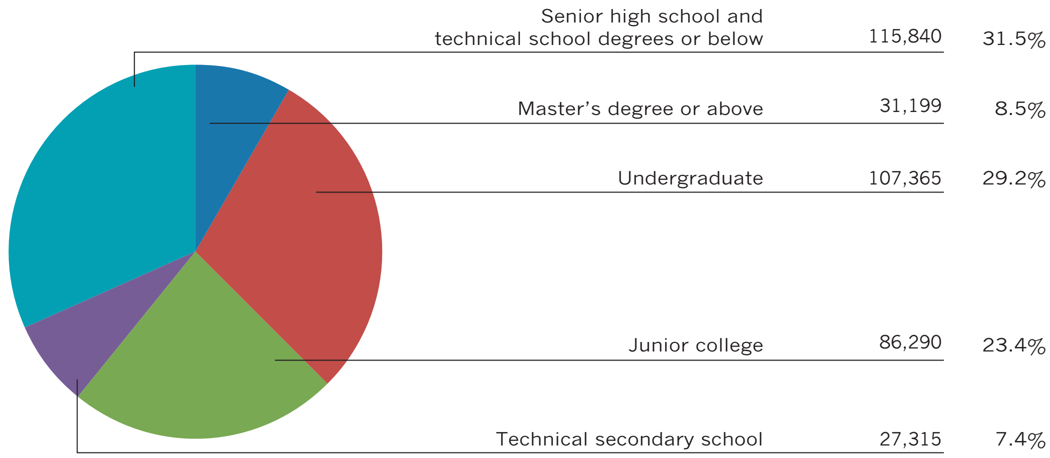
THE BREAKDOWN OF NUMBER OF EMPLOYEES BY OPERATION SEGMENTS IS AS FOLLOWS: (INCLUDING EXPLORATION AND PRODUCTION, REFINING, MARKETING AND DISTRIBUTION, CHEMICALS, R&D AND OTHERS)



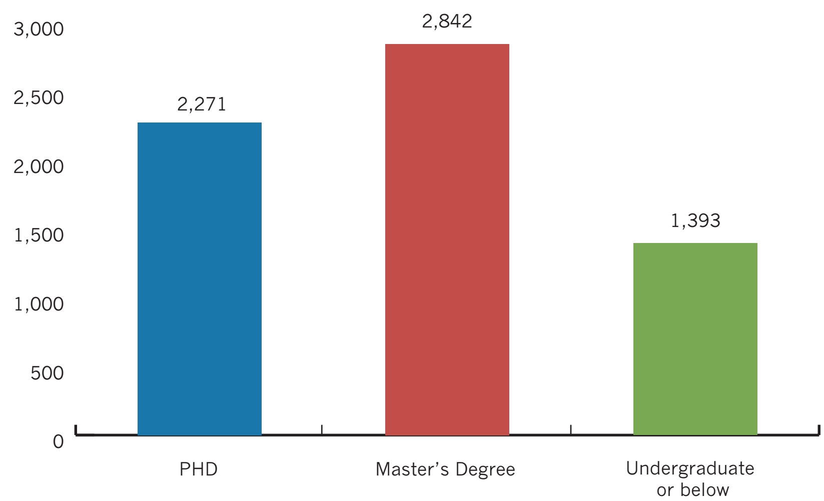
EMPLOYEES' PROFESSIONAL STRUCTURE AS FOLLOWS: (INCLUDING PRODUCTION, SALES, TECHNOLOGY, FINANCE, ADMINISTRATION AND OTHERS)



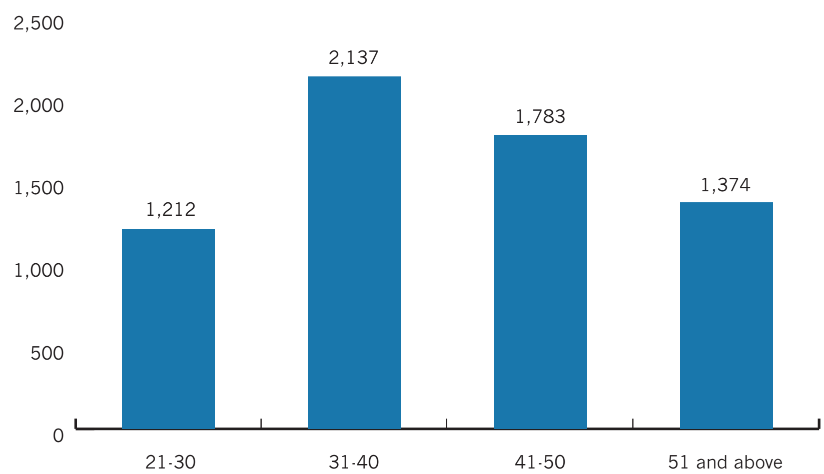
EDUCATIONAL BACKGROUND STRUCTURE FOR EMPLOYEES AS FOLLOWS: (INCLUDING MASTER'S DEGREE AND ABOVE, UNDERGRADUATE, JUNIOR COLLEGE, SENIOR HIGH SCHOOL AND TECHNICAL SCHOOL DEGREES OR BELOW)



R&D PERSONNEL EDUCATIONAL STRUCTURE: (INCLUDING PHD, MASTER'S DEGREE, UNDERGRADUATE AND BELOW)



R&D PERSONNEL AGE STRUCTURE:



18 CHANGES OF CORE TECHNICAL TEAM OR KEY TECHNICIANS

During the reporting period, there are no significant changes of core technical team or key technicians in the Company.

19 EMPLOYEE BENEFITS SCHEME

Details of the Company's employee benefits scheme are set out in Note 40 of the financial statements prepared under IFRS Accounting Standards of this annual report. As at 31 December 2023, the Company had a total of 296,762 retired employees. All of them participated in the basic pension schemes administered by provincial governments (or those of autonomous regions or municipalities). Government-administered pension funds are responsible for the payments of basic pensions.

20 REMUNERATION POLICY

Based on a relatively unified basic remuneration system, Sinopec Corp. has established its remuneration system based on the value of positions, performance & contribution, with an aim at improving employee capabilities, and has constantly improved employee performance evaluation and incentive & discipline mechanisms.

21 TRAINING PROGRAMS

During the reporting period, the Company strengthened coordination and the top-level design for training programs, improved the high-quality training system, and conducted training programs for all types of talents. The headquarter trained 5,139 key talents. The training for managers, experts, technical personnel, and international talents improved the comprehensive quality and performance ability of all kinds of talents. The Company enhanced the intelligent and accurate level of training by promoting the application of training online through which over 50 million hours were trained online this year.

1 ENVIRONMENTAL INFORMATION

Sinopec Corp. established the HSE management system since 2001 and continued to improve it. During the reporting period, Sinopec Corp. has formulated or revised 2 environmental management policies, and formed the environmental protection system consisting of 16 core policies as the main body.

2 WORK CONDUCTED IN ECOLOGICAL PROTECTION, POLLUTION PREVENTION AND ENVIRONMENTAL RESPONSIBILITIES PERFORMANCE BY THE COMPANY IN THE REPORTING PERIOD

In the reporting period, the Company deepened the campaign of pollution prevention, built the country's first pilot of "no waste group", persistently focused on ecological and environmental protection in the Yangtze and Yellow River basins, promoted energy conservation and carbon reduction actions, persistently carried out Green Enterprise Action. The sewage COD and sulphur dioxide emissions decreased by 4.3% and 5.0% respectively, and the solid waste was 100% properly disposed.

3 MEASURES TAKEN TO MITIGATE CARBON EMISSION AND ITS EFFECT

During the reporting period, the Company orderly promoted the adjustment and optimization of industrial structure and energy consumption structure, strengthened the development and application of key low-carbon technologies, strengthened the management and control of emission of CO2 and methane and achieved good results in carbon emission reduction. In 2023, the Company decreased GHG emissions by 2.24 million tonnes of CO2 equivalent through energy conservation and consumption reduction, 1.749 million tonnes of CO2 were recycled, used 0.847 million tons of carbon dioxide for EOR, 874 million cubic meters of methane were recovered which was equivalent to reducing 13.00 million tonnes of CO2 emissions.

4 ENVIRONMENTAL PROTECTION SOLUTIONS OF COMPANIES AND THEIR SUBSIDIARIES AS MAJOR POLLUTANT DISCHARGING COMPANIES IDENTIFIED BY ENVIRONMENTAL PROTECTION DEPARTMENTS

(1) Pollutant discharge information

In the reporting period, certain subsidiaries of Sinopec Corp. listed as major pollutant discharge units announced by national or local ecological and environmental authorities have acquired their pollutant discharge license in accordance with the requirements of the national list of fixed pollution source emission permit classification management and disclosed environmental information as required by the relevant authorities and local government. The details of such information were published on national pollutant discharge license management information platform (https://permit.mee.gov.cn/permitExt/defaults/default-index!getInformation.action) and the local government website.

Discharge information summarized by category is as follows:

(a) Discharge of air pollutants[1]

No.	Pollutant type	Number of vents involved[2]	Ways of discharge[3]	Discharge standards implemented[4]	Permitted concentration limit[5]	Actual annual average concentration[6]	Approved actual discharge amount	Discharge compliance
1	SO_2	1,251	continuous	Discharge Standards for Air Pollutants from Thermal Power Plants (GB 13223-2011) Discharge Standards for Air Pollutants from Boilers (GB13271-2014) Discharge Standards for Pollutants in the Petroleum Refining Industry (GB31570-2015) Discharge Standards for Pollutants in the Petrochemical Industry (GB31571-2015) Discharge Standards for Pollutants in the Synthetic Resin Industry (GB31572-2015)	35-200 mg/m³	5-50 mg/m³	4,661 tonnes	The compliance rate is 99.99%, the details of which are subject to the announcement by the ecological authorities.
2	NO_X	1,243	continuous	Discharge Standards for Air Pollutants from Thermal Power Plants (GB 13223-2011) Discharge Standards for Air Pollutants from Boilers (GB13271-2014) Discharge Standards for Pollutants in the Petroleum Refining Industry (GB31570-2015) Discharge Standards for Pollutants in the Petrochemical Industry (GB31571-2015) Discharge Standards for Pollutants in the Synthetic Resin Industry (GB31572-2015)	50-240 mg/m³	20-100 mg/m³	19,984 tonnes	The compliance rate is 99.99%, the details of which are subject to the announcement by the ecological authorities.

Note 1: This report discloses the discharge of the Company's oilfield, refining and chemical companies and specialized companies that are included in the key management of emission permits. The data is calculated by self-monitoring data and is ultimately subject to the data published by the local ecological authorities.

Note 2: Count the number of organized vents involved for this pollutant.

Note 3: Intermittent discharge from some vents.

Note 4: The discharge standards implemented are the major industrial discharge standards. Other standards such as local emission standards implemented by each company can be found in the public information of the ecological authorities.

Note 5: The permitted concentration limit is major industrial discharge standard limit. The limit of other standards implemented by each company can be found in the public information of the ecological authorities.

Note 6: The actual annual average concentration of the main discharge outlets is within the corresponding disclosure range, and the public information of the ecological and environmental department can be consulted for details.

(b) Discharge of water pollutants[1]

No.	Pollutant type	Number of vents involved	Ways of discharge[2]	Discharge standards implemented[3]	Permitted concentration limit[4]	Actual annual average concentration[5]	Approved actual discharge amount	Discharge compliance
1	COD	76	continuous	Discharge Standards for Pollutants in the Petroleum Refining Industry (GB31570-2015) Discharge Standards for Pollutants in the Petrochemical Industry (GB31571-2015) Discharge Standards for Pollutants in the Synthetic Resin Industry (GB31572-2015)	40-60 mg/L	10-50 mg/L	4,550 tonnes	Daily average data has 100% compliance rate.
2	Ammonia and nitrogen	75	continuous	Discharge Standards for Pollutants in the Petroleum Refining Industry (GB31570-2015) Discharge Standards for Pollutants in the Petrochemical Industry (GB31571-2015) Discharge Standards for Pollutants in the Synthetic Resin Industry (GB31572-2015)	5-8 mg/L	0.5-4 mg/L	71 tonnes	Daily average data has 100% compliance rate.

Note 1: This report discloses the discharge of the Company's oilfield, refining and chemical companies and specialized companies that are included in the key management of discharge permits. The data is calculated by self-monitoring data and is ultimately subject to the data published by the local ecological authorities.

Note 2: Intermittent discharge from some vents.

Note 3: The discharge standards implemented are the major industrial discharge standard. Other standards such as local emission standards implemented by each company can be found in the public information of the ecological authorities.

Note 4: The permitted concentration limit is major industrial discharge standard limit. The limit of other standards implemented by each company can be found in the public information of the ecological authorities.

Note 5: The actual annual average concentration of the main discharge outlets is within the corresponding disclosure range, and the public information of the ecological and environmental department can be consulted for details.

(2) Construction and operation of pollution prevention facilities

In the reporting period, the Company built prevention and control facilities for sewage, flue gas, solid waste and noise in accordance with the requirements of the national and local pollution prevention and environmental protection standards, maintained effective and stable operation of pollution prevention and control facilities. For details, please refer to the 2023 Sinopec Corp. Sustainability Report.

(3) Environmental influence evaluation for construction projects and other administrative permit for environmental protection

In the reporting period, the Company strictly standardized environmental protection management for construction projects, enforced whole process environmental protection management on construction and operation, with measures of the "simultaneous three" of the environmental protection implemented, all new projects have acquired approval for environmental evaluation from government.

(4) Contingent scheme for sudden environmental incident

In the reporting period, the Company complied with the requirements for environmental incident contingent scheme by the State and persistently improved its contingent scheme against sudden environmental incidents of enterprises and weather with severe pollution.

(5) Scheme for environmental self-monitoring

In the reporting period, the Company continuously improved its self-monitoring scheme in accordance with the industry guideline, enforced the requirements for sewage, flue gas and noise monitoring, and disclosed the monitor information as required.

(6) Administrative penalties due to environmental problems in the reporting period

In the reporting period, to the knowledge of the Company, Sinopec Corp. and its subsidiaries were subject to the environmental administrative penalty of RMB1.7355 million. The details of administrative penalties were published on the websites of local ecological and environmental authorities.

(7) Other environmental information to be disclosed

In the reporting period, for subsidiaries not listed as major pollution units, the Company has acquired related permissions from national and local government, and enforced environmental protection measures. The above-mentioned subsidiaries are not obliged to disclose in accordance with the requirements of national and local ecological environment authorities.

5 DONATION AND INVESTMENT IN PUBLIC WELFARE PROJECT

During the reporting period, the Company implemented 226 donations with an expenditure over RMB0.3 billion, mainly focusing on expanding achievements in poverty-alleviation and rural revitalization and public welfare programs, including RMB156 million used in rural revitalization. For details, please refer to the 2023 Sinopec Corp. Sustainability Report.

1 MAJOR PROJECTS

(1) Zhenhai Refining & Chemical Expansion Project (phase 2)
The project mainly consists of building 11,000,000 tpa refinery project and 600,000 tpa propane dehydrogenation and downstream processing units, etc. The project began in June 2022 and mechanical completion is expected to be achieved in December 2024. The project investment consists of the self-owned fund and bank loan. As of 31 December 2023, the aggregate amount invested was RMB17.9 billion.

(2) Tianjin Nangang Ethylene and Downstream High-end New Material Industry Cluster Project
The project mainly consists of 1,200,000 tpa ethylene units and downstream processing units, etc. The project began in May 2021 and mechanical completion was achieved in the end of 2023. The project investment consists of the self-owned fund and bank loan. As of 31 December 2023, the aggregate amount invested was RMB14.5 billion.

(3) Yizheng PTA Project
The Yizheng 3,000,000 tpa PTA project mainly consists of oxidation units, purification units and auxiliary units, etc. The project started in July 2021 and the mechanical completion is expected to be achieved in March 2024. The project investment consists of the self-owned fund and bank loan. As of 31 December 2023, the aggregate amount invested was RMB4.7 billion.

(4) Tianjin LNG Project (phase 2)
The project mainly consists of the construction of a new wharf, and five new 220,000-cubic-meter storage tanks etc. LNG capacity will reach 10.8 million tons per year after phase 2 expansion is completed. The project started in January 2019 and was put into operation by end of 2023. The project investment consists of the self-owned fund and bank loan. As of 31 December 2023, the aggregate amount invested was RMB4.6 billion.

(5) Longkou LNG Project
The project mainly consists of a wharf, terminal and power plant warm drainage and water intake. The designed LNG capacity in the first phase is 6 million tons per year. One LNG berth with 0.266 million cubic meters will be modified and four 0.22 million cubic meter storage tanks will be newly built up. The project started in November 2021 and is expected to put into operation by the end of 2024. The project investment consists of the self-owned fund and bank loan. As of 31 December 2023, the aggregate amount invested was RMB4.5 billion.

(6) Chuanxi natural gas project (phase 1)
The project mainly consists of 1.77 billion cubic meter per year purified gas capacity and 16 wells. The project started in 2019 and is expected to put into operation in January 2024. The project investment consists of the Company's self-owned fund, joint stock company's fund and bank loan. As of 31 December 2023, the aggregate amount invested was RMB5.8 billion.

(7) Shengli Shale Oil project
The project mainly launches shale oil exploration and development in Jiyang depression, planning to build a new production capacity of 1 million tonnes per year in the 14th Five Year Plan. The project started in 2019, has built 113 wells and generated production capacity of 509 thousand tonnes. The project investment consists of the self-owned fund and bank loan. As of 31 December 2023, the aggregate amount invested was RMB9.7 billion.

(8) Zhenhai 1,500,000 tpa Ethylene and Downstream High-end New Material Industry Cluster Project
The project mainly consists of 1,500,000 tpa ethylene units, downstream processing units, supporting utilities and auxiliary facilities, etc. The project began in November 2023 and mechanical completion is expected to finish in December 2025. The project investment consists of the self-owned fund and bank loan. As of 31 December 2023, the aggregate amount invested was RMB2.7 billion.

(9) Maoming ethylene upgrading project
The project mainly consists of 3,000,000 tpa RTC united plant, 1,000,000 tpa ethylene unit, supporting utilities and auxiliary facilities, etc. The project began in June 2023 and mechanical completion is expected to finish in December 2026. The project investment consists of the self-owned fund and bank loan. As of 31 December 2023, the aggregate amount invested was RMB1.8 billion.

2. **ACTUAL DAILY RELATED TRANSACTIONS ENTERED INTO BY THE COMPANY AND CHINA OIL & GAS PIPELINE NETWORK CORPORATION DURING THE REPORTING PERIOD**

   On 13 January 2023, the Board of Sinopec Corp. approved the daily related transaction cap in relation to refined oil pipeline transportation services between Sinopec Marketing Company Limited and China Oil & Gas Pipeline Network Corporation for the period from 1 January 2023 to 31 December 2023.

   For details, please refer to the announcements published by Sinopec Corp. on China Securities Journal, Shanghai Securities News, Securities Times, and on the website of SSE on 14 January 2023 and on the website of Hong Kong Stock Exchange on 13 January 2023.

   The actual executed amount of the daily related transactions of Sinopec Marketing Company Limited and China Oil & Gas Pipeline Network Corporation regarding refined oil pipeline transportation services from 1 January 2023 to 31 December 2023 was RMB5.355 billion.

3. **SINOPEC CORP. HAS DEREGISTERED IN THE U.S. AND TERMINATED ITS INFORMATION DISCLOSURE OBLIGATIONS UNDER THE EXCHANGE ACT**

   Sinopec Corp. has filed a Form 15F with the United States Securities and Exchange Commission on 8 December 2023 (EST) to deregister its American depositary shares (the "ADSs") and the underlying H shares of Sinopec Corp., and terminated its information disclosure obligations under section 13(a) and section 15(d) of U.S. Securities Exchange Act of 1934 (as amended, the "Exchange Act") pursuant to Rule 12h-6 under the Exchange Act. Deregistration and termination of Sinopec Corp.'s information disclosure obligations under the Exchange Act have become effective on 7 March 2024 (EST).

4. **CAPITAL INCREASE IN HUNAN PETROCHEMICAL**

   On 26 October 2023, Sinopec Corp., the Assets Company and Hunan Petrochemical entered into the Capital Increase Agreement. Pursuant to the Capital Increase Agreement, Sinopec Corp. shall make a capital contribution to Hunan Petrochemical with the net assets relating to the production and operation of oil refining and petrochemical of Sinopec Corp. Changling Branch, which were equivalent to RMB5,600.3328 million, and cash of RMB4.3 billion, which was intended to be used for the construction of Hunan Petrochemical's Ethylene Refining and Petrochemical Integration Project (乙烯煉化一體化項目); the Assets Company shall make a capital contribution to Hunan Petrochemical with the net assets relating to the production and operation of oil refining and petrochemical of the Assets Company Changling Branch and the Assets Company Baling Branch, which were equivalent to RMB1,077.5839 million. On 1 January 2024, Sinopec Corp. and the Assets Company have transferred the Capital Contribution Assets to Hunan Petrochemical in accordance with the relevant provisions of the Transaction Agreements, and all rights, obligations, liabilities and risks of the Capital Contribution Assets have been transferred to Hunan Petrochemical.

   For details and definitions, please refer to the announcements published by Sinopec Corp. on China Securities Journal, Shanghai Securities News, Securities Times, and on the website of SSE on 27 October 2023 and 3 January 2024, respectively, and on the website of Hong Kong Stock Exchange on 26 October 2023 and 2 January 2024, respectively.

5. **THE ISSUANCE OF A SHARES BY SINOPEC CORP. TO THE TARGET SUBSCRIBER (CHINA PETROCHEMICAL CORPORATION)**

   On 24 March 2023, the 15th meeting of the eighth session of the Board of Sinopec Corp. considered and approved resolutions regarding the issuance of A Shares to China Petrochemical Corporation, the controlling Shareholder of the Company (the "Issuance"). On 30 May 2023, the annual general meeting of Sinopec Corp. for 2022 considered and approved the above resolutions. The plan of the Issuance is to fully issue A Shares to China Petrochemical Corporation, the controlling Shareholder of Sinopec Corp. The Issue Price is the average trading price of A Shares of Sinopec Corp. in the 20 trading days preceding the Pricing Benchmark Date. The A Shares to be subscribed by China Petrochemical Corporation shall not be transferred within thirty-six (36) months from the completion date of the Issuance. The total gross proceeds to be raised from the Issuance shall be no more than RMB12 billion (inclusive), and all of the net proceeds (after deducting the issuance expenses) will be used for the construction of projects in relation to clean energy and high value-added materials. On 18 March 2024, Sinopec Corp. completed the Issuance and the registration of new Shares.

   For details and definitions, please refer to the announcements and/or circulars published by Sinopec Corp. on China Securities Journal, Shanghai Securities News, Securities Times and on the website of SSE on 27 March 2023, 31 May 2023, 16 March 2024 and 20 March 2024 and on the website of Hong Kong Stock Exchange on 26 March 2023, 12 April 2023, 30 May 2023, 15 March 2024 and 19 March 2024.

6 PERFORMANCE OF THE UNDERTAKINGS BY CHINA PETROCHEMICAL CORPORATION

Background	Type of Undertaking	Party	Contents	Term for performance	Whether bears deadline or not	Whether strictly performed or not
Undertakings related to Initial Public Offerings (IPOs)	IPOs	China Petrochemical Corporation	1. Compliance with the connected transaction agreements; 2. Solving the issues regarding the legality of land-use rights certificates and property ownership rights certificates within a specified period of time; 3. Implementation of the Reorganisation Agreement (please refer to the definition of Reorganisation Agreement in the H share prospectus of Sinopec Corp.); 4. Granting licenses for intellectual property rights; 5. Avoiding competition within the same industry; 6. Abandonment of business competition and conflicts of interest with Sinopec Corp.	From 22 June 2001	No	Yes
Other undertakings	Other	China Petrochemical Corporation	Given that China Petrochemical Corporation engages in the same or similar businesses as Sinopec Corp. with regard to the exploration and production of overseas petroleum and natural gas, China Petrochemical Corporation hereby grants a 10-year option to Sinopec Corp. with the following provisions: (i) after a thorough analysis from political, economic and other perspectives, Sinopec Corp. is entitled to require China Petrochemical Corporation to sell its overseas oil and gas assets owned as of the date of the undertaking and still in its possession upon Sinopec Corp.'s exercise of the option to Sinopec Corp.; (ii) in relation to the overseas oil and gas assets acquired by China Petrochemical Corporation after the issuance of the undertaking, within 10 years of the completion of such acquisition, after a thorough analysis from political, economic and other perspectives, Sinopec Corp. is entitled to require China Petrochemical Corporation to sell these assets to Sinopec Corp. China Petrochemical Corporation undertakes to transfer the assets as required by Sinopec Corp. under aforesaid items (i) and (ii) to Sinopec Corp., provided that the exercise of such option complies with applicable laws and regulations, contractual obligations and other procedural requirements.	Within 10 years after 29 April 2014 or the date when China Petrochemical Corporation acquires the assets	Yes	Yes
Commitment related to refinancing	Restricted sale of shares	China Petrochemical Corporation	China Petrochemical Corporation promises not to transfer its subscribed A-shares within 36 months from the completion of this issuance.	The commitment time is March 2023, and the commitment period is 36 months from the completion date of the issuance	Yes	Yes
	No reduction	China Petrochemical Corporation	China Petrochemical Corporation promises that within six months after the completion of this issuance, China Petrochemical Corporation and its controlled enterprises will not reduce their holdings of Sinopec stocks.	The commitment time is March 2023, and the commitment period is within six months after the completion of this issuance	Yes	Yes

As of the date of this report, Sinopec Corp. had no undertakings in respect of financial performance, asset injections or asset restructuring that had not been fulfilled, nor has Sinopec Corp. made any profit forecast in relation to any asset or project.

7 SIGNIFICANT EQUITY INVESTMENT

For details, please refer to item 4 "CAPITAL INCREASE IN HUNAN PETROCHEMICAL" of the section "Significant Events".

8 SIGNIFICANT SALE OF ASSETS OR EQUITY

In the reporting period, no significant sale of assets or equity occurred by the Company.

9 MATERIAL GUARANTEE CONTRACTS AND THEIR PERFORMANCE

Unit: RMB million

External guarantees (excluding guarantees for controlled subsidiaries)													
Guarantor	Relationship with the Company	Name of guaranteed company	Amount[#1]	Transaction date (date of signing)	Period of guarantee	Type	Principal debt condition	guaranty	Whether completed or not	Whether overdue or not	Amount of overdue guarantee	Counter-guaranteed	Whether guaranteed for connected parties (yes or no)[#2]
Sinopec Corp.	The listed company itself	Zhong An United Coal Chemical Co., Ltd.	4,828	Apr-18	April 2018-December 2031	Joint and several liability guarantee	Normal performance	–	No	No	–	No	No
Sinopec Corp.	The listed company itself	Russian Amur Natural Gas Chemical Integrated LLC	3,735[*3]	Dec-21	December 2021-December 2035 (the mature date is estimated)	Joint and several liability guarantee	Normal performance	–	No	No	–	No	No
Total amount of guarantees provided during the reporting period[*4]													62
Total amount of guarantees outstanding at the end of reporting period[*4] (A)													8,563

Guarantees by the Company to the controlled subsidiaries	
Total amount of guarantee provided to controlled subsidiaries during the reporting period	0
Total amount of guarantee for controlled subsidiaries outstanding at the end of the reporting period (B)	3,541

Total amount of guarantees for the Company (including those provided for controlled subsidiaries)	
Total amount of guarantees (A+B)	12,104
The proportion of the total amount of guarantees to the Sinopec Corp.'s net assets (%)	1.5%
Among which:	
Guarantees provided for shareholder, de facto controller and its related parties (C)	0
Amount of debt guarantees provided directly or indirectly to the companies with liabilities to assets ratio over 70% (D)	8,563
The amount of guarantees in excess of 50% of the net assets (E)	0
Total amount of the above three guarantee items (C+D+E)	8,563
Statement of guarantee undue that might be involved in any joint and several liabilities	None
Statement of guarantee status	

* 1:Guarantee amount refers to the actual amount of guarantee liability that the company may undertake during the reporting period within the approved guarantee limit.

* 2:As defined in the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

* 3:Excluding the interest corresponding to the loan principal agreed in the guarantee contract, export credit premium and other expenses

* 4:The amount of guarantees provided during the reporting period and the outstanding balance of guarantees amount at the end of the reporting period include the guarantees provided by the controlled subsidiaries to external parties. The amount of the guarantees provided by these subsidiaries is derived from multiplying the guarantees provided by Sinopec Corp.'s subsidiaries by the percentage of shareholding of Sinopec Corp. in such subsidiaries.

10 SIGNIFICANT LITIGATION AND ARBITRATION

No significant litigation or arbitration relating to the Company occurred during the reporting period.

11 INSOLVENCY AND RESTRUCTURING

During the reporting period, the Company was not involved in any insolvency or restructuring matters.

12 OTHER MATERIAL CONTRACTS

Saved as disclosed by Sinopec Corp., the Company did not enter into any material contracts subject to disclosure obligations during the reporting period.

13 CREDIBILITY FOR THE COMPANY, CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

During the reporting period, the Company and its controlling shareholder did not fail to perform any effective judgments of the courts or fail to repay any substantial amount of debt due.

14 TRUSTEESHIP, CONTRACTING AND LEASES

During the reporting period, the Company was not involved in any events relating to significant trusteeship, contracting or leases for the assets of any other company, nor has it placed its assets with any other company under a trust, contracting or lease agreement subject to disclosure obligations.

15 ENTRUSTED FINANCING AND LOAN

(1) ENTRUSTED FINANCING

During the reporting period, the Company was not involved in any entrusted financing.

(2) ENTRUSTED LOAN

During the reporting period, the Company was not involved in any entrusted loan.

(3) OTHER LOAN

Unit: RMB million

Type	Fund sources	Transaction amount	Undue amount	Overdue
Project construction loan	Self-owned fund	662	7,288	0

(4) OTHER FINANCING AND DERIVATIVE INVESTMENT

During the reporting period, the Company was not involved in other financing or derivative investment.

16 BUSINESS WITH SINOPEC FINANCE AND CENTURY BRIGHT

(1) DEPOSIT

Unit: RMB million

Related party	Related party relationship	Daily Cap	Interest rate range	Balance at beginning	Transaction amount: Time deposit	Transaction amount: Time deposit withdrawn	Transaction amount: Net changes in current deposit	Balance in the end
Sinopec Finance	China Petrochemical Corporation 51%; Sinopec Corp. 49%	RMB80 billion by Sinopec Finance and Century Bright	current: 0.35%-1.725%; time deposit: 1.35%-7.4%	12,599	9,399	9,049	(5,456)	7,493
Century Bright	China Petrochemical Corporation 100%		current: 0%-0.5%; time deposit: 0.5%-6.39%	52,465	572,524	564,294	(2,221)	58,474

Note: generally, the deposit interest rate at Sinopec Finance and Century Bright is no lower than that of the same type of deposits for the same period from major commercial banks.

(2) LOAN

Unit: RMB million

Related party	Related party relationship	Annual credit line	Interest rate range	Balance at beginning	Transaction amount: Total withdrawal	Transaction amount: Total repayment	Balance in the end
Century Bright	Sinopec Group 100%	103,326	1.72%-6.39%	1,498	345,673	345,747	1,424
Sinopec Finance	Sinopec Group 51%; Sinopec Corp. 49%	73,793	1.08%-4.99%	28,049	96,690	88,915	35,824

Note: generally, the loan interest rate at Sinopec Finance and Century Bright is no higher than that of the same type of deposits for the same period from major commercial banks.

(3) CREDIT OR OTHER FINANCIAL BUSINESS

Unit: RMB million

Related party	Related party relationship	Business nature	Balance in the end	Transaction amount
Sinopec Finance	Sinopec Group 51%; Sinopec Corp. 49%	Credit	14,145	25,015
		Discounted bills	0	5,809

Note: the occurred amount includes the newly issued bills and discounts in the year

In order to regulate connected transactions between the Company and Sinopec Finance Co. (Sinopec Corp.'s domestic settlement center) and to ensure the safety and liquidity of the deposits of the Company at Sinopec Finance Co., Sinopec Corp. and the Finance Company formulated the Risk Control System on Connected Transactions between China Petroleum & Chemical Corporation and Sinopec Finance Co., Ltd., which covers the risk control system and the risk management plan of the Company to prevent financial risks, ensuring the Company's discretion to use and control its deposits with Sinopec Finance Co.. At the same time, as the controlling shareholder of Sinopec Finance Co., China Petrochemical Corporation undertook that in case of an emergency when Sinopec Finance Co. has difficulty in making payments, China Petrochemical Corporation would increase the capital of Sinopec Finance Co. to meet the need for the purpose of making payment.

In order to regulate connected transactions between the Company and Century Bright (Sinopec Corp.'s overseas settlement center), Century Bright ensures the safety of the deposits of the Company at Century Bright by strengthening internal risk controls and obtaining support from China Petrochemical Corporation. China Petrochemical Corporation has formulated a number of internal rules, including the Rules for the Internal Control System, the Rules for Implementation of Overseas Capital Management Methods, and the Provisional Methods for Overseas Fund Platform Management, to impose strict restrictions on Century Bright regarding the provision of overseas financial services. Century Bright has also established the Rules for the Implementation of the Internal Control System, which ensures the standardisation and safety of its corporate deposits business. At the same time, as the wholly controlling shareholder of Century Bright, China Petrochemical Corporation entered into a keep-well agreement with Century Bright in 2013, in which China Petrochemical Corporation undertakes that when Century Bright has difficulty in making payments, China Petrochemical Corporation will ensure that Century Bright will fulfill its repayment obligation through various channels.

The deposits of the Company at Sinopec Finance Co. and Century Bright during the reporting period are in strict compliance with the relevant caps as approved at the general meeting of Sinopec Corp. During daily operations, the Company can withdraw the full amount of its deposits at the Sinopec Finance Co. and Century Bright.

17 APPROPRIATION OF NON-OPERATIONAL FUNDS BY THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES AND THE PROGRESS FOR CLEARING UP

Not applicable

18 STRUCTURED ENTITY CONTROLLED BY THE COMPANY

None

19 INFLUENCE ON THE INDUSTRY FROM NEWLY-ENFORCED LAW, ADMINISTRATIVE RULES, REGULATIONS AND INDUSTRY POLICIES

On 13 January 2023, the General Office of the State Council issued the "Guiding Opinions on Deepening Cross-departmental Comprehensive Supervision", clarifying that a cross-departmental comprehensive regulatory list management and dynamic update mechanism shall be established by the end of 2023, and the competent industry authorities, together with relevant regulatory departments, shall actively carry out cross-departmental comprehensive supervision of key matters such as hazardous chemicals, gas, special equipment, and construction project quality. On 1 August 2023, the CSRC promulgated the Measures for the Administration of Independent Directors of Listed Companies, which came into effect on 4 September 2023, to continue to strengthen the supervision of independent directors of listed companies and supervise and protect independent directors to play their due roles.

In addition, the relevant government departments have also issued other policies and guidance related to ecological and environmental protection, carbon neutrality, carbon peaking, personal information protection, hazardous chemicals management, intellectual property protection, etc., emphasizing the need to strengthen compliance management in terms of sustainable development, energy supply security, and Internet information protection, while focusing on promoting sustainable development and promoting the construction of energy infrastructure suitable for green and low-carbon transformation.

1 AGREEMENTS ON CONTINUING CONNECTED TRANSACTIONS BETWEEN SINOPEC CORP. AND CHINA PETROCHEMICAL CORPORATION

Prior to Sinopec Corp.'s overseas listing, in order to ensure the smooth continuation of production and business of the Company and Sinopec Group, the two parties entered into the agreements on continuing connected transactions.

On 27 August 2021, Sinopec Corp. and its controlling shareholder, China Petrochemical Corporation, entered into the sixth supplemental agreement on continuing connected transactions. The resolution relating to continuing connected transactions for three years from 2022 to 2024 was approved at the first extraordinary general meeting of Sinopec Corp. for the year of 2021 held on 20 October 2021. For details of the above continuing connected transactions, please refer to relevant announcements published on 30 August 2021 in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the SSE and on 29 August 2021 on the website of the Hong Kong Stock Exchange. The capitalised terms used in this section shall have the same meaning as that used in the above-mentioned announcements.

2 COMPLIANCE OF DISCLOSURE AND APPROVALS OF CONTINUING CONNECTED TRANSACTIONS BETWEEN THE COMPANY AND SINOPEC GROUP WITH THE HONG KONG LISTING RULES AND THE SHANGHAI LISTING RULES

Pursuant to the Hong Kong Listing Rules and the Shanghai Listing Rules, the continuing connected transactions between the Company and Sinopec Group are subject to disclosure, independent non-executive directors' approval and/or independent shareholders' approval (if needed) based on the nature and the value of the transactions. Sinopec Corp. has fully complied with the above requirements of the listing rules in relation to the continuing connected transactions between the Company and Sinopec Group.

The aggregated amount of the continuing connected transactions for 2023 of the Company is in compliance with the relevant requirements of the Hong Kong Listing Rules and the Shanghai Listing Rules. For actual performance details of continuing connected transaction agreements, please refer to Item 3 below.

3 ACTUAL PERFORMANCE OF CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BY THE COMPANY DURING THE YEAR

In the reporting period, purchases expenses of the continuing connected transactions of the Company was RMB264.294 billion, representing 8.22% of the total amount of this type of transactions for the reporting period, including purchases of products and services (procurement, storage, transportation, exploration and production services, and production-related services) of RMB251.007 billion, payment of property rent of RMB1.050 billion (annual value of right-of-use assets for property leasing included in continuing connected transactions of RMB1.958 billion), payment of land rent of RMB10.926 billion (annual value of right-of-use assets for lands leasing included in continuing connected transactions of RMB20.389 billion), and interest expenses of RMB1.311 billion. The sales income of the continuing connected transactions of the Company during the reporting period was RMB136.502 billion, representing 4.15% of the total amount of this type of transactions for the reporting period, including sales of products of RMB133.579 billion, agency commission income of RMB81 million, and interest income of RMB2.842 billion. Entrusted loan provided by the Company to the Connected Subsidiaries was RMB1 million. For definitions, please refer to relevant announcements published on 30 August 2021 in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the Shanghai Stock Exchange, and the website of the Hong Kong Stock Exchange on 29 August 2021 and 3 September 2021.

The actual amounts of the above continuing connected transactions between the Company and Sinopec Group did not exceed the relevant caps for the continuing connected transactions as approved by the general meeting of shareholders and the Board.

The continuing connected transactions shall be priced in accordance with the following terms:

(a) The government-prescribed price;

(b) where there is no government-prescribed price but where there is a government-guidance price, the government-guidance price will apply;

(c) where there is neither a government-prescribed price nor a government-guidance price, the market price will apply; or

(d) where none of the above is applicable, the price for the provision of the products or services is to be agreed between the relevant parties, which shall be the reasonable cost incurred in providing the same plus 6% or less of such cost.

For details of the pricing principle, please refer to relevant announcements published on 30 August 2021 in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the Shanghai Stock Exchange and on 29 August 2021 the website of the Hong Kong Stock Exchange.

Decision-making procedures:
The continuing connected transaction agreements were entered into in the ordinary course of the Company's business and in accordance with normal commercial terms that are fair and reasonable to the Company and its shareholders. The Company, according to its internal control procedures, adjusts the scope and the relevant caps of continuing connected transactions every three years, and will announce and execute upon the approval of the Board and/or independent shareholders. For other connected transactions, Sinopec Corp., in strict compliance with domestic and overseas regulatory rules, will publish the announcement and execute the transactions only after submitting the relevant proposals of connected transactions to the Board and/or the general meeting of shareholders for consideration and approval according to internal control procedures.

Related party transactions with the Sinopec Group that occurred during the year, as set out in Note 39 to the financial statements prepared under the IFRS Accounting Standards in this annual report, also fall under the definition of connected transactions under Chapter 14A of the Hong Kong Listing Rules.

The above-mentioned connected transactions between the Company and Sinopec Group were approved at the 2nd meeting of the eighth session of the Board and have complied with the requirements under Chapter 14A of the Hong Kong Listing Rules.

The external auditor of Sinopec Corp. was engaged to report on the Company's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000, Assurance Engagement Other Than Audits or Reviews of Historical Financial Information, and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules, issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its conclusions in respect of the above-mentioned continuing connected transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules.

After reviewing the above-mentioned connected transactions, the independent non-executive directors of Sinopec Corp. have confirmed the following:

(a) The transactions have been conducted in the ordinary course of the Company's business;

(b) The transactions have been entered into based on either of the following terms:

i normal commercial terms; or

ii terms not less favorable than those available from or to independent third parties, where there is no available comparison to determine whether such terms are on normal commercial terms; and

(c) The transactions were conducted pursuant to the terms of relevant agreements, and the terms were fair and reasonable and in the interests of Sinopec Corp. and its shareholders as a whole.

4 OTHER SIGNIFICANT CONNECTED TRANSACTIONS OCCURRED THIS YEAR

For details, please refer to item 2 "ACTUAL DAILY RELATED TRANSACTIONS ENTERED INTO BY THE COMPANY AND CHINA OIL & GAS PIPELINE NETWORK CORPORATION DURING THE REPORTING PERIOD", item 4 "CAPITAL INCREASE IN HUNAN PETROCHEMICAL" and item 5 "THE ISSUANCE OF A SHARES BY SINOPEC CORP. TO THE TARGET SUBSCRIBER (CHINA PETROCHEMICAL CORPORATION)" in the Chapter "Significant Events".

5 FUNDS PROVIDED BETWEEN RELATED PARTIES

Unit: RMB million

		Funds to related parties			Funds from related parties		
Related Parties	Relations	Balance at the beginning of the year	Amount incurred	Balance at the end of the year	Balance at the beginning of the year	Amount incurred	Balance at the end of the year
Sinopec Group	Parent company and affiliated companies*	9,114	3,662	12,776	32,776	(15,359)	17,417
Other related parties	Associates and joint ventures	7,595	647	8,242	5,963	(204)	5,759
Total		**16,709**	**4,309**	**21,018**	**38,739**	**(15,563)**	**23,176**
Reason for provision of funds between related parties					Loans and other accounts receivable and payable		
Impacts on the Company					No material negative impact		

* : affiliated companies include subsidiaries, associates and joint ventures.

The Board is pleased to present the report of the Board of Directors for the year ended 31 December 2023 for the shareholders' review.

1 MEETINGS OF THE BOARD

During this reporting period, Sinopec Corp. held six (6) Board meetings. The details are as follows:

(1) The 14th meeting of the eighth session of the Board was held by written resolution on 13 January 2023, whereby the proposals in relation to the following matters were approved: (i) the continuing related transactions with China Oil & Gas Pipeline Network Corporation for the year 2023; (ii) Internal Control Manual (2023).

(2) The 15th meeting of the eighth session of the Board was held by on-site meeting and video conference on 24 March 2023, whereby the proposals in relation to the following matters were approved: (i) Work Report of the Board for the year 2022; (ii) Report on the Fulfillment of the Key Targets for the year 2022 and the Work Arrangements for the year 2023; (iii) The report on the financial results and business performance of the Company for the year 2022; (iv) provision for impairment for the year 2022; (v) the related transactions for the year 2022; (vi) Continuous Risk Assessment Report of Connected Transactions between Sinopec Corp. and Sinopec Finance Co. and Century Bright; (vii) Report on the Implementation of Derivatives Business for the year 2022 and the Work Plan for the year 2023; (viii) profit distribution plan for the year 2022; (ix) audit costs for the year 2022; (x) Internal Control Assessment Report of Sinopec Corp. for the year 2022; (xi) Financial Statements of Sinopec Corp. for the year 2022; (xii) Annual Report of the Company for the year 2022; (xiii) Sustainability Report of Sinopec Corp. for the year 2022; (xiv) the reappointment of KPMG as the external auditors of Sinopec Corp. for the year 2023 and the authorization of the Board to determine their remunerations; (xv) the resolution in relation to reduction of the registered capital and amendments to the Articles of Association; (xvi) the nomination of Mr. Lv Lianggong as candidate for Executive Director; (xvii) to authorize the Board to determine the interim profit distribution plan of Sinopec Corp. for the year 2023; (xviii) to authorize the Board to determine the issuance of debt financing instrument(s); (xix) to grant to the Board a general mandate to issue new domestic shares and/or overseas-listed foreign shares of Sinopec Corp.; (xx) to grant to the Board a mandate to buy back domestic shares and/or overseas-listed foreign shares of Sinopec Corp.; (xxi) the satisfaction of the conditions of the issuance of A Shares to target subscribers by Sinopec Corp.; (xxii) the resolutions regarding the Plan of the Proposed Issuance of A Shares: (xxii.i) type and par value of shares to be issued, (xxii.ii) manner and timing of issuance, (xxii.iii) subscriber and manner of subscription; (xxii.iv) pricing benchmark date, issue price and pricing principles, (xxii.v) number of shares to be issued, (xxii.vi) lock-up period, (xxii.vii) amount and use of proceeds, (xxii.viii) place of listing, (xxii.ix) arrangement of accumulated undistributed profits, (xxii.x) validity period; (xxiii) the Proposal of the Proposed Issuance of A Shares; (xxiv) the Demonstration and Analysis Report on the Plan of the Proposed Issuance of A Shares; (xxv) the resolution regarding the connected transaction involved in the Proposed Issuance of A Shares; (xxvi) the conditional Subscription Agreement entered into between Sinopec Corp. and China Petrochemical Corporation; (xxvii) the Feasibility Report on the Use of Proceeds Raised from the Proposed Issuance of A Shares; (xxviii) the dilution of current returns by the Proposed Issuance of A Shares, remedial measures and the commitments of related entities; (xxix) the Dividend Distribution and Return Plan for Shareholders for the Next Three Years (2023-2025); (xxx) the resolution regarding the authorisation to the Board with full power to deal with all matters relating to the Proposed Issuance of A Shares; (xxxi) the resolution regarding the authorisation to the Board to amend the Articles of Association in accordance with the situation of the Proposed Issuance of A Shares; (xxxii) Management Measures on Raising Funds; (xxxiii) Notice of Annual General Meeting for 2022, First A Shareholders Class Meeting for 2023, and First H Shareholders Class Meeting for 2023.

(3) The 16th meeting of the eighth session of the Board was held through electronic means of communication on 27 April 2023, whereby the proposals in relation to the following matters were approved: (i) First Quarterly Report for 2023; (ii) Form 20-F of the Company for the year 2022.

(4) The 17th meeting of the eighth session of the Board was held through electronic means of communication on 25 July 2023, whereby the proposal in relation to the appointment of Senior Vice President of Sinopec Corp. was approved.

(5) The 18th meeting of the eighth session of the Board was held by on-site meeting on 25 August 2023, whereby the proposals in relation to the following matters were approved: (i) Report on the Fulfillment of the Key Targets for the first half of the year 2023 and the Work Arrangements for the second half of the year 2023; (ii) profit distribution plan for the first half of the year 2023; (iii) the Continuous Risk Assessment Report of Connected Transactions between Sinopec Corp. and Sinopec Finance Co. and Century Bright for the first half of the year 2023; (iv) Financial Statements for the first half of the year 2023; (v) Interim Report for 2023; (vi) the member adjustment of the Board committees; (vii) the plan on share buy-back by centralized bidding; (viii) Management Regulations of Investor Relations of Sinopec Corp.

(6) The 19th meeting of the eighth session of the Board was held through electronic means of communication on 26 October 2023, whereby the proposals in relation to the following matters were approved: (i) Third Quarterly Report for 2023; (ii) Terms of Reference of the Independent Non-executive Directors; (iii) Terms of Reference of the Audit Committee under the Board of Directors; (iv) reform plan of refining and petrochemical integration in Yueyang area.

For details of each meeting, please refer to the announcements published in China Securities Journal, Shanghai Securities News and Securities Times after each meeting and on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and Sinopec Corp.

2 IMPLEMENTATION OF RESOLUTIONS APPROVED AT THE GENERAL MEETINGS OF SHAREHOLDERS BY THE BOARD

During this reporting period, in accordance with relevant laws and regulations as well as the Articles of Association, all members of the Board diligently and conscientiously implemented the resolutions approved at the general meetings of Sinopec Corp. with due care, and had completed all the tasks delegated to them at the general meetings.

3 DIRECTORS' ATTENDANCE TO THE BOARD MEETINGS AND TO THE GENERAL MEETINGS DURING THE REPORTING PERIOD

(1) Attendance to the Board meetings and general meetings during the reporting period by the Directors of the eighth session of the Board

		Board meeting					General meetings	
Positions	Name	No. of meetings held	On-site attendance	Meetings attended through electronic means of communication	Meetings attended by proxy	Absent	No. of meetings held	Actual attendance
Chairman	Ma Yongsheng	6	2	4	0	0	3	3
Director	Zhao Dong	6	2	4	1	0	3	3
Director	Yu Baocai	6	2	4	0	0	3	0
Director	Li Yonglin	6	2	4	0	0	3	3
Director	Lv Lianggong	3	1	2	0	0	3	3
Independent Director	Cai Hongbin	6	2	4	1	0	3	3
Independent Director	Ng, Kar Ling Johnny	6	2	4	0	0	3	3
Independent Director	Shi Dan	6	2	4	0	0	3	3
Independent Director	Bi Mingjian	6	2	4	0	0	3	3

(2) Attendance to the Board meetings and general meetings during the reporting period by the former Directors of the eighth session of the Board

		Board meeting					General meetings	
Positions	Name	No. of meetings held	On-site attendance	Meetings attended through electronic means of communication	Meetings attended by proxy	Absent	No. of meetings held	Actual attendance
Former Director	Ling Yiqun	2	1	1	0	0	0	0
Former Director	Liu Hongbin	3	1	2	0	0	0	0

Note: No Directors were absent from two consecutive meetings of the Board.

4 THE BOARD COMMITTEES MEETINGS AND THE SPECIAL MEETING OF INDEPENDENT DIRECTORS

During the reporting period, the Board committees held ten (10) meetings, among which, Audit Committee held five (5) meetings, the Remuneration and Appraisal Committee held one (1) meeting, the Sustainable Development Committee held two (2) meetings, and the Nomination Committee held two (2) meetings. All members of each committee attended the relevant meetings. The Company held one (1) Special Meeting of Independent Directors, all Independent Directors attended the meeting. Details of those meetings are as follows:

(1) The 8th meeting of the Audit Committee of the eighth session of the Board was held by written resolution on 13 January 2023, whereby the proposal in relation to the Internal Control Manual (2023) was approved.

(2) The 3rd meeting of the Nomination Committee of the eighth session of the Board was held by written resolution on 22 March 2023, whereby the proposal in relation to the nomination of Mr. Lv Lianggong as candidate for Executive Director was approved.

(3) The 2nd meeting of the eighth session of the Remuneration and Appraisal Committee was held by written resolution on 22 March 2023 whereby the proposal in relation to implementation of the rules of the remuneration of Directors, supervisors and other senior management for 2022 was approved.

(4) The 2nd meeting of the Sustainable Development Committee of the eighth session of the Board was held by written resolution on 22 March 2023, whereby the proposals in relation to the following matters were approved: (i) Sustainability Report of Sinopec Corp. for the year 2022; (ii) Report on the Completion of Environmental Protection Key Targets for the year 2022 and the Work Arrangements for the year 2023; (iii) Report on the Anti-corruption Compliance Work of Sinopec Corp. for the year 2022 and the Work Plan of 2023.

(5) The 9th meeting of the Audit Committee of the eighth session of the Board was held by on-site meeting and video conference on 23 March 2023, whereby the proposals in relation to the following matters were approved: (i) Report on financial results and business performance of the Company for the year 2022; (ii) Continuous Risk Assessment Report of Connected Transactions between Sinopec Corp. and Sinopec Finance Co., Ltd. and Century Bright; (iii) Report on the Implementation of Derivatives Business for the year 2022 and the Work Plan for the year 2023; (iv) Financial Statements of Sinopec Corp. for the year 2022; (v) Annual Report of the Company for the year 2022; (vi) Internal Control Assessment Report of Sinopec Corp. for the year 2022; (vii) Report on the Main Audit Work in 2022 and the Overall Arrangement of Audit Work in 2023; (viii) Resolutions regarding the Issuance of A Shares by Sinopec Corp. to the Target Subscriber.

(6) The 10th meeting of the Audit Committee of the eighth session of the Board was held through electronic means of communication on 27 April 2023, whereby the proposals in relation to the following matters were approved: (i) First Quarterly Report for 2023; (ii) Form 20-F of the Company for the year 2022; (iii) Report on the Implementation of the Internal Audit Plan in the first quarter of 2023.

(7) The 4th meeting of the Nomination Committee of the eighth session of the Board was held through electronic means of communication on 25 July 2023, whereby the proposal in relation to the appointment of Senior Vice President of Sinopec Corp. was approved.

(8) The 11th meeting of the Audit Committee of the eighth session of the Board was held by on-site meeting and video conference on 23 August 2023, whereby the proposals in relation to the following matters were approved: (i) Report on Financial Results and Business Performance for the first half of the year 2023; (ii) Financial Statements for the first half of the year 2023; (iii) Interim Report for 2023; (iv) Continuous Risk Assessment Report of Connected Transactions between Sinopec Corp. and Sinopec Finance Co., Ltd. and Century Bright for the first half of the year 2023; (v) Report on the Main Audit Work for the first half of 2023 and the Major Arrangement of Audit Work for the second half of 2023.

(9) The 3rd meeting of the Sustainable Development Committee of the eighth session of the Board was held through electronic means of communication on 23 August 2023, whereby the proposal in relation to the Report on the Completion of HSE Work for the first half of 2023 and the Work Arrangements for the second half of 2023 was approved.

(10) The 12th meeting of the Audit Committee of the eighth session of the Board was held by on-site meeting and video conference on 25 October 2023, whereby the proposals in relation to the following matters were approved: (i) Third Quarterly Report for 2023; (ii) Report on the Implementation of the Internal Audit Plan in the third quarter of 2023.

(11) The 1st meeting of the Special Meeting of Independent Directors of the eighth session of the Board was held by on-site meeting and video conference on 25 October 2023, whereby the proposal in relation to the reform plan of refining and petrochemical integration in Yueyang area was approved.

5 BOARD COMMITTEES ISSUED REVIEW OPINIONS TO THE BOARD WHEN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD WITHOUT OBJECTION.

6 PERFORMANCE OF THE DIRECTORS

During the reporting period, The Directors of Sinopec Corp. fulfilled their duties diligently in accordance with the Articles of Association, attended Board meetings and meetings of the Board committees (please refer to the Report of the Board of Directors in this annual report for their attendance of the meetings). The Directors reviewed proposals with due care, used their professional expertise to provide suggestions on decision-making of significant events, maintained timely and effective communication with the management, external auditors and internal audit department, and promoted scientific decision-making by offering advice on the

Company's development strategy, operations and reform. Sinopec Corp. has established the mechanism of the Special Meeting of Independent Directors to built platform for Independent Directors fulfilling their duties. The Independent Directors conscientiously fulfilled their duties as required by Terms of Reference of the Independent Non-executive Directors, played a positive role in "participation in decision-making, supervision and independence, professional consultation", listened to the reports on significant decisions. The Independent Directors conducted research on a regular basis and visited subsidiaries of Sinopec Corp. in Jiangsu and Hainan to research the situation of business development, actively followed up business operation of the Company. The Independent Directors issued their independent opinions on matters such as nomination of candidate for Director, appointment of senior management, connected transactions, profit distribution plan, re-appointment of accounting firms, issuance of A Shares to target subscriber, share buy-back proposal, and protected the minority shareholders' legitimate interests. None of the Directors had any objection to the Company's resolutions, and all the suggestions of Directors on relevant reform and development were accepted.

Pursuant to requirements of securities regulatory authority of China, Independent Directors of Sinopec Corp. reviewed the performance of the senior management of Sinopec Corp. who concurrently are senior management in China Petrochemical Corporation, and issued a special opinion as follows: "The President Mr. Yu Baocai, Senior Vice Presidents Mr. Ling Yiqun, Mr. Li Yonglin, Mr. Lv Lianggong and Mr. Niu Shuanwen, each of whom concurrently held position as senior management of China Petrochemical Corporation, have obtained the exemptions for holding concurrent position from CSRC in accordance with the applicable rules. In 2023, Mr. Yu Baocai, Mr. Ling Yiqun, Mr. Li Yonglin, Mr. Lv Lianggong and Mr. Niu Shuanwen strictly abided by the provisions of laws and regulations, the Articles of Association and the service contracts, conscientiously fulfilled their duties of loyalty and diligence, implemented the resolutions of the Board, and gave sufficient time and attention to organize production and operation. They protected the interests of Sinopec Corp. and its shareholders effectively and had not violated the legitimate interests of Sinopec Corp. and its shareholders due to holding aforesaid concurrent positions in China Petrochemical Corporation."

7 BUSINESS PERFORMANCE

The financial results of the Company for the year ended 31 December 2023, which were prepared in accordance with IFRS Accounting Standards and the financial position as at that date and the accompanying analysis are set out from page 154 to page 212 in this annual report. A fair review of the Company's business, a discussion and analysis on business performance using financial key performance indicators and the material factors underlying our results and financial position during the reporting period, particulars of significant events affecting the Company and the outlook of the Company's business are discussed throughout this annual report and included in the sections "Chairman's Address", "Business Review and Prospects", "Management's Discussion and Analysis" and "Significant Events" of this annual report. All of the above discussions constitute parts of the report of the Board of Directors.

8 DIVIDEND

The profit distribution policy of Sinopec Corp. maintains consistency and steadiness and taken into account the long-term interests of the Company, overall interests of all the shareholders and the sustainable development of the Company. Sinopec Corp. gives priority to adopting cash dividends for profit distribution and is allowed 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 Sinopec Corp. can satisfy the normal operation and sustainable development, Sinopec Corp. should adopt cash dividends and the distribution profits in cash every year shall be 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, taking into account the advice from the minority shareholders.

Proposals for dividend distribution

At the 21st meeting of the eighth session of the Board, the Board approved the proposal to distribute a final cash dividend of RMB0.2 (tax inclusive) per share for 2023. Taking into account the distributed interim dividend of RMB0.145 (tax inclusive) per share for the first half of 2023, the total dividend for the whole year is RMB0.345 (tax inclusive) per share.

The final cash dividend will be distributed on or before Friday, 26 July 2024 to all shareholders whose names appear on the register of members of Sinopec Corp. on the record date of Monday, 15 July 2024. In order to qualify for the final dividend for H shares, the holders of H shares must lodge all share certificates accompanied by the transfer documents with Hong Kong Registrars Limited located at 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on Tuesday, 9 July 2024 for registration. The H shares register and transfer of members of Sinopec Corp. will be closed from Wednesday, 10 July 2024 to Monday, 15 July 2024 (both dates inclusive). The dividend will be denominated and declared in RMB, and distributed to the domestic shareholders and investors participating in the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect Programmes in RMB and to the overseas shareholders in Hong Kong Dollar. The exchange rate for the dividend calculated in Hong Kong Dollar is based on the average benchmark exchange rate of RMB against Hong Kong Dollar as published by the People's Bank of China one week preceding the date of the declaration and distribution of such dividend.

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, Sinopec Corp. is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H Shares of Sinopec Corp. when distributing the cash dividends or issuing bonus shares by way of capitalisation from retained earnings. Any Shares of the Sinopec Corp. which are not registered under the name of an individual shareholder, including those registered under HKSCC Nominees Limited, other nominees, agents or trustees, or other organisations or groups, shall be deemed as shares held by non-resident enterprise shareholders. On such basis, enterprise income tax shall be withheld from dividends payable to such shareholders. If holders of H Shares intend to change their shareholder status, please enquire about the relevant procedures with your agents or trustees. Sinopec Corp. will strictly comply with the law or the requirements of the relevant government authority to withhold and pay enterprise income tax on behalf of the relevant shareholders based on the registration of members for H shares of Sinopec Corp. as at the record date.

If the individual holders of H shares are residents of Hong Kong, Macau or countries which had an agreed tax rate of 10% for cash dividends or bonus shares by way of capitalisation from retained earnings with China under the relevant tax agreement, Sinopec Corp. should withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. If the individual holders of H Shares are residents of countries which had an agreed tax rate of less than 10% with China under relevant tax agreement, Sinopec Corp. shall withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. In that case, if the relevant individual holders of H Shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, Sinopec Corp. would apply for the relevant agreed preferential tax treatment pursuant to the relevant tax agreement provided that the relevant shareholders submit the evidence required by the notice of the tax agreement to the share register of H Shares of Sinopec Corp. in a timely manner. Sinopec Corp. will assist with the tax refund after the approval of the competent tax authority. If the individual holders of H Shares are residents of countries which had an agreed tax rate of over 10% but less than 20% with China under the tax agreement, Sinopec Corp. shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreements. If the individual holders of H Shares are residents of countries which had an agreed tax rate of 20% with China, or which had not entered into any tax agreement with China, or otherwise, Sinopec Corp. shall withhold and pay the individual income tax at a rate of 20%.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Caishui [2016] No.127):

For dividends of domestic investors investing in the H Shares of Sinopec Corp. through Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect Program, the Company shall withhold and pay income tax at the rate of 20% on behalf of individual investors and securities investment funds. The Company will not withhold or pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax by themselves.

For dividends of investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A Shares of Sinopec Corp. through Shanghai-Hong Kong Stock Connect Program, the Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the competent tax authorities for the withholding. For investors who are tax residents of other countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, the enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the amount paid in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

The dividend distribution and capital reserve capitalization declared by Sinopec Corp. in the past three years are as follows:

	2023	2022	2021
Cash dividends (RMB/Share, tax inclusive)	0.345	0.355	0.47
Cash dividends paid in other ways (such as repurchase of shares) (RMB million, tax inclusive)	2,325	4,179	0
Total amount of cash dividends (including dividends paid in other ways) (RMB million, tax inclusive)	43,575	46,930	56,903
Net profits attributed to the shareholders of the listed company shown in the consolidated statement for the dividend year (in accordance with CASs, RMB million)	60,463	67,082	71,716
Ratio of the dividends to the net profit attributed to the shareholders of the listed company in the consolidated statement (%)	72.1	70.0	79.3

Note: The final cash dividend for 2023 is subject to the approval at the 2023 annual general meeting.

The aggregate cash dividend declared by Sinopec Corp. during three years from 2021 to 2023 is RMB1.17 per share, with a total amount of RMB140.904 billion, the total paid amount for repurchase of shares was RMB6.504 billion, and the aggregate amount with cash dividend was RMB147.408 billion. The total dividend payment from 2021 to 2023 as a percentage of average net profit attributed to the shareholders of the listed company in the three years is 221.93%.

9 RESPONSIBILITIES FOR THE COMPANY'S INTERNAL CONTROL

The Board is fully responsible for establishing and maintaining the internal control system related to the financial statements as well as ensuring its effective implementation. In 2023, the Board assessed and evaluated the internal control of Sinopec Corp. according to the Basic Standard for Enterprise Internal Control, Application Guidelines for Enterprise Internal Control and Assessment Guidelines for Enterprise Internal Control. There were no material defect in relation to the internal control system as of 31 December 2023. The internal control system of Sinopec Corp. related to the financial statements is sound and effective. 2023 Internal Control Assessment Report of Sinopec Corp. was reviewed and approved at the 21st meeting of the eighth session of the Board on 22 March 2024, and all members of the Board warrant that the contents of the report are true, accurate and complete, and there are no false representations, misleading statements or material omissions contained in the report.

10 DURING THE REPORTING PERIOD, THE COMPLIANCE OF ENVIRONMENTAL POLICIES BY THE COMPANY

During the reporting period, the Company complied with the environmental policy in all material aspects. Details with regard to the Company's environmental policies and performances are provided in the section "Environmental and Social Responsibilities" in this annual report as well as the 2023 Sustainability Report of Sinopec Corp.

11 DURING THE REPORTING PERIOD, THE COMPANY DID NOT VIOLATE LAWS OR REGULATIONS WHICH HAVE A MATERIAL IMPACT ON THE COMPANY

12 MAJOR SUPPLIERS AND CUSTOMERS

The Company maintained a stable cooperation relationship with major suppliers and customers. During the reporting period, the total value of the purchasing from the top five suppliers accounted for 39.38% of the total value of purchasing by the Company, among which, the purchasing value of the largest supplier accounted for 9.63% of the total annual purchasing value and the total value of the purchasing from the connected party Sinopec Group among the five largest supplier was RMB189.671 billion, accounted for 7.00% of the total value of purchasing by the Company.

The total revenue from the five largest customers of the Company in 2023 was RMB243.892 billion, accounting for 7.59% of the total revenue of the Company, among which the sales value to the connected party Sinopec Group among the five largest customers was RMB87.761 billion, accounting for 2.73% of the total revenue for the year.

During the reporting period, other than disclosed above, to the best knowledge of the Board of the Directors of the Company, none of the Directors of the Company, their close associates, and shareholders holding more than 5% of the shares of the Company had any interest in the top five suppliers or the top five customers of the Company. There were no suppliers, customers, employees or others on which the Company's success depends.

13 BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company as of 31 December 2023 are set out in Note 30 to the financial statements prepared in accordance with IFRS Accounting Standards in this annual report.

14 FIXED ASSETS

During the reporting period, changes to the fixed assets of the Company are set out in Note 17 to the financial statements prepared in accordance with IFRS Accounting Standards in this annual report.

15 RESERVES

During the reporting period, the changes to the reserves of the Company are set out in the consolidated statement of changes in shareholders' equity in the financial statements prepared in accordance with IFRS Accounting Standards in this annual report.

16 DONATIONS

During the reporting period, the amount of charity donations made by the Company amounted to approximately RMB310 million.

17 PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the shareholders of Sinopec Corp. are not entitled to any pre-emptive rights. Therefore, the existing shareholders cannot request Sinopec Corp. to issue shares to them on a preferential basis in proportion to their shareholdings.

18 REPURCHASE, SALES AND REDEMPTION OF SHARES

(1) Progress in the implementation of share repurchase of Sinopec Corp.

On 30 May 2023, the Annual General Meeting for 2022, the First A Shareholders Class Meeting for 2023 and the First H Shareholders Class Meeting for 2023 of Sinopec Corp. considered and approved the Resolution to Grant to the Board a Mandate to Buy Back Domestic Shares and/or Overseas-listed Foreign Shares of Sinopec Corp., authorizing the Board (or the director authorised by the Board) to buy back A Shares or H Shares not exceeding 10% of the issued number of A Shares or H Shares of Sinopec Corp. in issue.

On 25 August 2023, to preserve the value of both Company and shareholders' equity interests, the 12th meeting of the eighth session of the Board considered and approved the Plan on Repurchasing the Company's Shares by Centralized Bidding Transactions. For details, please refer to the announcement disclosed by Sinopec Corp. on the website of the Shanghai Stock Exchange on 28 August 2023.

On 28 August 2023, Sinopec Corp. commenced the repurchase of A shares and H shares. Sinopec Corp. has finished the repurchase of A shares on 24 November 2023, and completed the cancellation of all repurchased A shares on 25 December 2023. For details, please refer to the announcements disclosed by Sinopec Corp. on the website of the Shanghai Stock Exchange on 25 November 2023 and 23 December 2023. Sinopec Corp. completed the cancellation of repurchased H shares on 8 September 2023 and 22 December 2023 respectively. For details, please refer to the related announcements disclosed by Sinopec Corp. on the website of the Hong Kong Stock Exchange on 22 December 2023.

As of 31 December 2023, Sinopec Corp. has repurchased 143.50 million A shares, accounting for 0.12% of the total issued shares of Sinopec Corp. on 31 December 2023, the highest and lowest repurchase prices were RMB6.17 and RMB5.29 per share respectively, and the total amount paid was RMB816,009,269 (exclusive of transaction fees). For details, please refer to the Announcement on the Results of the Implementation of Share Repurchase disclosed by Sinopec Corp. on the website of the SSE on 25 November 2023. Sinopec Corp. has repurchased 403.656 million H Shares, accounting for approximately 0.34% of the total issued shares of Sinopec Corp. on 31 December 2023, and the total amount paid was HK$1,646,392,242 (exclusive of transaction fees).

A Share Repurchase

Month	Repurchase Amount	Price per share Highest (RMB/share)	Lowest (RMB/share)	Total Amount (RMB)
9	19,600,015	6.17	6.08	120,230,857.40
10	69,719,533	6.02	5.37	400,969,699.42
11	54,180,452	5.60	5.29	294,808,712.62

H Share Repurchase

Month	Repurchase Amount	Price per share Highest (HK$/share)	Lowest (HK$/share)	Total Amount (HK$)
8	32,688,000	4.56	4.48	147,866,412.80
9	32,582,000	4.38	4.24	139,652,255.20
10	37,744,000	4.15	4.00	152,980,647.20
11	184,120,000	4.24	3.98	751,261,659.40
12	116,522,000	4.04	3.78	454,631,267.60

(2) Progress in the implementation of share repurchase of subsidiaries

During the reporting period, Sinopec Shanghai Petrochemical Company Limited, as a subsidiary of the Sinopec Corp. repurchased its H share. For details, please refer to the related announcements disclosed by Sinopec Shanghai Petrochemical Company Limited on the website of the SSE and the Hong Kong Stock Exchange.

Save as disclosed above, during the reporting period, neither Sinopec Corp. nor any of its subsidiaries repurchased, sold or redeemed any listed shares of Sinopec Corp. or its subsidiaries.

19 DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the end of the reporting period, the Company has resolved its competition with Sinopec Group in the chemical business. For details for the positions held by the Directors (excluding Independent Non-executive Directors) of Sinopec Corp. in the Sinopec Group during the reporting period, please refer to the section "Corporate Governance" of this annual report.

20 DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which Sinopec Corp. or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the reporting period.

21 MANAGEMENT CONTRACTS

No contracts concerning management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the reporting period.

22 PERMITTED INDEMNITY PROVISIONS

During the reporting period, Sinopec Corp. has purchased liability insurance for all Directors to minimise their risks arising from the performance of their duties. The permitted indemnity provisions are stipulated in such Directors' liability insurance in respect of the liabilities and costs associated with the potential legal proceedings that may be brought against such Directors.

23 EQUITY-LINKED AGREEMENTS

As of 31 December 2023, the Company has not entered into any equity-linked agreement.

24 OIL & GAS RESERVE APPRAISAL PRINCIPLES

We manage our reserves estimation through a two-tier management system. Our Oil and Natural Gas Reserves Management Committee, or RMC, at the headquarter level oversees the overall reserves estimation process including organisation, coordination, monitoring and major decision-making, and reviews the reserves estimation of the Company. Each of our oilfield branches has a reserves management committee that manages and coordinates the reserves estimation, organises the estimation process and reviews the reserve estimation report at the branch level, being responsible to the RMC of the Company.

Our RMC consists of the senior management of the Company, related departments of headquarter, senior managers of International Petroleum Exploration and Production Limited and Petroleum Exploration and Production Research Institute of Sinopec (PEPRIS). Mr. Niu Shuanwen, the Chairman of RMC is Senior Vice President of Sinopec Corp., with about 30 years of experience in oil and gas industry. A majority of our RMC members hold master's or Ph.D. degrees, and have an average of more than 20 years of technical experience in relevant professional fields, such as geology, engineering and economics.

Our reserves estimates are guided by procedural manuals and technical guidance formulated by the Company. A number of working divisions at the production bureau level, including the exploration, development and financial divisions, are responsible for initial collection and compilation of information about reserves. Experts from exploration, development and economic divisions prepare the initial report on the reserves estimate which is then reviewed by the RMC at the subsidiary level to ensure the qualitative and quantitative compliance with technical guidance as well as its accuracy and reasonableness. We also engage external consultants to assist in our compliance with the rules and regulations of the U.S. Securities and Exchange Commission.
Our reserves estimation process is further facilitated by a specialised reserves database, which is improved and updated periodically.

25 CORE COMPETITIVENESS ANALYSIS

The Company is a large-scale integrated energy and petrochemical company with upstream, mid-stream and downstream operations, and has overall strong strength of scale. The Company is a large oil and gas producer in China and ranks first globally in terms of refining capacity. The Company ranks domestically first and globally second in terms of ethylene production. The Company is equipped with a well-developed refined oil products sales network, being the largest supplier of refined oil and chemical products in China.

The integrated business structure of the Company carries strong advantages in synergy among its various business segments, contributing to the Company by tapping onto potentials in attaining an efficient and comprehensive utilisation of its resources, and endows the Company with strong capabilities in risk resistance and sustaining profitability.

The Company enjoys a favourable positioning with its operations located close to the consumer markets. The steady growth in the Chinese economy is helpful to the development of both refined oil business and chemical business of the Company; through continuous and specialised marketing efforts, the Company's capability in international operations and market expansion has been further enhanced.

The Company owns a team of professionals with expertise in the production of oil and gas, operation of refineries and chemical plants, as well as marketing activities. The Company applies outstanding fine management measures with its remarkable capabilities in management of operations and enjoys an operational cost advantage in its downstream businesses.

The Company has formulated a well-established technology system and mechanism, and owns competent teams specialised in R&D covering a wide range of subjects; the five platforms for technology advancement are taking shape, which includes exploration and development of oil and gas, refining, petrochemicals, utility and strategic emerging technology. With its overall technologies reaching state of the art level in the global arena, and certain technologies taking the lead globally, the Company enjoys a strong technical strength.

The Company always attaches great importance to the fulfilment of corporate social responsibilities and carries out the green and clean development strategy to pursue a sustainable development. Moreover, the Company enjoys an outstanding "Sinopec" brand name, plays an important role in the national economy and is a renowned and reputable company in China.

The Company formulated a strategy and plan for future green transformation and development, accelerating the development of new energy with hydrogen energy as the core and high-end chemical materials, and focusing on building a globally leading clean energy and chemical company.

26 RISK FACTORS

In the course of its production and operations, Sinopec Corp. will actively take various measures to circumvent operational risks. However, in practice, it may not be possible to prevent the occurrence of all risks and uncertainties described below.

Risks with regard to the variations from macroeconomic situation: The business results of the Company are closely related to macroeconomic situation. The global economy experienced insufficient driving force and more uncertainty. The development of economy is increasingly constrained by climate change and environmental issues. The Company's business could also be adversely affected by other factors such as the impact on export due to carbon tariffs and trade protectionism from certain countries, and impact on the return of the investment of upstream projects and refining and storage projects which results from the uncertainty of geopolitics, international crude oil price and etc.

Risks with regard to the cyclical effects from the industry: The majority of the Company's operating income comes from the sales of refined oil products and petroleum and petrochemical products, and part of those businesses and their related products are cyclic and are sensitive to macro-economy, cyclic changes of regional and global economy, industry polices, the changes of the production capacity and output, demand of consumers, prices and supply of the raw materials, as well as prices and supply of the alternative products etc. Although the Company is an integrated company with upstream, midstream and downstream operations, it can only counteract the adverse influences of industry cycle to a certain extent.

Risks from the macro policies and government regulation: Although the Chinese government is gradually liberalizing the market entry regulations on petroleum and petrochemicals sector, the petroleum and petrochemical industries in China are still subject to entry regulations to a certain degree, which include: issuing exploration and mining permits in relation to crude oil and natural gas, issuing licenses in relation to exploration and development of crude oil and natural gas, issuing business licenses for trading crude oil and refined oil, setting caps for retail prices of gasoline, diesel and other refined oil products, the imposition of the special oil income levy; the formulation of refined oil import and export quotas and procedures, the formulation of safety, environmental protection and quality standards and the formulation of energy conservation policies, restrictions on high energy consumption and high pollution projects, etc. In addition, the changes which have occurred or might occur in macro and industry policies such as further opening up of crude oil import licenses and the right of tenure and the continuous control of export quota of refined oil; deepening the reform and improvement in pricing mechanism of natural gas, accelerating the exploration of upstream and downstream price linkage mechanisms, cost supervision of gas pipeline and equal access to third party and accelerating the establishment of a uniform gas energy metering and pricing system; affected by the continuous increase in the penetration rate of new energy vehicles, the scale of substitution of refined oil products has expanded; reforming in resource tax and environmental tax; and the introduction of measures for energy conservation and carbon reduction in key areas to improve energy efficiency; and the introduction of transforming policy from "double control" of energy consumption to "double control" of carbon emissions and intensity, etc. Such factors might further impact the industry development and market environment and the operations and profitability of the Company.

Risks with regard to the changes from environmental legislation requirements: The Company's production activities generate waste water, gases, solids and noise. The Company has built up the corresponding pollution prevention and risk control facilities to prevent and reduce the pollution. However, the relevant government authorities may issue and implement much stricter environmental protection laws and regulations, adopt much stricter environment protection standards. Under such situations, the Company may increase expenses in relation to the environment protection accordingly.

Risks from the uncertainties of obtaining additional oil and gas resources: The future sustainable development of the Company is dependent on our abilities in continuously discovering or acquiring additional oil and natural gas resources to a certain extent. To obtain oil and natural gas resources, the Company faces some inherent risks associated with exploration and development and/or with acquisition activities of oil and gas resources, and the Company has to invest a large amount of money with no guarantee of certainty. If the Company fails to increase the reserves of crude oil and natural gas through further exploration, development and acquisition, the oil and natural gas reserves and production of the Company may decline over time which may adversely affect the Company's financial situation and operation performance.

Risks with regard to the external purchase of crude oil: A significant amount of crude oil as needed by the Company is satisfied through external purchases. In recent years, especially influenced by mismatch between supply and demand of crude oil, volatile geopolitics, slow global economic recovery and other factors, the prices of crude oil fluctuate sharply. Additionally, the supply of crude oil may even be interrupted due to some extreme major incidents in certain regions. Although the Company has taken flexible countermeasures, it may not fully avoid risks associated with any significant fluctuation of international crude oil prices and sudden disruption of supply of crude oil from certain regions.

Risks with regard to the operation and natural disasters: The petroleum and petrochemical industry is exposed to the high risks of inflammation, explosion, toxicity, harm and environmental pollution and is vulnerable to natural disasters such as extended weather. Such emergencies may cause impacts to the society, financial losses to the Company and grievous injuries to people. The Company has always been laying great emphasis on the safety production, and has implemented a strict HSE management system as an effort to avoid such risks as far as possible. Meanwhile, the main assets and inventories of the Company as well as the possibility of damage to a third party have been insured. However, such measures may not shield the Company from financial losses or adverse impact resulting from such emergencies.

Investment risks: Petroleum and chemical sector is a capital-intensive industry. Although the Company has adopted a prudent investment strategy, executed the investment management rules and negative investment lists effectively, conducted rigorous feasibility study and risk evaluation on each investment project, and organized special verifications in raw material market, technical scheme, profitability, safety and environmental protection, legal compliance, etc on major structural adjustment and layout projects to ensure making decision rigorously and scientifically, certain investment risks will still exist due to major changes in factors such as market environment, industrial policies, prices of commodities, and construction period during the implementation of the projects.

Risks with regard to overseas business development and management: The Company engages in oil and gas exploration, refining and chemical, warehouse logistics and international trading businesses in some regions and countries overseas. The Company's overseas businesses and assets are subject to the jurisdiction of the host country's laws and regulations. In light of the complicated factors such as changes in international geopolitics, uncertainty of economic recovery, imbalance of global and regional economy, competitiveness of industry and trade structure, exclusiveness of regional trading blocs, polarisation of benefits distribution in trade, and politicisation of economic and trade issues, and political, economic, social, safety, legal, environmental and other risks in the country where overseas business and assets are located, including sanctions, barriers to entry, instability in the financial and taxation policies, contract defaults, tax dispute, the Company's risks with regard to overseas business development and management could be increased.

Currency risks: At present, China implements an administered floating exchange rate regime based on market supply and demand which is regulated with reference to a basket of currencies in terms of the exchange rate of Renminbi. As the Company purchases a significant portion of crude oil in foreign currency which is based on US dollar-denominated prices, the realized price of crude oil is based on international crude oil price. Despite the fact that the price of the domestic refined oil products will change as the exchange rate of the Renminbi changes according to the pricing mechanism for the domestic refined oil products, and the price of other domestic petrochemical products will also be influenced by the price of the imported products, which to a large extent, smooths the impact of the Renminbi exchange rate on the processing and sales of the Company's crude oil refined products., the fluctuation of the Renminbi exchange rate will still have an effect on the income of the upstream sector.

Cyber-security risks: The Company has a well-established network safety system. The Company establishes an emergency response mechanism in relation to network security operation and information system, builds an information platform of network security risk management and control, operated by a professional network security team, and devotes significant resources to protecting the digital infrastructure and data of the Company against cyber-attacks. However, continuous attention should be paid to the coverage and efficiency of these protection measures. If our systems against cyber-security risk are proved to be insufficient or ineffective, the Company could be adversely affected by, among other things, disruptions to our business operations, and loss of key information, thus causing harm to our personnel, property, environment and reputation. As cyber-security attacks continue to evolve, the Company may be required to expend additional resources to enhance our protective measures against cyber-security breaches, in particular increase investment in new solutions and technologies such as data security solution, business security solution, cloud computing, and Internet of Things devices to improve the cyber-security protection level.

By Order of the Board
Ma Yongsheng
Chairman

Beijing, China, 22 March 2024

Dear Shareholders:

In 2023, the Supervisory Committee and each supervisor of Sinopec Corp. diligently performed their supervision responsibilities, actively participated in the supervision process of decision making, carefully reviewed and effectively supervised the major decisions of the Company, and endeavored to safeguard the interests of shareholders and the Company in accordance with the PRC Company Law and the Articles of Association of Sinopec Corp.

During the reporting period, the Supervisory Committee held five (4) meetings in total, and mainly reviewed and approved the proposals in relation to the Company's annual report, financial statements, sustainability report, internal control assessment report and working report of the Supervisory Committee etc. Details are as below:

On 24 March 2023, the 8th meeting of the eighth session of the Supervisory Committee was held, and the proposals in relation to the Financial Statements of Sinopec Corp. for 2022, Annual Report of Sinopec Corp. for 2022, Sustainability Report of Sinopec Corp. for 2022, Internal Control Assessment Report of Sinopec Corp. for 2022, Work Report of the Supervisory Committee of Sinopec Corp. for 2022, Work Plan of the Supervisory Committee of Sinopec Corp. for 2023, and proposals regarding the issuance of A Shares to China Petrochemical Corporation were reviewed and approved at the meeting.

On 27 April 2023, the 9th meeting of the eighth session of the Supervisory Committee was held, and the proposal in relation to the First Quarterly Report of Sinopec Corp. for the three months ended 31 March 2023 and 20-F Report of Sinopec Corp. for 2022 were reviewed and approved at the meeting.

On 25 August 2023, the 10th meeting of the eighth session of Supervisory Committee was held, the Interim Financial Statements of Sinopec Corp. for 2023, and the Interim Report of Sinopec Corp. for 2023 were reviewed and approved at the meeting.

On 26 October 2023, the 11th meeting of the eighth session of the Supervisory Committee was held, and the Third Quarterly Report of Sinopec Corp. for the three months ended 30 September 2023 was reviewed and approved at the meeting.

In addition, the Company organised the supervisors to attend the general meetings of shareholders and meetings of the Board. The company organized some supervisors to go to the Hong Kong Stock Exchange and the SSE in May and September 2023 to conduct communication and research. Through in-depth communication with regulators on ESG construction, private placement, market value management and other matters of concern to the Company, providing solid foundation for supervisors' performance of its responsibilities and duties according to laws and regulations.

In 2023, the world economic recovery continued to be under pressure, and China's economy came out of a recovery curve with a positive recovery despite the continued pressure. Through supervision and inspection on the production and operation management as well as financial management, the Supervisory Committee and all the supervisors concluded that facing the complex and changeable severe environment, Sinopec Corp. fully executed the management plan of the Board, gave full play to the advantages of integration, made every effort to expand the market, increase sales volume and profitability, steadily promoted transformation and upgrading, focused on scientific and technological innovation and empowerment, deepened the reform of systems and mechanisms, adhered to the bottom line of compliant operation, coordinated and promoted all aspects of work, and achieved high-quality results. The Supervisor Committee had no objection to the supervised issues during the reporting period.

Firstly, the Board and the senior management of Sinopec Corp. performed their responsibilities and duties pursuant to relevant laws and regulations under the PRC Company Law and the Articles of Association, and made informed decisions on major issues. The senior management diligently executed the resolutions approved by the Board, planned overall layout, fully implemented high-quality development actions, optimized production and operation organization in all aspects, and fully promoted quality improvement, efficiency enhancement, and stable growth, resulting in giving full play to achieve the annual target of business operations set by the Board. During the reporting period, the Supervisor Committee did not discover any behavior of any director or senior management which violated laws, regulations, the Articles of Association, or was detrimental to the interests of Sinopec Corp. or its shareholders.

Secondly, the annual reports and financial statements prepared by Sinopec Corp. for 2023 complied with the relevant regulation of domestic and overseas securities regulators, the disclosed information truly, accurately, completely and fairly reflected Sinopec Corp.'s financial results and operation performance. The dividend distribution plan was made after comprehensive consideration of the long-term interests of Sinopec Corp. and the interests of the shareholders. No violation of confidential provisions by persons who prepared and reviewed the financial report was found.

Thirdly, the positions in Sinopec Corp.'s internal control have clear responsibilities and duties, and the internal control system was effective. No material defect of internal control system of the Company was found.

Fourthly, the consideration for assets transactions made by Sinopec Corp. was fair and reasonable, neither inside trading, damage to shareholders' interest nor losses of corporate assets were discovered.

Fifthly, all connected transactions of the Company were in compliance with the relevant rules and regulations of domestic and overseas listing exchanges. The pricing of all the connected transactions was fair and reasonable. No behavior detrimental to the interests of Sinopec Corp. or its shareholders was discovered.

In 2024, the Supervisory Committee and each supervisor will continue to follow the principle of due diligence and integrity, earnestly perform the duties of supervision as delegated by the shareholders, strictly review the significant decisions, strengthen the process control and supervision, increase the strength of inspection and supervision on subsidiaries and protect Sinopec Corp.'s benefit and its shareholders' interests.

Zhang Shaofeng
Chairman of the Supervisory Committee

22 March 2024

1 CHANGES IN THE SHARE CAPITAL

Unit: share

Item	Before change Amount	Before change percentage (%)	Changes Amount[1]	After change Amount	After change percentage (%)
RMB ordinary shares	95,115,471,046	79.33	(143,500,000)	94,971,971,046	79.57
Domestic listed foreign shares	–	–	–	–	–
Foreign shares listed overseas	24,780,936,600	20.67	(403,656,000)	24,377,280,600	20.43
Others	–	–	–	–	–
Total number of shares	119,896,407,646	100	(547,156,000)	119,349,251,646	100

Note 1: During the reporting period, 143,500,000 A shares of Sinopec Corp. were repurchased and cancelled, and 403,656,000 H shares of Sinopec Corp. were repurchased and cancelled. During the reporting period, there was no issue of new shares, stock dividends, or conversion of provident fund into shares.

2 NUMBER OF SHAREHOLDERS AND THEIR SHAREHOLDINGS

As of 31 December 2023, the total number of shareholders of Sinopec Corp. was 399,412 including 393,981 holders of A shares and 5,431 holders of H shares. As of 29 February 2024, the total number of shareholders of Sinopec Corp. was 378,416. Sinopec Corp. has complied with requirement for public float under the Hong Kong Listing Rules.

(1) Shareholdings of top ten shareholders

The shareholdings of top ten shareholders as of 31 December 2023 are listed as below:

Unit: share

Name of shareholders	Nature of Shareholders	Percentage of shareholdings %	Total number of shares held	Changes of Shareholding[1]	Number of shares subject to pledges, marked or lock-up
China Petrochemical Corporation[2]	State-owned Share	67.56	80,633,828,289	61,660,896	0
HKSCC Nominees Limited[3]	H Share	20.30	24,226,599,699	(408,299,599)	Unknown
中國證券金融股份有限公司	A Share	1.95	2,325,374,407	0	0
中國石油天然氣集團有限公司	A Share	1.81	2,165,749,530	0	0
香港中央結算有限公司	A Share	1.03	1,228,874,968	83,074,942	0
中國人壽保險股份有限公司－傳統－普通保險產品－005L－CT001 滬	A Share	0.51	603,945,092	158,325,150	0
中央匯金資產管理有限責任公司	A Share	0.26	315,223,600	0	0
國新投資有限公司	A Share	0.20	243,314,589	243,314,589	0
國信證券股份有限公司	A Share	0.20	237,544,524	2,392,600	0
中國工商銀行－上證50 交易型開放式指數證券投資基金[4]	A Share	0.20	233,504,214	118,944,338	0

Note 1: As compared with the number of shares held as of 31 December 2022.

Note 2: During the period, due to confidence in the Company's development prospects, the controlling shareholder China Petrochemical Corporation planned to increase its shareholdings of A shares and H shares of the Company by itself and its wholly-owned subsidiary, by an amount of not less than RMB1 billion (inclusive) and not more than RMB2 billion (inclusive) within 12 months since 11 November 2023 (the "Shareholding Increase Plan"). As of 31 December 2023, the Shareholding Increase Plan was not complete, China Petrochemical Corporation would continue to increase its shareholdings when appropriate according to the Shareholding Increase Plan. For details, please refer to the announcements published by Sinopec Corp. on China Securities Journal, Shanghai Securities News, Securities Times, the website of Shanghai Stock Exchange on 11 November 2023 and 6 December 2023, on the website of Hong Kong Stock Exchange on 10 November 2023 and 18 December 2023.

Note 3: Century Bright, an overseas wholly-owned subsidiary of China Petrochemical Corporation, held 810,388,000 H shares, accounting for 0.68% of the total issued share capital of Sinopec Corp. Those shareholdings were included in the total number of the shares held by HKSCC Nominees Limited.

Note 4: During the reporting period, 中國工商銀行－上證50 交易型開放式指數證券投資基金, one of the top ten shareholders of Sinopec Corp., participated in the refinancing and lending business. At the beginning of the reporting period, the number of refinancing and lending shares was 30,000, and all of them were returned by the end of the reporting period

Statement on the connected relationship or acting in concert among the above-mentioned shareholders:

Sinopec Corp. is not aware of any connected relationship or acting in concert among or between the above-mentioned shareholders.

(2) Information disclosed by the shareholders of H shares in accordance with the SFO as of 31 December 2023

Name of shareholders	Status of shareholders	Number of shares interested	% of Sinopec Corp.'s issued voting shares (H Share)
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	1,709,867,256(L)	7.01(L)
Schroders PLC	Investment manager	1,247,104,477(L)	5.12(L)

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

3 ISSUANCE AND LISTING OF SECURITIES

(1) Issuance of securities during the reporting period

There was no issuance of securities of Sinopec Corp. during the reporting period.

(2) Existing employee shares

There were no existing employee shares of Sinopec Corp. during the reporting period.

4 CHANGES IN THE CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER

There was no change in the controlling shareholder or the de facto controller of Sinopec Corp. during the reporting period.

(1) Controlling shareholder

The controlling shareholder of Sinopec Corp. is China Petrochemical Corporation. Established in July 1998, China Petrochemical Corporation is a state-authorised investment organisation and a state-owned enterprise. The legal representative is Mr. Ma Yongsheng. Through re-organization in 2000, China Petrochemical Corporation injected its principal petroleum and petrochemical businesses into Sinopec Corp. and retained certain petrochemical facilities. It provides well-drilling services, well-logging services, downhole operation services, services in connection with manufacturing and maintenance of production equipment, engineering construction service, and utility services including water and power and social services.

Shares of other listed companies directly held by China Petrochemical Corporation as of the end of the reporting period

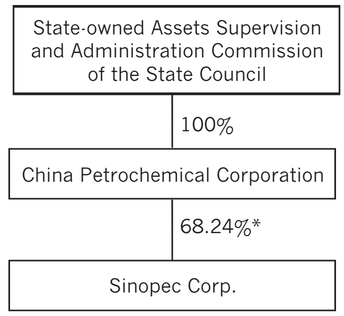
Name of Company	Number of Shares Held	Shareholding Percentage
Sinopec Engineering (Group) Co. Ltd	2,907,856,000	65.81%
Sinopec Oilfield Service Corporation	10,727,896,364	56.51%
Sinopec Oilfield Equipment Corporation	456,756,300	47.79%
China Merchants Energy Shipping Co., Ltd	1,095,463,711	13.45%
China National Petroleum Corporation	1,830,210,000	1.00%

(2) Other than HKSCC Nominees Limited, there was no other legal person shareholder holding 10% or more of the total issued share capital of Sinopec Corp.

(3) Basic information of the de facto controller

China Petrochemical Corporation is the de facto controller of Sinopec Corp.

(4) Diagram of the equity and controlling relationship between Sinopec Corp. and its de facto controller



* : Inclusive of 810,388,000 H shares held by Century Bright (overseas wholly-owned subsidiary of China Petrochemical Corporation) through HKSCC Nominees Limited.

1. INTERBANK BOND MARKET DEBT FINANCING INSTRUMENT OF NON-FINANCIAL ENTERPRISES

Bond name	The first medium-term notes in 2021	The second medium-term notes in 2021	The first green medium-term notes in 2021
Abbreviation	21中石化MTN001	21中石化MTN002	21中石化GN001
code	102101386	102101480	132100172
Issuance date	2021/7/23	2021/8/5	2021/12/27
Interest commencement date	2021/7/27	2021/8/6	2021/12/28
Maturity date	2026/7/27	2024/8/6	2024/12/28
Amount issued (RMB billion)	5	2	2.55
Outstanding balance (RMB billion)	5	2	2.55
Interest rate (%)	3.2	2.95	2.5
Principal and interest repayment	Interest is paid once a year. The principal will be paid at maturity with last instalment of interest.		
Investor Qualification Arrangement	Nationwide inter-bank bond market institutional investors		
Applicable trading mechanism	Circulated and transferred in nationwide inter-bank bond market		
Risk of suspension for listed trading (if any), and countermeasures	Not applicable		
Trading market	Nationwide inter-bank bond market		
Use of proceeds	Proceeds from the above-mentioned corporate bonds have been used for their designated purpose as disclosed in the corporate bond prospectus. All the proceeds have been completely used till now.		
Credit rating	–		
Special terms for Issuer or investor option or investor protection, whether triggered or executed	Not applicable		
Guarantee, repayment scheme and other related events during the reporting period	No guarantee. No change on the repayment scheme.		
Convening of corporate bond holders' meeting	During the reporting period, the bondholders' meeting was not convened.		
Performance of corporate bonds trustee	Corporate bonds trustee has performed its duties in accordance with regulatory requirements		

Note: Please refer to offering circular published on the website of Shanghai Stock Exchange (http://www.sse.com.cn), China Money Network (http://www.chinamoney.com.cn) and other websites for the name, office address, signing auditor, contact person and telephone number of the intermediary institutions providing services for the issuance and during the terms of the above-mentioned in interbank market debt financial instrument of non-financial enterprises and other disclosed information in the offering circular.

Principal accounting data and financial indicators for the two years ended 31 December 2023

Principal data	31 December 2023	31 December 2022	Change	Reasons for change
Current ratio	0.83	0.78	0.05	Increase in cash at bank and on hand, and significant decrease in accounts payable
Quick ratio	0.44	0.42	0.02	Increase in cash at bank and on hand, and significant decrease in accounts payable
Liability-to-asset ratio	52.70%	51.80%	0.90 percentage points	Increase in borrowings
Loan repayment rate	100%	100%	–	–

	2023	2022	Change	Reasons for change
Net profit attributable to equity shareholders of the Company excluding extraordinary gains and losses (RMB million)	60,692	57,962	2,730	Due to the recovery of market demand, the profits of the refining and chemicals segments increased year-on-year
Net profit of the Company excluding extraordinary gains and losses (RMB million)	69,053	63,143	5,910	Due to the recovery of market demand, the profits of the refining and chemicals segments increased year-on-year
EBITDA to total debt ratio	0.66	1.02	(0.36)	Increase in borrowings
EBITDA to interest coverage ratio	10.77	12.16	(1.39)	Decrease in profit before taxation, and increase in interest expense
Interest coverage ratio	5.59	6.57	(0.98)	Decrease in profit before taxation
Cash interest coverage ratio	22.97	14.80	8.17	Year-on-year increase in net cash flow from operating activities
Interest payment rate	100%	100%	–	–

Note: Liability-to-asset ratio = total liabilities / total assets

During the reporting period, the Company paid in full and on time the interest accrued for the other bonds and debt financing instruments. As at 31 December 2023, the standby credit line provided by several domestic financial institutions to the Company was RMB416.4 billion in total, facilitating the Company to get such amount of unsecured loans. The Company has fulfilled all the relevant undertakings in the bond offering circular and had no significant matters which could influence the Company's operation and debt repayment ability.

On 18 April 2013, Sinopec Capital (2013) Limited, a wholly-owned overseas subsidiary of Sinopec Corp., issued senior notes guaranteed by the Company with four different maturities, 3 years, 5 years, 10 years and 30 years. The 3-year notes principal totalled USD750 million, with an annual interest rate of 1.250% and had been repaid and delisted; the 5-year notes principal totalled USD1 billion, with an annual interest rate of 1.875% and had been repaid and delisted; the 10-year notes principal totalled USD1.25 billion, with an annual interest rate of 3.125% and had been repaid and delisted; and the 30-year notes principal totalled USD500 million, with an annual interest rate of 4.250%. These notes were listed on the Hong Kong Stock Exchange on 25 April 2013, with interest payable semi-annually. The first payment of interest was made on 24 October 2013. During the reporting period, the Company has paid in full the current-period interests of all notes with 10 years and 30 years.

On 31 December 2023, details of the principal wholly-owned and controlled subsidiaries of the Company were as follows:

Name of Company	Registered Capital RMB million	Percentage of Shares Held by Sinopec Corp. (%)	Total Assets RMB million	Net Assets RMB million	Net Profit/ (Net Loss) RMB million	Principal Business
Sinopec International Petroleum Exploration and Production Limited	8,250	100	28,512	15,993	3,208	Investment in exploration, production and sale of petroleum and natural gas
Sinopec Great Wall Energy & Chemical Company Limited	22,761	100	50,271	21,370	73	Coal chemical industry investment management, production and sale of coal chemical products
Sinopec Yangzi Petrochemical Company Limited	15,651	100	31,806	13,644	(3,135)	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Yizheng Chemical Fibre Limited Liability Company	4,000	100	13,890	3,532	(1,490)	Production and sale of polyester chips and polyester fibres
Sinopec Lubricant Company Limited	3,374	100	8,767	5,153	307	Production and sale of refined petroleum products, lubricant base oil, and petrochemical materials
Sinopec Qingdao Petrochemical Company Limited	1,595	100	3,332	1,327	374	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Chemical Sales Company Limited	1,000	100	24,980	6,643	1,678	Marketing and distribution of petrochemical products
China International United Petroleum and Chemical Company Limited	5,000	100	230,455	61,887	8,804	Trading of crude oil and petrochemical products
Sinopec Overseas Investment Holding Limited	3,598 Million USD	100	29,629	20,373	(1,786)	Overseas investment and equity holding management
Sinopec Catalyst Company Limited	1,500	100	15,483	7,096	910	Production and sale of catalyst products
China Petrochemical International Company Limited	1,400	100	22,056	5,362	1,197	Trading of petrochemical products
Sinopec Beihai Refining and Chemical Limited Liability Company	5,294	98.98	18,307	13,990	1,842	Import and processing of crude oil, production, storage and sale of petroleum products and petrochemical products
Sinopec Qingdao Refining and Chemical Company Limited	5,000	85	21,393	13,875	1,782	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Hainan Refining and Chemical Company Limited	9,606	100	46,926	23,745	128	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Marketing Co., Limited	28,403	70.42	526,621	253,249	22,418	Marketing and distribution of refined petroleum products
Sinopec-SK (Wuhan) Petrochemical Company Limited	7,193	59	24,640	9,649	(762)	Production, sale, research and development of petroleum, petrochemical, ethylene and downstream by-products
Sinopec Kantons Holdings Limited	248 Million HKD	60.33	14,119	13,657	1,169	Oil jetty and nature gas pipeline
Sinopec Shanghai Gaoqiao Petroleum and Chemical Limited	10,000	55	33,425	22,268	106	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Shanghai Petrochemical Company Limited	10,799	50.55	39,658	24,942	(1,409)	Manufacturing of synthetic fibres, resin and plastics, intermediate petrochemical products and petroleum products
Fujian Petrochemical Company Limited	10,492	50	12,591	10,048	(1,196)	Manufacturing of plastics, intermediate petrochemical products and petroleum products

Note 1: In 2023, all above subsidiaries are audited by KPMG Huazhen LLP or KPMG.

2: The above total assets and net profit have been prepared in accordance with CASs. Except for Sinopec Kantons Holdings Limited and Sinopec Overseas Investment Holdings Ltd., which are incorporated in Bermuda and Hong Kong SAR, respectively, all of the above wholly-owned and non-wholly-owned subsidiaries are incorporated in the PRC. All of the above wholly-owned and controlling subsidiaries are limited liability companies except for Sinopec Shanghai Petrochemical Company Limited, Sinopec Marketing Co., Limited and Sinopec Kantons Holdings Limited. The Board of Directors considered that it would be redundant to disclose the particulars of all subsidiaries of Sinopec Corp. and, therefore, only those which have material impact on the results or assets of Sinopec Corp. are set out above.

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AUDITOR'S REPORT

畢馬威華振審字第2402028號

The Shareholders of China Petroleum & Chemical Corporation:

OPINION

We have audited the accompanying financial statements of China Petroleum & Chemical Corporation ("the Company"), 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 the Company as at 31 December 2023, and the consolidated and company financial performance and cash flows of the Company 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 the Company 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.

Assessment of impairment of fixed assets relating to oil and gas producing activities

Refer to Note 3 (8) Oil and gas properties, (12) Impairment of other non-financial long-term assets, Note 13 Fixed assets, and Note 59 Principal accounting estimates and judgements to the financial statements

The Key Audit Matter

The Company reported fixed assets of Renminbi ("RMB") 690,957 million as at 31 December 2023, a portion of which related to oil and gas producing activities. The Company reported impairment losses of RMB777 million for the fixed assets relating to oil and gas producing activities for the year ended 31 December 2023.

The Company groups fixed assets relating to oil and gas producing activities into cash-generating units ("CGUs") for impairment assessment. The Company compares the carrying amount of individual CGU with its value in use, using a discounted cash flow forecast, which was prepared based on the future production profiles included in the oil and gas reserves reports, to determine the impairment loss to be recognised.

We identified assessment of impairment of fixed assets relating to oil and gas producing activities as a key audit matter. The value in use amounts of these CGUs are sensitive to the changes to future selling prices and production costs for crude oil and natural gas, future production profiles, and discount rates. Therefore a higher degree of subjective auditor judgment was required to evaluate the Company's impairment assessment of fixed assets relating to oil and gas producing activities.

How the matter was addressed in our audit

The following are the primary procedures we performed to address this key audit matter:

- we evaluated the design and tested the operating effectiveness of certain internal controls related to the process for impairment assessment of fixed assets relating to oil and gas producing activities;
- we assessed the competence, capabilities and objectivity of the Company's reserves specialists and evaluated the methodology adopted by them in estimating the oil and gas reserves against the recognised industry standards;
- we compared future selling prices for crude oil and natural gas used in the discounted cash flow forecasts with the Company's business plans and forecasts by external analysts;
- we compared future production costs and future production profiles used in the discounted cash flow forecasts with oil and gas reserves reports issued by the reserves specialists; and
- we involved valuation professionals with specialised skills and knowledge, who assisted in assessing the discount rates applied in the discounted cash flow forecasts against a discount rate range that was independently developed using publicly available market data for comparable companies in the same industry.

KPMG

OTHER INFORMATION

The Company's management is responsible for the other information. The other information comprises all the information included in 2023 annual report of the Company, other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 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 the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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:

- 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

- 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 the Company'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 the Company to cease to continue as a going concern.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(Continued)*

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
Beijing, China

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

Yang Jie (Engagement Partner)

He Shu

22 March 2024

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	Notes	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Assets			
Current assets			
Cash at bank and on hand	5	164,960	145,052
Financial assets held for trading		3	2
Derivative financial assets	6	9,721	19,335
Accounts receivable	7	48,652	46,364
Receivables financing	8	2,221	3,507
Prepayments	9	5,067	7,956
Other receivables	10	26,089	27,009
Inventories	11	250,898	244,241
Other current assets		26,824	29,674
Total current assets		**534,435**	**523,140**
Non-current assets			
Long-term equity investments	12	234,608	233,941
Other equity instrument investments		450	730
Fixed assets	13	690,957	630,758
Construction in progress	14	180,250	196,045
Right-of-use assets	15	174,529	178,359
Intangible assets	16	138,181	120,694
Goodwill	17	6,472	6,464
Long-term deferred expenses	18	13,199	12,034
Deferred tax assets	19	20,110	22,433
Other non-current assets	20	33,483	26,523
Total non-current assets		**1,492,239**	**1,427,981**
Total assets		**2,026,674**	**1,951,121**
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	22	59,815	21,313
Derivative financial liabilities	6	2,752	7,313
Bills payable	23	29,122	10,782
Accounts payable	24	229,878	258,642
Contract liabilities	25	127,239	125,444
Employee benefits payable	26	13,941	13,617
Taxes payable	27	40,008	28,379
Other payables	28	93,031	119,892
Non-current liabilities due within one year	29	30,457	62,844
Other current liabilities	30	20,833	19,159
Total current liabilities		**647,076**	**667,385**
Non-current liabilities			
Long-term loans	31	179,347	94,964
Debentures payable	32	8,513	12,997
Lease liabilities	33	163,864	166,407
Provisions	34	48,269	47,587
Deferred tax liabilities	19	7,817	7,256
Other non-current liabilities	35	13,133	14,068
Total non-current liabilities		**420,943**	**343,279**
Total liabilities		**1,068,019**	**1,010,664**
Shareholders' equity			
Share capital	36	119,349	119,896
Capital reserve	37	117,273	118,875
Other comprehensive income	38	3,060	3,072
Specific reserve	39	2,597	2,813
Surplus reserves	40	223,134	218,009
Retained earnings		340,381	325,806
Total equity attributable to shareholders of the Company		**805,794**	**788,471**
Non-controlling interests		**152,861**	**151,986**
Total shareholders' equity		**958,655**	**940,457**
Total liabilities and shareholders' equity		**2,026,674**	**1,951,121**

These financial statements have been approved for issue by the board of directors on 22 March 2024.

Ma Yongsheng
Chairman
(Legal representative)

Yu Baocai
President

Shou Donghua
Chief Financial Officer

The accompanying notes form part of these financial statements.

	Notes	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Assets			
Current assets			
Cash at bank and on hand		65,753	54,578
Financial assets held for trading		3	2
Derivative financial assets		482	3,892
Accounts receivable	7	27,878	33,841
Receivables financing		367	703
Prepayments	9	1,760	4,461
Other receivables	10	50,940	38,517
Inventories		67,922	70,376
Other current assets		33,852	21,260
Total current assets		**248,957**	**227,630**
Non-current assets			
Long-term equity investments	12	413,572	382,879
Other equity instrument investments		14	201
Fixed assets	13	305,494	296,530
Construction in progress	14	70,306	81,501
Right-of-use assets	15	84,589	91,549
Intangible assets		8,312	8,095
Long-term deferred expenses		4,652	4,183
Deferred tax assets		6,567	9,487
Other non-current assets		47,004	41,365
Total non-current assets		**940,510**	**915,790**
Total assets		**1,189,467**	**1,143,420**
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		39,413	4,010
Derivative financial liabilities		251	4,299
Bills payable		5,014	4,038
Accounts payable		81,628	107,105
Contract liabilities		9,079	9,769
Employee benefits payable		8,366	8,467
Taxes payable		22,103	12,044
Other payables		250,472	247,480
Non-current liabilities due within one year		16,100	39,990
Other current liabilities		912	1,002
Total current liabilities		**433,338**	**438,204**
Non-current liabilities			
Long-term loans		108,427	56,755
Debentures payable		4,993	9,537
Lease liabilities		86,399	91,878
Provisions		40,077	38,298
Other non-current liabilities		1,684	2,121
Total non-current liabilities		**241,580**	**198,589**
Total liabilities		**674,918**	**636,793**
Shareholders' equity			
Share capital		119,349	119,896
Capital reserve		61,814	63,628
Other comprehensive income		700	827
Specific reserve		1,673	1,745
Surplus reserves		223,134	218,009
Retained earnings		107,879	102,522
Total shareholders' equity		**514,549**	**506,627**
Total liabilities and shareholders' equity		**1,189,467**	**1,143,420**

These financial statements have been approved for issue by the board of directors on 22 March 2024.

Ma Yongsheng
Chairman
(Legal representative)

Yu Baocai
President

Shou Donghua
Chief Financial Officer

The accompanying notes form part of these financial statements.

	Notes	2023 RMB million	2022 RMB million
Operating income	41	**3,212,215**	**3,318,168**
Less: Operating costs	41	2,709,656	2,819,363
Taxes and surcharges	42	272,921	263,991
Selling and distribution expenses	45	61,164	58,567
General and administrative expenses	46	59,664	57,208
Research and development expenses	47	13,969	12,773
Financial expenses	43	9,922	9,974
Including: Interest expenses		18,069	16,769
Interest income		6,828	6,266
Exploration expenses, including dry holes	48	11,055	10,591
Add: Other income	49	10,905	8,219
Investment income	50	5,811	14,462
Including: Income from investment in associates and joint ventures		8,177	14,479
Gains/(losses) from changes in fair value	51	467	(1,715)
Credit impairment reversals		243	1,084
Impairment losses	52	(8,772)	(12,009)
Asset disposal gains		4,226	672
Operating profit		**86,744**	**96,414**
Add: Non-operating income	53	1,970	2,960
Less: Non-operating expenses	54	2,598	4,859
Profit before taxation		**86,116**	**94,515**
Less: Income tax expense	55	16,070	17,901
Net profit		**70,046**	**76,614**
Classification by going concern:			
Net profit from continuing operations		70,046	76,614
Net profit from discontinued operations		–	–
Classification by ownership:			
Shareholders of the Company		60,463	67,082
Non-controlling interests		9,583	9,532
Basic earnings per share (RMB/share)	65	**0.505**	**0.555**
Diluted earnings per share (RMB/share)	65	**0.505**	**0.555**
Other comprehensive income	38		
(1) Other comprehensive income (net of tax) attributable to shareholders of the Company		2,501	19,126
Items that will not be reclassified to profit or loss			
Changes in fair value of other equity instrument investments		(8)	(65)
Items that may be reclassified subsequently to profit or loss			
Other comprehensive income that can be reclassified to profit or loss under the equity method		(4,287)	1,610
Cost of hedging reserve		–	329
Cash flow hedges		5,145	11,174
Foreign currency translation differences		1,651	6,078
(2) Other comprehensive income (net of tax) attributable to non-controlling interests		(1,912)	2,703
Total other comprehensive income net of tax		**589**	**21,829**
Total comprehensive income		**70,635**	**98,443**
Attributable to:			
Shareholders of the Company		62,964	86,208
Non-controlling interests		7,671	12,235

These financial statements have been approved for issue by the board of directors on 22 March 2024.

Ma Yongsheng
Chairman
(Legal representative)

Yu Baocai
President

Shou Donghua
Chief Financial Officer

The accompanying notes form part of these financial statements.

	Notes	2023 RMB million	2022 RMB million
Operating income	41	**1,206,728**	**1,302,073**
Less: Operating costs	41	962,889	1,052,885
Taxes and surcharges		167,354	165,940
Selling and distribution expenses		1,934	1,964
General and administrative expenses		24,038	24,415
Research and development expenses		12,201	11,490
Financial expenses		11,319	10,459
Including: Interest expenses		19,187	18,986
Interest income		8,027	8,662
Exploration expenses, including dry holes		9,371	9,087
Add: Other income		7,839	5,908
Investment income	50	34,870	29,221
Including: Income from investment in associates and joint ventures		4,552	4,449
Gains/(losses) from changes in fair value		284	(980)
Credit impairment (losses)/reversal		(4)	9
Impairment losses		(5,057)	(6,999)
Asset disposal gains		1,006	139
Operating profit		**56,560**	**53,131**
Add: Non-operating income		710	1,209
Less: Non-operating expenses		2,197	1,992
Profit before taxation		**55,073**	**52,348**
Less: Income tax expense		3,830	5,711
Net profit		**51,243**	**46,637**
Classification by going concern:			
Net profit from continuing operations		51,243	46,637
Net profit from discontinued operations		–	–
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Changes in fair value of other equity instrument investments		2	–
Items that may be reclassified subsequently to profit or loss			
Other comprehensive income that can be converted into profit or loss under the equity method		(63)	10
Cash flow hedges		420	5,726
Total other comprehensive income net of tax		**359**	**5,736**
Total comprehensive income		**51,602**	**52,373**

These financial statements have been approved for issue by the board of directors on 22 March 2024.

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President

Shou Donghua
Chief Financial Officer

The accompanying notes form part of these financial statements.

	Notes	2023 RMB million	2022 RMB million
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		3,577,814	3,550,138
Refund of taxes and levies		11,530	12,010
Other cash received relating to operating activities		165,002	269,895
Sub-total of cash inflows		**3,754,346**	**3,832,043**
Cash paid for goods and services		(2,919,751)	(2,914,966)
Cash paid to and for employees		(107,021)	(102,171)
Payments of taxes and levies		(326,774)	(385,818)
Other cash paid relating to operating activities		(239,325)	(312,819)
Sub-total of cash outflows		**(3,592,871)**	**(3,715,774)**
Net cash flow from operating activities	57(a)	**161,475**	**116,269**
Cash flows from investing activities:			
Cash received from disposal of investments		1,580	1,980
Cash received from returns on investments		10,886	13,969
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,363	212
Net cash received from disposal of subsidiaries and other business entities	57(d)	–	10,041
Other cash received relating to investing activities	57(e)	95,917	103,157
Sub-total of cash inflows		**113,746**	**129,359**
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(171,493)	(172,527)
Cash paid for acquisition of investments		(5,918)	(10,456)
Net cash paid for the acquisition of subsidiaries and other business entities		(110)	(7,881)
Other cash paid relating to investing activities	57(f)	(92,090)	(33,505)
Sub-total of cash outflows		**(269,611)**	**(224,369)**
Net cash flow used in investing activities		**(155,865)**	**(95,010)**
Cash flows from financing activities:			
Cash received from capital contributions		1,509	3,946
Including: Cash received from non-controlling shareholders' capital contributions to subsidiaries		1,509	3,946
Cash received from borrowings	57(h)	699,410	564,417
Other cash received relating to financing activities		420	989
Sub-total of cash inflows		**701,339**	**569,352**
Cash repayments of borrowings		(599,954)	(514,275)
Cash paid for dividends, profits distribution or interest		(56,734)	(71,831)
Including: Subsidiaries' cash payments for distribution of dividends or profits to non-controlling shareholders		(7,977)	(5,249)
Other cash paid relating to financing activities	57(g)	(21,919)	(22,945)
Sub-total of cash outflows		**(678,607)**	**(609,051)**
Net cash flow from/(used in) financing activities		**22,732**	**(39,699)**
Effects of changes in foreign exchange rate		**(21)**	**3,288**
Net increase/(decrease) in cash and cash equivalents	57(b)	**28,321**	**(15,152)**
Add: Cash and cash equivalents at the beginning of the year		93,438	108,590
Cash and cash equivalents at the end of the year	57(c)	**121,759**	**93,438**

These financial statements have been approved for issue by the board of directors on 22 March 2024.

Ma Yongsheng
Chairman
(Legal representative)

Yu Baocai
President

Shou Donghua
Chief Financial Officer

The accompanying notes form part of these financial statements.

	Notes	2023 RMB million	2022 RMB million
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,328,613	1,455,182
Refund of taxes and levies		7,396	6,627
Other cash received relating to operating activities		49,015	18,597
Sub-total of cash inflows		**1,385,024**	**1,480,406**
Cash paid for goods and services		(988,689)	(1,085,666)
Cash paid to and for employees		(52,767)	(52,488)
Payments of taxes and levies		(173,711)	(224,935)
Other cash paid relating to operating activities		(92,621)	(72,928)
Sub-total of cash outflows		**(1,307,788)**	**(1,436,017)**
Net cash flow from operating activities		**77,236**	**44,389**
Cash flows from investing activities:			
Cash received from disposal of investments		4,241	7,174
Cash received from returns on investments		21,550	24,835
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,360	26
Net cash received from disposal subsidiaries and other business units		–	3,259
Other cash received relating to investing activities		45,932	233,475
Sub-total of cash inflows		**73,083**	**268,769**
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(80,398)	(82,711)
Cash paid for acquisition of investments		(21,595)	(28,108)
Other cash paid relating to investing activities		(23,481)	(178,354)
Sub-total of cash outflows		**(125,474)**	**(289,173)**
Net cash flow used in investing activities		**(52,391)**	**(20,404)**
Cash flows from financing activities:			
Cash received from borrowings		169,988	207,045
Other cash received relating to financing activities		226,040	403,573
Sub-total of cash inflows		**396,028**	**610,618**
Cash repayments of borrowings		(99,656)	(194,735)
Cash paid for dividends or interest		(48,816)	(65,474)
Other cash paid relating to financing activities		(231,193)	(385,406)
Sub-total of cash outflows		**(379,665)**	**(645,615)**
Net cash flow from/(used in) financing activities		**16,363**	**(34,997)**
Effects of changes in foreign exchange rate		**35**	**(335)**
Net increase/(decrease) in cash and cash equivalents		**41,243**	**(11,347)**
Add: Cash and cash equivalents at the beginning of the year		23,228	34,575
Cash and cash equivalents at the end of the year		**64,471**	**23,228**

These financial statements have been approved for issue by the board of directors on 22 March 2024.

Ma Yongsheng	**Yu Baocai**	**Shou Donghua**
Chairman	*President*	*Chief Financial Officer*
(Legal representative)		

The accompanying notes form part of these financial statements.

	Share capital RMB million	Capital reserve RMB million	Other comprehensive income RMB million	Specific reserve RMB million	Surplus reserves RMB million	Retained earnings RMB million	Total shareholders' equity attributable to equity shareholders of the Company RMB million	Non-controlling interests RMB million	Total shareholders' equity RMB million
Balance at 31 December 2021	121,071	120,188	(690)	2,664	213,224	318,645	775,102	140,939	916,041
Add: Changes in accounting policies (Note 3(27))	–	–	–	–	122	1,992	2,114	334	2,448
Balance at 1 January 2022	121,071	120,188	(690)	2,664	213,346	320,637	777,216	141,273	918,489
Change for the year									
1. Net profit	–	–	–	–	–	67,082	67,082	9,532	76,614
2. Other comprehensive income (Note 38)	–	–	19,126	–	–	–	19,126	2,703	21,829
Total comprehensive income	–	–	19,126	–	–	67,082	86,208	12,235	98,443
Amounts transferred to initial carrying amount of hedged items	–	–	(15,363)	–	–	–	(15,363)	(439)	(15,802)
Transactions with owners, recorded directly in shareholders' equity:									
3. Decrease of shareholders' capital:									
– Purchase of own shares (Note 36)	(1,175)	(3,004)	–	–	–	–	(4,179)	–	(4,179)
4. Appropriations of profits:									
– Appropriations for surplus reserves (Note 40)	–	–	–	–	4,663	(4,663)	–	–	–
– Distributions to shareholders (Note 56)	–	–	–	–	–	(56,903)	(56,903)	–	(56,903)
5. Contributions to subsidiaries from non-controlling interests	–	–	–	–	–	–	–	5,395	5,395
6. Transaction with non-controlling interests	–	–	–	–	–	–	–	(1,713)	(1,713)
7. Distributions to non-controlling interests	–	–	–	–	–	–	–	(6,691)	(6,691)
8. Other contributions to subsidiaries from owners	–	2,678	–	–	–	–	2,678	2,191	4,869
Total transactions with owners, recorded directly in shareholders' equity	(1,175)	(326)	–	–	4,663	(61,566)	(58,404)	(818)	(59,222)
9. Net increase in specific reserve for the year	–	–	–	149	–	–	149	30	179
10. Other equity movements under the equity method	–	(1,009)	–	–	–	–	(1,009)	–	(1,009)
11. Transfer of other comprehensive income to retained earnings	–	–	(1)	–	–	1	–	–	–
12. Others	–	22	–	–	–	(348)	(326)	(295)	(621)
Balance at 31 December 2022	**119,896**	**118,875**	**3,072**	**2,813**	**218,009**	**325,806**	**788,471**	**151,986**	**940,457**
Balance at 1 January 2023	119,896	118,875	3,072	2,813	218,009	325,806	788,471	151,986	940,457
Change for the year									
1. Net profit	–	–	–	–	–	60,463	60,463	9,583	70,046
2. Other comprehensive income (Note 38)	–	–	2,501	–	–	–	2,501	(1,912)	589
Total comprehensive income	–	–	2,501	–	–	60,463	62,964	7,671	70,635
Amounts transferred to initial carrying amount of hedged items	–	–	(2,513)	–	–	–	(2,513)	(142)	(2,655)
Transactions with owners, recorded directly in shareholders' equity:									
3. Shareholders' decrease of capital:									
– Purchase of own shares (Note 36)	(547)	(1,778)	–	–	–	–	(2,325)	–	(2,325)
4. Appropriations of profits:									
– Appropriations for surplus reserves (Note 40)	–	–	–	–	5,125	(5,125)	–	–	–
– Distributions to shareholders (Note 56)	–	–	–	–	–	(40,760)	(40,760)	–	(40,760)
5. Contributions to subsidiaries from non-controlling interests	–	–	–	–	–	–	–	2,209	2,209
6. Transaction with non-controlling interests	–	–	–	–	–	–	–	(213)	(213)
7. Distributions to non-controlling interests	–	–	–	–	–	–	–	(8,573)	(8,573)
Total transactions with owners, recorded directly in shareholders' equity	(547)	(1,778)	–	–	5,125	(45,885)	(43,085)	(6,577)	(49,662)
8. Net increase in specific reserve for the year	–	–	–	(216)	–	–	(216)	(32)	(248)
9. Other equity movements under the equity method	–	220	–	–	–	–	220	–	220
10. Others	–	(44)	–	–	–	(3)	(47)	(45)	(92)
Balance at 31 December 2023	**119,349**	**117,273**	**3,060**	**2,597**	**223,134**	**340,381**	**805,794**	**152,861**	**958,655**

These financial statements have been approved for issue by the board of directors on 22 March 2024.

Ma Yongsheng
Chairman
(Legal representative)

Yu Baocai
President

Shou Donghua
Chief Financial Officer

The accompanying notes form part of these financial statements.

	Share capital RMB million	Capital reserve RMB million	Other comprehensive income RMB million	Specific reserve RMB million	Surplus reserves RMB million	Retained earnings RMB million	Total shareholders' equity RMB million
Balance at 31 December 2021	121,071	67,897	6,024	1,658	213,224	116,440	526,314
Add: Changes in accounting policies (Note 3(27))	–	–	–	–	122	1,095	1,217
Balance at 1 January 2022	121,071	67,897	6,024	1,658	213,346	117,535	527,531
Change for the year							
1. Net profit	–	–	–	–	–	46,637	46,637
2. Other comprehensive income	–	–	5,736	–	–	–	5,736
Total comprehensive income	–	–	5,736	–	–	46,637	52,373
Amounts transferred to initial carrying amount of hedged items	–	–	(10,933)	–	–	–	(10,933)
Transactions with owners, recorded directly in shareholders' equity:							
3. Shareholders' decrease of capital:							
—Purchase of own shares (Note 36)	(1,175)	(3,004)	–	–	–	–	(4,179)
4. Appropriations of profits:							
—Appropriations for surplus reserves (Note 40)	–	–	–	–	4,663	(4,663)	–
—Distributions to shareholders (Note 56)	–	–	–	–	–	(56,903)	(56,903)
Total transactions with owners, recorded directly in shareholders' equity	(1,175)	(3,004)	–	–	4,663	(61,566)	(61,082)
5. Net increase in specific reserve for the year	–	–	–	87	–	–	87
6. Other equity movements under the equity method	–	(1,265)	–	–	–	–	(1,265)
7. Others	–	–	–	–	–	(84)	(84)
Balance at 31 December 2022	**119,896**	**63,628**	**827**	**1,745**	**218,009**	**102,522**	**506,627**
Balance at 1 January 2023	119,896	63,628	827	1,745	218,009	102,522	506,627
Change for the year							
1. Net profit	–	–	–	–	–	51,243	51,243
2. Other comprehensive income	–	–	359	–	–	–	359
Total comprehensive income	–	–	359	–	–	51,243	51,602
Amounts transferred to initial carrying amount of hedged items	–	–	(486)	–	–	–	(486)
Transactions with owners, recorded directly in shareholders' equity:							
3. Shareholders' decrease of capital:							
—Purchase of own shares (Note 36)	(547)	(1,778)	–	–	–	–	(2,325)
4. Appropriations of profits:							
—Appropriations for surplus reserves (Note 40)	–	–	–	–	5,125	(5,125)	–
—Distributions to shareholders (Note 56)	–	–	–	–	–	(40,760)	(40,760)
Total transactions with owners, recorded directly in shareholders' equity	(547)	(1,778)	–	–	5,125	(45,885)	(43,085)
5. Net increase in specific reserve for the year	–	–	–	(72)	–	–	(72)
6. Other equity movements under the equity method	–	(36)	–	–	–	–	(36)
7. Others	–	–	–	–	–	(1)	(1)
Balance at 31 December 2023	**119,349**	**61,814**	**700**	**1,673**	**223,134**	**107,879**	**514,549**

These financial statements have been approved for issue by the board of directors on 22 March 2024.

Ma Yongsheng
Chairman
(Legal representative)

Yu Baocai
President

Shou Donghua
Chief Financial Officer

The accompanying notes form part of these financial statements.

1 STATUS OF THE COMPANY

China Petroleum & Chemical Corporation (the "Company") was established on 25 February 2000 as a joint stock limited company. The company is registered in Beijing, the People's Republic of China, and the headquarter is located in Beijing, the People's Republic of China. The approval date of the financial report is 22 March 2024.

According to the State Council's approval to the "Preliminary Plan for the Reorganisation of China Petrochemical Corporation" (the "Reorganisation"), the Company was established by China Petrochemical Corporation, which transferred its core businesses together with the related assets and liabilities at 30 September 1999 to the Company. Such assets and liabilities had been valued jointly by China United Assets Appraisal Corporation, Beijing Zhong Zheng Appraisal Company, CIECC Assets Appraisal Corporation and Zhong Fa International Properties Valuation Corporation. The net asset value was determined at RMB98,249,084,000. The valuation was reviewed and approved by the Ministry of Finance (the "MOF") (Cai Ping Zi [2000] No. 20 "Comments on the Review of the Valuation Regarding the Formation of a Joint Stock Limited Company by China Petrochemical Corporation").

In addition, pursuant to the notice Cai Guan Zi [2000] No. 34 "Reply to the Issue Regarding Management of State-Owned Equity by China Petroleum and Chemical Corporation" issued by the MOF, 68.8 billion domestic state-owned shares with a par value of RMB1.00 each were issued to Sinopec Group Company, the amount of which is equivalent to 70% of the above net asset value transferred from Sinopec Group Company to the Company in connection with the Reorganisation.

Pursuant to the notice Guo Jing Mao Qi Gai [2000] No. 154 "Reply on the Formation of China Petroleum and Chemical Corporation", the Company obtained the approval from the State Economic and Trade Commission on 21 February 2000 for the formation of a joint stock limited company.

The Company took over the exploration, development and production of crude oil and natural gas, refining, chemicals and related sales and marketing business of Sinopec Group Company after the establishment of the Company.

The Company and its subsidiaries (the "Group") engage in the oil and gas and chemical operations and businesses, including:

(1) the exploration, development and production of crude oil and natural gas;

(2) the refining, transportation, storage and marketing of crude oil and petroleum product; and

(3) the production and sale of chemical.

Details of the Company's principal subsidiaries are set out in Note 60.

2 BASIS OF PREPARATION

(1) Statement of compliance of China Accounting Standards for Business Enterprises ("CASs")

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises – Basic Standards, specific standards and relevant regulations (hereafter referred as CASs collectively) issued by the MOF on or after 15 February 2006. These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No.15: General Requirements for Financial Reports" revised in 2023 by the China Securities Regulatory Commission ("CSRC"). These financial statements present truly and completely the consolidated and company financial position as at 31 December 2023, and the consolidated and company financial performance and the consolidated and company cash flows for the year ended 31 December 2023.

These financial statements are prepared on a basis of going concern.

(2) Accounting period

The accounting year of the Group is from 1 January to 31 December.

(3) Measurement basis

The financial statements of the Group have been prepared under the historical cost convention, except for the assets and liabilities set out below:

- Financial assets held for trading (see Note 3(11))
- Other equity instrument investments (see Note 3(11))
- Derivative financial instruments (see Note 3(11))
- Receivables financing (see Note 3(11))

(4) Functional currency and presentation currency

The functional currency of the Company's and most of its subsidiaries are Renminbi. The Company and its subsidiaries determine their functional currency according to the main economic environment in where they operate. The Group's consolidated financial statements are presented in Renminbi. Some of subsidiaries use other currency as the functional currency. The Company translates the financial statements of subsidiaries from their respective functional currencies into Renminbi (see Note 3(2)) if the subsidiaries' functional currencies are not Renminbi.

Financial Statements (PRC)

2 BASIS OF PREPARATION *(Continued)*

(5) Materiality criteria: Determination method and selection basis

Item	Materiality criteria
Principal joint ventures and associates	The carrying amount of long-term equity investments ≥ RMB4,000 million
Principal construction in progress	The carrying amount of construction in progress ≥ RMB4,000 million
Goodwill	The carrying amount of goodwill ≥ RMB4,000 million
Principal non-wholly-owned subsidiary	The amount of non-controlling interests ≥ RMB4,000 million

3 MATERIAL ACCOUNTING POLICIES

The Group determines specific accounting policies and accounting estimates based on the characteristics of production and operational activities, mainly reflected in the accounting for allowance for financial assets (Note 3(11)), valuation of inventories (Note 3(4)), depreciation of fixed assets and depletion of oil and gas properties (Notes 3(7), (8)), measurement of provisions (Note 3(16)), etc.

Principal accounting estimates and judgements of the Group are set out in Note 59.

(1) Accounting treatment of business combination involving entities under common control and not under common control

(a) Business combination involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities that the acquirer receives in the acquisition are accounted for at the acquiree's carrying amount on the acquisition date. The difference between the carrying amount of the acquired net assets and the carrying amount of the consideration paid for the acquisition (or the total nominal value of shares issued) is recognised in the share premium of capital reserve, or the retained earnings in case of any shortfall in the share premium of capital reserve. Any costs directly attributable to the combination shall be recognised in profit or loss for the current period when occurred. The expense incurred for equity securities and debt securities issued as the consideration of the combination is recognised in the initial cost of the securities. The combination date is the date on which the acquirer effectively obtains control of the acquiree.

(b) Business combination involving entities not under common control

A business combination involving entities or businesses not under common control is a business combination in which all of the combining entities or businesses are not ultimately controlled by the same party or parties both before and after the business combination. Difference between the consideration paid by the Group as the acquirer, comprises of the aggregate of the fair value at the acquisition date of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree, and the Group's interest in the fair value of the identifiable net assets of the acquiree, is recognised as goodwill (Note 3(10)) if it is an excess, otherwise in the profit or loss. The expense incurred for equity securities and debt securities issued as the consideration of the combination is recognised in the initial cost of the securities. Any other expense directly attributable to the business combination is recognised in the profit or loss for the year. The difference between the fair value and the book value of the assets given is recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities, if satisfying the recognition criteria, are recognised by the Group at their fair value at the acquisition date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

(c) Criteria for determining control and method for the preparation of consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control means an entity 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 that control commences until the date that control ceases.

Where the Company combines a subsidiary 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 as if the combination had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts in the subsidiary's financial statements, from the date that common control was established.

Where the Company acquires a subsidiary during the reporting year through a business combination involving entities not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into consolidated financial statements from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

Where the Company acquired a non-controlling interest from a subsidiary's non-controlling shareholders, the difference between the investment cost and the newly acquired interest into the subsidiary's identifiable net assets at the acquisition date is adjusted to the capital reserve (capital surplus) in the consolidated balance sheet. Where the Company partially disposed an investment of a subsidiary that do not result in a loss of control, the difference between the proceeds and the corresponding share of the interest into the subsidiary is adjusted to the capital reserve (capital surplus) in the consolidated balance sheet. If the credit balance of capital reserve (capital surplus) is insufficient, any excess is adjusted to retained profits.

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(1) Accounting treatment of business combination involving entities under common control and not under common control *(Continued)*

(c) Criteria for determining control and method for the preparation of consolidated financial statements *(Continued)*

In a business combination involving entities not under common control achieved in stages, the Group remeasures its previously held equity interest in the acquiree on the acquisition date. The difference between the fair value and the net book value is recognised as investment income for the year. If other comprehensive income was recognised regarding the equity interest previously held in the acquiree before the acquisition date, the relevant other comprehensive income is transferred to investment income in the period in which the acquisition occurs.

Where control of a subsidiary is lost due to partial disposal of the equity investment held in a subsidiary, or any other reasons, the Group derecognises assets, liabilities, non-controlling interests and other equity items related to the subsidiary. The remaining equity investment is remeasured to fair value at the date in which control is lost. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the fair value of the Group's previous share of the subsidiary's identifiable net assets recorded from the acquisition date, is recognised in investment income in the period in which control is lost. Other comprehensive income related to the previous equity investment in the subsidiary, is transferred to investment income when control is lost. Other comprehensive income related to the equity investment of the original subsidiary shall be converted into the current investment income in the event of loss of control.

Non-controlling interest is 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.

The excess of the loss attributable to the non-controlling interests during the period over the non-controlling interests' share of the equity at the beginning of the reporting period is deducted from non-controlling interests.

Where the accounting policies and accounting period adopted by the subsidiaries are different from those adopted by the Company, adjustments are made to the subsidiaries' financial statements according to the Company's accounting policies and accounting period. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

The unrealised profit or loss arising from the sale of assets by the Company to its subsidiaries is eliminated in full against the net profit attributed to shareholders; the unrealised profit or loss from the sale of assets by subsidiaries to the Company is eliminated according to the distribution ratio between shareholders of the parent company and non-controlling interests. For sale of assets that occurred between subsidiaries, the unrealised gains and losses is eliminated according to the distribution ratio for its subsidiaries seller between net profit attributable to shareholders of the parent company and non-controlling interests.

(2) Transactions in foreign currencies and translation of financial statements in foreign currencies

Foreign currency transactions are, on initial recognition, translated into Renminbi at the spot exchange rates quoted by the People's Bank of China ("PBOC rates") at the transaction dates.

Foreign currency monetary items are translated at the PBOC rates at the balance sheet date. Exchange differences, except for those directly related to the acquisition, construction or production of qualified assets, are recognised as income or expenses in the income statement. Non-monetary items denominated in foreign currency measured at historical cost are not translated. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. The difference between the translated amount and the original currency amount is recognised as other comprehensive income, if it is classified as other equity instrument investments; or charged to the income statement if it is measured at fair value through profit or loss.

The assets and liabilities of foreign operation are translated into Renminbi at the spot exchange rates at the balance sheet date. The equity items, excluding "Retained earnings", are translated into Renminbi at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated into Renminbi at the spot exchange rates or an exchange rate that approximates the spot exchange rates on the transaction dates. The resulting exchange differences are separately presented as other comprehensive income in the balance sheet within equity. Upon disposal of a foreign operation, the cumulative amount of the exchange differences recognised in which relate to that foreign operation is transferred to profit or loss in the year in which the disposal occurs.

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(3) Cash and cash equivalents

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

(4) Inventories

(a) Inventories categories

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. Reusable materials are amortised in full when received for use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.

Inventories are initially measured at cost. Cost includes the cost of purchase and processing, and other expenditures incurred in bringing the inventories to their present location and condition. The cost of inventories is mainly calculated using the weighted average method. In addition to the cost of purchase of raw material, work in progress and finished goods include direct labour and an appropriate allocation of manufacturing overhead costs.

(b) Criteria for recognition and method of provision for diminution in value of inventories

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

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories and included in the current period profit and loss. Net realisable value is the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the quantity of inventory held to satisfy sales or service contracts is measured based on the contract price. If the quantities held by the Group are more than the quantities of inventories specified in sales contracts, the net realisable value of the excess portion of inventories is measured based on general selling prices.

(c) Inventory system

Inventories are recorded by perpetual method.

(5) Long-term equity investments

(a) Investment in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method. Except for cash dividends or profits distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment. Investments in subsidiaries are stated at cost less impairment losses (see Note 3(12)) in the balance sheet. At initial recognition, such investments are measured as follows:

The initial investment cost of a long-term equity investment obtained through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amounts of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained earnings.

For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial investment cost comprises the aggregate of the fair values 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 enterprises under common control, if it is achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

An investment in a subsidiary acquired otherwise than through a business combination is initially recognised at actual purchase cost 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, or at the value stipulated in the investment contract or agreement if an investment is contributed by investors.

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(5) Long-term equity investments *(Continued)*

(b) Investment in joint ventures and associates

A joint venture is an incorporated entity over which the Group, based on legal form, contractual terms and other facts and circumstances, has joint control with the other parties to the joint venture and rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the Group and the parties sharing control.

An associate is the investee that the Group has significant influence on their financial and operating policies. Significant influence represents the right to participate in the financial and operating policy decisions of the investee but is not control or joint control over the establishment of these policies. The Group generally considers the following circumstances in determining whether it can exercise significant influence over the investee: whether there is representative appointed to the board of directors or equivalent governing body of the investee; whether to participate in the investee's policy-making process; whether there are significant transactions with the investees; whether there is management personnel sent to the investee; whether to provide critical technical information to the investee.

An investment in a joint ventures or an associate is accounted for using the equity method, unless the investment is classified as held for sale.

The initial cost of investment in joint ventures and associates is stated at the consideration paid except for cash dividends or profits distributions declared but unpaid at the time of acquisition and therefore included in the consideration paid should be deducted if the investment is made in cash. Under the circumstances that the long-term investment is obtained through non-monetary asset exchange, the initial cost of the investment is stated at the fair value of the assets exchanged if the transaction has commercial substance, the difference between the fair value of the assets exchanged and its carrying amount is charged to profit or loss; or stated at the carrying amount of the assets exchanged if the transaction lacks commercial substance.

The Group's accounting treatments when adopting the equity method include:

Where the initial investment 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 recognised at the initial investment 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 time of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

After the acquisition of the investment, the Group recognises its share of the investee's net profits or losses and other comprehensive income as investment income or losses and other comprehensive income, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profits distributions, the carrying amount of the investment is reduced by that attributable to the Group.

The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair values of the investee's net identifiable assets at the time of acquisition. Under the equity accounting method, unrealised 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. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are fully recognised in the event that there is an evidence of impairment.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that is in substance forms part of the Group's net investment in the associate or the joint venture is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. However, if the Group has incurred obligations for additional losses and the conditions on recognition of provision are satisfied in accordance with the accounting standard on contingencies, the Group continues recognising the investment losses and the provision. Where net profits are subsequently made by the associate or joint venture, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group adjusts the carrying amount of the long-term equity investment for changes in owners' equity of the investee other than those arising from net profits or losses and other comprehensive income, and recognises the corresponding adjustment in capital reserve.

(c) The impairment assessment method and provision accrual on investment

The impairment assessment and provision accrual on investments in subsidiaries, associates and joint ventures are stated in Note 3(12).

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(6) Leases

A lease is a contract that a lessor transfers the right to use an identified asset for a period of time to a lessee in exchange for consideration.

(a) As Lessee

The Group recognises a right-of-use asset at the commencement date, and recognises the lease liability at the present value of the lease payments that are not paid at that date. The lease payments include fixed payments, 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, etc. Variable payments that are based on a percentage of sales are not included in the lease payments, and should be recognised in profit or loss when incurred. Lease liabilities to be paid within one year (including one year) from balance sheet date is presented in non-current liabilities due within one year.

Right-of-use assets of the Group mainly comprise land. Right-of-use assets are measured at cost which comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee, less any lease incentives received. The Group depreciates the right-of-use assets over the shorter of the asset's useful life and the lease term on a straight-line basis. When the recoverable amount of a right-of-use asset is less than its carrying amount, the carrying amount is reduced to the recoverable amount.

Payments associated with short-term leases with lease terms within 12 months and leases for which the underlying assets are individually of low value when it is new (the individual lease asset has a relatively low value when brand new) are recognised on a straight-line basis over the lease term as an expense in profit or loss or as cost of relevant assets, instead of recognising right-of-use assets and lease liabilities.

(b) As Lessor

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

When the Group leases self-owned plants and buildings, equipment and machinery, lease income from an operating lease is recognised on a straight-line basis over the period of the lease. The Group recognises variable lease income which is based on a certain percentage of sales as rental income when occurred.

(7) Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Group using in the production of goods, rendering of services and for operation and administrative purposes with useful life over one year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(12)). Construction in progress is stated in the balance sheet at cost less impairment losses (see Note 3(12)).

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 includes the cost of materials, direct labour, capitalised borrowing costs (see Note 3(20)), and any other costs directly attributable to bringing the asset to working condition for its intended use. According to legal or contractual obligations, costs of dismantling and removing the items and restoring the site on which the related assets located are included in the initial cost.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use. No depreciation is provided against construction in progress.

The criteria and timing for each type of construction in progress to be transferred to fixed assets are as follows:

Category	Criteria and time point for transfer to fixed assets
Plants and buildings	Asset management relevant departments complete on-site inspection and acceptance with conditions for use.
Equipment, machinery and others	(1) A single set of equipment can be put into operation separately and produce qualified products independently of other equipment or processes, and the relevant departments have issued a commissioning report; (2) Combined devices can be successfully commissioned jointly and produce qualified products normally, and the relevant departments will issue a commissioning report; (3) The supporting facilities are completed with the joint device as a whole and reach the point of the intended usable state; (4) The petrol station has completed on-site acceptance by the relevant management department; (5) The petrol filling station has completed on-site acceptance by the relevant departments and passed the relevant special acceptance by the local law enforcement authorities; (6) Fixed assets not required to be installed have passed acceptance by relevant departments; (7) The long-distance pipeline reaches the conditions for oil injection or section oil injection operation, and the relevant management departments of the enterprise complete the on-site acceptance and pass the relevant special acceptance by the local law enforcement departments.

When an enterprise sells products or by-products produced before a fixed asset is available for its intended use, the proceeds and related cost are accounted for in accordance with CAS 14 – Revenue and CAS 1 – Inventories respectively, and recognised in profit or loss for the current period.

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(7) Fixed assets and construction in progress *(Continued)*

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

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

The Group terminates the recognition of an item of fixed asset when it is in a state of disposal or it is estimated that it is unable to generate any economic benefits through 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 recognised in profit or loss on the date of retirement or disposal.

Other than oil and gas properties, the cost of fixed assets less residual value and accumulated impairment losses is depreciated using the straight-line method over their estimated useful lives, unless the fixed asset is classified as held for sale. The estimated useful lives and the estimated rate of residual values adopted for respective classes of fixed assets are as follows:

	Estimated useful life	Estimated rate of residual value
Plants and buildings	12-50 years	3%
Equipment, machinery and others	4-30 years	3%

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

(8) Oil and gas properties

Oil and gas assets refer to the ownership or control of mining interests and the formation of oil and gas wells and related auxiliary equipment through oil and gas exploration and development activities.

For mining rights and interests, if proven economically recoverable reserves are discovered in the mining area within the year, the expenses incurred in the current period should be capitalized. If no proven economically recoverable reserves are found in the mining area within the year, the expenses incurred in the current period should be temporarily capitalized; When reserves are subsequently discovered, they should be transferred within the oil and gas assets.

For completed exploration wells that have completed exploration tasks, obtained industrial oil and gas flow, and can be economically and effectively included in oil and gas production management, the actual expenses for drilling the well, production costs, and disposal fees determined according to the disposal plan will be converted into oil and gas assets when it is put into production (reaching a usable state), and an estimated liability for oil and gas asset disposal fees will be calculated; Exploration tasks have been completed, and exploration wells that have not obtained industrial oil and gas flow have been identified. If they are economically and effectively utilized for other purposes (co associated resources, injection wells, etc.), the actual expenses and production costs of drilling the well will be converted into corresponding assets when it is put into production (reaching a usable state); Exploration tasks have been completed, and exploration wells that have not obtained industrial oil and gas flow, or exploration wells that have obtained industrial oil and gas flow but do not have the conditions for oil and gas production and cannot be economically and effectively included in oil and gas production management (including other economically and effectively utilized methods), shall be written off. The actual drilling and exploration expenses of the well shall be included in the current period's profit and loss. For unfinished exploration wells, the drilling support of the well shall be listed as under construction within one year after completion; After one year of completion, it is still uncertain whether the well has obtained industrial oil and gas flow. If further exploration activities of the well are already in progress or have clear plans and are about to be implemented, the expenditure of the well will continue to be included in the construction project. Otherwise, the actual expenditure of the well will be recognized in the current profit and loss.

For the development well, if it is determined to obtain industrial oil and gas flow and can be economically and effectively included in oil and gas production management, the actual expenses, production costs, and disposal fees determined according to the disposal plan of the well will be converted into oil and gas assets when it is put into production (reaching a usable state), and an estimated liability for oil and gas asset disposal fees will be calculated.

For auxiliary equipment related to oil and gas assets, they will be converted into oil and gas assets when the project is completed and reaches the predetermined usable state.

The estimation of the future demolition costs of oil and gas assets by our group is based on current industry practices, taking into account expected demolition methods and referring to the estimates of engineers. The relevant demolition costs are discounted to present value based on the pre tax risk-free rate of return and capitalized as part of the value of oil and gas assets, which are subsequently amortized.

The capitalization cost of proven oil and gas assets is amortized based on production and oil and gas reserves using the production method.

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(9) Intangible assets

Intangible assets, where the estimated useful life is finite, are stated in the balance sheet at cost less accumulated amortisation and provision for impairment losses (see Note 3(12)). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised on a straight-line basis over the expected useful lives, unless the intangible assets are classified as held for sale.

The useful life, basis of determination and amortization method of each intangible asset are as follows:

Item	Useful life Basis of determination	Amortization method
Land use rights	Title registration period	Straight-line method
Patents	Expected years of economic benefits	Straight-line method
Non-patented technology	Expected years of economic benefits	Straight-line method
Operating rights	Contractual period	Straight-line method
Others	Expected years of economic benefits	Straight-line method

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the year over which the asset is expected to generate economic benefits for the Group.

Useful lives and amortisation methods are reviewed at least each year end.

For the sales of products or by-products produced during the research and development process, the group shall conduct accounting treatment for the relevant income and costs in accordance with the *Accounting Standards for Business Enterprises No. 14 – Revenue, Accounting Standards for Business Enterprises No. 1 – Inventory*, and include in the current profit and loss.

(10) Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control.

Goodwill is not amortised and is stated at cost less accumulated impairment losses (see Note 3(12)). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

(11) Financial Instruments

Financial instruments, refer to the contracts that form one party's financial assets and form the financial liabilities or equity instruments of the other party. The Group recognises a financial asset or a financial liability when the Group enters into and becomes a party to the underlining contract of the financial instrument.

(a) Financial assets

(i) Classification and measurement

The Group classifies financial assets into different categories depending on the business model for managing the financial assets and the contractual terms of cash flows of the financial assets: (1) financial assets measured at amortised cost, (2) financial assets measured at fair value through other comprehensive income, (3) financial assets measured at fair value through profit or loss. A contractual cash flow characteristic which could have only a de minimis effect, or could have an effect that is more than de minimis but is not genuine, does not affect the classification of the financial asset.

Financial assets are initially recognised at fair value. For financial assets measured at fair value through profit or loss, the relevant transaction costs are recognised in profit or loss. The transaction costs for other financial assets are included in the initially recognised amount. However, accounts receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Group.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following ways:

– Measured at amortised cost:

The business model for managing such financial assets by the Group are held for collection of contractual cash flows. The contractual cash flow characteristics are to give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is recognised using the effective interest rate method. The financial assets include cash at bank and on hand and receivables.

– Measured at fair value through other comprehensive income:

The business model for managing such financial assets by the Group are held for collection of contractual cash flows and for selling the financial assets, the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, foreign exchange gains and losses and interest income calculated using the effective interest rate method, which are recognised in profit or loss. The financial assets include receivables financing.

3 **MATERIAL ACCOUNTING POLICIES** *(Continued)*

(11) **Financial Instruments** *(Continued)*

(a) Financial assets *(Continued)*

(i) Classification and measurement *(Continued)*

Equity instruments
Equity instruments that the Group has no power to control, jointly control or exercise significant influence over, are measured at fair value through profit or loss and presented as financial assets held for trading.

In addition, the Group designates some equity instruments that are not held for trading as financial assets at fair value through other comprehensive income, and presented in other equity instrument investments. The relevant dividends of these financial assets are recognised in profit or loss. When derecognised, the cumulative gain or loss previously recognised in other comprehensive income is transferred to retained earnings.

(ii) Impairment

- *Expected credit losses measurement*
  The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost and receivables financing measured at fair value through other comprehensive income.

  The Group measures and recognises expected credit losses, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions.

  The Group measures the expected credit losses of financial instruments on different stages at each balance sheet date. For financial instruments that have no significant increase in credit risk since the initial recognition, on first stage, the Group measures the loss allowance at an amount equal to 12-month expected credit losses. If there has been a significant increase in credit risk since the initial recognition of a financial instrument but credit impairment has not occurred, on second stage, the Group recognises a loss allowance at an amount equal to lifetime expected credit losses. If credit impairment has occurred since the initial recognition of a financial instrument, on third stage, the Group recognises a loss allowance at an amount equal to lifetime expected credit losses.

  For financial instruments that have low credit risk at the balance sheet date, the Group assumes that there is no significant increase in credit risk since the initial recognition, and measures the loss allowance at an amount equal to 12-month expected credit losses.

  For financial instruments on the first stage and the second stage, and that have low credit risk, the Group calculates interest income according to carrying amount without deducting the impairment allowance and effective interest rate. For financial instruments on the third stage, interest income is calculated according to the carrying amount minus amortised cost after the provision of impairment allowance and effective interest rate.

  For accounts receivable and receivables financing arising from ordinary business activities such as sales of goods and rendering of services, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

  The Group recognises the loss allowance accrued or written back in profit or loss.

- *Allowance for doubtful accounts on receivables*

  (a) The type of portfolio for which provision for bad debts is made according to the credit risk characteristics and the basis for its determination

Receivables items	Basis of determination
Accounts receivable	Based on the historical experience of the Group, there are significant differences in losses across different operating segments. Therefore the Group estimates the allowance for doubtful accounts of the accounts receivable of each operating segment as a separate portfolio respectively.
Other receivables	The Group's other receivables mainly include security deposits and deposits, receivables from related parties, dividends receivable, etc. Based on their credit risk, the Group estimates the allowance for doubtful accounts of the other receivables for different ages as a separate portfolio respectively.
Receivables financing	The Group's receivables financing consists of bank acceptance bills held for dual purposes. Due to the high credit ratings of the accepting banks, the Group treats all receivables financing as a single portfolio.

  (b) According to the criteria for judging the individual provision for bad debts
  For accounts receivable, other receivables and receivables financing, the Group usually measures its loss allowance according to the 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 the credit risk characteristics of the counterparty change significantly, the amount receivable from the counterparty shall be exposed to provision measurement and/or recognition on a separate basis.

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(11) Financial Instruments *(Continued)*

(a) Financial assets *(Continued)*

(iii)Derecognition

The Group derecognises a financial asset when a) the contractual right to receive cash flows from the financial asset expires; b) the Group transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset; c) the financial assets have been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but the Group has not retained control.

On derecognition of other equity instrument investments, the difference between the carrying amounts and the sum of the consideration received and any cumulative gain or loss previously recognised in other comprehensive income, is recognised in retained earnings. While on derecognition of other financial assets, this difference is recognised in profit or loss.

(b) Financial liabilities

The Group, at initial recognition, classifies financial liabilities as either financial liabilities subsequently measured at amortised cost or financial liabilities at fair value through profit or loss.

The Group's financial liabilities are mainly financial liabilities measured at amortised cost, including bills payable, accounts payable, other payables, loans and debentures payable, etc. These financial liabilities are initially measured at the amount of their fair value after deducting transaction costs and use the effective interest rate method for subsequent measurement.

Where the present obligations of financial liabilities are completely or partially discharged, the Group derecognises these financial liabilities or discharged parts of obligations. The differences between the carrying amounts and the consideration received are recognised in profit or loss.

Financial guarantee liabilities

Financial guarantees are contracts that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(c) Determination of fair value

If there is an active market for financial instruments, the quoted price in the active market is used to measure fair values of the financial instruments. If no active market exists for financial instruments, valuation techniques are used to measure fair values. In valuation, the Group adopts valuation techniques that are applicable in the current situation and have sufficient available data and other information to support it, and selects input values that are consistent with the asset or liability characteristics considered by market participants in the transaction of relevant assets or liabilities, and gives priority to relevant observable input values. Use of unobservable input values where relevant observable input values cannot be obtained or are not practicable.

(d) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised initially at fair value. At each balance sheet date, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedge accounting.

Hedge accounting is a method which recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item in the same accounting period, to represent the effect of risk management activities.

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

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

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(11) Financial Instruments *(Continued)*

(d) Derivative financial instruments and hedge accounting *(Continued)*

The hedging relationship meets all of the following hedge effectiveness requirements:

(1) There is an economic relationship between the hedged item and the hedging instrument, which share a risk and that gives rise to opposite changes in fair value that tend to offset each other.

(2) The effect of credit risk does not dominate the value changes that result from that economic relationship.

(3) 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 hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument.

– Cash flow hedges

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss. As long as a cash flow hedge meets the qualifying criteria for hedge accounting, the hedging relationship shall be accounted for as follows. 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 gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income.

The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge is recognised 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 a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the entity shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability. This is not a reclassification adjustment and hence it does not affect other comprehensive income.

For cash flow hedges, other than those covered by the preceding two policy statements, that amount shall be 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.

If the amount that has been accumulated in the cash flow hedge reserve is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, the Group immediately reclassify the amount that is not expected to be recovered into profit or loss.

When the hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting (i.e. the entity no longer pursues that risk management objective), or when a hedging instrument expires or is sold, terminated, exercised, or 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 or no longer meets the criteria for hedge accounting, the Group discontinues prospectively the hedge accounting treatments. If the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve and shall be accounted for as cash flow hedges. If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment. A hedged future cash flow that is no longer highly probable to occur may still be expected to occur, if the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve and shall be accounted for as cash flow hedges.

– Fair value hedges

A fair value hedge is a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognised firm commitment, or a portion of such an asset, liability or firm commitment.

The gain or loss from remeasuring the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the recognised hedged item not measured at fair value and is recognised in profit or loss.

Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at amortised cost. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins.

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(12) Impairment of other non-financial long-term assets

Internal and external sources of information are reviewed at each balance sheet date for indications that the following assets, including fixed assets, construction in progress, right-of-use assets, goodwill, intangible assets, long-term deferred expenses and investments in subsidiaries, associates and joint ventures may be impaired.

Assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The recoverable amounts of goodwill and intangible assets with uncertain useful lives are estimated annually no matter there are any indications of impairment. Goodwill is tested for impairment together with related asset units or groups of asset units.

An asset unit is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or groups of assets. An asset unit comprises related assets that generate associated cash inflows. In identifying an asset unit, the Group primarily considers whether the asset unit is able to generate cash inflows independently as well as the management style of production and operational activities, and the decision for the use or disposal of asset.

The recoverable amount is the greater of the fair value less costs to sell and the present value of expected future cash flows generated by the asset (or asset unit, set of asset units).

Fair value less costs to sell of an asset is based on its selling price in an arm's length transaction less any direct costs attributable to the disposal. Present value of expected future cash flows is the estimation of future cash flows to be generated from the use of and upon disposal of the asset, discounted at an appropriate pre-tax discount rate over the asset's remaining useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is recognised as an impairment loss in profit or loss. A provision for impairment loss of the asset is recognised accordingly. Impairment losses related to an asset unit or a set of asset units first reduce the carrying amount of any goodwill allocated to the asset unit or set of asset units, and then reduce the carrying amount of the other assets in the asset unit or set of asset units on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

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

(13) Long-term deferred expenses

Long-term deferred expenses are amortised on a straight-line basis over their beneficial periods

(14) Employee benefits

Employee benefits are all forms of considerations and compensation given in exchange for services rendered by employees, including short-term compensation, post-employment benefits, termination benefits and other long term employee benefits.

(a) Short-term compensation

Short term compensation includes salaries, bonuses, allowances and subsidies, employee benefits, medical insurance premiums, work-related injury insurance premium, maternity insurance premium, contributions to housing fund, unions and education fund and short-term absence with payment etc. When an employee has rendered service to the Group during an accounting period, the Group shall recognise the short-term compensation actually incurred as a liability and charge to the cost of an asset or to profit or loss in the same period, and non-monetary benefits are valued with the fair value.

(b) Post-employment benefits

The Group classifies post-employment benefits into either Defined Contribution Plan (DC plan) or Defined Benefit Plan (DB plan). DC plan means the Group only contributes a fixed amount to an independent fund and no longer bears other payment obligation; DB plan is post-employment benefits other than DC plan. In this reporting period, the post-employment benefits of the Group primarily comprise basic pension insurance and unemployment insurance and both of them are DC plans.

Basic pension insurance

Employees of the Group participate in the social insurance system established and managed by local labor and social security department. The Group makes basic pension insurance to the local social insurance agencies every month, at the applicable benchmarks and rates stipulated by the government for the benefits of its employees. After the employees retire, the local labor and social security department has obligations to pay them the basic pension. When an employee has rendered service to the Group during an accounting period, the Group shall recognise the accrued amount according to the above social security provisions as a liability and charge to the cost of an asset or to profit or loss in the same period.

(c) Termination benefits

When the Group terminates the employment relationship with employees before the employment contracts expire, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided is recognised in profit or loss under the conditions of both the Group has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly; and the Group is not allowed to withdraw from termination plan or redundancy offer unilaterally.

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(15) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to business combinations and items recognised 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 if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognised based on deductible temporary differences and taxable temporary differences respectively. Temporary difference is the difference between the carrying amounts of assets and liabilities and their tax bases. Unused tax losses and unused tax credits able to be utilised in subsequent years are treated as temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available to offset the deductible temporary differences.

Temporary differences arise in a transaction, which is not a business combination, and at the time of transaction, does not affect accounting profit or taxable profit (or unused tax losses), will not result in deferred tax. Temporary differences arising from the initial recognition of goodwill will not result in deferred tax.

At the balance sheet date, the amounts of deferred tax recognised is measured based on the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is recovered or the liability is settled in accordance with tax laws.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. If it is unlikely to obtain sufficient taxable income to offset against the benefit of deferred tax asset, the carrying amount of the deferred tax assets is written down. Any such write-down should be subsequently reversed where it becomes probable that sufficient taxable income will be available.

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

– the taxable entity has a legally enforceable right to offset current tax assets and current tax liabilities;

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

(16) Provisions

Provisions are recognised when the Group has a present obligation as a result of a contingent event, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

Provisions for future dismantlement costs are initially recognised based on the present value of the future costs expected to be incurred in respect of the Group's expected dismantlement and abandonment costs at the end of related oil and gas exploration and development activities. Any subsequent change in the present value of the estimated costs, other than the change due to passage of time which is regarded as interest costs, is reflected as an adjustment to the provision of oil and gas properties.

Loss-making contracts exist when the costs of performing contractual obligations inevitably exceed the expected economic benefits in the contracts entered into by the Group. The projected liability for loss-making contracts is calculated at the present value of the lesser of the expected cost of termination and the net cost of continuing to perform the contract. The cost of performing a contract includes the allocation of incremental costs for the performance of the contract and other costs directly related to the performance of the contract.

(17) Specific reserve

The Group recognises 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.

When the safety fund is subsequently used for revenue expenditure, the specific reserve is reduced accordingly. When the safety fund is subsequently used for the construction or acquisition of fixed assets, the Group recognises the capitalised expenditure incurred as the cost of the fixed assets when the related assets are ready for their intended use. In such cases, the specific reserve is reduced by the amount that corresponds to the cost of the fixed assets and the credit side is recognised in the accumulated depreciation with respect to the related fixed assets. Consequently, such fixed assets are not depreciated in subsequent periods.

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(18) Revenue recognition

Revenue arises in the course of the Group's ordinary activities, and increases in economic benefits in the form of inflows that result in an increase in equity, other than those relating to contributions from equity participants.

The Group sells crude oil, natural gas, petroleum and chemical products, etc. Revenue is recognised according to the expected consideration amount, when a customer obtains control over the relevant goods or services. To determine whether a customer obtains control of a promised asset, the Group shall consider indicators of the transfer of control, which include, but are not limited to:

– the Group has a present right to payment for the asset;

– the Group has transferred physical possession of the asset to the customer;

– the customer has the significant risks and rewards of ownership of the asset;

– the customer has accepted the asset.

The Group determines whether it is a principal or an agent, based 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 recognises revenue in the gross amount of consideration which it has received (or which is receivable). Otherwise, the Group is an agent, and recognises 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 determined according to the established amount or proportion.

The circumstances in which the Group is able to control the goods before transferring them to customers include:

– The Group acquires control of the goods or other assets from a third party and then transfers them to the customer;

– The Group is able to lead third parties to provide services to customers on behalf of the Group;

– After the Group acquires control of a product from a third party, it transfers the product to a customer by integrating the product with other products into a combination of products through the provision of significant services;

In determining whether the Group has control over the Goods before the transfer of the Goods to the Customer, the Group takes into account all relevant facts and circumstances, including:

– The Group bears the primary responsibility for the transfer of goods to customers;

– The Group assumes the inventory risk of the goods before or after the transfer of the goods;

– The Group reserves the right to determine the price of the products it trades at its own discretion.

(19) 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.

Government grants are recognised when there is reasonable assurance that the grants will be received and the Group is able to comply with the conditions attaching to them. Government grants in the form of monetary assets are recorded based on the amount received or receivable, whereas non-monetary assets are measured at fair value.

Government grants received in relation to assets are recorded as deferred income, and recognised evenly in profit or loss over the assets' useful lives. Government grants received in relation to revenue are recorded as deferred income, and recognised as income in future periods as compensation when the associated future expenses or losses arise; or directly recognised as income in the current period as compensation for past expenses or losses.

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(20) Borrowing costs

Borrowing costs incurred on borrowings for the acquisition, construction or production of qualified assets are capitalised into the cost of the related assets in the capitalisable period.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

(21) Repairs and maintenance expenses

Repairs and maintenance (including overhauling expenses) expenses are recognised in profit or loss when incurred.

(22) Environmental expenditures

Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations is expensed as incurred. Liabilities related to future remediation costs are recorded when environmental assessments and/or cleanups are probable and the costs can be reliably estimated. As facts concerning environmental contingencies become known to the Group, the Group reassesses its position both with respect to accrued liabilities and other potential exposures.

(23) Research and development costs

Research costs and development costs that cannot meet the capitalisation criteria are recognised in profit or loss when incurred.

(24) Dividends

Dividends and distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date, are not recognised as a liability at the balance sheet date and are separately disclosed in the notes to the financial statements. Dividends are recognised as a liability in the period in which they are declared.

(25) 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, joint control from another party, they are considered to be related parties, except for the two parties significantly influenced by a party. Related parties may be individuals or enterprises. Where enterprises are subject to state control but are otherwise unrelated, they are not 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.

(26) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following respective conditions:

– engage in business activities from which it may earn revenues and incur expenses;

– whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and

– for which financial information regarding financial position, results of operations and cash flows are available.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(27) Changes in significant accounting policies

In 2023, the Group has adopted the revised accounting requirements and guidance under CAS newly issued by the Ministry of Finance ("MOF") as follows:

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.

The Group has made retrospective adjustments in accordance with these provisions 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.

(i) The effects on the comparative financial statements

The effects of these changes in accounting policies on net profit for the twelve months 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 profit for the twelve months ended 31 December 2022 RMB million	2022 Closing balance of shareholders' equity RMB million	2022 Opening balance of shareholders' equity RMB million
Net profit and shareholders' equity before adjustments	75,758	937,153	916,041
The effects of the exemption of initial recognition not applicable to the deferred tax relating to assets and liabilities arising from a single transaction	856	3,304	2,448
Net profit and shareholders' equity after adjustments	76,614	940,457	918,489

	The Company		
	Net profit for the twelve months ended 31 December 2022 RMB million	2022 Closing balance of shareholders' equity RMB million	2022 Opening balance of shareholders' equity RMB million
Net profit and shareholders' equity before adjustments	46,104	504,877	526,314
The effects of the exemption of initial recognition not applicable to the deferred tax relating to assets and liabilities arising from a single transaction	533	1,750	1,217
Net profit and shareholders' equity after adjustments	46,637	506,627	527,531

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(27) Changes in significant accounting policies *(Continued)*

(i) The effects on the comparative financial statements *(Continued)*

The effects of the above changes in accounting policies on each item of the consolidated balance sheet and company balance sheet as at 31 December 2022 are summarised as follows:

	The Group		
	Before adjustments RMB million	The amounts of adjustments RMB million	After adjustments RMB million
Non-current assets			
Deferred tax assets	19,952	2,481	22,433
Total non-current assets	**1,425,500**	**2,481**	**1,427,981**
Total assets	**1,948,640**	**2,481**	**1,951,121**
Non-current liabilities			
Deferred tax liabilities	8,079	(823)	7,256
Total non-current liabilities	**344,102**	**(823)**	**343,279**
Total liabilities	**1,011,487**	**(823)**	**1,010,664**
Shareholders' equity			
Surplus reserves	217,834	175	218,009
Retained earnings	323,087	2,719	325,806
Total equity attributable to shareholders of the Company	**785,577**	**2,894**	**788,471**
Non-controlling interests	**151,576**	**410**	**151,986**
Total shareholders' equity	**937,153**	**3,304**	**940,457**
Total liabilities and shareholders' equity	**1,948,640**	**2,481**	**1,951,121**

	The Company		
	Before adjustments RMB million	The amounts of adjustments RMB million	After adjustments RMB million
Non-current assets			
Deferred tax assets	7,737	1,750	9,487
Total non-current assets	**914,040**	**1,750**	**915,790**
Total assets	**1,141,670**	**1,750**	**1,143,420**
Shareholders' equity			
Surplus reserves	217,834	175	218,009
Retained earnings	100,947	1,575	102,522
Total shareholders' equity	**504,877**	**1,750**	**506,627**
Total liabilities and shareholders' equity	**1,141,670**	**1,750**	**1,143,420**

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(27) Changes in significant accounting policies *(Continued)*

(i) The effects on the comparative 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 twelve-month period ended 31 December 2022 are summarised as follows:

	The Group Before adjustments RMB million	The amounts of adjustments RMB million	After adjustments RMB million
Income tax expense	18,757	(856)	17,901
Net profit	**75,758**	**856**	**76,614**
Classification by continuity of operations			
Net profit from continuing operations	75,758	856	76,614
Classification by ownership			
Shareholders of the Company	66,302	780	67,082
Non-controlling interests	9,456	76	9,532
Basic earnings per share (RMB/Share)	**0.548**	**0.007**	**0.555**
Diluted earnings per share (RMB/Share)	**0.548**	**0.007**	**0.555**
Total comprehensive income	**97,587**	**856**	**98,443**
Shareholders of the Company	85,428	780	86,208
Non-controlling interests	12,159	76	12,235

	The Company Before adjustments RMB million	The amounts of adjustments RMB million	After adjustments RMB million
Income tax expense	6,244	(533)	5,711
Net profit	**46,104**	**533**	**46,637**
Classification by continuity of operations			
Net profit from continuing operations	46,104	533	46,637
Total comprehensive income	**51,840**	**533**	**52,373**

(ii) 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 RMB million	The Company RMB million
Assets		
Current assets		
Cash at bank and on hand	221,989	110,691
Derivative financial assets	18,371	4,503
Accounts receivable	34,861	21,146
Receivables financing	5,939	227
Prepayments	9,267	4,540
Other receivables	35,664	46,929
Inventories	207,433	63,661
Other current assets	24,500	23,408
Total current assets	**558,024**	**275,105**
Non-current assets		
Long-term equity investments	209,179	360,847
Other equity instrument investments	767	201
Fixed assets	598,932	284,622
Construction in progress	155,939	66,146
Right-of-use assets	184,974	105,712
Intangible assets	119,210	9,334
Goodwill	8,594	–
Long-term deferred expenses	10,007	2,875
Deferred tax assets	21,098	9,932
Other non-current assets	24,240	34,227
Total non-current assets	**1,332,940**	**873,896**
Total assets	**1,890,964**	**1,149,001**

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(27) Changes in significant accounting policies *(Continued)*

(ii) 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: *(Continued)*

	The Group RMB million	The Company RMB million
Liabilities and shareholders' equity		
Current liabilities		
Short-term loans	27,366	16,550
Derivative financial liabilities	3,223	1,121
Bills payable	11,721	6,058
Accounts payable	203,919	85,307
Contract liabilities	124,622	7,505
Employee benefits payable	14,048	8,398
Taxes payable	81,267	46,333
Other payables	114,701	211,179
Non-current liabilities due within one year	28,651	16,737
Other current liabilities	31,762	13,702
Total current liabilities	**641,280**	**412,890**
Non-current liabilities		
Long-term loans	49,341	34,258
Debentures payable	42,649	31,522
Lease liabilities	170,233	104,426
Provisions	43,525	35,271
Deferred tax liabilities	7,171	–
Other non-current liabilities	18,276	3,103
Total non-current liabilities	**331,195**	**208,580**
Total liabilities	**972,475**	**621,470**
Shareholders' equity		
Share capital	121,071	121,071
Capital reserve	120,188	67,897
Other comprehensive income	(690)	6,024
Specific reserve	2,664	1,658
Surplus reserves	213,346	213,346
Retained earnings	320,637	117,535
Total equity attributable to shareholders of the Company	**777,216**	**527,531**
Non-controlling interests	**141,273**	**–**
Total shareholders' equity	**918,489**	**527,531**
Total liabilities and shareholders' equity	**1,890,964**	**1,149,001**

4 TAXATION

Major types of tax applicable to the Group are value-added tax, resources tax, consumption tax, income tax, crude oil special gain levy, Levy for mineral rights concessions, city construction tax, education surcharge and local education surcharge etc.

Tax rate of products is presented as below:

Type of taxes	Tax rate	Tax basis and method
Value Added Tax (the "VAT")	13%, 9%, 6%	Based on taxable value added amount. Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less current period's deductible VAT input.
Resource Tax	6%	Based on the revenue from sales of crude oil and natural gas.
Consumption Tax	RMB2,109.76 per tonnage for Gasoline, RMB1,411.20 per tonnage for Diesel, RMB2,105.20 per tonnage for Naphtha, RMB1,948.64 per tonnage for Solvent oil, RMB1,711.52 per tonnage for Lubricant oil, RMB1,218.00 per tonnage for Fuel oil, and RMB1,495.20 per tonnage for Jet fuel oil.	Based on quantities
Corporate Income Tax	5% to 50%	Based on taxable income.
Crude Oil Special Gain Levy	20% to 40%	Based on the sales of domestic crude oil at prices higher than a specific level.
Levy for mineral rights concessions（礦業權出讓收益）	Oil, gas, shale gas，Natural gas hydrates 0.8% onshore, 0.6% offshore, coal bed methane 0.3%, mineral salts (rock salt) 2.8%	Based on revenue from sales of mineral products
City Maintenance and Construction Tax	1%, 5% or 7%	Based on the actual paid VAT and consumption tax.
Education surcharges	3%	Based on the actual paid VAT and consumption tax.
Local Education surcharges	2%	Based on the actual paid VAT and consumption tax.

5 CASH AT BANK AND ON HAND

The Group

	At 31 December 2023			At 31 December 2022		
	Original currency million	Exchange rates	RMB million	Original currency million	Exchange rates	RMB million
Cash on hand						
Renminbi			1			2
Cash at bank						
Renminbi			87,278			69,282
US Dollar	1,169	7.0827	8,277	690	6.9646	4,809
Hong Kong Dollar	3,584	0.9062	3,248	5,162	0.8933	4,611
EUR	1	7.8592	4	1	7.4229	7
Others			185			1,277
			98,993			**79,988**
Deposits at related parities						
Renminbi			7,602			12,690
US Dollar	8,196	7.0827	58,050	7,433	6.9646	51,774
EUR	10	7.8592	76	56	7.4229	413
Others			239			187
			65,967			**65,064**
Total			**164,960**			**145,052**

Deposits at related parties represent deposits placed at Sinopec Finance Company Limited and Sinopec Century Bright Capital Investment Limited. Deposits interest is calculated based on market rate.

At 31 December 2023, time deposits with financial institutions of the Group amounted to RMB41,778 million (2022: RMB51,614 million).

6 DERIVATIVE FINANCIAL ASSETS AND DERIVATIVE FINANCIAL LIABILITIES

Derivative financial assets and derivative financial liabilities of the Group are primarily commodity futures and hedge accounting. See Note 64.

	31 December 2023 RMB Million		31 December 2022 RMB Million	
	Derivative financial assets	**Derivative financial liabilities**	Derivative financial assets	Derivative financial liabilities
Cash flow hedge instruments	2,883	1,768	2,187	247
Other derivatives	6,838	984	17,148	7,066
	9,721	**2,752**	**19,335**	**7,313**

7 ACCOUNTS RECEIVABLE

	The Group		The Company	
	At 31 December 2023 RMB million	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million
Accounts receivable	52,668	50,443	27,949	33,919
Less: Allowance for doubtful accounts	4,016	4,079	71	78
Total	**48,652**	**46,364**	**27,878**	**33,841**

Ageing analysis on accounts receivable is as follows:

	The Group							
	At 31 December 2023				At 31 December 2022			
	Amount RMB million	**Percentage to total accounts receivable %**	**Allowance RMB million**	**Percentage of allowance to accounts receivable balance %**	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %
Within one year	48,261	91.6	74	0.2	46,097	91.4	58	0.1
Between one and two years	326	0.6	47	14.4	216	0.4	64	29.6
Between two and three years	116	0.3	62	53.4	269	0.5	181	67.3
Over three years	3,965	7.5	3,833	96.7	3,861	7.7	3,776	97.8
Total	**52,668**	**100.0**	**4,016**		**50,443**	**100.0**	**4,079**	

	The Company							
	At 31 December 2023				At 31 December 2022			
	Amount RMB million	**Percentage to total accounts receivable %**	**Allowance RMB million**	**Percentage of allowance to accounts receivable balance %**	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %
Within one year	27,387	98.0	4	0.0	33,555	98.9	1	0.0
Between one and two years	319	1.1	1	0.3	108	0.3	11	10.2
Between two and three years	24	0.1	5	20.8	191	0.6	1	0.5
Over three years	219	0.8	61	27.9	65	0.2	65	100.0
Total	**27,949**	**100.0**	**71**		**33,919**	**100.0**	**78**	

As at 31 December 2023 and 31 December 2022, the total amounts of the top five accounts receivable of the Group are set out below:

	At 31 December 2023	At 31 December 2022
Total amount (RMB million)	15,137	15,846
Percentage to the total balance of accounts receivable	28.7%	31.4%
Allowance for doubtful accounts	2,204	2,187

As at 31 December 2023, the carrying amount of accounts receivable under factoring arrangement that are derecognised is RMB12,767 million.

7 ACCOUNTS RECEIVABLE *(Continued)*

Sales are generally on a cash term. Credit is generally only available for major customers with well-established trading records. Amounts due from China Petrochemical Corporation ("Sinopec Group Company") and fellow subsidiaries are repayable under the same terms.

Accounts receivable (net of allowance for doubtful accounts) primarily represent receivables that are neither past due nor impaired. These receivables relate to a wide range of customers for whom there is no recent history of default. Information about the impairment of accounts receivable and the Group exposure to credit risk can be found in Note 64.

During 2023 and 2022, the Group and the Company had no individually significant accounts receivable been fully or substantially provided allowance for doubtful accounts.

During 2023 and 2022, the Group and the Company had no individually significant write-off or recovery of doubtful debts which had been fully or substantially provided for in prior years.

Ageing started from the overdue date of accounts receivable. The Group always measured the provision for impairment of accounts receivable based on the amount equivalent to the expected credit loss during the entire duration. The ECLs were calculated based on historical actual credit loss experience. The rates were considered the differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The Group performed the calculation of ECL rates by the operating segment and geographical location.

31 December 2023	**Gross carrying amount RMB million**	**Impairment provision on individual basis**		**Impairment provision on provision matrix basis**		**Loss allowance RMB million**
		Carrying amount RMB million	**Impairment provision on individual basis RMB million**	**Weighted-average loss rate %**	**Impairment provision RMB million**	
Current and within 1 year past due	48,261	8,958	4	0.2%	70	74
1 to 2 years past due	326	139	1	24.6%	46	47
2 to 3 years past due	116	34	25	45.1%	37	62
Over 3 years past due	3,965	3,599	3,467	100.0%	366	3,833
Total	**52,668**	**12,730**	**3,497**		**519**	**4,016**

31 December 2022	Gross carrying amount RMB million	Impairment provision on individual basis		Impairment provision on provision matrix basis		Loss allowance RMB million
		Carrying amount RMB million	Impairment provision on individual basis RMB million	Weighted-average loss rate %	Impairment provision RMB million	
Current and within 1 year past due	46,097	7,014	2	0.1%	56	58
1 to 2 years past due	216	29	25	20.9%	39	64
2 to 3 years past due	269	193	148	43.4%	33	181
Over 3 years past due	3,861	3,487	3,405	99.2%	371	3,776
Total	**50,443**	**10,723**	**3,580**		**499**	**4,079**

8 RECEIVABLES FINANCING

Receivables financing represents mainly the bills of acceptance issued by banks for sales of goods and products and certain trade accounts receivable.The business model of financial assets is achieved both by collecting contractual cash flows and selling of these assets.

At 31 December 2023, the Group considers that its bills of acceptance issued by banks do not pose a significant credit risk and will not cause any significant loss due to the default of drawers.

At 31 December 2023, the Group's derecognised but outstanding bills due to endorsement or discount amounted to RMB49,616 million (2022: RMB34,978 million).

9 PREPAYMENTS

	The Group		The Company	
	At 31 December 2023 RMB million	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million
Prepayments	5,242	8,067	1,767	4,473
Less: Allowance for doubtful accounts	175	111	7	12
Total	**5,067**	**7,956**	**1,760**	**4,461**

Ageing analysis of prepayments is as follows:

	The Group							
	At 31 December 2023				At 31 December 2022			
	Amount RMB million	**Percentage to total prepayments %**	**Allowance RMB million**	**Percentage of allowance to prepayments balance %**	Amount RMB million	Percentage to total prepayments %	Allowance RMB million	Percentage of allowance to prepayments balance %
Within one year	4,373	83.4	–	–	7,608	94.3	–	–
Between one and two years	568	10.8	86	15.1	249	3.1	32	12.9
Between two and three years	112	2.1	24	21.4	67	0.8	10	14.9
Over three years	189	3.7	65	34.4	143	1.8	69	48.3
Total	**5,242**	**100.0**	**175**		**8,067**	**100.0**	**111**	

	The Company							
	At 31 December 2023				At 31 December 2022			
	Amount RMB million	**Percentage to total prepayments %**	**Allowance RMB million**	**Percentage of allowance to prepayments balance %**	Amount RMB million	Percentage to total prepayments %	Allowance RMB million	Percentage of allowance to prepayments balance %
Within one year	1,726	97.7	–	–	4,331	96.8	–	–
Between one and two years	29	1.6	–	–	39	0.9	1	2.6
Between two and three years	–	–	–	–	13	0.3	3	23.1
Over three years	12	0.7	7	58.3	90	2.0	8	8.9
Total	**1,767**	**100.0**	**7**		**4,473**	**100.0**	**12**	

At 31 December 2023 and 31 December 2022, the total amounts of the top five prepayments of the Group are set out below:

	At 31 December 2023	At 31 December 2022
Total amount (RMB million)	1,041	2,565
Percentage to the total balance of prepayments	19.9%	31.8%

10 OTHER RECEIVABLES

	The Group		The Company	
	At 31 December 2023 RMB million	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million
Other receivables	27,761	28,562	51,843	39,416
Less: Allowance for doubtful accounts	1,672	1,553	903	899
Total	**26,089**	**27,009**	**50,940**	**38,517**

Other receivables mainly include security deposits and deposits.

Ageing analysis of other receivables is as follows:

	The Group							
	At 31 December 2023				At 31 December 2022			
	Amount RMB million	**Percentage to total other receivables %**	**Allowance RMB million**	**Percentage of allowance to other receivables balance %**	Amount RMB million	Percentage to total other receivables %	Allowance RMB million	Percentage of allowance to other receivables balance %
Within one year	17,121	61.7	13	0.1	17,846	62.6	25	0.1
Between one and two years	313	1.1	34	10.9	496	1.7	44	8.9
Between two and three years	152	0.5	43	28.3	353	1.2	139	39.4
Over three years	10,175	36.7	1,582	15.5	9,867	34.5	1,345	13.6
Total	**27,761**	**100.0**	**1,672**		**28,562**	**100.0**	**1,553**	

	The Company							
	At 31 December 2023				At 31 December 2022			
	Amount RMB million	**Percentage to total other receivables %**	**Allowance RMB million**	**Percentage of allowance to other receivables balance %**	Amount RMB million	Percentage to total other receivables %	Allowance RMB million	Percentage of allowance to other receivables balance %
Within one year	36,754	70.9	–	–	25,945	65.8	–	–
Between one and two years	6,676	12.9	5	0.1	2,847	7.2	5	0.2
Between two and three years	2,118	4.1	3	0.1	3,929	10.0	2	0.1
Over three years	6,295	12.1	895	14.2	6,695	17.0	892	13.3
Total	**51,843**	**100.0**	**903**		**39,416**	**100.0**	**899**	

At 31 December 2023 and at 31 December 2022, the total amounts of the top five other receivables of the Group are set out below:

	At 31 December 2023	At 31 December 2022
Total amount (RMB million)	14,545	13,936
Ageing	Within one year, one to two years, two to three years and over three years	Within one year, one to two years, two to three years and over three years
Percentage to the total balance of other receivables	52.4%	48.8%
Allowance for doubtful accounts	72.0	72.0

During the year ended 31 December 2023 and 2022, the Group and the Company had no individually significant other receivables been fully or substantially provided allowance for doubtful accounts.

During the year ended 31 December 2023 and 2022, the Group and the Company had no individually significant write-off or recovery of doubtful debts which had been fully or substantially provided for in prior years.

11 INVENTORIES

The Group

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Raw materials	138,143	139,307
Work in progress	20,375	14,536
Finished goods	95,227	93,994
Spare parts and consumables	2,994	2,987
	256,739	**250,824**
Less: Provision for diminution in value of inventories	5,841	6,583
Total	**250,898**	**244,241**

At 31 December 2023, the provision for diminution in value of inventories of the Group was primarily due to the costs of finished goods and raw materials were higher than net realisable value.

12 LONG-TERM EQUITY INVESTMENTS

The Group

	Investments in joint ventures RMB million	Investments in associates RMB million	Provision for impairment losses RMB million	Total RMB million
Balance at 1 January 2023	77,846	159,985	(3,890)	233,941
Additions for the year	9,009	2,152	–	11,161
Share of profits less losses under the equity method	(3,601)	11,778	–	8,177
Change of other comprehensive income under the equity method	(5,079)	(1,604)	–	(6,683)
Other equity movements under the equity method	(7)	227	–	220
Dividends declared	(3,914)	(7,863)	–	(11,777)
Disposals for the year	(830)	(402)	–	(1,232)
Foreign currency translation differences	487	355	(36)	806
Movement of provision for impairment	–	–	6	6
Other movements	488	(499)	–	(11)
Balance at 31 December 2023	**74,399**	**164,129**	**(3,920)**	**234,608**

The Company

	Investments in subsidiaries RMB million	Investments in joint ventures RMB million	Investments in associates RMB million	Provision for impairment losses RMB million	Total RMB million
Balance at 1 January 2023	298,045	17,239	75,524	(7,929)	382,879
Additions for the year	23,099	7,785	190	–	31,074
Share of profits less losses under the equity method	–	(22)	4,574	–	4,552
Change of other comprehensive income under the equity method	–	–	(63)	–	(63)
Other equity movements under the equity method	–	(12)	(24)	–	(36)
Dividends declared	–	(1,702)	(2,393)	–	(4,095)
Disposals for the year	(738)	–	(1)	–	(739)
Movement of provision for impairment	–	–	–	–	–
Other movement	–	316	(316)	–	–
Balance at 31 December 2023	**320,406**	**23,604**	**77,491**	**(7,929)**	**413,572**

For the year ended 31 December 2023, the Group and the Company had no individually significant long-term investment impairment.

Details of the Company's principal subsidiaries are set out in Note 60.

12 LONG-TERM EQUITY INVESTMENTS *(Continued)*

Principal joint ventures and associates of the Group are as follows:

(a) Principal joint ventures and associates

Name of investees	Principal place of business	Register location	Legal representative	Principal activities	Registered Capital RMB million	Percentage of equity/voting right directly or indirectly held by the Company
1. Joint ventures						
Fujian Refining & Petrochemical Company Limited ("FREP")	PRC	PRC	Zhang Xiguo	Manufacturing refining oil products	14,758	50.00%
BASF-YPC Company Limited ("BASF-YPC")	PRC	PRC	Gu Yuefeng	Manufacturing and distribution of petrochemical products	13,141	40.00%
Taihu Limited ("Taihu")	Russia	Cyprus	NA	Crude oil and natural gas extraction	25,000 USD	49.00%
Sinopec SABIC Tianjin Petrochemical Company Limited ("Sinopec SABIC Tianjin")	PRC	PRC	SAMI ALOSAIMI	Manufacturing and distribution of petrochemical products	10,520	50.00%
Shanghai SECCO Petrochemical Company Limited. ("Shanghai SECCO")(i)	PRC	PRC	Wang Jingyi	Manufacturing and distribution of petrochemical products	3,115	50.00%
2. Associates						
China Oil & Gas Pipeline Network Corporation ("PipeChina")(ii)	PRC	PRC	Zhang Wei	Operation of oil and natural gas pipelines and auxiliary facilities	500,000	14.00%
Sinopec Finance Company Limited ("Sinopec Finance")	PRC	PRC	Jiang Yongfu	Provision of non-banking financial services	18,000	49.00%
Sinopec Capital Co., Ltd. ("Sinopec Capital")	PRC	PRC	Zhou Meiyun	Project management, equity investment management, investment consulting, self-owned equity management	10,000	49.00%
Zhongtian Synergetic Energy Company Limited ("Zhongtian Synergetic Energy")	PRC	PRC	Yang Dong	Mining coal and manufacturing of coal-chemical products	17,516	38.75%
China National Aviation Fuel Supply Co., Ltd. ("Aviation Fuel")	PRC	PRC	Zhang Zhicheng	Wholesale of gasoline, kerosene, and diesel within the civil aviation system	3,800	29.00%

Joint ventures and associates above are limited companies.

(i) The Company and Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd. ("Gaoqiao Petrochemical") and INEOS Investment (Shanghai) Company Limited ("INEOS Shanghai") entered into an equity transfer agreement. According to the agreement, the Company and Gaoqiao Petrochemical transferred 15% and 35% equity interests in Shanghai SECCO to INEOS Shanghai respectively. The transactions were completed on 28 December 2022, and Shanghai SECCO was changed from a subsidiary to a joint venture after the completion of the transaction.

(ii) Sinopec is able to exercise significant influence in PipeChina since Sinopec has a member in PipeChina's Board of Directors and has a member in PipeChina's Management Board.

12 LONG-TERM EQUITY INVESTMENTS *(Continued)*

(b) Major financial information of principal joint ventures

Summarised balance sheet and reconciliation to their carrying amounts in respect of the Group's principal joint ventures:

	FREP		BASF-YPC		Taihu		Sinopec SABIC Tianjin		Shanghai SECCO	
	At 31 December 2023 RMB million	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million
Current assets										
Cash and cash equivalents	3,258	3,733	2,051	3,061	654	1,625	2,974	4,506	1,563	1,323
Other current assets	13,017	11,311	4,615	5,993	4,864	15,269	2,455	2,554	3,106	3,647
Total current assets	**16,275**	**15,044**	**6,666**	**9,054**	**5,518**	**16,894**	**5,429**	**7,060**	**4,669**	**4,970**
Total non-current assets	**11,752**	**12,708**	**9,000**	**9,244**	**12,254**	**10,488**	**17,345**	**18,466**	**26,386**	**26,677**
Current liabilities										
Current financial liabilities	(827)	(829)	(25)	(63)	(42)	(55)	(3,900)	(2,950)	(3,582)	(6,609)
Other current liabilities	(12,115)	(9,951)	(1,963)	(2,245)	(2,243)	(2,727)	(2,262)	(3,282)	(2,256)	(2,368)
Total current liabilities	**(12,942)**	**(10,780)**	**(1,988)**	**(2,308)**	**(2,285)**	**(2,782)**	**(6,162)**	**(6,232)**	**(5,838)**	**(8,977)**
Non-current liabilities										
Non-current financial liabilities	(2,738)	(3,742)	–	–	(139)	(157)	(5,152)	(6,393)	(4,303)	–
Other non-current liabilities	(223)	(237)	(123)	(107)	(914)	(1,852)	(603)	(635)	(1,097)	(944)
Total non-current liabilities	**(2,961)**	**(3,979)**	**(123)**	**(107)**	**(1,053)**	**(2,009)**	**(5,755)**	**(7,028)**	**(5,400)**	**(944)**
Net assets	**12,124**	**12,993**	**13,555**	**15,883**	**14,434**	**22,591**	**10,857**	**12,266**	**19,817**	**21,726**
Net assets attributable to owners of the company	12,124	12,993	13,555	15,883	14,034	21,941	10,857	12,266	19,817	21,726
Net assets attributable to non-controlling interests	–	–	–	–	400	650	–	–	–	–
Share of net assets from joint ventures	6,062	6,497	5,422	6,353	6,876	10,751	5,429	6,133	9,909	10,863
Carrying Amounts	**6,062**	**6,497**	**5,422**	**6,353**	**6,876**	**10,751**	**5,429**	**6,133**	**9,909**	**10,863**

Summarised income statement

	FREP		BASF-YPC		Taihu		Sinopec SABIC Tianjin		Shanghai SECCO
	2023 RMB million	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**
Turnover	60,091	59,347	19,381	25,076	14,090	19,542	22,915	24,294	17,426
Interest income	136	107	67	116	720	975	113	144	72
Interest expense	(315)	(338)	(4)	(7)	(61)	(274)	(204)	(111)	(199)
(Loss)/profit before taxation	(1,215)	(2,004)	430	3,542	1,666	1,657	(1,832)	(2,396)	(2,551)
Income tax expense	346	578	(108)	(885)	(292)	(201)	423	603	642
(Loss)/profit for the year	(869)	(1,426)	322	2,657	1,374	1,456	(1,409)	(1,793)	(1,909)
Other comprehensive income	–	–	–	–	(9,531)	7,144	–	–	–
Total comprehensive income	**(869)**	**(1,426)**	**322**	**2,657**	**(8,157)**	**8,600**	**(1,409)**	**(1,793)**	**(1,909)**
Dividends declared by joint ventures	–	910	1,060	2,462	–	–	–	454	–
Share of net (loss)/profit from joint ventures	(435)	(713)	129	1,063	660	703	(704)	(897)	(955)
Share of other comprehensive income from joint ventures	–	–	–	–	(4,535)	3,422	–	–	–

The share of profit and other comprehensive income of the Group in the year 2023 in all individually immaterial joint ventures accounted for using equity method in aggregate was loss RMB2,296 million (2022: loss RMB18 million) and loss RMB544 million (2022: loss RMB376 million) respectively. As at 31 December 2023, the carrying amount of all individually immaterial joint ventures accounted for using equity method in aggregate was RMB40,701 million (2022: RMB34,194 million).

12 LONG-TERM EQUITY INVESTMENTS *(Continued)*

(c) Major financial information of principal associates

Summarised balance sheet and reconciliation to their carrying amounts in respect of the Group's principal associates:

	PipeChina		Sinopec Finance		Sinopec Capital		Zhongtian Synergetic Energy		Aviation Fuel	
	At 31 December 2023 RMB million	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million
Current assets	118,631	104,889	148,026	212,850	15,098	14,444	3,672	3,212	25,394	20,380
Non-current assets	821,864	816,301	66,093	57,394	409	249	48,615	51,035	14,158	13,617
Current liabilities	(130,331)	(132,266)	(179,459)	(236,840)	(74)	(101)	(7,464)	(3,811)	(17,200)	(11,932)
Non-current liabilities	(225,296)	(199,675)	(906)	(673)	(1,275)	(990)	(17,563)	(23,435)	(1,533)	(1,561)
Net assets	**584,868**	**589,249**	**33,754**	**32,731**	**14,158**	**13,602**	**27,260**	**27,001**	**20,819**	**20,504**
Net assets attributable to shareholders of the Company	536,607	525,235	33,754	32,731	14,158	13,602	27,260	27,001	18,488	18,429
Net assets attributable to non-controlling interests	48,261	64,014	–	–	–	–	–	–	2,331	2,075
Share of net assets from associates	75,125	73,533	16,539	16,038	6,937	6,665	10,563	10,463	5,362	5,344
Carrying Amounts	**75,125**	**73,533**	**16,539**	**16,038**	**6,937**	**6,665**	**10,563**	**10,463**	**5,362**	**5,344**

Summarised income statement

	PipeChina		Sinopec Finance		Sinopec Capital		ZTHC Energy		Aviation Fuel	
	2023 RMB million	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million
Turnover	120,943	112,832	5,988	5,636	4	5	15,676	17,551	181,290	105,162
Profit for the year	34,054	31,908	2,205	2,338	888	1,281	2,752	4,562	2,515	3,026
Other comprehensive income	–	–	(182)	89	52	(68)	–	–	–	–
Total comprehensive income	**34,054**	**31,908**	**2,023**	**2,427**	**940**	**1,213**	**2,752**	**4,562**	**2,515**	**3,026**
Dividends declared by associates	2,306	2,019	490	319	188	73	966	632	638	626
Share of profit from associates	4,035	3,670	1,080	1,145	435	627	1,066	1,768	656	745
Share of other comprehensive income from associates	–	–	(89)	44	25	(33)	–	–	–	–

The share of profit and other comprehensive income of the Group in the year 2023 in all individually immaterial associates accounted for using equity method in aggregate was RMB4,506 million (2022: RMB6,386 million) and loss RMB1,540 million (2022: loss RMB201 million) respectively. As at 31 December 2023, the carrying amount of all individually immaterial associates accounted for using equity method in aggregate was RMB49,603 million (2022: RMB52,451 million).

(d) Long-term equity investment impairment assessment

As at 31 December 2023, there are indicators of impairment in the long-term equity investment in Shanghai SECCO. The recoverable amount of this long-term equity investment is estimated based on a value-in-use calculation. The projected future cash flows primarily take into account the five-year profit forecast for Shanghai SECCO approved by the management, which is adjusted based on the historical performance of Shanghai SECCO and relevant industry trends, with cash flows remaining stable after five years. The pre-tax discount rate of 11.29% is calculated based on the weighted average cost of capital. The result of value-in-use calculation indicates that there is no impairment loss in this long-term equity investment as at 31 December 2023.

13 FIXED ASSETS

The Group

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Fixed assets (a)	690,897	630,700
Fixed assets pending for disposal	60	58
Total	**690,957**	**630,758**

(a) Fixed assets

	Plants and buildings RMB million	Oil and gas properties RMB million	Equipment, machinery and others RMB million	Total RMB million
Cost:				
Balance at 1 January 2023	152,432	840,719	1,105,325	2,098,476
Additions for the year	250	1,681	2,348	4,279
Transferred from construction in progress	6,163	54,374	90,823	151,360
Reclassifications	1,817	(416)	(1,401)	–
Decreases for the year	(2,315)	(656)	(25,791)	(28,762)
Exchange adjustments	38	751	60	849
Balance at 31 December 2023	**158,385**	**896,453**	**1,171,364**	**2,226,202**
Less: Accumulated depreciation:				
Balance at 1 January 2023	67,898	644,802	652,817	1,365,517
Additions for the year	4,930	31,525	52,057	88,512
Reclassifications	230	(406)	176	–
Decreases for the year	(1,316)	(453)	(17,868)	(19,637)
Exchange adjustments	19	682	38	739
Balance at 31 December 2023	**71,761**	**676,150**	**687,220**	**1,435,131**
Less: Provision for impairment losses:				
Balance at 1 January 2023	4,897	52,810	44,552	102,259
Additions for the year	149	775	1,567	2,491
Decreases for the year	(356)	(237)	(4,032)	(4,625)
Exchange adjustments	–	48	1	49
Balance at 31 December 2023	**4,690**	**53,396**	**42,088**	**100,174**
Net book value:				
Balance at 31 December 2023	**81,934**	**166,907**	**442,056**	**690,897**
Balance at 31 December 2022	**79,637**	**143,107**	**407,956**	**630,700**

The Company

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Fixed assets (b)	305,439	296,480
Fixed assets pending for disposal	55	50
Total	**305,494**	**296,530**

13 FIXED ASSETS *(Continued)*

(b) Fixed assets

	Plants and buildings RMB million	Oil and gas properties RMB million	Equipment, machinery and others RMB million	Total RMB million
Cost:				
Balance at 1 January 2023	51,042	681,940	529,391	1,262,373
Additions for the year	43	1,342	354	1,739
Transferred from construction in progress	1,743	43,209	29,002	73,954
Reclassifications	472	(420)	(52)	–
Transferred from subsidiaries	–	89	24	113
Transferred to subsidiaries	(1,731)	(4,994)	(42,096)	(48,821)
Decreases for the year	(391)	(678)	(10,381)	(11,450)
Balance at 31 December 2023	**51,178**	**720,488**	**506,242**	**1,277,908**
Accumulated depreciation:				
Balance at 1 January 2023	28,099	523,939	340,180	892,218
Additions for the year	1,500	23,703	21,313	46,516
Reclassifications	153	(388)	235	–
Transferred from subsidiaries	–	75	–	75
Transferred to subsidiaries	(965)	(2,259)	(26,155)	(29,379)
Decreases for the year	(245)	(464)	(6,233)	(6,942)
Balance at 31 December 2023	**28,542**	**544,606**	**329,340**	**902,488**
Provision for impairment losses:				
Balance at 1 January 2023	2,501	45,816	25,358	73,675
Additions for the year	47	775	577	1,399
Transferred to subsidiaries	(61)	(645)	(2,643)	(3,349)
Decreases for the year	(48)	(235)	(1,461)	(1,744)
Balance at 31 December 2023	**2,439**	**45,711**	**21,831**	**69,981**
Net book value:				
Balance at 31 December 2023	**20,197**	**130,171**	**155,071**	**305,439**
Balance at 31 December 2022	**20,442**	**112,185**	**163,853**	**296,480**

The additions to oil and gas properties of the Group and the Company for the year ended 31 December 2023 included RMB1,681 million (2022: RMB4,277 million) and RMB1,344 million (2022: RMB3,982 million), respectively of the estimated dismantlement costs for site restoration.

In 2023, the impairment loss on fixed assets was mainly due to the impairment loss of the E&P segment of RMB785 million (2022: RMB2,891 million), the impairment loss of the chemical segment of RMB1,280 million (2022: RMB1,790 million), the impairment loss of the refining segment of RMB191 million (2022: RMB2 million), and the impairment loss of the marketing and distribution segment of RMB235 million (2022: RMB398 million).

The impairment loss of fixed assets related to oil and gas producing activities was caused by the decline in oil and gas reserves and the excessively high exploitation costs in individual oilfields of the exploration and production segment, resulting in an impairment loss of RMB777 million for oil and gas properties. The recoverable amount used in the impairment assessment of fixed assets in the exploration and production segment was determined based on the present value of the estimated future cash flows of the relevant asset group. The duration of the forecast period and the crude oil and natural gas production during the forecast period were determined based on the proven reserves; the selling prices of crude oil and natural gas during the forecast period were determined based on a comprehensive analysis of energy supply and demand, China's development requirements for low-carbon transformation, and domestic and international economic situations. The pre-tax discount rate was calculated based on the weighted average cost of capital, ranging from 7.86% to 15.94% (2022: 8.17% to 14.86%). Under the condition that other factors remain unchanged and the forecasted future oil price decreases by 5%, the impairment loss of relevant fixed assets would increase by approximately RMB1,418 million (2022: RMB1,693 million); if the operating costs increase by 5%, the impairment loss would increase by approximately RMB634 million (2022: RMB1.508 billion); and if the discount rate increases by 5%, the impairment loss would increase by approximately RMB8 million (2022: RMB126 million).

The impairment provisions for the chemical and refining divisions are related to the refining and chemical production equipment, mainly due to individual production units being shut down due to sustained lower than expected economic performance or having a clear shutdown plan in place, resulting in their book value being written down to their recoverable amount. The recoverable amount mainly considers the profit forecast approved by the management for a five-year period, which refers to the historical operating performance of relevant refining and chemical production facilities and is adjusted according to the development trends of the refining and chemical industry. The predicted cash flow after five years will remain stable, and the pre tax discount rate is calculated based on the weighted average cost of capital, which is 10.30% to 16.50% (2022: 7.64% to 18.68%).

At 31 December 2023 and 31 December 2022, the Group and the Company had no individually significant fixed assets which were temporarily idle or pending for disposal, or individually significant fully depreciated fixed assets which were still in use.

Details of the determination method of for determining the impairment of fixed assets are set out in Note 59.

14 CONSTRUCTION IN PROGRESS

	The Group RMB million	The Company RMB million
Cost:		
Balance at 1 January 2023	198,692	81,803
Additions for the year	184,350	85,217
Disposals for the year	(17,623)	(15,170)
Dry hole costs written off	(6,723)	(5,708)
Transferred to fixed assets	(151,360)	(73,954)
Reclassification to other assets	(24,372)	(1,485)
Exchange adjustments	27	–
Balance at 31 December 2023	**182,991**	**70,703**
Provision for impairment losses:		
Balance at 1 January 2023	2,647	302
Additions for the year	116	102
Decreases for the year	(48)	(7)
Exchange adjustments	26	–
Balance at 31 December 2023	**2,741**	**397**
Net book value:	**–**	**–**
Balance at 31 December 2023	**180,250**	**70,306**
Balance at 31 December 2022	**196,045**	**81,501**

At 31 December 2023, material construction in progress projects of the Group are as follows:

Project name	Budgeted amount RMB million	Balance at 1 January 2023 RMB million	Net change for the year RMB million	**Balance at 31 December 2023 RMB million**	Percentage of project investment to budgeted amount	Source of funding	**Accumulated interest capitalised at 31 December 2023 RMB million**
Zhenhai Refining and Chemical Refining and High-end Synthetic New Material Project	41,639	6,332	11,180	17,512	41.54%	Bank loans & self-financing	60
Yangzi Petrochemical Refining Structural Adjustment Project	5,000	3,360	1,600	4,960	99.20%	Bank loans & self-financing	32
West Sichuan Gas Field Leikoupo Group Gas Reservoir Development and Construction Project	8,591	3,694	1,192	4,886	67.89%	Bank loans & self-financing	88

15 RIGHT-OF-USE ASSETS

The Group

	Land RMB million	Others RMB million	Total RMB million
Cost：			
Balance at 1 January 2023	171,550	51,800	223,350
Additions for the year	3,164	10,076	13,240
Decreases for the year	(4,612)	(4,233)	(8,845)
Balance at 31 December 2023	**170,102**	**57,643**	**227,745**
Accumulated depreciation:			
Balance at 1 January 2023	24,184	20,807	44,991
Additions for the year	6,665	8,211	14,876
Decreases for the year	(3,426)	(3,225)	(6,651)
Balance at 31 December 2023	**27,423**	**25,793**	**53,216**
Net book value:			
Balance at 31 December 2023	**142,679**	**31,850**	**174,529**
Balance at 31 December 2022	**147,366**	**30,993**	**178,359**

The Company

	Land RMB million	Others RMB million	Total RMB million
Cost：			
Balance at 1 January 2023	102,949	4,326	107,275
Additions for the year	483	1,258	1,741
Decreases for the year	(7,092)	(1,006)	(8,098)
Balance at 31 December 2023	**96,340**	**4,578**	**100,918**
Accumulated depreciation:			
Balance at 1 January 2023	13,408	2,318	15,726
Additions for the year	3,333	1,367	4,700
Decreases for the year	(3,199)	(898)	(4,097)
Balance at 31 December 2023	**13,542**	**2,787**	**16,329**
Net book value:			
Balance at 31 December 2023	**82,798**	**1,791**	**84,589**
Balance at 31 December 2022	**89,541**	**2,008**	**91,549**

Depreciation of the right-of-use assets of the Group and Company charged for the year ended 31 December 2023 are RMB14,829 million (2022: RMB13,760 million) and RMB4,700 million (2022: RMB4,764 million) respectively.

16 INTANGIBLE ASSETS

The Group

	Land use rights RMB million	Patents RMB million	Non-patent technology RMB million	Operation rights RMB million	Others RMB million	Total RMB million
Cost:						
Balance at 1 January 2023	117,788	4,740	5,407	54,130	9,252	191,317
Additions for the year	7,209	495	636	599	17,168	26,107
Decreases for the year	(656)	–	(69)	(543)	(975)	(2,243)
Balance at 31 December 2023	**124,341**	**5,235**	**5,974**	**54,186**	**25,445**	**215,181**
Accumulated amortisation:						
Balance at 1 January 2023	31,054	3,669	4,032	25,724	4,878	69,357
Additions for the year	3,653	271	304	2,232	984	7,444
Decreases for the year	(149)	–	(24)	(315)	(557)	(1,045)
Balance at 31 December 2023	**34,558**	**3,940**	**4,312**	**27,641**	**5,305**	**75,756**
Provision for impairment losses:						
Balance at 1 January 2023	237	482	130	397	20	1,266
Additions for the year	25	3	17	18	–	63
Decreases for the year	(4)	–	(24)	(54)	(3)	(85)
Balance at 31 December 2023	**258**	**485**	**123**	**361**	**17**	**1,244**
Net book value:						
Balance at 31 December 2023	**89,525**	**810**	**1,539**	**26,184**	**20,123**	**138,181**
Balance at 31 December 2022	**86,497**	**589**	**1,245**	**28,009**	**4,354**	**120,694**

Amortisation of the intangible assets of the Group charged for the year ended 31 December 2023 is RMB6,641 million (2022: RMB6,489 million).

17 GOODWILL

Goodwill is allocated to the following Group's cash-generating units:

Name of investees	Principal activities	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million
Sinopec Zhenhai Refining and Chemical Branch	Manufacturing of intermediate petrochemical products and petroleum products	4,043	4,043
Other units allocated		2,429	2,421
Total		**6,472**	**6,464**

The Group's goodwill impairment assessment is carried out in conjunction with its related asset group or combination of asset groups, and the recoverable amounts of goodwill are estimated annually based on value in use calculations, which is consistent with prior years. These calculations use cash flow projections based on five-year financial budgets approved by management for a goodwill-related asset group or a combination of asset groups, with cash flow remaining stable after five years. The cash flow forecasts use sales volumes, selling price and discount rates as key assumptions, with sales volumes based on production capacity and/or actual sales volumes for periods prior to the budget period, selling prices based on management's expectations of future international crude oil and petrochemical price trends, and pre-tax discount rates based on weighted average cost of capital, which ranged from 11.26% to 13.1% (2022: 10.1% to 12.2%). Based on the result of the impairment assessment of goodwill, no major impairment loss was recognised.

18 LONG-TERM DEFERRED EXPENSES

Long-term deferred expenses primarily represent catalysts expenditures and improvement expenditures of leased fixed assets.

19 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities before the consolidated elimination adjustments are as follows:

	Deferred tax assets		Deferred tax liabilities	
	At 31 December 2023 RMB million	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million
Receivables and inventories	3,721	4,271	(20)	(17)
Payables	2,715	3,091	–	–
Cash flow hedges	16	85	(1,142)	(736)
Fixed assets	17,965	21,536	(26,669)	(22,341)
Tax value of losses carried forward	9,036	4,643	–	–
Other equity instrument investments	137	131	(7)	(6)
Intangible assets	1,084	1,067	(92)	(85)
Lease liabilities and right of use assets	44,334	45,568	(40,422)	(42,264)
Others	2,792	1,395	(1,155)	(1,161)
Deferred tax assets/(liabilities)	**81,800**	**81,787**	**(69,507)**	**(66,610)**

The consolidated elimination amount between deferred tax assets and liabilities are as follows:

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Deferred tax assets	61,690	59,354
Deferred tax liabilities	61,690	59,354

Deferred tax assets and liabilities after the offsetting adjustments are as follows:

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Deferred tax assets	20,110	22,433
Deferred tax liabilities	7,817	7,256

At 31 December 2023, certain subsidiaries of the Company did not recognise deferred tax of deductible loss carried forward of RMB24,783 million (2022: RMB21,268 million), of which RMB5,496 million (2022: RMB8,972 million) was incurred for the year ended 31 December 2023, because it was not probable that the related tax benefit will be realised. These deductible losses carried forward of RMB1,656 million, RMB3,349 million, RMB5,310 million, RMB8,972 million and RMB5,496 million will expire in 2024, 2025, 2026, 2027, 2028 and after, respectively.

Periodically, management performed assessment on the probability that future taxable profit will be available over the period which the deferred tax assets can be realised or utilised. In assessing the probability, both positive and negative evidence was considered, including whether it is probable that the operations will have sufficient future taxable profits over the periods which the deferred tax assets are deductible or utilised and whether the tax losses result from identifiable causes which are unlikely to recur.

20 OTHER NON-CURRENT ASSETS

Other non-current assets mainly represent long-term receivables, prepayments for construction projects, prepayments for purchases of equipment and time deposits with maturities over one year.

21 DETAILS OF IMPAIRMENT LOSSES

At 31 December 2023, impairment losses of the Group are analysed as follows:

	Note	Balance at 1 January 2023 RMB million	Provision for the year RMB million	Written back for the year RMB million	Written off for the year RMB million	Other increase/ (decrease) RMB million	**Balance at 31 December 2023 RMB million**
Allowance for doubtful accounts							
Included: Accounts receivable	7	4,079	313	(372)	(68)	64	4,016
Prepayments	9	111	77	–	(5)	(8)	175
Other receivables	10	1,553	287	(165)	(9)	6	1,672
Other non-current assets		1,185	–	(306)	–	20	899
		6,928	**677**	**(843)**	**(82)**	**82**	**6,762**
Inventories	11	6,583	6,300	(247)	(6,840)	45	5,841
Long-term equity investments	12	3,890	2	–	(8)	36	3,920
Fixed assets	13	102,259	2,491	–	(4,405)	(171)	100,174
Construction in progress	14	2,647	116	–	(46)	24	2,741
Intangible assets	16	1,266	27	–	(28)	(21)	1,244
Goodwill	17	7,861	–	–	–	–	7,861
Others		57	6	–	–	–	63
Total		**131,491**	**9,619**	**(1,090)**	**(11,409)**	**(5)**	**128,606**

The reasons for recognising impairment losses are set out in the respective notes of respective assets.

22 SHORT-TERM LOANS

The Group's short-term loans represent:

	At 31 December 2023			At 31 December 2022		
	Original currency million	**Exchange rates**	**RMB million**	Original currency million	Exchange rates	RMB million
Short-term bank loans			**51,175**			**14,461**
—Renminbi loans			51,175			14,325
—US Dollar loans	–	7.0827	–	20	6.9646	136
Short-term loans from Sinopec Group Company and fellow subsidiaries			**8,640**			**6,852**
—Renminbi loans			7,628			5,911
—US Dollar loans	143	7.0827	1,012	130	6.9646	906
—Euro loans	–	7.8592	–	5	7.4229	35
Total			**59,815**			**21,313**

At 31 December 2023, the Group's interest rates on short-term loans were from interest 1.08% to 6.39% (At 31 December 2022: 1.65% to 5.51%) per annum. The majority of the above loans are by credit.

At 31 December 2023 and 31 December 2022, the Group had no significant overdue short-term loans.

23 BILLS PAYABLE

Bills payable primarily represented bank accepted bills for the purchase of material, goods and products. Bills payable were due within one year.

At 31 December 2023 and 31 December 2022, the Group had no overdue unpaid bills.

24 ACCOUNTS PAYABLE

Accounts payable primarily represent goods payable or material payable.

25 CONTRACT LIABILITIES

As at 31 December 2023 and 31 December 2022, the Group's contract liabilities primarily represent advances from customers. Related performance obligations are expected to be satisfied and revenue is recognised within one year.

26 EMPLOYEE BENEFITS PAYABLE

(1) Employee benefits payable:

	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year
Short-term employee benefits	13,536	99,618	(99,263)	13,891
Post-employment benefits- defined contribution plans	73	14,287	(14,316)	44
Termination benefits	8	177	(179)	6
Total	**13,617**	**114,082**	**(113,758)**	**13,941**

(2) Short-term employee benefits

	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year
Salaries, bonuses, allowances	11,241	72,778	(72,434)	11,585
Staff welfare	1,635	7,459	(7,469)	1,625
Social insurance	308	6,814	(6,788)	334
Included: Medical insurance	304	6,209	(6,182)	331
Work-related injury insurance	3	482	(483)	2
Maternity insurance	1	123	(123)	1
Housing fund	47	7,243	(7,255)	35
Labour union fee, staff and workers' education fee	265	2,747	(2,737)	275
Other short-term employee benefits	40	2,577	(2,580)	37
Total	**13,536**	**99,618**	**(99,263)**	**13,891**

(3) Post-employment benefits – defined contribution plans

	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year
Basic pension insurance	63	9,393	(9,421)	35
Unemployment insurance	2	356	(357)	1
Annuity	8	4,538	(4,538)	8
Total	**73**	**14,287**	**(14,316)**	**44**

27 TAXES PAYABLE

The Group

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Value-added tax payable	2,989	934
Consumption tax payable	18,275	13,038
Income tax payable	1,455	4,725
Mineral resources compensation fee payable	2	6
Levy for mineral rights concessions	7,385	–
Other taxes	9,902	9,676
Total	**40,008**	**28,379**

28 OTHER PAYABLES

At 31 December 2023 and 31 December 2022, other payables of the Group over one year primarily represented payables for constructions.

29 NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

The Group's non-current liabilities due within one year represent:

	At 31 December 2023			At 31 December 2022		
	Original currency million	Exchange rates	RMB million	Original currency million	Exchange rates	RMB million
Long-term bank loans						
– Renminbi loans			2,813			13,875
– US Dollar loans	–	7.0827	–	–	6.9646	1
Long-term loans from Sinopec Group Company and fellow subsidiaries						
– Renminbi loans			3,797			440
Long-term loans due within one year			**6,610**			**14,316**
Debentures payable due within one year						
– Renminbi debentures			4,546			30,700
Lease liabilities due within one year			**17,536**			**16,004**
Others			**1,765**			**1,824**
Non-current liabilities due within one year			**30,457**			**62,844**

At 31 December 2023 and 31 December 2022, the Group had no significant overdue long-term loans.

30 OTHER CURRENT LIABILITIES

At 31 December 2023 and 31 December 2022, other current liabilities mainly represent output VAT to be transferred.

31 LONG-TERM LOANS

The Group's long-term loans represent:

		At 31 December 2023			At 31 December 2022		
	Interest rate and final maturity	Original currency million	Exchange rates	RMB million	Original currency million	Exchange rates	RMB million
Long-term bank loans							
– Renminbi loans	Interest rates ranging from interest 1.08% to 4.80% per annum at 31 December 2023 (2022:1.00% to 4.66%) with maturities through 2035			157,298			86,532
– US Dollar loans	Interest rates at 0.00% per annum at 31 December 2023 (2022:0.00%) with maturities through 2038	7	7.0827	51	8	6.9646	53
Less: Portion with one year (note 29)				(2,813)			(13,876)
Long-term bank loans				**154,536**			**72,709**
Long-term loans from Sinopec Group Company and fellow subsidiaries							
– Renminbi loans	Interest rates ranging from interest 1.08% to 4.99% per annum at 31 December 2023 (2022:1.08% to 5.23%) with maturities through 2038			28,608			22,695
Less: Portion with one year (note 29)				(3,797)			(440)
Long-term loans from Sinopec Group Company and fellow subsidiaries				**24,811**			**22,255**
Total				**179,347**			**94,964**

The maturity analysis of the Group's long-term loans is as follows:

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Between one and two years	66,265	10,852
Between two and five years	84,656	73,387
After five years	28,426	10,725
Total	**179,347**	**94,964**

Long-term loans are carried at amortised costs.

32 DEBENTURES PAYABLE

The Group

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Debentures payable:		
– Corporate Bonds (i)	13,059	43,697
Less: Portion within one year (Note 29)	4,546	30,700
Total	**8,513**	**12,997**

Note:

(i) These corporate bonds are carried at amortised cost, including USD denominated corporate bonds of RMB3,520 million, and RMB denominated corporate bonds of RMB9,541 million on 31 December 2023 (2022: USD denominated corporate bonds of RMB12,164 million, and RMB denominated corporate bonds of RMB31,533 million).

33 LEASE LIABILITY

The Group

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Lease liabilities	181,400	182,411
Deduct: Portion of lease liabilities within one year (Note 29)	17,536	16,004
Total	**163,864**	**166,407**

34 PROVISIONS

Provisions primarily represent provision for future dismantlement costs of oil and gas properties. The Group has established certain standardised measures for the dismantlement of its retired oil and gas properties by making reference to the industry practices and is thereafter constructively obligated to take dismantlement measures of its retired oil and gas properties. Movement of provision of the Group's obligations for the dismantlement of its retired oil and gas properties is as follows:

	The Group RMB million
Balance at 1 January 2023	43,599
Provision for the year	1,681
Accretion expenses	1,099
Decrease for the year	(1,195)
Exchange adjustments	38
Balance at 31 December 2023	**45,222**

35 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities primarily represent long-term payables, special payables and deferred income.

36 SHARE CAPITAL

The Group

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Registered, issued and fully paid:		
94,971,971,046 listed A shares (2022: 95,115,471,046) of RMB1.00 each	94,972	95,115
24,377,280,600 listed H shares (2022: 24,780,936,600) of RMB1.00 each	24,377	24,781
Total	**119,349**	**119,896**

The Company was established on 25 February 2000 with a registered capital of 68.8 billion domestic state-owned shares with a par value of RMB1.00 each. Such shares were issued to Sinopec Group Company in consideration for the assets and liabilities transferred to the Company (Note 1).

Pursuant to the resolutions passed at an Extraordinary General Meeting held on 25 July 2000 and approvals from relevant government authorities, the Company is authorised to increase its share capital to a maximum of 88.3 billion shares with a par value of RMB1.00 each and offer not more than 19.5 billion shares with a par value of RMB1.00 each to investors outside the PRC. Sinopec Group Company is authorised to offer not more than 3.5 billion shares of its shareholdings in the Company to investors outside the PRC. The shares sold by Sinopec Group Company to investors outside the PRC would be converted into H shares.

In October 2000, the Company issued 15,102,439,000 H shares with a par value of RMB1.00 each, representing 12,521,864,000 H shares and 25,805,750 American Depositary Shares ("ADSs", each representing 100 H shares), at prices of HKD1.59 per H share and USD20.645 per ADS, respectively, by way of a global initial public offering to Hong Kong SAR and overseas investors. As part of the global initial public offering, 1,678,049,000 state-owned ordinary shares of RMB1.00 each owned by Sinopec Group Company were converted into H shares and sold to Hong Kong SAR and overseas investors.

In July 2001, the Company issued 2.8 billion listed A shares with a par value of RMB1.00 each at RMB4.22 by way of a public offering to natural persons and institutional investors in the PRC.

During the year ended 31 December 2010, the Company issued 88,774 listed A shares with a par value of RMB1.00 each, as a result of exercise of 188,292 warrants entitled to the Bonds with Warrants.

During the year ended 31 December 2011, the Company issued 34,662 listed A shares with a par value of RMB1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2012, the Company issued 117,724,450 listed A shares with a par value of RMB1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

On 14 February 2013, the Company issued 2,845,234,000 listed H shares ("the Placing") with a par value of RMB1.00 each at the Placing Price of HKD8.45 per share. The aggregate gross proceeds from the Placing amounted to approximately HKD24,042,227,300.00 and the aggregate net proceeds (after deduction of the commissions and estimated expenses) amounted to approximately HKD23,970,100,618.00.

In June 2013, the Company issued 21,011,962,225 listed A shares and 5,887,716,600 listed H shares as a result of bonus issues of 2 shares converted from the retained earnings, and 1 share transferred from capital reserve for every 10 existing shares.

During the year ended 31 December 2013, the Company issued 114,076 listed A shares with a par value of RMB1.00 each, as a result of exercise of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2014, the Company issued 1,715,081,853 listed A shares with a par value of RMB1.00 each, as a result of exercise of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2015, the Company issued 2,790,814,006 listed A shares with a par value of RMB1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2022, the Company repurchased 442,300,000 listed A shares and 732,502,000 listed H shares respectively at a price of RMB4.06 per share to RMB4.50 per share for the repurchase of listed A shares, with a total amount of RMB1,888,163,981.61, and a price of HKD3.06 per share to HKD3.75 per share for the repurchase of listed H shares, with a total amount of HKD2,499,261,860.00, which had been cancelled in the year ended 31 December 2022.

During the year ended 31 December 2023, the Company repurchased 143,500,000 listed A shares and 403,656,000 listed H shares respectively at a price of RMB5.29 per share to RMB6.17 per share for the repurchase of listed A shares, with a total amount of RMB816,009,269.44, and a price of HKD3.78 per share to HKD4.56 per share for the repurchase of listed H shares, with a total amount of HKD1,646,392,242.20, which had been cancelled in the year ended 31 December 2023.

All A shares and H shares rank pari passu in all material aspects.

36 SHARE CAPITAL *(Continued)*

The Group *(Continued)*

Capital management

Management optimises the structure of the Group's capital, which comprises of equity, debts and bonds. In order to maintain and adjust the capital structure of the Group, management may cause the Group to issue new shares, adjust the capital expenditure plan, sell assets to reduce debt, or adjust the proportion of short-term and long-term loans and bonds. Management monitors capital on the basis of the debt-to-capital ratio, which is calculated by dividing long-term loans (excluding current portion) and debentures payable, by the total of equity attributable to shareholders of the Company and long-term loans (excluding current portion) and debentures payable, and liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. Management's strategy is to make appropriate adjustments according to the Group's operating and investment needs and the changes of market conditions, and to maintain the debt-to-capital ratio and the liability-to-asset ratio of the Group at a range considered reasonable. As at 31 December 2023, the debt-to-capital ratio and the liability-to-asset ratio of the Group were 18.9% (2022: 12.0%) and 52.7% (2022: 51.8%), respectively.

The schedule of the contractual maturities of loans and commitments are disclosed in Notes 31,32 and 61, respectively.

There were no changes in the management's approach to capital management of the Group during the year. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

37 CAPITAL RESERVE

The movements in capital reserve of the Group are as follows:

	RMB million
Balance at 1 January 2023	118,875
Purchase of own shares	(1,778)
Other equity movements under the equity method	220
Others	(44)
Balance at 31 December 2023	**117,273**

Capital reserve represents mainly: (a) the difference between the total amount of the par value of shares issued and the amount of the net assets transferred from Sinopec Group Company in connection with the Reorganisation; (b) share premiums derived from issuances of H shares and A shares by the Company and excess of cash paid by investors over their proportionate shares in share capital, the proportionate shares of unexercised portion of the Bond with Warrants at the expiration date, and the amount transferred from the proportionate liability component and the derivative component of the converted portion of the 2011 Convertible Bonds; (c) difference between consideration paid for the combination of entities under common control and the transactions with non-controlling interests over the carrying amount of the net assets acquired.

38 OTHER COMPREHENSIVE INCOME

The Group

(a) The changes of other comprehensive income in consolidated income statement

	2023		
	Before-tax amount RMB million	Tax effect RMB million	Net-of-tax amount RMB million
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments recognised during the year	7,420	(1,075)	6,345
Less: Reclassification adjustments for amounts transferred to the consolidated income statement	1,245	(234)	1,011
Subtotal	**6,175**	**(841)**	**5,334**
Changes in fair value of other equity instrument investments	(13)	5	(8)
Other comprehensive loss that can be converted into profit or loss under the equity method	(6,683)	–	(6,683)
Foreign currency translation differences	1,946	–	1,946
Other comprehensive income	**1,425**	**(836)**	**589**

	2022		
	Before-tax amount RMB million	Tax effect RMB million	Net-of-tax amount RMB million
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments recognised during the year	6,667	(1,675)	4,992
Less: Reclassification adjustments for amounts transferred to the consolidated income statement	(8,127)	1,482	(6,645)
Subtotal	**14,794**	**(3,157)**	**11,637**
Fair value hedges	149	–	149
Changes in fair value of other equity instrument investments	(79)	12	(67)
Other comprehensive loss that can be converted into profit or loss under the equity method	2,856	–	2,856
Foreign currency translation differences	7,254	–	7,254
Other comprehensive income	**24,974**	**(3,145)**	**21,829**

(b) The change of each item in other comprehensive income

	Equity Attributable to shareholders of the company							
	Other comprehensive income that can be converted into profit or loss under the equity method RMB million	Changes in fair value of other equity instrument investments RMB million	fair value hedges RMB million	Cash flow hedges RMB million	Foreign currency translation differences RMB million	Subtotal RMB million	Non-controlling interests RMB million	Total other comprehensive income RMB million
1 January 2022	(5,765)	(18)	(29)	7,214	(2,092)	(690)	(3,315)	(4,005)
Changes in 2022	1,610	(65)	323	(4,190)	6,084	3,762	2,264	6,026
31 December 2022	(4,155)	(83)	294	3,024	3,992	3,072	(1,051)	2,021
1 January 2023	(4,155)	(83)	294	3,024	3,992	3,072	(1,051)	2,021
Changes in 2023	(4,287)	(8)	–	2,632	1,651	(12)	(2,054)	(2,066)
31 December 2023	**(8,442)**	**(91)**	**294**	**5,656**	**5,643**	**3,060**	**(3,105)**	**(45)**

As at 31 December 2023, cash flow hedge reserve amounted to a gain of RMB5,758 million (31 December 2022: a gain of RMB3,079 million), of which a gain of RMB5,656 million was attribute to shareholders of the Company (31 December 2022: a gain of RMB3,024 million).

39 SPECIFIC RESERVE

In accordance with the provisions stipulated in the Regulations on the Extraction and Utilization of Enterprise Safety Production Expenses issued by China's Ministry of Finance and Ministry of Emergency Management, the Group primarily allocates a proportionate amount of safety production fund from monthly net profits, based on the business-related operating revenue applicable to these regulations or the production volume of raw ore extracted within China, which are then recorded as special reserves. The safety production fund extracted by the enterprise are earmarked solely for enhancing and improving the safety production conditions of the enterprise or its projects, and any expenditures falling within the scope of safety production expenses should be disbursed from these allocated funds. Assets formed through the utilisation of safety production expenses are to be incorporated into relevant asset management. Any surplus funds from the safety production expenses of the current year will be carried forward for use in the subsequent year.

40 SURPLUS RESERVES

Movements in surplus reserves are as follows:

	The Group		
	Statutory surplus reserve RMB million	Discretionary surplus reserves RMB million	Total RMB million
Balance at 1 January 2023	101,009	117,000	218,009
Appropriation	5,125	–	5,125
Balance at 31 December 2023	**106,134**	**117,000**	**223,134**

The PRC Company Law and Articles of Association of the Company have set out the following profit appropriation plans:

(a) 10% of the net profit is transferred to the statutory surplus reserve. In the event that the reserve balance reaches 50% of the registered capital, no transfer is needed;

(b) After the transfer to the statutory surplus reserve, a transfer to discretionary surplus reserve can be made upon the passing of a resolution at the shareholders' meeting.

41 OPERATING INCOME AND OPERATING COSTS

	The Group		The Company	
	2023 RMB million	2022 RMB million	**2023 RMB million**	2022 RMB million
Income from principal operations	3,146,873	3,257,356	1,173,747	1,269,093
Income from other operations	65,342	60,812	32,981	32,980
Operating income	**3,212,215**	**3,318,168**	**1,206,728**	**1,302,073**
Operating costs	**2,709,656**	**2,819,363**	**962,889**	**1,052,885**

The income from principal operations mainly represents revenue from the sales of refined petroleum products, chemical products, crude oil and natural gas.The income from other operations mainly represents revenue from sale of materials, services providing, rental income and others.

Operating costs primarily represent the products cost related to the principal operations. The Group's segmental information is set out in Note 63.

The Group's operating income is mainly composed of sales revenue from the products as follows:

	2023 RMB million	2022 RMB million
Income from principal operations	**3,146,873**	**3,257,356**
Included: Gasoline	861,453	796,667
Diesel	722,307	743,551
Crude oil	412,488	517,183
Chemical feedstock	38,039	42,785
Basic organic chemicals	210,216	223,679
Synthetic resin	132,625	144,524
Kerosene	216,456	168,017
Natural gas	79,681	83,853
Synthetic fiber monomers and polymers	34,059	45,335
Others (i)	439,549	491,762
Income from other operations	**65,342**	**60,812**
Included: Sale of materials and others	63,990	59,590
Rental income	1,352	1,222
Total	**3,212,215**	**3,318,168**

Notes:

(i) Others are primarily liquefied petroleum gas and other refinery and chemical byproducts and joint products and so on.

(ii) The above operating incomes, except rental income, are all income from contracts.

42 TAXES AND SURCHARGES

The Group

	2023 RMB million	2022 RMB million
Consumption tax	215,483	206,838
City construction tax	17,478	17,081
Special oil income levy	6,223	13,874
Education surcharge	12,847	12,337
Resources tax	8,230	8,752
Levy for mineral rights concessions	7,412	–
Others	5,248	5,109
Total	**272,921**	**263,991**

The applicable tax rate of the taxes and surcharges are set out in Note 4.

43 FINANCIAL EXPENSES

The Group

	2023 RMB million	2022 RMB million
Interest expenses incurred	9,807	7,877
Less: Capitalised interest expenses	1,788	1,307
Add: Interest expense on lease liabilities	8,951	9,096
Net interest expenses	16,970	15,666
Accretion expenses (Note 34)	1,099	1,103
Interest income	(6,828)	(6,266)
Net foreign exchange gains	(1,319)	(529)
Total	**9,922**	**9,974**

The interest rates per annum at which borrowing costs were capitalised during the year ended 31 December 2023 by the Group ranged from 1.70% to 4.25% (2022: 1.89% to 4.25%).

44 CLASSIFICATION OF EXPENSES BY NATURE

The operating costs, selling and distribution expenses, general and administrative expenses, research and development expenses and exploration expenses (including dry holes) in consolidated income statement classified by nature are as follows:

	2023 RMB million	2022 RMB million
Purchased crude oil, products and operating supplies and expenses	2,569,412	2,684,756
Personnel expenses	108,017	103,585
Depreciation, depletion and amortisation	113,750	109,906
Exploration expenses (including dry holes)	11,055	10,591
Other expenses	53,274	49,664
Total	**2,855,508**	**2,958,502**

45 SELLING AND DISTRIBUTION EXPENSES

Selling expenses mainly include wages and salaries of sales staff, depreciation and amortization of sales equipment and related systems, etc.

46 GENERAL AND ADMINISTRATIVE EXPENSES

Administrative expenses mainly include salaries of administrative personnel, depreciation and amortization of office facilities, office systems and software, and repair costs.

47 RESEARCH AND DEVELOPMENT EXPENSES

The research and development expenditures are mainly used for the replacement of resources in upstream, optimising structure and operation upgrades in refining sector, structured adjustment of materials and products in chemical segment.

48 EXPLORATION EXPENSES

Exploration expenses include geological and geophysical expenses and written-off of unsuccessful dry hole costs.

49 OTHER INCOME

Classified by characteristic	2023 RMB million	2022 RMB million
Government grants	10,553	7,595
Others	352	624
Total	**10,905**	**8,219**

Other income are mainly the government grants related to the business activities.

50 INVESTMENT INCOME

	The Group		The Company	
	2023 RMB million	2022 RMB million	**2023 RMB million**	2022 RMB million
Income from investment of subsidiaries accounted for under cost method	–	–	29,431	20,338
Income from investment accounted for under equity method	8,177	14,479	4,552	4,449
Investment income from disposal of business and long-term equity investments(i)	303	13,754	15	2,406
Dividend income from holding of other equity instrument investments	10	76	6	4
Investment (loss)/income from holding/disposal of financial assets and liabilities and derivative financial instruments at fair value through profit or loss	(4,575)	(15,063)	263	184
Gain from ineffective portion of cash flow hedges	1,380	997	(809)	465
Others	516	219	1,412	1,375
Total	**5,811**	**14,462**	**34,870**	**29,221**

Note:

(i) The Company and Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd. ("Gaoqiao Petrochemical") and INEOS Investment (Shanghai) Company Limited ("INEOS Shanghai") entered into an equity transfer agreement on 28 July 2022. According to the agreement, the Company and Gaoqiao Petrochemical transferred 15% and 35% equity interests in Shanghai SECCO Petrochemical Co., Ltd. to INEOS Shanghai respectively at a total consideration of RMB10,863 million. The above transactions were considered and approved by the 10th Session of 8th Directorate Meeting of the Company. The transactions were completed on 28 December 2022 and the Company lost control over Shanghai SECCO. The Group accounted for its remaining 50% equity interest retained in Shanghai SECCO, at fair value upon initial recognition, as an interest in a joint venture from the date when control was lost. The investment income from disposal of Shanghai SECCO is RMB13,697 million.

51 INCOME FROM CHANGES IN FAIR VALUE

The Group

	2023 RMB million	2022 RMB million
Net fair value losses on financial assets and financial liabilities at fair value through loss	(159)	(461)
Unrealised or gains/(losses) from ineffective portion cash flow hedges, net	649	(1,252)
Others	(23)	(2)
Total	**467**	**(1,715)**

52 IMPAIRMENT LOSSES

The Group

	2023 RMB million	2022 RMB million
Prepayments	77	10
Inventories	6,053	6,322
Long-term equity investment	2	2
Fixed assets	2,491	5,082
Intangible assets	27	4
Construction in progress	116	581
Others	6	8
Total	**8,772**	**12,009**

53 NON-OPERATING INCOME

The Group

	2023 RMB million	2022 RMB million
Government grants	636	1,003
Others	1,334	1,957
Total	**1,970**	**2,960**

54 NON-OPERATING EXPENSES

The Group

	2023 RMB million	2022 RMB million
Fines, penalties and compensation	43	39
Donations	310	447
Asset scrap, damage loss	1,231	1,394
Others	1,014	2,979
Total	**2,598**	**4,859**

55 INCOME TAX EXPENSE

The Group

	2023 RMB million	2022 RMB million
Provision for income tax for the year	15,098	18,796
Deferred taxation	2,442	862
Under-provision for income tax in respect of preceding year	(1,470)	(1,757)
Total	**16,070**	**17,901**

Reconciliation between actual income tax expense and accounting profit at applicable tax rates is as follows:

	2023 RMB million	2022 RMB million
Profit before taxation	**86,116**	**94,515**
Expected income tax expense at a tax rate of 25%	21,529	23,629
Tax effect of non-deductible expenses	2,987	3,697
Tax effect of non-taxable income	(4,060)	(5,900)
Tax effect of preferential tax rate (i)	(3,117)	(3,091)
Effect of income taxes at foreign operations	(846)	(128)
Tax effect of utilisation of previously unrecognised tax losses and temporary differences	(399)	(850)
Tax effect of tax losses not recognised and temporary differences	1,374	2,243
Write-down of deferred tax assets	72	58
Adjustment for under provision for income tax in respect of preceding years	(1,470)	(1,757)
Actual income tax expense	**16,070**	**17,901**

Note:

(i) The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain entities of the Group in western regions in the PRC are taxed at preferential income tax rate of 15% through the year 2023. According to Announcement [2020] No.23 of the MOF "Announcement of the MOF, the State Taxation Administration and the National Development and Reform Commission on continuation of the income tax policy of western development enterprises", the preferential income tax rate of 15% extends from 1 January 2021 to 31 December 2030.

56 DIVIDENDS

(a) Dividends of ordinary shares declared after the balance sheet date

Pursuant to a resolution passed at the director's meeting on 22 March 2024, final dividends in respect of the year ended 31 December 2023 of RMB0.200 (2022: RMB0.195) per share totaling RMB23,870 million (2022: RMB23,380 million) were proposed for shareholders' approval at the Annual General Meeting. Final cash dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends of ordinary shares declared during the year

Pursuant to the shareholders' approval at the General Meeting on 25 August 2023, the interim dividends for the year ending 31 December 2023 of RMB0.145 (2022: RMB0.16) per share totaling RMB17,380 million (2022: RMB19,371 million) were approved. Dividends were paid on 15 September 2023.

Pursuant to the shareholders' approval at the Annual General Meeting on 30 May 2023, a final dividend of RMB0.195 per share totaling RMB23,380 million according to total shares on 20 June 2023 was approved. All dividends have been paid in the year ended 31 December 2023.

Pursuant to the shareholders' approval at the General Meeting on 26 August 2022, the interim dividends for the year ending 31 December 2022 of RMB0.16 (2021: RMB0.16) per share totaling RMB19,371 million (2021: RMB19,371 million) were approved. Dividends were paid on 19 September 2022.

Pursuant to the shareholders' approval at the Annual General Meeting on 18 May 2022, a final dividend of RMB0.31 per share totaling RMB37,532 million according to total shares on 9 June 2022 was approved. All dividends have been paid in the year ended 31 December 2022.

57 SUPPLEMENTAL INFORMATION TO THE CASH FLOW STATEMENT

The Group

(a) Reconciliation of net profit to cash flows from operating activities:

	2023 RMB million	2022 RMB million
Net profit	70,046	76,614
Add: Impairment losses on assets	8,772	12,009
Credit impairment reversals	(243)	(1,084)
Depreciation of right-of-use assets	14,829	13,760
Depreciation of fixed assets	88,512	86,178
Amortisation of intangible assets and long-term deferred expenses	10,409	9,968
Dry hole costs written off	6,723	6,416
Net (gain)/loss on disposal of non-current assets	(2,995)	722
Fair value (gain)/loss	(467)	1,715
Financial expenses	11,241	10,503
Investment income	(5,811)	(14,462)
Decrease in deferred tax assets	7	2,004
Increase/(decrease) in deferred tax liabilities	2,435	(1,142)
Increase in inventories	(12,726)	(45,421)
Safety fund reserve	(248)	179
Decrease in operating receivables	3,974	1,974
Decrease in operating payables	(32,983)	(43,664)
Net cash flow from operating activities	**161,475**	**116,269**

(b) Net change in cash:

	2023 RMB million	2022 RMB million
Cash balance at the end of the year	121,759	93,438
Less: Cash at the beginning of the year	93,438	108,590
Net increase/(decrease) of cash	**28,321**	**(15,152)**

(c) The analysis of cash held by the Group is as follows:

	2023 RMB million	2022 RMB million
Cash at bank and on hand		
– Cash on hand	1	2
– Demand deposits	121,758	93,436
Cash at the end of the year	**121,759**	**93,438**

(d) Net cash received from disposal of subsidiaries and other business entities：

	2023 RMB million	2022 RMB million
Cash received from disposal of equity interests in the relevant companies, oil and gas pipeline and ancillary facilities	–	10,041

(e) Other cash received relating to investing activities：

	2023 RMB million	2022 RMB million
Decrease in time deposits with maturities over three months	86,975	93,455
Interest income	8,929	6,918
Others	13	2,784
Total	**95,917**	**103,157**

57 SUPPLEMENTAL INFORMATION TO THE CASH FLOW STATEMENT *(Continued)*

The Group *(Continued)*

(f) Other cash paid relating to investing activities：

	2023 RMB million	2022 RMB million
Increase in time deposits with maturities over three months	(90,562)	(31,670)
Loans from fellow subsidiaries	(500)	(792)
Others	(1,028)	(1,043)
Total	**(92,090)**	**(33,505)**

(g) Other cash paid relating to financing activities：

	2023 RMB million	2022 RMB million
Repayments of lease liabilities	(18,991)	(18,672)
Cash payments to purchase own shares	(2,325)	(4,179)
Others	(603)	(94)
Total	**(21,919)**	**(22,945)**

(h) Reconciliation of liabilities (excluding lease liabilities) arising from financial activities：

		Additions for the year		Decreases for the year		
	Balance at 1 January 2023 RMB million	Cash RMB million	Non-cash RMB million	Cash RMB million	Non-cash RMB million	Balance at 31 December 2023 RMB million
Long-term and Short-term loans and debentures payable	174,290	698,936	25,038	(607,667)	(31,766)	258,831
Other non-current liabilities- loans to related parties	5,180	474	333	(284)	(570)	5,133
Total	**179,470**	**699,410**	**25,371**	**(607,951)**	**(32,336)**	**263,964**

The decrease in cash for the year includes interest actually paid: RMB7,997 million.

58 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Related parties having the ability to exercise control over the Group

The name of the company	:	China Petrochemical Corporation
Unified social credit identifier	:	9111000010169286X1
Registered address	:	No. 22, Chaoyangmen North Street, Chaoyang District, Beijing
Principal activities	:	Exploration, production, storage and transportation (including pipeline transportation), sales and utilisation of crude oil and natural gas; refining; wholesale and retail of gasoline, kerosene and diesel; production, sales, storage and transportation of petrochemical and other chemical products; industrial investment and investment management; exploration, construction, installation and maintenance of petroleum and petrochemical constructions and equipments; manufacturing electrical equipment; research, development, application and consulting services of information technology and alternative energy products; import & export of goods and technology.
Relationship with the Group	:	Ultimate holding company
Types of legal entity	:	State-owned
Authorised representative	:	Ma Yongsheng
Registered capital	:	RMB326,547 million

Sinopec Group Company is an enterprise controlled by the PRC government. Sinopec Group Company directly and indirectly holds 68.24% shareholding of the Company.

(2) Related parties not having the ability to exercise control over the Group

Related parties under common control of a parent company with the Company:
Sinopec Finance (Note)
Sinopec Shengli Petroleum Administration Bureau
Sinopec Zhongyuan Petroleum Exploration Bureau
Sinopec Assets Management Corporation
Sinopec Engineering Incorporation
Sinopec Century Bright Capital Investment Limited
Sinopec Petroleum Storage and Reserve Limited

Associates of the Group:
PipeChina
Sinopec Finance
Sinopec Capital
Zhongtian Synergetic Energy
Aviation Fuel

Joint ventures of the Group:
FREP
BASF-YPC
Taihu
Sinopec SABIC Tianjin
Shanghai SECCO

Note: Sinopec Finance is under common control of a parent company with the Company and is also the associate of the Group.

58 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(3) The principal related party transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures, which were carried out in the ordinary course of business, are as follows:

	Note	The Group 2023 RMB million	2022 RMB million
Sales of goods	(i)	408,554	352,691
Purchases	(ii)	218,974	184,986
Transportation and storage	(iii)	29,830	18,291
Exploration and development services	(iv)	41,783	37,317
Production related services	(v)	43,361	48,465
Agency commission income	(vi)	179	173
Interest income	(vii)	2,838	1,203
Interest expense	(viii)	1,283	541
Net deposits placed with related parties	(vii)	(903)	(3,382)
Net funds obtained from related parties	(ix)	43,621	36,608

The amounts set out in the table above in respect of the year ended 31 December 2023 and 2022 represent the relevant costs and income as determined by the corresponding contracts with the related parties.

Included in the transactions disclosed above, for the year ended 31 December 2023 are: a) purchases by the Group from Sinopec Group Company and fellow subsidiaries amounting to RMB200,604 million (2022: RMB158,874 million) comprising purchases of products and services (i.e. procurement, transportation and storage, exploration and development services and production related services) of RMB187,117 million (2022: RMB146,114 million), lease charges for land, buildings and others paid by the Group of RMB10,926 million, RMB1,050 million and RMB228 million (2022: RMB11,046 million, RMB938 million and RMB235 million), respectively and interest expenses of RMB1,283 million (2022: RMB541 million); and b) sales by the Group to Sinopec Group Company and fellow subsidiaries amounting to RMB87,247 million (2022: RMB58,403 million), comprising RMB84,329 million (2022: RMB57,151 million) for sales of goods, RMB2,838 million (2022: RMB1,203 million) for interest income and RMB80 million (2022: RMB49 million) for agency commission income.

For the year ended 31 December 2023, no individually significant right-of-use assets were leased from Sinopec Group Company and fellow subsidiaries, associates and joint ventures by the Group. The interest expense recognised for the year ended 31 December 2023 on lease liabilities in respect of amounts due to Sinopec Group Company and fellow subsidiaries, associates and joint ventures was RMB7,637 million (2022: RMB7,811 million).

For the year ended 31 December 2023, the amount of rental the Group paid to Sinopec Group Company and fellow subsidiaries, associates and joint ventures for land, buildings and others are RMB10,931 million, RMB1,053 million and RMB273 million (2022: RMB11,051 million, RMB943 million and RMB352 million). Among them, according to the continuing connected transaction agreement signed in 2000, the sixth supplementary agreement for continuing connected transactions signed on August 27, 2021, and the fourth revision memorandum of the land use right lease contract, the actual payment of land, land and land use rights between Sinopec Group and Sinopec Group The rental amount of houses was RMB10,926 million and RMB1,050 million respectively (2022: RMB11,046 million and RMB938 million).

As at 31 December 2023 and 31 December 2022, there was no guarantee given to banks by the Group in respect of banking facilities to Sinopec Group Company and fellow subsidiaries, associates and joint ventures, except for the disclosure set out in Note 62(b). Guarantees given to banks by the Group in respect of banking facilities to associates and joint ventures are disclosed in Note 62(b).

Notes:

(i) Sales of goods represent the sale of crude oil, intermediate petrochemical products, petroleum products and ancillary materials.

(ii) Purchases represent the purchase of materials and utility supplies directly related to the Group's operations such as the procurement of raw and ancillary materials and related services, supply of water, electricity and gas.

(iii) Transportation and storage represent the cost for the use of railway, road and marine transportation services, pipelines, loading, unloading and storage facilities.

(iv) Exploration and development services comprise direct costs incurred in the exploration and development such as geophysical, drilling, well testing and well measurement services.

(v) Production related services represent ancillary services rendered in relation to the Group's operations such as equipment repair and general maintenance, insurance premium, technical research, communications, firefighting, security, product quality testing and analysis, information technology, design and engineering, construction of oilfield ground facilities, refineries and chemical plants, manufacture of replacement parts and machinery, installation, project management and environmental protection, and management services.

(vi) Agency commission income represents commission earned for acting as an agent in respect of sales of products and purchase of materials for certain entities owned by Sinopec Group Company.

(vii) Interest income represents interest received from deposits placed with Sinopec Finance and Sinopec Century Bright Capital Investment Limited, finance companies controlled by Sinopec Group Company. The applicable interest rate is determined in accordance with the prevailing saving deposit rate.

58 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(3) The principal related party transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures, which were carried out in the ordinary course of business, are as follows: *(Continued)*

Notes *(Continued)*:

(viii) Interest expense represents interest charges on the loans obtained from Sinopec Group Company and fellow subsidiaries.

(ix) The Group obtained loans, discounted bills and issued the acceptance bills from Sinopec Group Company and fellow subsidiaries, etc.

In connection with the Reorganisation, the Company and Sinopec Group Company entered into a number of agreements under which 1) Sinopec Group Company will provide goods and products and a range of ancillary, social and supporting services to the Group and 2) the Group will sell certain goods to Sinopec Group Company. These agreements impacted the operating results of the Group for the year ended 31 December 2023. The terms of these agreements are summarised as follows:

(a) The Company has entered into a non-exclusive "Agreement for Mutual Provision of Products and Ancillary Services" ("Mutual Provision Agreement") with Sinopec Group Company effective from 1 January 2000 in which Sinopec Group Company has agreed to provide the Group with certain ancillary production services, construction services, information advisory services, supply services and other services and products. While each of Sinopec Group Company and the Company is permitted to terminate the Mutual Provision Agreement upon at least six months' notice, Sinopec Group Company has agreed not to terminate the agreement if the Group is unable to obtain comparable services from a third party. The pricing policy for these services and products provided by Sinopec Group Company to the Group is as follows:

- the government-prescribed price;
- where there is no government-prescribed price, the government-guidance price;
- where there is neither a government-prescribed price nor a government-guidance price, the market price; or
- where none of the above is applicable, the price to be agreed between the parties, which shall be based on a reasonable cost incurred in providing such services plus a profit margin not exceeding 6%.

(b) The Company has entered into a non-exclusive "Agreement for Provision of Cultural and Educational, Health Care and Community Services" with Sinopec Group Company effective from 1 January 2000 in which Sinopec Group Company has agreed to provide the Group with certain cultural, educational, health care and community services on the same pricing terms and termination conditions as agreed to in the above Mutual Provision Agreement.

(c) The Company has entered into a number of lease agreements with Sinopec Group Company to lease certain lands and buildings effective on 1 January 2000. The lease term is 40 or 50 years for lands and 20 years for buildings, respectively. The Company and Sinopec Group Company can renegotiate the rental amount every three years for land. The Company and Sinopec Group Company can renegotiate the rental amount for buildings every year. However such amount cannot exceed the market price as determined by an independent third party.

(d) The Company has entered into agreements with Sinopec Group Company effective from 1 January 2000 under which the Group has been granted the right to use certain trademarks, patents, technology and computer software developed by Sinopec Group Company.

(e) The Company has entered into a service station franchise agreement with Sinopec Group Company effective from 1 January 2000 under which its service stations and retail stores would exclusively sell the refined products supplied by the Group.

(f) On the basis of a series of continuing connected transaction agreements signed in 2000, the Company and Sinopec Group Company have signed the Sixth Supplementary Agreement on 27 August 2021, which took effect on 1 January 2022 and made adjustment to "Mutual Supply Agreement" and "Buildings Leasing Contract".

58 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(4) Balances with Sinopec Group Company and fellow subsidiaries, associates and joint ventures

The balances with Sinopec Group Company and fellow subsidiaries, associates and joint ventures at 31 December 2023 and 31 December 2022 are as follows:

	The ultimate holding company		Other related companies	
	At 31 December 2023 RMB million	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million
Cash at bank and on hand	–	–	65,967	65,064
Accounts receivable	2	20	12,054	11,460
Receivables financing	–	–	101	596
Other receivables	74	32	14,487	10,017
Prepayments and other current assets	3	4	389	322
Other non-current assets	–	–	9,025	8,633
Bills payable	–	–	6,938	4,689
Accounts payable	16	299	13,017	33,349
Contract liabilities	25	15	4,377	4,721
Other payables and other current liabilities	64	46	25,988	38,266
Other non-current liabilities	–	–	5,133	5,180
Short-term loans	–	–	8,640	6,852
Long-term loans (including current portion)	–	–	28,608	22,695
Lease liabilities (including current portion)	65,228	70,860	88,823	85,677

Amounts due from/to Sinopec Group Company and fellow subsidiaries, associates and joint ventures, other than short-term loans and long-term loans, bear no interest, are unsecured and are repayable in accordance with normal commercial terms. The terms and conditions associated with short-term loans and long-term loans payable to Sinopec Group Company and fellow subsidiaries are set out in Note 22 and Note 31.

As at and for the year ended 31 December 2023, and as at and for the year ended 31 December 2022, no individually significant impairment losses for bad and doubtful debts were recorded in respect of amounts due from Sinopec Group Company and fellow subsidiaries, associates and joint ventures.

(5) Key management personnel emoluments

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 management personnel compensations are as follows:

	2023 RMB thousand	2022 RMB thousand
Short-term employee benefits	6,757	9,299
Retirement scheme contributions	512	566
Total	**7,269**	**9,865**

59 PRINCIPAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that it believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in Note 3. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

59 PRINCIPAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(a) Oil and gas properties and reserves

The accounting for the exploration and production segment's oil and gas activities is subject to accounting rules that are unique to the oil and gas industry. The Group has used the successful efforts method to account for oil and gas business activities. The successful efforts method reflects the volatility that is inherent in exploring for mineral resources in that costs of unsuccessful exploratory efforts are charged to expense. These costs primarily include dry hole costs, seismic costs and other exploratory costs.

Engineering estimates of the Group's oil and gas reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved". Proved and proved developed reserves estimates are updated at least annually and take into account recent production and technical information about each field. In addition, as prices and cost levels change from year to year, the estimate of proved and proved developed reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates. Oil and gas reserves have a direct impact on the assessment of the recoverability of the carrying amounts of oil and gas properties reported in the financial statements. If proved reserves estimates are revised downwards, the Group's earnings could be affected by changes in depreciation expense or an immediate write-down of the carrying amount of oil and properties.

Future dismantlement costs for oil and gas properties are estimated with reference to engineering estimates after taking into consideration the anticipated method of dismantlement required in accordance with industry practices in the similar geographic area, including estimation of economic life of oil and gas properties, technology and price level. The present values of these estimated future dismantlement costs are capitalised as oil and gas properties with equivalent amounts recognised as provisions for dismantlement costs.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expense, impairment expense and future dismantlement costs. Capitalised costs of proved oil and gas properties are amortised on a unit-of-production method based on volumes produced and reserves.

(b) Impairment for assets

If circumstances indicate that the net book value of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with "CASs 8 – Impairment of Assets". The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. For goodwill, the recoverable amount is estimated annually. The recoverable amount is the greater of the fair value less costs to sell and the present value of expected future cash flows. It is difficult to precisely estimate the fair value because quoted market prices for the Group's assets or cash-generating units are not readily available. Therefore, the Group determines the recoverable amount based on the present value of the expected future cash flows of assets. The expected future cash flows of assets are based on the most recent financial budget or forecast data approved by management, as well as stable or decreasing growth rates for years after the budget or forecast period. If the increasing growth rate is reasonable, then it should be based on the increasing growth rate. In appropriate and reasonable circumstances, the growth rate can be zero or negative. Expected cash flows based on budgets or forecasts typically cover five years, and if a longer period is reasonable, it can cover a longer period. When estimating cash flows for years after the budget or forecast period, the growth rate used should not exceed the long-term average growth rate of the industry or market in which the products operated by the group are located, or the long-term average growth rate of the market in which the asset is located, unless it can prove that a higher growth rate is reasonable. In determining the discount rate, the weighted average cost of capital is usually used as the basis. In determining the value of expected future cash flows, expected cash flows generated by the asset or the cash-generating unit are discounted to their present value, which requires significant judgement relating to sales volume, selling price, amount of operating costs and discount rate. 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 and projections of sales volume, selling price, amount of operating costs and discount rate.

(c) Depreciation

Fixed assets other than oil and gas properties, 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 of the assets at least 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 and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Measurement of expected credit losses

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 Group measures and recognises expected credit losses, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions.

The Group regularly monitors and reviews the assumptions used for estimating expected credit losses.

59 PRINCIPAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(e) Allowance for diminution in value of inventories

If the costs of inventories become higher than their net realisable values, an allowance for diminution in value of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Management bases the estimates on all available information, including the current market prices of the finished goods and raw materials, and historical operating costs. 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 would be higher than estimated.

60 PRINCIPAL SUBSIDIARIES

The Company's principal subsidiaries have been consolidated into the Group's financial statements for the year ended 31 December 2023. The following list contains the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group:

Full name of enterprise	Principal activities	Registered capital/paid-up capital million	Actual investment at 31 December 2023 million	Percentage of equity interest/ voting right held by the Group %	Non-controlling Interests at 31 December 2023 RMB million
(a) Subsidiaries acquired through group restructuring:					
China Petrochemical International Company Limited	Trading of petrochemical products	RMB1,400	RMB1,856	100.00	13
China International United Petroleum and Chemical Company Limited	Trading of crude oil and petrochemical products	RMB5,000	RMB6,585	100.00	5,820
Sinopec Catalyst Company Limited	Production and sale of catalyst products	RMB1,500	RMB2,424	100.00	297
Sinopec Yangzi Petrochemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB15,651	RMB15,756	100.00	–
Sinopec Lubricant Company Limited	Production and sale of refined petroleum products, lubricant base oil, and petrochemical materials	RMB3,374	RMB3,374	100.00	68
Sinopec Yizheng Chemical Fibre Limited Liability Company	Production and sale of polyester chips and polyester fibres	RMB4,000	RMB7,437	100.00	–
Marketing Company	Marketing and distribution of refined petroleum products	RMB28,403	RMB20,000	70.42	82,330
Sinopec Kantons Holdings Limited ("Sinopec Kantons")	Provision of pipeline transmission services	HKD248	HKD3,952	60.33	5,437
Sinopec Shanghai Petrochemical Company Limited ("Shanghai Petrochemical")	Manufacturing of synthetic fibres, resin and plastics, intermediate petrochemical products and petroleum products	RMB10,799	RMB5,820	50.55	12,394
Fujian Petrochemical Company Limited ("Fujian Petrochemical") (i)	Manufacturing of plastics, intermediate petrochemical products and petroleum products	RMB10,492	RMB5,246	50.00	5,024
(b) Subsidiaries established by the Group:					
Sinopec International Petroleum Exploration and Production Limited ("SIPL")	Investment in exploration, production and sale of petroleum and natural gas	RMB8,250	RMB8,250	100.00	6,204
Sinopec Overseas Investment Holding Limited ("SOIH")	Investment holding of overseas business	USD3,598	USD3,598	100.00	–
Sinopec Chemical Sales Company Limited	Marketing and distribution of petrochemical products	RMB1,000	RMB1,165	100.00	140
Sinopec Great Wall Energy & Chemical Company Limited	Coal chemical industry investment management, production and sale of coal chemical products	RMB22,761	RMB26,055	100.00	23
Sinopec Beihai Refining and Chemical Limited Liability Company	Import and processing of crude oil, production, storage and sale of petroleum products and petrochemical products	RMB5,294	RMB5,240	98.98	143
ZhongKe (Guangdong) Refinery & Petrochemical Company Limited	Crude oil processing and petroleum products manufacturing	RMB6,397	RMB5,776	90.30	2,360
Sinopec Qingdao Refining and Chemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB5,000	RMB4,250	85.00	2,081
Sinopec-SK (Wuhan) Petrochemical Company Limited ("Sinopec-SK")	Production, sale, research and development of ethylene and downstream byproducts	RMB7,193	RMB7,193	59.00	3,693
(c) Subsidiaries acquired through business combination under common control:					
Sinopec Hainan Refining and Chemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB9,606	RMB12,615	100.00	357
Sinopec Qingdao Petrochemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB1,595	RMB7,233	100.00	–
Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd. ("Gaoqiao Petrochemical")	Manufacturing of intermediate petrochemical products and petroleum products	RMB10,000	RMB4,804	55.00	10,020
Sinopec Baling Petrochemical Co. Ltd. ("Hunan Petrochemical")	Crude oil processing and petroleum products manufacturing	RMB3,000	RMB4,284	55.00	2,870

* The non-controlling interests of subsidiaries which the Group holds 100% of equity interests at the end of the year are the non-controlling interests of their subsidiaries.

Except for Sinopec Kantons and SOIH, which are incorporated in Bermuda and Hong Kong SAR, respectively, all of the above principal subsidiaries are incorporated and operate their businesses principally in the PRC.

Note:

(i) The Group consolidated the financial statements of the entity because it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those return through its power over the entity.

60 PRINCIPAL SUBSIDIARIES *(Continued)*

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information which the amount before inter-company eliminations for each subsidiary whose non-controlling interests that are material to the Group.

Summarised consolidated balance sheet

	Marketing Company		SIPL		Shanghai Petrochemical		Fujian Petrochemical		Sinopec Kantons		Gaoqiao Petrochemical	
	At 31 December 2023 RMB million	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million
Current assets	202,333	190,697	19,529	25,677	15,455	15,766	3,729	1,901	6,118	5,436	18,521	23,991
Current liabilities	(217,315)	(212,593)	(936)	(9,468)	(14,573)	(13,998)	(1,841)	(169)	(207)	(209)	(7,107)	(10,162)
Net current (liabilities)/assets	**(14,982)**	**(21,896)**	**18,593**	**16,209**	**882**	**1,768**	**1,888**	**1,732**	**5,911**	**5,227**	**11,414**	**13,829**
Non-current assets	324,288	326,170	8,983	12,869	24,203	25,477	8,862	10,215	8,001	7,902	14,904	15,681
Non-current liabilities	(56,057)	(56,147)	(11,583)	(11,892)	(143)	(873)	(702)	(707)	(255)	(232)	(4,050)	(5,385)
Net non-current assets/(liabilities)	**268,231**	**270,023**	**(2,600)**	**977**	**24,060**	**24,604**	**8,160**	**9,508**	**7,746**	**7,670**	**10,854**	**10,296**

Summarised consolidated statement of comprehensive income and cash flow

Year ended 31 December	Marketing Company		SIPL		Shanghai Petrochemical		Fujian Petrochemical		Sinopec Kantons		Gaoqiao Petrochemical	
	2023 RMB million	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million
Turnover	1,814,710	1,710,428	2,952	3,308	93,014	82,518	4,556	4,931	549	529	60,156	69,298
Net profit/(loss) for the year	22,418	20,129	3,208	2,576	(1,409)	(2,868)	(1,196)	(1,925)	1,169	346	106	3,176
Total comprehensive income	**23,260**	**22,644**	**(1,193)**	**6,438**	**(1,363)**	**(2,690)**	**(1,196)**	**(1,925)**	**1,252**	**734**	**105**	**3,181**
Comprehensive income attributable to non-controlling interests	8,259	8,224	(861)	2,659	(676)	(1,331)	(598)	(962)	499	291	47	1,431
Dividends paid to non-controlling interests	6,749	3,453	–	–	7	548	–	333	195	169	895	984
Net cash generated from/(used in) operating activities	**50,598**	**43,408**	**1,947**	**1,458**	**807**	**(7,337)**	**1,660**	**2**	**557**	**133**	**(1,507)**	**(1,247)**

61 COMMITMENTS

Capital commitments

At 31 December 2023 and 31 December 2022, capital commitments of the Group are as follows:

At 31 December 2023	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Authorised and contracted for (i)	177,809	167,507
Authorised but not contracted for	61,951	94,407
Total	**239,760**	**261,914**

These capital commitments relate to oil and gas exploration and development, refining and petrochemical production capacity expansion projects, the construction of service stations and oil depots and investment commitments.

Note:

(i) At 31 December 2023, the investment commitments of the Group is RMB5,856 million (2022: RMB1,751 million).

Commitments to joint ventures

Pursuant to certain of the joint venture agreements entered into by the Group, the Group is obliged to purchase products from the joint ventures based on market prices.

Exploration and production licenses

Exploration licenses for exploration activities are registered with the Ministry of Natural Resources. The maximum term of the Group's exploration licenses is 7 years, and may be renewed twice within 30 days prior to expiration of the original term with each renewal being for a two-year term. The Group is obligated to make progressive annual minimum exploration investment relating to the exploration blocks in respect of which the license is issued. The Ministry of Natural Resources also issues production licenses to the Group on the basis of the reserve reports approved by relevant authorities. The maximum term of a full production license is 30 years unless a special dispensation is given by the State Council. The maximum term of the production licenses issued to the Group is 80 years as a special dispensation was given to the Group by the State Council. The Group's production license is renewable upon application by the Group 30 days prior to expiration.

The Group is required to make payments of exploration license fees and production right usage fees to the Ministry of Natural Resources annually which are expensed. Expenses recognised were approximately RMB628 million for the year ended 31 December 2023 (2022: RMB270 million).

Estimated future annual payments are as follows:

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Within one year	802	369
Between one and two years	175	152
Between two and three years	176	146
Between three and four years	172	115
Between four and five years	156	62
Thereafter	875	857
Total	**2,356**	**1,701**

The implementation of commitments in previous year and the Group's commitments did not have material discrepancy.

62 CONTINGENT LIABILITIES

(a) The Company has been advised by its PRC lawyers that, except for liabilities constituting or arising out of or relating to the business assumed by the Company in the Reorganisation, no other liabilities were assumed by the Company, and the Company is not jointly and severally liable for other debts and obligations incurred by Sinopec Group Company prior to the Reorganisation.

(b) At 31 December 2023 and 31 December 2022, the guarantees by the Group in respect of facilities granted to the parties below are as follows:

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Joint ventures(i)	8,563	8,927

Notes:

(i) The Group provided a guarantee in respect to standby credit facilities granted to Zhongan United Coal Chemical Co., Ltd. ("Zhongan United") and Amur Gas Chemical Complex Limited Liability Company ("Amur Gas") by banks amount to RMB7,100 million (31 December 2022: RMB7,100 million) and RMB25,781 million (31 December 2022: RMB25,351 million) respectively. As at 31 December 2023, the amount withdrawn (the portion corresponding to the shareholding ratio of the Group) by Zhongan United from banks and guaranteed by the Group was RMB4,828 million (31 December 2022: RMB5,254 million). As at 31 December 2023, the amount withdrawn (the portion corresponding to the shareholding ratio of the Group) by Amur Gas from banks and guaranteed by the Group was RMB3,735 million (31 December 2022: RMB3,673 million).

The Group provided a guarantee in respect to payment obligation under the raw material supply agreement of Amur Gas amount to RMB17,211 million (31 December 2022: RMB16,924 million). As at 31 December 2023, Amur Gas has not yet incurred the relevant payment obligations and therefore the Group has no guarantee amount (31 December 2022: Nil).

Management monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees. At 31 December 2023 and 2022, the Group estimates that there is no material liability has been accrued for ECLs related to the Group's obligation under these guarantee arrangements.

Environmental contingencies

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved, and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to refineries, oil fields, service stations, terminals and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material.

The Group recognised normal routine pollutant discharge fees of approximately RMB19,156 million in the consolidated financial statements for the year ended 31 December 2023 (2022: RMB16,823 million).

Legal contingencies

The Group is defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of an unfavourable outcome of such contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

63 SEGMENT REPORTING

Segment information is presented in respect of the Group's operating segments. The format is based on the Group's management and internal reporting structure.

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 has identified the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Exploration and production – which explores and develops oil fields, produces crude oil and natural gas and sells such products to the refining segment of the Group and external customers.

(ii) Refining – which processes and purifies crude oil, which is sourced from the exploration and production segment of the Group and external suppliers, and manufactures and sells petroleum products to the chemicals and marketing and distribution segments of the Group and external customers.

(iii) Marketing and distribution – which owns and operates oil depots and service stations in the PRC, and distributes and sells refined petroleum products (mainly gasoline and diesel) in the PRC through wholesale and retail sales networks.

(iv) Chemicals – which manufactures and sells petrochemical products, derivative petrochemical products and other chemical products to external customers.

(v) Corporate and others – which largely comprise the trading activities of the import and export companies of the Group and research and development undertaken by other subsidiaries.

The segments were determined primarily because the Group manages its exploration and production, refining, marketing and distribution, chemicals, and corporate and others businesses separately. The reportable segments are each managed separately because they manufacture and/or distribute distinct products with different production processes and due to their distinct operating and gross margin characteristics.

(1) Information of reportable segmental revenues, profits or losses, assets and liabilities

The Group's chief operating decision maker evaluates the performance and allocates resources to its operating segments on an operating profit basis, without considering the effects of finance costs or investment income. Inter-segment transfer pricing is based on the market price or cost plus an appropriate margin, as specified by the Group's policy.

Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Segment assets include all tangible and intangible assets, except for cash at bank and on hand, long-term equity investments, deferred tax assets and other unallocated assets. Segment liabilities exclude short-term loans, non-current liabilities due within one year, long-term loans, debentures payable, deferred tax liabilities, other non-current liabilities and other unallocated liabilities.

63 SEGMENT REPORTING *(Continued)*

(1) Information of reportable segmental revenues, profits or losses, assets and liabilities *(Continued)*

Reportable information on the Group's operating segments is as follows:

	2023 RMB million	2022 RMB million
Income from principal operations		
Exploration and production		
External sales	177,980	192,330
Inter-segment sales	116,703	121,912
	294,683	**314,242**
Refining		
External sales	170,691	194,839
Inter-segment sales	1,355,310	1,376,425
	1,526,001	**1,571,264**
Marketing and distribution		
External sales	1,756,575	1,660,924
Inter-segment sales	17,943	13,421
	1,774,518	**1,674,345**
Chemicals		
External sales	411,379	449,911
Inter-segment sales	94,426	80,328
	505,805	**530,239**
Corporate and others		
External sales	630,248	759,352
Inter-segment sales	905,264	1,028,800
	1,535,512	**1,788,152**
Elimination of inter-segment sales	(2,489,646)	(2,620,886)
Consolidated income from principal operations	**3,146,873**	**3,257,356**
Income from other operations		
Exploration and production	5,336	5,169
Refining	3,785	3,875
Marketing and distribution	43,911	39,529
Chemicals	9,502	9,913
Corporate and others	2,808	2,326
Consolidated income from other operations	**65,342**	**60,812**
Consolidated operating income	**3,212,215**	**3,318,168**

	2023 RMB million	2022 RMB million
Operating profit/(loss)		
By segment		
Exploration and production	37,976	48,538
Refining	19,358	11,611
Marketing and distribution	25,531	25,197
Chemicals	(10,273)	(14,256)
Corporate and others	1,915	15,480
Elimination	750	(1,820)
Total segment operating profit	**75,257**	**84,750**
Investment income		
Exploration and production	2,211	3,273
Refining	(413)	(375)
Marketing and distribution	2,619	1,637
Chemicals	(2,746)	17,624
Corporate and others	4,140	(7,697)
Total segment investment income	**5,811**	**14,462**
Less: Financial expenses	9,922	9,974
Add: Other income	10,905	8,219
Gains/(losses) from changes in fair value	467	(1,715)
Asset disposal gains	4,226	672
Operating profit	**86,744**	**96,414**
Add: Non-operating income	1,970	2,960
Less: Non-operating expenses	2,598	4,859
Profit before taxation	**86,116**	**94,515**

63 SEGMENT REPORTING *(Continued)*

(1) Information of reportable segmental revenues, profits or losses, assets and liabilities *(Continued)*

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Assets		
Segment assets		
Exploration and production	444,485	412,543
Refining	331,084	327,706
Marketing and distribution	387,557	388,961
Chemicals	255,409	242,794
Corporate and others	153,674	148,014
Total segment assets	**1,572,209**	**1,520,018**
Cash at bank and on hand	164,960	145,052
Long-term equity investments	234,608	233,941
Deferred tax assets	20,110	22,433
Other unallocated assets	34,787	29,677
Total assets	**2,026,674**	**1,951,121**
Liabilities		
Segment liabilities		
Exploration and production	181,002	172,875
Refining	53,000	84,220
Marketing and distribution	226,798	217,177
Chemicals	89,069	82,826
Corporate and others	196,226	215,386
Total segment liabilities	**746,095**	**772,484**
Short-term loans	59,815	21,313
Non-current liabilities due within one year	30,457	62,844
Long-term loans	179,347	94,964
Debentures payable	8,513	12,997
Deferred tax liabilities	7,817	7,256
Other non-current liabilities	13,133	14,068
Other unallocated liabilities	22,842	24,738
Total liabilities	**1,068,019**	**1,010,664**

	2023 RMB million	2022 RMB million
Capital expenditure		
Exploration and production	78,596	83,300
Refining	22,899	22,863
Marketing and distribution	15,735	19,140
Chemicals	55,038	58,612
Corporate and others	4,485	5,181
	176,753	**189,096**
Depreciation, depletion and amortisation		
Exploration and production	46,755	45,321
Refining	20,386	20,588
Marketing and distribution	23,995	23,461
Chemicals	18,958	17,716
Corporate and others	3,656	2,820
	113,750	**109,906**
Impairment losses on long-lived assets		
Exploration and production	887	2,891
Refining	191	2
Marketing and distribution	278	415
Chemicals	1,280	1,790
Corporate and others	–	571
	2,636	**5,669**

63 SEGMENT REPORTING *(Continued)*

(2) Geographical information

The following tables set out information about the geographical information of the Group's external sales and the Group's non-current assets, excluding financial assets and deferred tax assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

	2023 RMB million	2022 RMB million
External sales		
Mainland China	2,857,361	2,824,140
Singapore	157,113	263,087
Others	197,741	230,941
	3,212,215	**3,318,168**

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Non-current assets		
Mainland China	1,426,377	1,353,771
Others	38,068	44,739
	1,464,445	**1,398,510**

64 FINANCIAL INSTRUMENTS

Overview

Financial assets of the Group include cash at bank and on hand, financial assets held for trading, derivative financial assets, accounts receivable, receivables financing, other receivables and other equity instrument investments. Financial liabilities of the Group include short-term loans, derivative financial liabilities, bills payable, accounts payable, employee benefits payable, other payables, long-term loans, debentures payable and lease liabilities.

The Group has exposure to the following risks from its uses of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, and set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group's audit committee.

Credit risk

(i) Risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's deposits placed with financial institutions (including structured deposits) and receivables from customers. To limit exposure to credit risk relating to deposits, the Group primarily places cash deposits only with large financial institutions in the PRC with acceptable credit ratings. The majority of the Group's accounts receivable relates to sales of petroleum and chemical products to related parties and third parties operating in the petroleum and chemical industries. No single customer accounted for greater than 10% of total accounts receivable at 31 December 2023, except for the amounts due from Sinopec Group Company and fellow subsidiaries. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on accounts receivable. The Group maintains an impairment loss for doubtful accounts and actual losses have been within management's expectations.

The carrying amounts of cash at bank and on hand, financial assets held for trading, derivative financial assets, accounts receivable, receivables financing, other receivables and long-term receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

64 FINANCIAL INSTRUMENTS *(Continued)*

Credit risk *(Continued)*

(ii) Impairment of financial assets

The Group's primary type of financial assets that are subject to the expected credit loss model is accounts receivable, receivables financing and other receivables.

The Group's cash deposits are placed only with large financial institutions with acceptable credit ratings, and there is no material impairment loss identified.

For accounts receivable and receivables financing, the Group applies the "No.22 Accounting Standards for Business Enterprises – Financial instruments: recognition and measurement" simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable and receivables financing.

To measure the expected credit losses, accounts receivable and receivables financing have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 or 31 December 2022, respectively, and the corresponding historical credit losses experienced within this period and calculate expected credit losses for the above financial assets using an allowance matrix 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 accounts receivable and receivables financing.

The detailed analysis of accounts receivable and receivables financing is listed in Note 7 and Note 8.

The Group's other receivables are considered to have low credit risk (Note 10), and the loss allowance recognised during the year was therefore limited to 12 months expected credit losses. The Group considers "low credit risk" for other receivables when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Liquidity risk

Liquidity risk is the risk that the Group encounters short fall of capital when meeting its obligation of financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed capital conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group prepares monthly cash flow budget to ensure that they will always have sufficient liquidity to meet its financial obligations as they fall due. The Group arranges and negotiates financing with financial institutions and maintains a certain level of standby credit facilities to reduce the liquidity risk.

At 31 December 2023, the Group has standby credit facilities with several PRC financial institutions which provide the Group to borrow up to RMB416,358 million (2022: RMB454,857 million) on an unsecured basis, at a weighted average interest rate of 2.23% per annum (2022: 2.38%). At 31 December 2023, the Group's outstanding borrowings under these facilities were RMB59,815 million (2022: RMB21,313 million) and were included in loans.

The following table sets out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates at the balance sheet date) and the earliest date the Group would be required to repay:

	At 31 December 2023					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within one year or on demand RMB million	More than one year but less than two years RMB million	More than two years but less than five years RMB million	More than five years RMB million
Short-term loans	59,815	60,230	60,230	–	–	–
Derivative financial liabilities	2,752	2,752	2,752	–	–	–
Bills payable	29,122	29,122	29,122	–	–	–
Accounts payable	229,878	229,878	229,878	–	–	–
Other payables	93,031	93,031	93,031	–	–	–
Non-current liabilities due within one year	30,457	31,484	31,484	–	–	–
Long-term loans	179,347	193,451	4,322	67,860	92,601	28,668
Debentures payable	8,513	11,821	314	314	5,484	5,709
Lease liabilities	163,864	272,894	–	12,512	35,821	224,561
Total	**796,779**	**924,663**	**451,133**	**80,686**	**133,906**	**258,938**

64 FINANCIAL INSTRUMENTS *(Continued)*

Liquidity risk *(Continued)*

	At 31 December 2022					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within one year or on demand RMB million	More than one year but less than two years RMB million	More than two years but less than five years RMB million	More than five years RMB million
Short-term loans	21,313	21,635	21,635	–	–	–
Derivative financial liabilities	7,313	7,313	7,313	–	–	–
Bills payable	10,782	10,782	10,782	–	–	–
Accounts payable	258,642	258,642	258,642	–	–	–
Other payables	119,892	119,892	119,892	–	–	–
Non-current liabilities due within one year	62,844	64,111	64,111	–	–	–
Long-term loans	94,964	102,939	2,149	12,960	76,473	11,357
Debentures payable	12,997	16,657	422	4,948	5,669	5,618
Lease liabilities	166,407	282,477	–	12,905	36,984	232,588
Total	**755,154**	**884,448**	**484,946**	**30,813**	**119,126**	**249,563**

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's short-term and long-term capital requirements.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(a) Currency risk

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Group does not have significant financial instruments that are denominated in foreign currencies other than the functional currencies of respective entities as at 31 December, and consequently does not have significant exposure to foreign currency risk.

(b) Interest rate risk

The Group's interest rate risk exposure arises primarily from its short-term and long-term loans. Loans carrying interest at variable interest rates and at fixed interest rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and terms of repayment of short-term and long-term loans of the Group are disclosed in Note 22 and Note 31, respectively.

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would decrease/increase the Group's net profit for the year by approximately RMB1,353 million (2022: decrease/increase RMB524 million). This sensitivity analysis has been determined assuming that the change of interest rates was applied to the Group's debts outstanding at the balance sheet date with exposure to cash flow interest rate risk. The analysis is performed on the same basis for 2022.

(c) Commodity price risk and hedge accounting

The Group engages in oil and gas operations and is exposed to commodity price risk related to price volatility of crude oil, refined oil products and chemical products. The fluctuations in prices of crude oil, refined oil products and chemical products could have significant impact on the Group. The Group uses derivative financial instruments, including commodity futures and swaps contracts, to manage a portion of such risk.

Based on the dynamic study and judging of the market, combined with the resource demand and production and operation plan, the Group evaluate and monitor the market risk exposure caused by transaction positions, and continuously manage and hedge the risk of commodity price fluctuation caused by market changes.

As at 31 December 2023, the Group had certain commodity contracts of crude oil, refined oil products and chemical products designated as qualified cash flow hedges and economic hedges. At 31 December 2023, it is estimated that a general increase/decrease of USD10 per barrel in basic price of derivative financial instruments, with all other variables held constant, would impact the fair value of derivative financial instruments, which would decrease/increase the Group's net profit for the year by approximately RMB1,139 million (2022: decrease/increase RMB5,104 million), and decrease/increase the Group's other comprehensive income by approximately RMB4,537 million (2022: increase/decrease RMB192 million). This sensitivity analysis has been determined assuming that the change in prices had occurred at the balance sheet date and the change was applied to the Group's derivative financial instruments at that date with exposure to commodity price risk. The analysis is performed on the same basis for 2022.

64 FINANCIAL INSTRUMENTS *(Continued)*

Market risk *(Continued)*

(c) Commodity price risk and hedge accounting *(Continued)*

For the hedge relationship with cash flow hedge accounting applied, the corresponding changes in cash flow hedge reserves are as follows:

	The Group	
	2023	2022
	RMB million	RMB million
Beginning of the year	3,079	7,244
Effective portion of changes in fair value of hedging instruments recognised during the year	7,420	6,667
Reclassification adjustments for amounts transferred to the consolidated income statement	(1,245)	8,127
Amounts transferred to initial carrying amount of hedged items	(3,078)	(20,560)
Related tax	(418)	1,601
End of the year	**5,758**	**3,079**

The ineffective portion of cash flow hedge relationship is disclosed in Note 50 and Note 51.

Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy. With the fair value of each financial instrument categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

At 31 December 2023

The Group

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Assets				
Financial assets held for trading:				
– Fund Investments	3	–	–	3
Derivative financial assets:				
– Derivative financial assets	5,942	3,779	–	9,721
Receivables financing:				
– Receivables financing	–	–	2,221	2,221
Other equity instrument investments:				
– Other Investments	120	–	330	450
	6,065	**3,779**	**2,551**	**12,395**
Liabilities				
Derivative financial liabilities:				
– Derivative financial liabilities	367	2,385	–	2,752
	367	**2,385**	**–**	**2,752**

64 FINANCIAL INSTRUMENTS *(Continued)*

Fair values *(Continued)*

(i) Financial instruments carried at fair value (Continued)

At 31 December 2022

The Group

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Assets				
Financial assets held for trading:				
– Fund Investments	2	–	–	2
Derivative financial assets:				
– Derivative financial assets	7,857	11,478	–	19,335
Receivables financing:				
– Receivables financing	–	–	3,507	3,507
Other equity instrument investments:				
– Other Investments	114	–	616	730
	7,973	**11,478**	**4,123**	**23,574**
Liabilities				
Derivative financial liabilities:				
– Derivative financial liabilities	1,293	6,020	–	7,313
	1,293	**6,020**	**–**	**7,313**

During the year ended 31 December 2023 and 2022, there was no transfer between instruments in Level 1 and Level 2.

Management of the Group uses discounted cash flow model with inputted interest rate and commodity index, which were influenced by historical fluctuation and the probability of market fluctuation, to evaluate the fair value of receivables financing classified as Level 3 financial assets.

(ii) Fair values of financial instruments carried at other than fair value

The fair values of the Group's financial instruments carried at other than fair value (other than long-term indebtedness and investments in unquoted equity securities) approximate their carrying amounts due to the short-term maturity of these instruments. The fair values of long-term indebtedness are estimated by discounting future cash flows using current market interest rates offered to the Group for debt with substantially the same characteristic and maturities range from 2.69% to 5.47% (2022: from 2.66% to 4.35%). The following table presents the carrying amount and fair value of the Group's long-term indebtedness (other than loans from Sinopec Group Company and fellow subsidiaries) at 31 December 2023 and 2022:

	At 31 December 2023 RMB million	At 31 December 2022 RMB million
Carrying amount	170,409	130,282
Fair value	167,014	125,866

The Group has not developed an internal valuation model necessary to estimate the fair value of loans from Sinopec Group Company and fellow subsidiaries as it is not considered practicable to estimate their fair value because the cost of obtaining discount and borrowing rates for comparable borrowings would be excessive based on the Reorganisation of the Group, its existing capital structure and the terms of the borrowings.

Except for the above items, the financial assets and liabilities of the Group are carried at amounts not materially different from their fair values at 31 December 2023 and 2022.

65 BASIC AND DILUTED EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by the net profit attributable to equity shareholders of the Company and the weighted average number of outstanding ordinary shares of the Company:

	2023	2022
Net profit attributable to equity shareholders of the Company (RMB million)	60,463	67,082
Weighted average number of outstanding ordinary shares of the Company (million)	119,811	120,889
Basic earnings per share (RMB/share)	**0.505**	**0.555**

The calculation of the weighted average number of ordinary shares is as follows:

	2023	2022
Weighted average number of outstanding ordinary shares of the Company at 1 January (million)	119,896	121,071
Impact of repurchasing shares (million shares)	(85)	(182)
Weighted average number of outstanding ordinary shares of the Company at 31 December (million)	**119,811**	**120,889**

(ii) Diluted earnings per share

There are no potential dilutive ordinary shares, and diluted earnings per share are equal to the basic earning per share.

66 RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2010 revised) issued by the CSRC and relevant accounting standards, the Group's return on net assets and earnings per share are calculated as follows:

	2023			2022		
	Weighted average return on net assets (%)	**Basic earnings per share (RMB/Share)**	**Diluted earnings per share (RMB/Share)**	Weighted average return on net assets (%)	Basic earnings per share (RMB/Share)	Diluted earnings per share (RMB/Share)
Net profit attributable to the Company's ordinary equity shareholders	7.59	0.505	0.505	8.57	0.555	0.555
Net profit deducted extraordinary gains and losses attributable to the Company's ordinary equity shareholders	7.61	0.507	0.507	7.40	0.479	0.479

67 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Pursuant to the resolutions of the 15th meeting of the 8th session of the Board of Directors held on 24 March 2023 and the 2022 Annual General Meeting of Shareholders held on 30 May 2023, and with the approval for registration by the China Securities Regulatory Commission in the Reply on Agreeing to the Registration of China Petroleum & Chemical Corporation to Issue Shares to Specific Targets (Zheng Jian Xu Ke [2024] No. 110(證監許可[2024]110號)), the Company was approved to issue 2,390,438,247 new shares to specific investors. Based on the actual issuance, the Company issued 2,390,438,247 ordinary shares (par value of RMB1.00 per share at an issue price of RMB5.02 per share) to Sinopec Corporation, a specific investor, raising a total of RMB12 billion, The above-mentioned raised funds has been received on 12 March 2024, and KPMG Huazhen LLP has performed the verification procedure on the above-mentioned raised funds and issued a Capital Verification Report No. 2400292.

68 EXTRAORDINARY GAINS AND LOSSES

Pursuant to "Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public-Extraordinary Gain and Loss" (2023), the extraordinary gains and losses of the Group are as follows:

	2023 RMB million	2022 RMB million
Extraordinary (gains)/losses for the year:		
Net gains on disposal of non-current assets	(4,226)	(672)
Donations	310	447
Government grants	(3,533)	(3,826)
Gain on holding and disposal of business and various investments	(931)	(13,902)
Other non-operating losses, net	797	2,178
One-time impact on loss for the current period due to adjustments in laws and regulations	5,955	–
Subtotal	**(1,628)**	**(15,775)**
Tax effect	635	2,304
Total	**(993)**	**(13,471)**
Attributable to:		
Equity shareholders of the Company	229	(9,120)
Non-controlling interests	(1,222)	(4,351)

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Independent auditor's report
to the shareholders of China Petroleum & Chemical Corporation
(established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Petroleum & Chemical Corporation ("the Company") and its subsidiaries ("the Group") set out on pages 154 to 212, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, 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 IFRS Accounting Standards as 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 MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 this matter.

Assessment of impairment of property, plant and equipment relating to oil and gas producing activities

Refer to notes 2(g), 2(n), 8, 17 and 44 to the consolidated financial statements

The Key Audit Matter

The Company reported property, plant and equipment of Renminbi ("RMB") 690,897 million as at 31 December 2023, a portion of which related to oil and gas producing activities. The Company reported impairment losses of RMB777 million for the property, plant and equipment relating to oil and gas producing activities for the year ended 31 December 2023.

The Company groups property, plant and equipment relating to oil and gas producing activities into cash-generating units ("CGUs") for impairment assessment. The Company compares the carrying amount of individual CGU with its value in use, using a discounted cash flow forecast, which was prepared based on the future production profiles included in the oil and gas reserves reports, to determine the impairment loss to be recognised.

We identified assessment of impairment of property, plant and equipment relating to oil and gas producing activities as a key audit matter. The value in use amounts of these CGUs are sensitive to the changes to future selling prices and production costs for crude oil and natural gas, future production profiles, and discount rates. Therefore a higher degree of subjective auditor judgment was required to evaluate the Company's impairment assessment of property, plant and equipment relating to oil and gas producing activities.

How the matter was addressed in our audit

The following are the primary procedures we performed to address this key audit matter:

- we evaluated the design and tested the operating effectiveness of certain internal controls related to the process for impairment assessment of property, plant and equipment relating to oil and gas producing activities;
- we assessed the competence, capabilities and objectivity of the Company's reserves specialists and evaluated the methodology adopted by them in estimating the oil and gas reserves against the recognised industry standards;
- we compared future selling prices for crude oil and natural gas used in the discounted cash flow forecasts with the Company's business plans and forecasts by external analysts;
- we compared future production costs and future production profiles used in the discounted cash flow forecasts with oil and gas reserves reports issued by the reserves specialists; and
- we involved valuation professionals with specialised skills and knowledge, who assisted in assessing the discount rates applied in the discounted cash flow forecasts against a discount rate range that was independently developed using publicly available market data for comparable companies in the same industry.

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 IFRS Accounting Standards as 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.

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 Ho Ying Man, Simon.

KPMG
Certified Public Accountants

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

22 March 2024

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2023
(Amounts in million, except per share data)

	Note	Year ended 31 December 2023 RMB	2022 RMB
Revenue			
Revenue from primary business	3	3,146,873	3,257,356
Other operating revenues	4	65,342	60,812
		3,212,215	**3,318,168**
Operating expenses			
Purchased crude oil, products and operating supplies and expenses		(2,569,412)	(2,684,756)
Selling, general and administrative expenses	5	(59,575)	(55,809)
Depreciation, depletion and amortisation		(113,750)	(109,906)
Exploration expenses, including dry holes		(11,055)	(10,591)
Personnel expenses	6	(108,017)	(103,585)
Taxes other than income tax	7	(272,921)	(263,991)
Impairment reversals on trade and other receivables		243	1,084
Other operating income/(expenses), net	8	9,100	(14,779)
Total operating expenses		**(3,125,387)**	**(3,242,333)**
Operating profit		**86,828**	**75,835**
Finance costs			
Interest expense	9	(18,069)	(16,769)
Interest income		6,828	6,266
Foreign currency exchange gains, net		1,319	529
Net finance costs		**(9,922)**	**(9,974)**
Investment income	10	829	14,060
Share of profits less losses from associates and joint ventures	21,22	6,199	14,479
Profit before taxation		**83,934**	**94,400**
Income tax expense	11	(16,070)	(17,901)
Profit for the year		**67,864**	**76,499**
Attributable to:			
Shareholders of the Company		58,310	66,933
Non-controlling interests		9,554	9,566
Profit for the year		**67,864**	**76,499**
Earnings per share:			
Basic	16	**0.487**	**0.554**
Diluted	16	**0.487**	**0.554**

The notes on pages 161 to 212 form part of these consolidated financial statements. Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in Note 14.

(Amounts in million)

	Note	Year ended 31 December	
		2023	2022
		RMB	RMB
Profit for the year		**67,864**	**76,499**
Other comprehensive income:	15		
Other comprehensive income (net of tax) attributable to shareholders of the Company		2,501	19,126
Items that will not be reclassified to profit or loss			
Changes in fair value of investments in other equity instruments		(8)	(65)
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of associates and joint ventures		(4,287)	1,610
Cash flow hedges		5,145	11,174
Cost of hedging reserve		–	329
Foreign currency translation differences		1,651	6,078
Other comprehensive income (net of tax) attributable to non-controlling interests		**(1,912)**	**2,703**
Total other comprehensive income net of tax		**589**	**21,829**
Total comprehensive income for the year		**68,453**	**98,328**
Attributable to:			
Shareholders of the Company		60,811	86,059
Non-controlling interests		7,642	12,269

The notes on pages 161 to 212 form part of these consolidated financial statements.

As at 31 December 2023

(Amounts in million)

	Note	**31 December 2023 RMB**	31 December 2022 RMB
Non-current assets			
Property, plant and equipment, net	17	690,897	630,700
Construction in progress	18	180,250	196,045
Right-of-use assets	19	264,054	264,856
Goodwill	20	6,472	6,464
Interest in associates	21	163,066	159,150
Interest in joint ventures	22	69,564	74,791
Financial assets at fair value through other comprehensive income	26	450	730
Deferred tax assets	29	20,110	22,433
Long-term prepayments and other assets	23	95,398	72,812
Total non-current assets		**1,490,261**	**1,427,981**
Current assets			
Cash and cash equivalents		121,759	93,438
Time deposits with financial institutions		41,778	51,614
Financial assets at fair value through profit or loss		3	2
Derivative financial assets	24	9,721	19,335
Trade accounts receivable	25	48,652	46,364
Financial assets at fair value through other comprehensive income	26	2,221	3,507
Inventories	27	250,898	244,241
Prepaid expenses and other current assets	28	59,403	64,639
Total current assets		**534,435**	**523,140**
Current liabilities			
Short-term debts	30	58,534	59,037
Loans from Sinopec Group Company and fellow subsidiaries	30	12,437	7,292
Lease liabilities	31	17,536	16,004
Derivative financial liabilities	24	2,752	7,313
Trade accounts payable and bills payable	33	259,000	269,424
Contract liabilities	34	127,239	125,444
Other payables	35	168,124	178,146
Income tax payable		1,454	4,725
Total current liabilities		**647,076**	**667,385**
Net current liabilities		**112,641**	**144,245**
Total assets less current liabilities		**1,377,620**	**1,283,736**
Non-current liabilities			
Long-term debts	30	163,049	85,706
Loans from Sinopec Group Company and fellow subsidiaries	30	24,811	22,255
Lease liabilities	31	163,864	166,407
Deferred tax liabilities	29	7,817	7,256
Provisions	36	48,269	47,587
Other long-term liabilities		14,001	14,983
Total non-current liabilities		**421,811**	**344,194**
		955,809	**939,542**
Equity			
Share capital	37	119,349	119,896
Reserves		683,640	667,704
Total equity attributable to shareholders of the Company		**802,989**	**787,600**
Non-controlling interests		**152,820**	**151,942**
Total equity		**955,809**	**939,542**

Approved and authorised for issue by the board of directors on 22 March 2024.

Ma Yongsheng
Chairman
(Legal representative)

Yu Baocai
President

Shou Donghua
Chief Financial Officer

The notes on pages 161 to 212 form part of these consolidated financial statements.

for the year ended 31 December 2022

(Amounts in million)

	Share capital RMB	Capital reserve RMB	Share premium RMB	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Other reserves RMB	Retained earnings RMB	Total equity attributable to shareholders of the Company RMB	Non-controlling interests RMB	Total equity RMB
Balance at 31 December 2021	121,071	27,062	55,850	96,224	117,000	2,495	354,480	774,182	140,892	915,074
Adjustment for accounting policy changes (Note 1(a))	–	–	–	122	–	–	1,992	2,114	334	2,448
Balance at 1 January 2022	121,071	27,062	55,850	96,346	117,000	2,495	356,472	776,296	141,226	917,522
Profit for the year	–	–	–	–	–	–	66,933	66,933	9,566	76,499
Other comprehensive income (Note 15)	–	–	–	–	–	19,126	–	19,126	2,703	21,829
Total comprehensive income for the year	–	–	–	–	–	19,126	66,933	86,059	12,269	98,328
Amounts transferred to initial carrying amount of hedged items	–	–	–	–	–	(15,363)	–	(15,363)	(439)	(15,802)
Transactions with owners, recorded directly in equity:										
Purchase of own shares (Note 37)	(1,175)	–	(3,004)	–	–	–	–	(4,179)	–	(4,179)
Contributions by and distributions to owners:										
Final dividend for 2021 (Note 14)	–	–	–	–	–	–	(37,532)	(37,532)	–	(37,532)
Interim dividend for 2022 (Note 14)	–	–	–	–	–	–	(19,371)	(19,371)	–	(19,371)
Appropriation (Note (a))	–	–	–	4,663	–	–	(4,663)	–	–	–
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	(6,691)	(6,691)
Contributions to subsidiaries from non-controlling interests	–	–	–	–	–	–	–	–	5,395	5,395
Other contributions	–	2,678	–	–	–	–	–	2,678	2,191	4,869
Total contributions by and distributions to owners	–	2,678	–	4,663	–	–	(61,566)	(54,225)	895	(53,330)
Transaction with non-controlling Interests	–	–	–	–	–	–	–	–	(1,713)	(1,713)
Total transactions with owners	(1,175)	2,678	(3,004)	4,663	–	–	(61,566)	(58,404)	(818)	(59,222)
Other equity movements under the equity method	–	(1,009)	–	–	–	–	–	(1,009)	–	(1,009)
Others	–	22	–	–	–	149	(150)	21	(296)	(275)
Balance at 31 December 2022	**119,896**	**28,753**	**52,846**	**101,009**	**117,000**	**6,407**	**361,689**	**787,600**	**151,942**	**939,542**

The notes on pages 161 to 212 form part of these consolidated financial statements.

(Amounts in million)

	Share capital RMB	Capital reserve RMB	Share premium RMB	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Other reserves RMB	Retained earnings RMB	Total equity attributable to shareholders of the Company RMB	Non-controlling interests RMB	Total equity RMB
Balance at 1 January 2023	119,896	28,753	52,846	101,009	117,000	6,407	361,689	787,600	151,942	939,542
Profit for the year	–	–	–	–	–	–	58,310	58,310	9,554	67,864
Other comprehensive income (Note 15)	–	–	–	–	–	2,501	–	2,501	(1,912)	589
Total comprehensive income for the year	–	–	–	–	–	2,501	58,310	60,811	7,642	68,453
Amounts transferred to initial carrying amount of hedged items	–	–	–	–	–	(2,513)	–	(2,513)	(142)	(2,655)
Transactions with owners, recorded directly in equity:										
Purchase of own shares (Note 37)	(547)	–	(1,778)	–	–	–	–	(2,325)	–	(2,325)
Contributions by and distributions to owners:										
Final dividend for 2022 (Note 14)	–	–	–	–	–	–	(23,380)	(23,380)	–	(23,380)
Interim dividend for 2023 (Note 14)	–	–	–	–	–	–	(17,380)	(17,380)	–	(17,380)
Appropriation (Note (a))	–	–	–	5,125	–	–	(5,125)	–	–	–
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	(8,573)	(8,573)
Contributions to subsidiaries from non-controlling interests	–	–	–	–	–	–	–	–	2,209	2,209
Total contributions by and distributions to owners	–	–	–	5,125	–	–	(45,885)	(40,760)	(6,364)	(47,124)
Transaction with non-controlling interests	–	–	–	–	–	–	–	–	(213)	(213)
Total transactions with owners	(547)	–	(1,778)	5,125	–	–	(45,885)	(43,085)	(6,577)	(49,662)
Other equity movements under the equity method	–	220	–	–	–	–	–	220	–	220
Others	–	(44)	–	–	–	(216)	216	(44)	(45)	(89)
Balance at 31 December 2023	**119,349**	**28,929**	**51,068**	**106,134**	**117,000**	**6,179**	**374,330**	**802,989**	**152,820**	**955,809**

Notes:

(a) According to the PRC Company Law and the Articles of Association of the Company, the Company is required to transfer 10% of its net profit determined in accordance with the accounting policies complying with Accounting Standards for Business Enterprises ("CASs"), adopted by the Group to statutory surplus reserve. In the event that the reserve balance reaches 50% of the registered capital, no transfer is required. The transfer to this reserve must be made before distribution of a dividend to shareholders. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by issuing of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

During the year ended 31 December 2023, the Company transferred RMB5,125 million (2022: RMB4,663 million) to the statutory surplus reserve, being 10% of the current year's net profit determined in accordance with the accounting policies complying with CASs.

(b) The usage of the discretionary surplus reserve is similar to that of statutory surplus reserve.

(c) As at 31 December 2023, the amount of retained earnings available for distribution was RMB107,879 million (2022: RMB102,522 million), being the amount determined in accordance with CASs. According to the Articles of Association of the Company, the amount of retained earnings available for distribution to shareholders of the Company is lower of the amount determined in accordance with the accounting policies complying with CASs and the amount determined in accordance with the accounting policies complying with IFRS Accounting Standards.

(d) The capital reserve mainly represents (i) the difference between the total amount of the par value of shares issued and the amount of the net assets transferred from Sinopec Group Company in connection with the Reorganisation (Note 1); and (ii) the difference between the considerations paid over or received the amount of the net assets of entities and related operations acquired from or sold to Sinopec Group Company and non-controlling interests.

(e) The application of the share premium account is governed by Sections 213 and 214 of the PRC Company Law.

The notes on pages 161 to 212 form part of these consolidated financial statements.

(Amounts in million)

	Note	Year ended 31 December	
		2023	2022
		RMB	RMB
Net cash generated from operating activities	(a)	**161,475**	**116,269**
Investing activities			
Capital expenditure		(152,325)	(153,744)
Exploratory wells expenditure		(19,168)	(18,783)
Purchase of investments		(5,892)	(9,234)
Payment for financial assets at fair value through profit or loss		(26)	(1,222)
Proceeds from settlement of financial assets at fair value through profit or loss		–	1,220
Payment for acquisition of subsidiary, net of cash acquired		(110)	(7,881)
Proceeds from disposal of investments		1,580	10,801
Proceeds from disposal of property, plant, equipment and other non-current assets		5,363	212
Increase in time deposits with maturities over three months		(90,562)	(31,670)
Decrease in time deposits with maturities over three months		86,975	93,455
Interest received		8,929	6,918
Investment and dividend income received		10,886	13,969
(Payments of)/proceeds from other investing activities		(1,515)	949
Net cash used in investing activities		**(155,865)**	**(95,010)**
Financing activities			
Proceeds from bank and other loans		699,410	564,417
Repayments of bank and other loans		(599,954)	(514,275)
Contributions to subsidiaries from non-controlling interests		1,509	3,946
Dividends paid by the Company		(40,760)	(56,903)
Distributions by subsidiaries to non-controlling interests		(7,977)	(5,249)
Interest paid		(7,997)	(9,679)
Payments made to acquire non-controlling interests		(203)	–
Cash payments to purchase own shares		(2,325)	(4,179)
Repayments of lease liabilities		(18,991)	(18,672)
Proceeds from other financing activities		420	989
Repayments of other financing activities		(400)	(94)
Net cash generated from/(used in) financing activities		**22,732**	**(39,699)**
Net increase/(decrease) in cash and cash equivalents		**28,342**	**(18,440)**
Cash and cash equivalents at 1 January		**93,438**	**108,590**
Effect of foreign currency exchange rate changes		**(21)**	**3,288**
Cash and cash equivalents at 31 December		**121,759**	**93,438**

The notes on pages 161 to 212 form part of these consolidated financial statements.

(a) Reconciliation from profit before taxation to net cash generated from operating activities

	31 December 2023 RMB million	31 December 2022 RMB million
Operating activities		
Profit before taxation	83,934	94,400
Adjustments for:		
Depreciation, depletion and amortisation	113,750	109,906
Dry hole costs written off	6,723	6,416
Share of profits from associates and joint ventures	(6,199)	(14,479)
Investment income	(829)	(14,060)
Interest income	(6,828)	(6,266)
Interest expense	18,069	16,769
(Gain)/loss on foreign currency exchange rate changes and derivative financial instruments	(249)	3,064
(Gain)/loss on disposal of property, plant, equipment and other non-current assets, net	(2,995)	722
Impairment losses on assets	8,772	12,009
Impairment reversals on trade and other receivables	(243)	(1,084)
	213,905	**207,397**
Net changes from:		
Accounts receivable and other current assets	3,974	1,974
Inventories	(12,726)	(45,421)
Accounts payable and other current liabilities	(29,489)	(30,363)
	175,664	**133,587**
Income tax paid	(14,189)	(17,318)
Net cash generated from operating activities	**161,475**	**116,269**

The notes on pages 161 to 212 form part of these consolidated financial statements.

1 PRINCIPAL ACTIVITIES, ORGANISATION, BASIS OF PREPARATION AND ACCOUNTING POLICY CHANGES

Principal activities

China Petroleum & Chemical Corporation (the "Company") is an energy and chemical company incorporated in the People's Republic of China (the "PRC") that, through its subsidiaries (hereinafter collectively referred to as the "Group"), engages in oil and gas and chemical operations. Oil and gas operations consist of exploring for, developing and producing crude oil and natural gas; transporting crude oil and natural gas by pipelines; refining crude oil into finished petroleum products; and marketing crude oil, natural gas and refined petroleum products. Chemical operations include the manufacture and marketing of a wide range of chemicals for industrial uses.

Organisation

The Company was established in the PRC on 25 February 2000 as a joint stock limited company as part of the reorganisation (the "Reorganisation") of China Petrochemical Corporation ("Sinopec Group Company"), the ultimate holding company of the Group and a ministry-level enterprise under the direct supervision of the State Council of the PRC. Prior to the incorporation of the Company, the oil and gas and chemical operations of the Group were carried on by oil administration bureaux, petrochemical and refining production enterprises and sales and marketing companies of Sinopec Group Company.

As part of the Reorganisation, certain of Sinopec Group Company's core oil and gas and chemical operations and businesses together with the related assets and liabilities were transferred to the Company. On 25 February 2000, in consideration for Sinopec Group Company transferring such oil and gas and chemical operations and businesses and the related assets and liabilities to the Company, the Company issued 68.8 billion domestic state-owned ordinary shares with a par value of RMB1.00 each to Sinopec Group Company. The shares issued to Sinopec Group Company on 25 February 2000 represented the entire registered and issued share capital of the Company on that date. The oil and gas and chemical operations and businesses transferred to the Company were related to (i) the exploration, development and production of crude oil and natural gas, (ii) the refining, transportation, storage and marketing of crude oil and petroleum products, and (iii) the production and sales of chemicals.

Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). IFRS Accounting Standards includes International Accounting Standards ("IAS") and related interpretations ("IFRIC"). These consolidated 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. A summary of the material accounting policies adopted by the Group are set out in Note 2.

Accounting policy changes

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards as set out below.

(a) New and amended standards and interpretations adopted by the Group

The IASB has issued the following amendments to IFRS Accounting Standards that are first effective for the current accounting period of the Group:

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The adoption of the above amended IFRS Accounting Standards does not have a material impact on the Group except as discussed below:

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

(i) Accounting treatment of deferred tax related to assets and liabilities arising from a single transaction for which initial recognition exemption does not apply.

The International Accounting Standards Board has amended IAS 12 and the scope of the exemption in paragraphs 15 and 24 of the previous standard is amended to "accounting treatment of deferred tax related to assets and liabilities arising from a single transaction for which initial recognition exemption does not apply", therefore, the Group needs to recognise deferred tax assets and deferred tax liabilities for temporary differences arising from these transactions. The amendment is effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The Group applies the amendments to transactions occurring on or after the beginning of the earliest comparative period listed, with any cumulative effect recognised as an adjustment to retained earnings and other related financial statement items at that date.

1 PRINCIPAL ACTIVITIES, ORGANISATION, BASIS OF PREPARATION AND ACCOUNTING POLICY CHANGES *(Continued)*

Accounting policy changes *(Continued)*

(a) New and amended standards and interpretations adopted by the Group *(Continued)*

(ii) The effects on the comparative financial statements

The effects of the above changes in accounting policies on the profit for the year ended 31 December 2022 and equity at the beginning and the end of 2022 are summarised as follows:

	Profit for the year ended 31 December 2022 RMB million	Equity as of 31 December 2022 RMB million	Equity as of 1 January 2022 RMB million
Profit for the year or equity before adjustments	75,643	936,238	915,074
The effects of the exemption of initial recognition not applicable to the deferred tax relating to assets and liabilities arising out of a single transaction	856	3,304	2,448
Profit for the year or equity after adjustments	76,499	939,542	917,522

The effects of the above changes in accounting policies on each item of the consolidated income statement for the year ended 31 December 2022 are summarised as follows:

	Year ended 31 December 2022 before adjustment RMB million	Adjusted amount RMB million	Year ended 31 December 2022 after adjustment RMB million
Profit before taxation	94,400	–	94,400
Income tax expense	(18,757)	856	(17,901)
Profit for the year	**75,643**	**856**	**76,499**
Attributable to：			
Shareholders of the Company	66,153	780	66,933
Non-controlling interests	9,490	76	9,566
Profit for the year	**75,643**	**856**	**76,499**
Earnings per share:			
Basic earnings per share (RMB/Share)	**0.547**	**0.007**	**0.554**
Diluted earnings per share (RMB/Share)	**0.547**	**0.007**	**0.554**

The effects of the above changes in accounting policies on each item of the consolidated statement of comprehensive income for the year ended 31 December 2022 are summarised as follows:

	Year ended 31 December 2022 before adjustment RMB million	Adjusted amount RMB million	Year ended 31 December 2022 after adjustment RMB million
Total comprehensive income for the year	**97,472**	**856**	**98,328**
Attributable to:			
Shareholders of the Company	85,279	780	86,059
Non-controlling interests	12,193	76	12,269

1 PRINCIPAL ACTIVITIES, ORGANISATION, BASIS OF PREPARATION AND ACCOUNTING POLICY CHANGES *(Continued)*

Accounting policy changes *(Continued)*

(a) New and amended standards and interpretations adopted by the Group *(Continued)*

(ii) The effects on the comparative financial statements *(Continued)*

The effects of the above changes in accounting policies on each item of the consolidated statement of financial position as at 31 December 2022 are summarised as follows:

	As of 31 December 2022 before adjustment RMB million	Adjusted amount RMB million	As of 31 December 2022 after adjustment RMB million
Non-current assets:			
Deferred tax assets	19,952	2,481	22,433
Total non-current assets	**1,425,500**	**2,481**	**1,427,981**
Total current assets	**523,140**	**–**	**523,140**
Total current liabilities	**667,385**	**–**	**667,385**
Net current liabilities	**144,245**	**–**	**144,245**
Total assets less current liabilities	**1,281,255**	**2,481**	**1,283,736**
Non-current liabilities:			
Deferred tax liabilities	8,079	(823)	7,256
Total non-current liabilities	**345,017**	**(823)**	**344,194**
Equity			
Reserves	664,810	2,894	667,704
Total equity attributable to shareholders of the Company	**784,706**	**2,894**	**787,600**
Non-controlling interests	**151,532**	**410**	**151,942**
Total equity	**936,238**	**3,304**	**939,542**

1 PRINCIPAL ACTIVITIES, ORGANISATION, BASIS OF PREPARATION AND ACCOUNTING POLICY CHANGES *(Continued)*

Accounting policy changes *(Continued)*

(a) New and amended standards and interpretations adopted by the Group *(Continued)*

(iii)After retrospective adjustment of the above accounting policy changes, the consolidated statement of financial position as at 1 January 2022 is as follows:

	1 January 2022 RMB million
Non-current assets	
Property, plant and equipment, net	598,925
Construction in progress	155,939
Right-of-use assets	268,408
Goodwill	8,594
Interest in associates	148,729
Interest in joint ventures	60,450
Financial assets at fair value through other comprehensive income	767
Deferred tax assets	21,098
Long-term prepayments and other assets	70,030
Total non-current assets	**1,332,940**
Current assets	
Cash and cash equivalents	108,590
Time deposits with financial institutions	113,399
Derivative financial assets	18,371
Trade accounts receivable	34,861
Financial assets at fair value through other comprehensive income	5,939
Inventories	207,433
Prepaid expenses and other current assets	69,431
Total current assets	**558,024**
Current liabilities	
Short-term debts	35,252
Loans from Sinopec Group Company and fellow subsidiaries	2,873
Lease liabilities	15,173
Derivative financial liabilities	3,223
Trade accounts payable and bills payable	215,640
Contract liabilities	124,622
Other payables	239,688
Income tax payable	4,809
Total current liabilities	**641,280**
Net current liabilities	**83,256**
Total assets less current liabilities	**1,249,684**
Non-current liabilities	
Long-term debts	78,300
Loans from Sinopec Group Company and fellow subsidiaries	13,690
Lease liabilities	170,233
Deferred tax liabilities	7,171
Provisions	43,525
Other long-term liabilities	19,243
Total non-current liabilities	**332,162**
	917,522
Equity	
Share capital	121,071
Reserves	655,225
Total equity attributable to shareholders of the Company	**776,296**
Non-controlling interests	**141,226**
Total equity	**917,522**

1 PRINCIPAL ACTIVITIES, ORGANISATION, BASIS OF PREPARATION AND ACCOUNTING POLICY CHANGES *(Continued)*

Accounting policy changes *(Continued)*

(b) New and amended standards and interpretations not yet adopted by the Group

A number of new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The preparation of the consolidated financial statements in accordance with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. 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 the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Key assumptions and estimation made by management in the application of IFRS Accounting Standards that have significant effect on the consolidated financial statements and the major sources of estimation uncertainty are disclosed in Note 44.

2 MATERIAL ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the Company and its subsidiaries, and interest in associates and joint ventures.

(i) Subsidiaries and non-controlling interests

Subsidiaries are those entities controlled by the Group. 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Non-controlling interests at the date of statement of financial position, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

If a business combination involving entities not under common control is achieved in stages, the acquisition date carrying value of 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 recognised in the consolidated income statement.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(j)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (Note 2(a)(ii)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (Note 2(n)).

The particulars of the Group's principal subsidiaries are set out in Note 42.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

(ii) Associates and joint ventures

An associate is an entity, not being a subsidiary, in which the Group exercises significant influence over its management. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for in the consolidated and separate financial statements using the equity method from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 2(n)).

The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the expected credit losses ("ECLs") model to such other long-term interests where applicable.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(j)) or, when appropriate, the cost on initial recognition of an investment in an associate.

(iii) Transactions eliminated on consolidation

Inter-company balances and transactions and any unrealised gains arising from inter-company transactions are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination. The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the beginning of the earliest period presented or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation. Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Translation of foreign currencies

The presentation currency of the Group is Renminbi. Foreign currency transactions during the year are translated into Renminbi at the applicable rates of exchange quoted by the People's Bank of China ("PBOC") prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Renminbi at the PBOC's rates at the date of the statement of financial position.

Exchange differences, other than those capitalised as construction in progress, are recognised as income or expense in the "finance costs" section of the consolidated income statement.

The results of foreign operations are translated into Renminbi at the applicable rates quoted by the PBOC prevailing on the transaction dates. The statement of financial position items, including goodwill arising on consolidation of foreign operations are translated into Renminbi at the closing foreign exchange rates at the date of the statement of financial position. The income and expenses of foreign operation are translated into Renminbi at the spot exchange rates or an exchange rate that approximates the spot exchange rates on the transaction dates. The resulting exchange differences are recognised in other comprehensive income and accumulated in equity in the other reserves.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the consolidated income statement when the profit or loss on disposal is recognised.

(c) Cash and cash equivalents

Cash equivalents consist of time deposits with financial institutions with an initial term of less than three months when purchased. Cash equivalents are stated at cost, which approximates fair value.

(d) Trade, bills and other receivables

Trade, bills and other receivables are recognised initially at their transaction price, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowances for ECLs (Note 2(j)). Trade, bills and other receivables are derecognised if the Group's contractual rights to the cash flows from these financial assets expire or if the Group transfers these financial assets to another party without retaining control or substantially all risks and rewards of the assets.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost mainly includes the cost of purchase computed using the weighted average method and, in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable 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.

(f) Property, plant and equipment

An item of property, plant and equipment is initially recorded at cost, less accumulated depreciation and impairment losses (Note 2(n)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to working condition and location for its intended use. The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, when it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is recognised as an expense in the consolidated income statement in the year in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment, other than oil and gas properties, are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised as income or expense in the consolidated income statement on the date of retirement or disposal.

Depreciation is provided to write off the cost amount of items of property, plant and equipment, other than oil and gas properties, over its estimated useful life on a straight-line basis, after taking into account its estimated residual value, as follows:

	Estimated usage period	Estimated residuals rate
Plants and buildings	12 to 50 years	3%
Equipment, machinery and others	4 to 30 years	3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reassessed annually.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Oil and gas properties

The Group uses the successful efforts method of accounting for its oil and gas producing activities. Under this method, costs of development wells, the related supporting equipment and proved mineral interests in properties are capitalised. The cost of exploratory wells is initially capitalised as construction in progress pending determination of whether the well has found proved reserves. The impairment of exploratory well costs occurs upon the determination that the well has not found proved reserves. The exploratory well costs are usually not carried as an asset for more than one year following completion of drilling, unless (i) the well has found a sufficient quantity of reserves to justify its completion as a producing well if the required capital expenditure is made; (ii) drilling of the additional exploratory wells is under way or firmly planned for the near future; or (iii) other activities are being undertaken to sufficiently progress the assessing of the reserves and the economic and operating viability of the project. All other exploration costs, including geological and geophysical costs, other dry hole costs and annual lease rentals to explore for or use oil and natural gas, are expensed as incurred. Capitalised costs of proved oil and gas properties are amortised on a unit-of-production method based on volumes produced and reserves.

Management estimates future dismantlement costs for oil and gas properties with reference to engineering estimates after taking into consideration the anticipated method of dismantlement required in accordance with the industry practices and the future cash flows are adjusted to reflect such risks specific to the liability, as appropriate. These estimated future dismantlement costs are discounted at pre-tax risk-free rate and are capitalised as oil and gas properties, which are subsequently amortised as part of the costs of the oil and gas properties.

(h) Construction in progress

Construction in progress represents buildings, oil and gas properties, various plant and equipment under construction and pending installation, and is stated at cost less impairment losses (Note 2(n)). 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 periods of construction.

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.

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.

(i) Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, associates or joint ventures. Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired.

Prior to 1 January 2008, the acquisition of the non-controlling interests of a consolidated subsidiary was accounted for using the acquisition method whereby the difference between the cost of acquisition and the fair value of the net identifiable assets acquired (on a proportionate share) was recognised as goodwill. From 1 January 2008, any difference between the amount by which the non-controlling interest is adjusted (such as through an acquisition of the non-controlling interests) and the cash or other considerations paid is recognised in equity.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit the synergies of the combination and is tested annually for impairment (Note 2(n)). In respect of associates or joint ventures, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or joint venture and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (Note 2(n)).

(j) Financial assets

(i) Classification and measurement

The Group classifies financial assets into different categories depending on the business model for managing the financial assets and the contractual terms of cash flows of the financial assets: a) financial assets measured at amortised cost, b) financial assets measured at fair value through other comprehensive income ("FVOCI"), c) financial assets measured at fair value through profit or loss. A contractual cash flow characteristic which could have only a de minimis effect on the contractual cash flows of the financial assets, or could have an effect that is more than de minimis but is not genuine, does not affect the classification of the financial asset.

Financial assets are initially recognised at fair value. For financial assets measured at fair value through profit or loss, the relevant transaction costs are recognised in profit or loss. The transaction costs for other financial assets are included in the initially recognised amount. However, trade accounts receivable and bills receivable arising from sale of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Group.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial assets *(Continued)*

(i) Classification and measurement *(Continued)*

Debt instruments

Debt instruments held by the Group mainly includes cash and cash equivalents, time deposits with financial institutions, receivables. These financial assets are measured at amortised cost and FVOCI.

- Amortised cost: The business model for managing such financial assets by the Group are held for collection of contractual cash flows. The contractual cash flow characteristics are to give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is recognised using the effective interest rate method.

- FVOCI: The business model for managing such financial assets by the Group are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, foreign exchange gains and losses and interest income calculated using the effective interest rate method, which are recognised in profit or loss.

Equity instruments

Equity instruments that the Group has no power to control, jointly control or exercise significant influence over, are measured at fair value through profit or loss and presented in financial assets at fair value through profit or loss.

In addition, the Group designates some equity instruments that are not held for trading as financial assets at FVOCI, are presented in financial assets at FVOCI. The relevant dividends of these financial assets are recognised in profit or loss. When derecognised, the cumulative gain or loss previously recognised in other comprehensive income is transferred to retained earnings.

(ii) Impairment

The Group recognises a loss allowance for ECLs on a financial asset that is measured at amortised cost and a debt instrument that is measured at FVOCI.

The Group measures and recognises ECLs, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions.

The Group measures the ECLs of financial instruments on different stages at each the date of the statement of financial position. For financial instruments that have no significant increase in credit risk since the initial recognition, on first stage, the Group measures the loss allowance at an amount equal to 12-month ECLs. If there has been a significant increase in credit risk since the initial recognition of a financial instrument but credit impairment has not occurred, on second stage, the Group recognises a loss allowance at an amount equal to lifetime ECLs. If credit impairment has occurred since the initial recognition of a financial instrument, on third stage, the Group recognises a loss allowance at an amount equal to lifetime ECLs.

For financial instruments that have low credit risk at the date of the statement of financial position, the Group assumes that there is no significant increase in credit risk since the initial recognition, and measures the loss allowance at an amount equal to 12-month ECLs.

For financial instruments on the first stage and the second stage, and that have low credit risk, the Group calculates interest income according to carrying amount without deducting the impairment allowance and effective interest rate. For financial instruments on the third stage, interest income is calculated according to the carrying amount minus amortised cost after the provision of impairment allowance and effective interest rate.

For trade accounts receivable and bills receivable and financial assets at FVOCI related to revenue, the Group measures the loss allowance at an amount equal to lifetime ECLs.

The Group recognises the loss allowance accrued or written back in profit or loss.

(iii)Derecognition

The Group derecognises a financial asset when: a) the contractual right to receive cash flows from the financial asset expires; b) the Group transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset; c) the financial asset has been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but the Group has not retained control.

On derecognition of equity instruments at FVOCI, the amount accumulated in the fair value reserve is transferred to retained earnings. It is not recycled through profit or loss. While on derecognition of other financial assets, this difference is recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial assets *(Continued)*

(iv) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

(k) Financial liabilities

The Group, at initial recognition, classifies financial liabilities as either financial liabilities subsequently measured at amortised cost or financial liabilities at fair value through profit or loss.

The Group's financial liabilities are mainly financial liabilities measured at amortised cost, including trade accounts payable and bills payable, other payables, and loans, etc. These financial liabilities are initially measured at the amount of their fair value after deducting transaction costs and use the effective interest rate method for subsequent measurement.

Where the present obligations of financial liabilities are completely or partially discharged, the Group derecognises these financial liabilities or discharged parts of obligations. The differences between the carrying amounts and the consideration received are recognised in profit or loss.

(l) Determination of fair value for financial instruments

If there is an active market for financial instruments, the quoted price in the active market is used to measure fair values of the financial instruments. If no active market exists for financial instruments, valuation techniques are used to measure fair values. In valuation, the Group adopts valuation techniques that are applicable in the current situation and have sufficient available data and other information to support it, and selects input values that are consistent with the asset or liability characteristics considered by market participants in the transaction of relevant assets or liabilities, and gives priority to relevant observable input values. Use of unobservable input values where relevant observable input values cannot be obtained or are not practicable.

(m) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised initially at fair value. At each date of the statement of financial position, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedge accounting.

Hedge accounting is a method which recognises the offsetting effects on profit or loss (or other comprehensive income) of changes in the fair values of the hedging instrument and the hedged item in the same accounting period, to represent the effect of risk management activities.

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

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

The hedging relationship meets all of the following hedge effectiveness requirements:

(i) There is an economic relationship between the hedged item and the hedging instrument, which shares a risk and that gives rise to opposite changes in fair value that tend to offset each other.

(ii) The effect of credit risk does not dominate the value changes that result from that economic relationship.

(iii) 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 hedged item. However, that designation does not reflect an imbalance between the weightings of the hedged item and the hedging instrument.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(m) Derivative financial instruments and hedge accounting *(Continued)*

Cash flow hedges

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss. 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.

As long as a cash flow hedge meets the qualifying criteria for hedge accounting, the separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

(i) The cumulative gain or loss on the hedging instrument from inception of the hedge; and

(ii) The cumulative change in fair value (present value) of the hedged item (i.e. the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge.

The gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income.

The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge is recognised 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 a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the entity removes that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability. This is not a reclassification adjustment and hence it does not affect other comprehensive income.

For cash flow hedges, other than those covered by the preceding policy statements, 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.

If the amount that has been accumulated in the cash flow hedge reserve is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, the Group immediately reclassifies the amount that is not expected to be recovered into profit or loss.

When the hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting (i.e. the entity no longer pursues that risk management objective), or when a hedging instrument expires or is sold, terminated, exercised, or 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 or no longer meets the criteria for hedge accounting, the Group discontinues prospectively the hedge accounting treatments. If the hedged future cash flows are still expected to occur, that amount remains in the cash flow hedge reserve and is accounted for as cash flow hedges. 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. A hedged future cash flow that is no longer highly probable to occur may still be expected to occur, if the hedged future cash flows are still expected to occur, that amount remains in the cash flow hedge reserve and is accounted for as cash flow hedges.

Fair value hedges

A fair value hedge is a hedge of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a portion of such an asset, liability or firm commitment.

The gain or loss from remeasuring the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the recognised hedged item not measured at fair value and is recognised in profit or loss.

Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at amortised cost. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins.

(n) Impairment of assets

The carrying amounts of assets, including property, plant and equipment, construction in progress, right-of-use assets and other assets, are reviewed at each date of the statement of financial position to identify indicators that the assets may be impaired. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. For goodwill, the recoverable amount is estimated at each date of the statement of financial position.

The recoverable amount is the greater of the fair value less costs to disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset 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).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Impairment of assets *(Continued)*

The amount of the reduction is recognised as an expense in the consolidated income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to disposal, or value in use, if determinable.

Management assesses at each date of the statement of financial position whether there is any indication that an impairment loss recognised for an asset, except in the case of goodwill, in prior years may no longer exist. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A subsequent increase in the recoverable amount of an asset, when the circumstances and events that led to the write-down or write-off cease to exist, is recognised as an income. The reversal is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. An impairment loss in respect of goodwill is not reversed.

(o) Trade, bills and other payables

Trade, bills and other payables generally are financial liabilities and are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated income statement over the period of borrowings using the effective interest method.

(q) Provisions and contingent liability

A provision is recognised for liability of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

When 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

Provisions for future dismantlement costs are initially recognised based on the present value of the future costs expected to be incurred in respect of the Group's expected dismantlement and abandonment costs at the end of related oil and gas exploration and development activities. Any subsequent change in the present value of the estimated costs, other than the change due to passage of time which is regarded as interest cost, is reflected as an adjustment to the provision and oil and gas properties.

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(r) Revenue recognition

Revenue arises in the course of the Group's ordinary activities, and increases in economic benefits in the form of inflows that result in an increase in equity, other than those relating to contributions from equity participants.

The Group sells crude oil, natural gas, petroleum and chemical products, etc. Revenue is recognised according to the expected consideration amount, when a customer obtains control over the relevant goods or services. To determine whether a customer obtains control of a promised goods or services (assets), the Group shall consider indicators of the transfer of control, which include, but are not limited to, the Group has a present right to payment for the assets; the Group has transferred physical possession of the assets to the customer; the customer has the significant risks and rewards of ownership of the assets; the customer has accepted the assets.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(r) Revenue recognition *(Continued)*

Sales of goods

Sales are recognised when control of the goods have transferred. Obtaining control of relevant goods means that a customer can direct the use of the goods and obtain almost all the economic benefits from it. Advance from customers but goods not yet delivered is recorded as contract liabilities and is recognised as revenues when a customer obtains control over the relevant goods.

The Group determines whether it is a principal or an agent, based 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 recognises revenue in the gross amount of consideration which it has received (or which is receivable). Otherwise, the Group is an agent, and recognises 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 determined according to the established amount or proportion.

The circumstances in which the Group is able to control the goods before transferring them to customers include:

– The Group acquires control of the goods or other assets from a third party and then transfers them to the customer;

– The Group is able to lead third parties to provide services to customers on behalf of the Group;

– After the Group acquires control of a product from a third party, it transfers the product to a customer by integrating the product with other products into a combination of products through the provision of significant services;

In determining whether the Group has control over the goods before the transfer of the goods to the customer, the Group takes into account all relevant facts and circumstances, including:

– The Group bears the primary responsibility for the transfer of goods to customers;

– The Group assumes the inventory risk of the goods before or after the transfer of the goods;

– The Group reserves the right to determine the price of the products it trades at its own discretion.

(s) Government grants

Grants from the government are recognised 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 recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are recognised to profit or loss on a straight-line basis over the expected lives of the related assets.

(t) Borrowing costs

Borrowing costs are expensed in the consolidated income statement in the period in which they are incurred, except to the extent that they are capitalised as being attributable to the construction of an asset which necessarily takes a period of time to get ready for its intended use.

(u) Repairs and maintenance expenditure

Repairs and maintenance expenditure is expensed as incurred.

(v) Environmental expenditures

Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations are expensed as incurred.

Liabilities related to future remediation costs are recorded when environmental assessments and/or cleanups are probable and the costs can be reliably estimated. As facts concerning environmental contingencies become known to the Group, the Group reassesses its position both with respect to accrued liabilities and other potential exposures.

(w) Research and development expense

Research and development expenditures that cannot be capitalised are expensed in the period in which they are incurred. Research and development expense amounted to RMB13,969 million for the year ended 31 December 2023 (2022: RMB12,773 million).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(x) Leases

A lease is a contract that a lessor transfers the right to use an identified asset for a period of time to a lessee in exchange for consideration.

(i) As lessee

The Group recognises a right-of-use asset at the date at which the leased asset is available for use by the Group, and recognises a lease liability measured at the present value of the remaining lease payments. The lease payments include fixed payments, 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, etc. Variable payments that are based on a percentage of sales are not included in the lease payments, and should be recognised in profit or loss when incurred. Lease liabilities to be paid within one year (including one year) from the date of the statement of financial position is presented in current liabilities.

Right-of-use assets of the Group mainly comprise land. Right-of-use assets are measured at cost which comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee, less any lease incentives received. The Group depreciates the right-of-use assets over the shorter of the asset's useful life and the lease term on a straight-line basis. When the recoverable amount of a right-of-use asset is less than its carrying amount, the carrying amount is reduced to the recoverable amount.

Payments associated with short-term leases with lease terms within 12 months and all leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss or as cost of relevant assets, instead of recognising right-of-use assets and lease liabilities.

A lessee shall account for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the articular contract.

For a lease modification that is not accounted for as a separate lease, except for the practical expedient which applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic, the Group determine the lease term of the modified lease at the effective date of the modification, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The Group decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope or shorten the term of the lease, and shall recognise in profit or loss any gain or loss relating to the partial or full termination of the lease. The Group make a corresponding adjustment to the right-of-use asset for all other lease modifications.

(ii) As lessor

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

When the Group leases self-owned plants and buildings, equipment and machinery, lease income from an operating lease is recognised on a straight-line basis over the period of the lease. The Group recognises variable lease income which is based on a certain percentage of sales as rental income when occurred.

(y) Employee benefits

The contributions payable under the Group's retirement plans are recognised as an expense in the consolidated income statement as incurred and according to the contribution determined by the plans. Further information is set out in Note 40.

Termination benefits, such as employee reduction expenses, are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(z) Income tax

Income tax comprises current and deferred tax. Current tax is calculated on taxable income by applying the applicable tax rates. Deferred tax is provided using the statement of financial position liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes only to the extent that it is probable that future taxable income will be available against which the assets can be utilised. Deferred tax is calculated on the basis of the enacted tax rates or substantially enacted tax rates that are expected to apply in the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged or credited to the consolidated income statement, except for the effect of a change in tax rate on the carrying amount of deferred tax assets and liabilities which were previously charged or credited to other comprehensive income or directly in equity.

The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax liability within the same legal tax unit and jurisdiction to the extent appropriate, and is not available for set off against the taxable profit of another legal tax unit. The carrying amount of a deferred tax asset is reviewed at each date of statement of financial position and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(aa) Dividends

Dividends and distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the date of statement of financial position, are not recognised as a liability at the date of statement of financial position and are separately disclosed in the notes to the financial statements. Dividends are recognised as a liability in the period in which they are declared.

(bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business.

3 REVENUE FROM PRIMARY BUSINESS

Revenue from primary business mainly represents revenue from the sales of refined petroleum products, chemical products, crude oil and natural gas, which are recognised at a point in time.

	2023 RMB million	2022 RMB million
Gasoline	861,453	796,667
Diesel	722,307	743,551
Crude oil	412,488	517,183
Chemical feedstock	38,039	42,785
Basic organic chemicals	210,216	223,679
Synthetic resin	132,625	144,524
Kerosene	216,456	168,017
Natural gas	79,681	83,853
Synthetic fiber monomers and polymers	34,059	45,335
Others (i)	439,549	491,762
	3,146,873	**3,257,356**

Note:

(i) Others are primarily liquefied petroleum gas and other refinery and chemical byproducts and joint products.

4 OTHER OPERATING REVENUES

	2023 RMB million	2022 RMB million
Sale of materials and others	63,990	59,590
Rental income	1,352	1,222
	65,342	**60,812**

5 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The following items are included in selling, general and administrative expenses:

	2023 RMB million	2022 RMB million
Variable lease payments, low-value and short-term lease payment	2,344	2,205
Auditor's remuneration:		
– Audit services	71	66
– Others	7	3

6 PERSONNEL EXPENSES

	2023 RMB million	2022 RMB million
Salaries, wages and other benefits	94,085	90,395
Contributions to retirement schemes (Note 40)	13,932	13,190
	108,017	**103,585**

7 TAXES OTHER THAN INCOME TAX

	2023 RMB million	2022 RMB million
Consumption tax (i)	215,483	206,838
City construction tax (ii)	17,478	17,081
Special oil income levy	6,223	13,874
Education surcharge (ii)	12,847	12,337
Resources tax	8,230	8,752
Levy for mineral rights concessions（礦業權出讓收益）	7,412	–
Others	5,248	5,109
	272,921	**263,991**

Notes:

(i) Consumption tax was levied based on sales quantities of taxable products, tax rate of products is presented as below:

Products	RMB/Ton
Gasoline	2,109.76
Diesel	1,411.20
Naphtha	2,105.20
Solvent oil	1,948.64
Lubricant oil	1,711.52
Fuel oil	1,218.00
Jet fuel oil	1,495.20

(ii) City construction tax and education surcharge is levied on an entity based on its paid amount of value-added tax and consumption tax.

8 OTHER OPERATING INCOME/(EXPENSES), NET

	2023 RMB million	2022 RMB million
Government grants (i)	11,587	9,277
Ineffective portion of change in fair value of cash flow hedges	2,029	(255)
Net realised and unrealised loss on derivative financial instruments not qualified as hedging	(4,744)	(15,535)
Impairment losses on long-lived assets (ii)	(2,636)	(5,669)
Gain/(loss) on disposal of property, plant, equipment and other non-current assets, net	2,995	(722)
Fines, penalties and compensations	(43)	(39)
Donations	(310)	(447)
Others	222	(1,389)
	9,100	**(14,779)**

Notes:

(i) Government grants for the years ended 31 December 2023 and 2022 primarily represent financial appropriation income and non-income tax refunds received from respective government agencies without conditions or other contingencies attached to the receipts of the grants.

(ii) Impairment losses on long-lived assets for the year ended 31 December 2023 primarily represent impairment losses recognised in the exploration and production ("E&P") segment of RMB887 million (2022: RMB2,891 million), the chemicals segment of RMB1,280 million (2022: RMB1,790 million), the refining segment of RMB191 million (2022: RMB2 million), and the marketing and distribution segment of RMB278 million (2022: RMB415 million). The impairment losses in the E&P segment were mainly the impairment losses of properties, plant and equipment relating to oil and gas producing activities. The primary factors resulting in the E&P segment impairment loss were downward revision of oil and gas reserve in certain fields and high extraction cost. E&P segment determines recoverable amounts of properties, plant and equipment relating to oil and gas producing activities, which include significant judgments and assumptions. The Group determines the crude oil and natural gas production for the forecast period and the number of years in the forecast period for impairment assessment based on the results of proved reserves. Meanwhile, the Group determines the sales prices of crude oil and natural gas for the forecast period, taking into account the analysis of the domestic and international economic situation as well as the relationship between energy supply and demand. The recoverable amounts were determined based on the present values of the expected future cash flows of the assets using a pre-tax discount rate 7.86% to 15.94% (2022: 8.17% to 14.86%). Further future downward revisions to the Group's oil or nature gas price outlook would lead to further impairments which, in aggregate, are likely to be material. It is estimated that a general decrease of 5% in oil price, with all other variables held constant, would result in additional impairment loss on the Group's properties, plant and equipment relating to oil and nature gas producing activities by approximately RMB1,418 million (2022: RMB1,693 million). It is estimated that a general increase of 5% in operating cost, with all other variables held constant, would result in additional impairment loss on the Group's properties, plant and equipment relating to oil and gas producing activities by approximately RMB634 million (2022: RMB1,508 million). It is estimated that a general increase of 5% in discount rate, with all other variables held constant, would result in additional impairment loss on the Group's properties, plant and equipment relating to oil and gas producing activities by approximately RMB8 million (2022: RMB126 million). The impairment provisions for the chemical and refining divisions are related to the refining and chemical production equipment, mainly due to individual production units being shut down due to sustained lower than expected economic performance or having a clear shutdown plan in place, resulting in their book value being written down to their recoverable amount. The recoverable amount mainly considers the profit forecast approved by the management for a five-year period, which refers to the historical operating performance of relevant refining and chemical production facilities and is adjusted according to the development trends of the refining and chemical industry. The predicted cash flow after five years will remain stable, and the pre tax discount rate is calculated based on the weighted average cost of capital, which is 10.30%-16.50% (2022: 7.64%-18.68%).

9 INTEREST EXPENSE

	2023 RMB million	2022 RMB million
Interest expense incurred	9,807	7,877
Less: Interest expense capitalised*	(1,788)	(1,307)
	8,019	**6,570**
Interest expense on lease liabilities	8,951	9,096
Accretion expenses (Note 36)	1,099	1,103
Interest expense	**18,069**	**16,769**
* Interest rates per annum at which borrowing costs were capitalised for construction in progress	1.70% to 4.25%	1.89% to 4.25%

10 INVESTMENT INCOME

	2023 RMB million	2022 RMB million
Investment income from disposal of business and long-term equity investments (i)	303	13,754
Dividend income from holding of other equity instrument investments	10	76
Others	516	230
	829	**14,060**

Note:

(i) The Company and Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd. ("Gaoqiao Petrochemical") and INEOS Investment (Shanghai) Company Limited ("INEOS Shanghai") entered into an equity transfer agreement on 28 July 2022. According to the agreement, the Company and Gaoqiao Petrochemical transferred 15% and 35% equity interests in Shanghai SECCO Petrochemical Co., Ltd. ("Shanghai SECCO") to INEOS Shanghai respectively at a total consideration of RMB10,863 million. The above transactions were considered and approved by the 10th Session of 8th Directorate Meeting of the Company. The transactions were completed on 28 December 2022 and the Company lost control over Shanghai SECCO. The Group accounted for its remaining 50% equity interest retained in Shanghai SECCO, at fair value upon initial recognition, as an interest in a joint venture from the date when control was lost. The investment income from disposal of Shanghai SECCO is RMB13,697 million.

11 INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	2023 RMB million	2022 RMB million
Current tax		
– Provision for the year	15,098	18,796
– Adjustment of prior years	(1,470)	(1,757)
Deferred taxation (Note 29)	2,442	862
	16,070	**17,901**

Reconciliation between actual income tax expense and the expected income tax expense at applicable statutory tax rates is as follows:

	2023 RMB million	2022 RMB million
Profit before taxation	**83,934**	**94,400**
Expected PRC income tax expense at a statutory tax rate of 25%	20,984	23,600
Tax effect of non-deductible expenses	3,049	3,653
Tax effect of non-taxable income	(3,577)	(5,827)
Tax effect of preferential tax rate (i)	(3,117)	(3,091)
Effect of income taxes at foreign operations	(846)	(128)
Tax effect of utilisation of previously unrecognised tax losses and temporary differences	(399)	(850)
Tax effect of tax losses not recognised and temporary differences	1,374	2,243
Write-down of deferred tax assets	72	58
Adjustment of prior years	(1,470)	(1,757)
Actual income tax expense	**16,070**	**17,901**

Note:

(i) The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain entities of the Group in western regions in the PRC are taxed at preferential income tax rate of 15%. According to Announcement [2020] No. 23 of the MOF "Announcement of the MOF, the State Taxation Administration and the National Development and Reform Commission on continuation of the income tax policy of western development enterprises", the preferential tax rate of 15% extends from 1 January 2021 to 31 December 2030.

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

(a) Directors' and supervisors' emoluments

The emoluments of every director and supervisor is set out below:

	2023				
	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking			Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking	
Name	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement scheme contributions RMB'000	Directors'/ Supervisors' fee RMB'000	Total RMB'000
Directors					
Ma Yongsheng	–	–	–	–	–
Zhao Dong	–	–	–	–	–
Yu Baocai	317	675	131	–	1,123
Ling Yiqun(i)	–	–	–	–	–
Li Yonglin	–	–	–	–	–
Liu Hongbin(ii)	108	80	42	–	230
Lv Lianggong(iii)	–	–	–	–	–
Independent non-executive directors					
Cai Hongbin	–	–	–	450	450
Johnny Karling Ng	–	–	–	450	450
Shi Dan	–	–	–	450	450
Bi Mingjian	–	–	–	450	450
Supervisors					
Zhang Shaofeng	–	–	–	–	–
Qiu Fasen	–	–	–	–	–
Zhang Zhiguo(iv)	–	–	–	–	–
Wu Bo	–	–	–	–	–
Zhai Yalin	–	–	–	–	–
Yin Zhaolin	401	503	97	–	1,001
Guo Hongjin	372	1,072	121	–	1,565
Chen Yaohuan	384	1,045	121	–	1,550
Total	**1,582**	**3,375**	**512**	**1,800**	**7,269**

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

(a) Directors' and supervisors' emoluments *(Continued)*

The emoluments of every director and supervisor is set out below: *(Continued)*

	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking			Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking	
			2022		
Name	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement scheme contributions RMB'000	Directors'/ Supervisors' fee RMB'000	Total RMB'000
Directors					
Ma Yongsheng	–	–	–	–	–
Zhao Dong	–	–	–	–	–
Yu Baocai	298	1,291	116	–	1,705
Ling Yiqun	–	–	–	–	–
Li Yonglin	–	–	–	–	–
Liu Hongbin	298	1,005	113	–	1,416
Independent non-executive directors					
Cai Hongbin	–	–	–	450	450
Johnny Karling Ng	–	–	–	450	450
Shi Dan	–	–	–	450	450
Bi Mingjian	–	–	–	450	450
Supervisors					
Zhang Shaofeng	–	–	–	–	–
Qiu Fasen(v)	–	–	–	–	–
Jiang Zhenying(vi)	–	–	–	–	–
Lv Lianggong(iii)	–	–	–	–	–
Zhang Zhiguo(iv)	–	–	–	–	–
Wu Bo(v)	–	–	–	–	–
Zhai Yalin(v)	–	–	–	–	–
Yin Zhaolin	237	140	58	–	435
Guo Hongjin	356	1,119	113	–	1,588
Li Defang(vii)	155	858	44	–	1,057
Lv Dapeng(vii)	31	140	9	–	180
Chen Yaohuan	375	1,196	113	–	1,684
Total	**1,750**	**5,749**	**566**	**1,800**	**9,865**

Notes：

(i) Mr. Ling Yiqun ceased being director from 26 April 2023.

(ii) Mr. Liu Hongbin ceased being director from 16 May 2023.

(iii) Mr. Lv Lianggong was elected to be supervisor from 18 May 2022; Due to change of working arrangement, Mr. Lv Lianggong has tendered his resignation as supervisor on 17 October 2022. Mr. Lv Lianggong was elected to be director from 30 May 2023.

(iv) Mr. Zhang Zhiguo ceased being supervisor from 19 May 2023.

(v) Mr. Qiu Fasen was elected to be supervisor from 18 May 2022; Mr. Wu Bo was elected to be supervisor from 18 May 2022; Mr. Zhai Yalin was elected to be supervisor from 18 May 2022.

(vi) Due to change of working arrangement, Mr. Jiang Zhenying has tendered his resignation as supervisor from 18 May 2022.

(vii) Mr. Li Defang ceased being supervisor from 18 May 2022. Mr. Lv Dapeng ceased being supervisor from 18 May 2022.

13 SENIOR MANAGEMENT'S EMOLUMENTS

For the year ended 31 December 2023, the five highest paid individuals in the Company included one director, two supervisors and two senior management. The total salaries, wages and other benefits was RMB6,872 thousand, and the total amount of their retirement scheme contributions was RMB615 thousand. For the year ended 31 December 2022, the five highest paid individuals in the Company included one director and four senior management.

	Number of individuals	
	2023	2022
Emoluments		
HKD1,000,001 to HKD1,500,000	1	–
HKD1,500,001 to HKD2,000,000	4	–
HKD2,000,001 to HKD2,500,000	–	5

During 2023 and 2022, the Company did not incur any emoluments paid or receivable in respect of a person accepting office as a director, or any payments to any director for loss of office.

14 DIVIDENDS

Dividends payable to shareholders of the Company attributable to the year represent:

	2023 RMB million	2022 RMB million
Dividends declared and paid during the year of RMB0.145 per share (2022: RMB0.16 per share)	17,380	19,371
Dividends declared after the date of the statement of financial position of RMB0.200 per share (2022: RMB0.195 per share)	23,870	23,380
	41,250	**42,751**

Pursuant to the shareholders' approval at the General Meeting on 25 August 2023, the interim dividends for the year ended 31 December 2023 of RMB0.145 (2022: RMB0.16) per share totaling RMB17,380 million (2022: RMB19,371 million) were approved. Dividends were paid on 15 September 2023.

Pursuant to a resolution passed at the director's meeting on 22 March 2024, final dividends in respect of the year ended 31 December 2023 of RMB0.200 (2022: RMB0.195) per share totaling RMB23,870 million (2022: RMB23,380 million) based on share number at 31 December 2023 were proposed for shareholders' approval at the Annual General Meeting. Final cash dividend proposed after the date of the statement of financial position has not been recognised as a liability at the date of the statement of financial position.

Dividends payable to shareholders of the Company attributable to the previous financial year, approved during the year represent:

	2023 RMB million	2022 RMB million
Final cash dividends in respect of the previous financial year, approved during the year of RMB0.195 per share (2022: RMB0.31 per share)	23,380	37,532

Pursuant to the shareholders' approval at the Annual General Meeting on 30 May 2023, a final dividend of RMB0.195 per share totaling RMB23,380 million according to total shares on 20 June 2023 was approved. All dividends have been paid in the year ended 31 December 2023.

Pursuant to the shareholders' approval at the Annual General Meeting on 18 May 2022, a final dividend of RMB0.31 per share totaling RMB37,532 million according to total shares on 9 June 2022 was approved. All dividends have been paid in the year ended 31 December 2022.

15 OTHER COMPREHENSIVE INCOME

	2023			2022		
	Before tax amount RMB million	**Tax effect RMB million**	**Net of tax amount RMB million**	Before tax amount RMB million	Tax effect RMB million	Net of tax amount RMB million
Cash flow hedges:						
Effective portion of changes in fair value of hedging instruments recognised during the year	7,420	(1,075)	6,345	6,667	(1,675)	4,992
Reclassification adjustments for amounts transferred to the consolidated income statement	(1,245)	234	(1,011)	8,127	(1,482)	6,645
Net movement during the year recognised in other comprehensive income (i)	**6,175**	**(841)**	**5,334**	**14,794**	**(3,157)**	**11,637**
Changes in the fair value of instruments at fair value through other comprehensive income	(13)	5	(8)	(79)	12	(67)
Net movement during the year recognised in other comprehensive income	**(13)**	**5**	**(8)**	**(79)**	**12**	**(67)**
Cost of hedging reserve	–	–	–	149	–	149
Share of other comprehensive income of associates and joint ventures	(6,683)	–	(6,683)	2,856	–	2,856
Foreign currency translation differences	1,946	–	1,946	7,254	–	7,254
Other comprehensive income	**1,425**	**(836)**	**589**	**24,974**	**(3,145)**	**21,829**

Note:

(i) As at 31 December 2023, cash flow hedge reserve amounted to a gain of RMB5,758 million (31 December 2022: a gain of RMB3,079 million), of which a gain of RMB5,656 million was attributable to shareholders of the Company (31 December 2022: a gain of RMB3,024 million).

16 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2023 is based on the profit attributable to ordinary shareholders of the Company of RMB58,310 million (2022: RMB66,933 million) and the weighted average number of shares of 119,810,619,257 (2022: 120,889,248,735) during the year.

There are no potential dilutive ordinary shares, and diluted earnings per share are equal to the basic earning per share.

17 PROPERTY, PLANT AND EQUIPMENT

	Plants and buildings RMB million	Oil and gas, properties RMB million	Equipment, machinery and others RMB million	Total RMB million
Cost:				
Balance at 1 January 2022	143,165	793,045	1,048,227	1,984,437
Additions	146	4,277	3,528	7,951
Transferred from construction in progress	8,832	40,397	72,738	121,967
Reclassifications	1,042	(289)	(753)	–
Invest into the joint ventures and associated companies	(64)	–	(150)	(214)
Reclassification to other long-term assets	(66)	(50)	(1,417)	(1,533)
Disposals	(830)	(429)	(17,169)	(18,428)
Exchange adjustments	207	3,768	321	4,296
Balance at 31 December 2022	**152,432**	**840,719**	**1,105,325**	**2,098,476**
Balance at 1 January 2023	152,432	840,719	1,105,325	2,098,476
Additions	250	1,681	2,348	4,279
Transferred from construction in progress	6,163	54,374	90,823	151,360
Reclassifications	1,817	(416)	(1,401)	–
Invest into the joint ventures and associated companies	–	–	(19)	(19)
Reclassification to other long-term assets	(69)	(399)	(2,027)	(2,495)
Disposals	(2,246)	(257)	(23,745)	(26,248)
Exchange adjustments	38	751	60	849
Balance at 31 December 2023	**158,385**	**896,453**	**1,171,364**	**2,226,202**
Accumulated depreciation and impairment losses:				
Balance at 1 January 2022	68,166	660,838	656,508	1,385,512
Depreciation for the year	4,736	31,059	50,383	86,178
Impairment losses for the year	312	2,754	2,016	5,082
Reclassifications	259	(209)	(50)	–
Invest into the joint ventures and associated companies	(20)	–	(60)	(80)
Reclassification to other long-term assets	(25)	(40)	(160)	(225)
Written back on disposals	(734)	(406)	(11,465)	(12,605)
Exchange adjustments	101	3,616	197	3,914
Balance at 31 December 2022	**72,795**	**697,612**	**697,369**	**1,467,776**
Balance at 1 January 2023	72,795	697,612	697,369	1,467,776
Depreciation for the year	4,930	31,525	52,057	88,512
Impairment losses for the year	149	775	1,567	2,491
Reclassifications	230	(406)	176	–
Invest into the joint ventures and associated companies	–	–	(6)	(6)
Reclassification to other long-term assets	(36)	(396)	(925)	(1,357)
Written back on disposals	(1,636)	(294)	(20,969)	(22,899)
Exchange adjustments	19	730	39	788
Balance at 31 December 2023	**76,451**	**729,546**	**729,308**	**1,535,305**
Net book value:				
Balance at 1 January 2022	74,999	132,207	391,719	598,925
Balance at 31 December 2022	**79,637**	**143,107**	**407,956**	**630,700**
Balance at 31 December 2023	**81,934**	**166,907**	**442,056**	**690,897**

The Group compares the carrying amount of individual cash-generating units which were grouped for the property, plant and equipment related to oil and gas producing activities with its value in use, using a discounted cash flow forecast prepared based on the future production profiles included in the oil and gas reserve reports, and recorded impairment losses amounting to RMB777 million (2022: RMB2,891 million) for the year ended 31 December 2023.

The addition to oil and gas properties of the Group for the year ended 31 December 2023 included RMB1,681 million (2022: RMB4,277 million) of estimated dismantlement costs for site restoration.

At 31 December 2023 and 31 December 2022, the Group had no individual significant property, plant and equipment which had been pledged.

At 31 December 2023 and 31 December 2022, the Group had no individual significant property, plant and equipment which were temporarily idle or pending for disposal.

At 31 December 2023 and 31 December 2022, the Group had no individual significant fully depreciated property, plant and equipment which were still in use.

18 CONSTRUCTION IN PROGRESS

	2023 RMB million	2022 RMB million
Balance at 1 January	196,045	155,939
Additions	184,350	180,741
Dry hole costs written off	(6,723)	(6,416)
Transferred to property, plant and equipment	(151,360)	(121,967)
Reclassification to other long-term assets	(24,372)	(11,492)
Impairment losses for the year	(116)	(581)
Disposals and others	(17,575)	(240)
Exchange adjustments	1	61
Balance at 31 December	**180,250**	**196,045**

As at 31 December 2023, the amount of capitalised cost of exploratory wells included in construction in progress related to the exploration and production segment was RMB18,704 million (2022: RMB17,062 million). The geological and geophysical costs paid during the year ended 31 December 2023 were RMB3,728 million (2022: RMB3,478 million).

19 RIGHT-OF-USE ASSETS

	Land RMB million	Others RMB million	Total RMB million
Cost			
Balance at 1 January 2022	263,756	46,921	310,677
Additions	10,981	9,108	20,089
Decreases	(5,610)	(4,229)	(9,839)
Balance at 31 December 2022	**269,127**	**51,800**	**320,927**
Balance at 1 January 2023	269,127	51,800	320,927
Additions	10,372	10,076	20,448
Decreases	(5,268)	(4,233)	(9,501)
Balance at 31 December 2023	**274,231**	**57,643**	**331,874**
Accumulated depreciation			
Balance at 1 January 2022	27,122	15,147	42,269
Additions	10,045	7,519	17,564
Decreases	(1,903)	(1,859)	(3,762)
Balance at 31 December 2022	**35,264**	**20,807**	**56,071**
Balance at 1 January 2023	35,264	20,807	56,071
Additions	10,342	8,211	18,553
Decreases	(3,579)	(3,225)	(6,804)
Balance at 31 December 2023	**42,027**	**25,793**	**67,820**
Net book value			
Balance at 1 January 2022	236,634	31,774	268,408
Balance at 31 December 2022	**233,863**	**30,993**	**264,856**
Balance at 31 December 2023	**232,204**	**31,850**	**264,054**

20 GOODWILL

	31 December 2023 RMB million	31 December 2022 RMB million
Cost	14,333	14,325
Less: Accumulated impairment losses	(7,861)	(7,861)
	6,472	**6,464**

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the following Group's cash-generating units:

The name of the investee and the composition of the asset group	Principal activities	31 December 2023 RMB million	31 December 2022 RMB million
Sinopec Zhenhai Refining and Chemical Branch	Manufacturing of intermediate petrochemical products and petroleum products	4,043	4,043
Other units allocated		2,429	2,421
		6,472	**6,464**

The Group's goodwill impairment assessment is carried out in conjunction with its related asset group or combination of asset groups, and the recoverable amounts of goodwill are estimated annually based on value in use calculations, which is consistent with prior years. These calculations use cash flow projections based on five-year financial budgets approved by management for a goodwill-related asset group or a combination of asset groups, with cash flow remaining stable after five years. The cash flow forecasts use sales volumes, selling price and discount rates as key assumptions, with sales volumes based on production capacity and/or actual sales volumes for periods prior to the budget period, selling prices based on management's expectations of future international crude oil and petrochemical price trends, and pre-tax discount rates based on weighted average cost of capital, which ranged from 11.26% to 13.1% (2022: 10.1% to 12.2%). Based on the result of the impairment assessment of goodwill, no impairment loss was recognised.

21 INTEREST IN ASSOCIATES

The Group's investments in associates are with companies primarily engaged in the oil and gas, petrochemical, and marketing and distribution operations in the PRC.

The Group's principal associates are as follows:

Name of company	% of ownership interests	Principal activities	Measurement method	Country of incorporation	Principal place of business
National Petroleum Pipe Network Group Co., Ltd. (PipeChina)	14.00 (i)	Operation of natural gas pipeline and auxiliary facilities	Equity method	PRC	PRC
Sinopec Finance Company Limited ("Sinopec Finance")	49.00	Provision of non-banking financial services	Equity method	PRC	PRC
Sinopec Capital Company Limited ("Sinopec Capital")	49.00	Project and equity investment, investment management, investment consulting, self-owned equity management	Equity method	PRC	PRC
Zhongtian Synergetic Energy Company Limited ("Zhongtian Synergetic Energy")	38.75	Mining coal and manufacturing of coal-chemical products	Equity method	PRC	PRC
China National Aviation Fuel Supply Co., Ltd. ("Aviation Fuel")	29.00	Wholesale of gasoline, kerosene, and diesel within the civil aviation system	Equity method	PRC	PRC

(i) The Group has a member in the Board of Directors of PipeChina and has substantive participation in decision-making, so the Group can exercise significant influence on PipeChina.

21 INTEREST IN ASSOCIATES *(Continued)*

Summarised financial information and reconciliation to their carrying amounts in respect of the Group's principal associates:

	PipeChina		Sinopec Finance		Sinopec Capital		Zhongtian Synergetic Energy		Aviation Fuel	
	31 December 2023 RMB million	31 December 2022 RMB million	**31 December 2023 RMB million**	31 December 2022 RMB million	**31 December 2023 RMB million**	31 December 2022 RMB million	**31 December 2023 RMB million**	31 December 2022 RMB million	**31 December 2023 RMB million**	31 December 2022 RMB million
Current assets	118,631	104,889	148,026	212,850	15,098	14,444	3,672	3,212	25,394	20,380
Non-current assets	821,864	816,301	66,093	57,394	409	249	48,615	51,035	14,158	13,617
Current liabilities	(130,331)	(132,266)	(179,459)	(236,840)	(74)	(101)	(7,464)	(3,811)	(17,200)	(11,932)
Non-current liabilities	(225,296)	(199,675)	(906)	(673)	(1,275)	(990)	(17,563)	(23,435)	(1,533)	(1,561)
Net assets	**584,868**	**589,249**	**33,754**	**32,731**	**14,158**	**13,602**	**27,260**	**27,001**	**20,819**	**20,504**
Net assets attributable to owners of the Company	536,607	525,235	33,754	32,731	14,158	13,602	27,260	27,001	18,488	18,429
Net assets attributable to non-controlling interests	48,261	64,014	–	–	–	–	–	–	2,331	2,075
Share of net assets from associates	75,125	73,533	16,539	16,038	6,937	6,665	10,563	10,463	5,362	5,344
Carrying Amounts	**75,125**	**73,533**	**16,539**	**16,038**	**6,937**	**6,665**	**10,563**	**10,463**	**5,362**	**5,344**

Summarised statement of comprehensive income

Year ended 31 December	PipeChina		Sinopec Finance		Sinopec Capital		Zhongtian Synergetic Energy		Aviation Fuel	
	2023 RMB million	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million
Revenue	120,943	112,832	5,988	5,636	4	5	15,676	17,551	181,290	105,162
Profit for the year	34,054	31,908	2,205	2,338	888	1,281	2,752	4,562	2,515	3,026
Other comprehensive income	–	–	(182)	89	52	(68)	–	–	–	–
Total comprehensive income	**34,054**	**31,908**	**2,023**	**2,427**	**940**	**1,213**	**2,752**	**4,562**	**2,515**	**3,026**
Dividends declared by associates	2,306	2,019	490	319	188	73	966	632	638	626
Share of profit from associates	4,035	3,670	1,080	1,145	435	627	1,066	1,768	656	745
Share of other comprehensive income from associates	–	–	(89)	44	25	(33)	–	–	–	–

The share of profit and other comprehensive income for the year ended 31 December 2023 in all individually immaterial associates accounted for using equity method in aggregate was RMB4,506 million (2022: RMB6,386 million) and loss RMB1,540 million (2022: loss RMB201 million) respectively. As at 31 December 2023, the carrying amount of all individually immaterial associates accounted for using equity method in aggregate was RMB48,540 million (2022: RMB47,107 million).

22 INTEREST IN JOINT VENTURES

The Group's principal interests in joint ventures are as follows:

Name of entity	% of ownership interests	Principal activities	Measurement method	Country of incorporation	Principal place of business
Fujian Refining & Petrochemical Company Limited ("FREP")	50.00	Manufacturing refining oil products	Equity method	PRC	PRC
BASF-YPC Company Limited ("BASF-YPC")	40.00	Manufacturing and distribution of petrochemical products	Equity method	PRC	PRC
Taihu Limited ("Taihu")	49.00	Crude oil and natural gas extraction	Equity method	Cyprus	Russia
Sinopec SABIC Tianjin Petrochemical Company Limited ("Sinopec SABIC Tianjin")	50.00	Manufacturing and distribution of petrochemical products	Equity method	PRC	PRC
Shanghai SECCO Petrochemical Company Limited. ("Shanghai SECCO")	50.00	Manufacturing and distribution of petrochemical products	Equity method	PRC	PRC

Summarised statement of financial position and reconciliation to their carrying amounts in respect of the Group's principal joint ventures:

	FREP		BASF-YPC		Taihu		Sinopec SABIC Tianjin		Shanghai SECCO (i)	
	31 December 2023 RMB million	31 December 2022 RMB million	**31 December 2023 RMB million**	31 December 2022 RMB million	**31 December 2023 RMB million**	31 December 2022 RMB million	**31 December 2023 RMB million**	31 December 2022 RMB million	**31 December 2023 RMB million**	31 December 2022 RMB million
Current assets										
Cash and cash equivalents	3,258	3,733	2,051	3,061	654	1,625	2,974	4,506	1,563	1,323
Other current assets	13,017	11,311	4,615	5,993	4,864	15,269	2,455	2,554	3,106	3,647
Total current assets	**16,275**	**15,044**	**6,666**	**9,054**	**5,518**	**16,894**	**5,429**	**7,060**	**4,669**	**4,970**
Total non-current assets	**11,752**	**12,708**	**9,000**	**9,244**	**12,254**	**10,488**	**17,345**	**18,466**	**26,386**	**26,677**
Current liabilities										
Current financial liabilities	(827)	(829)	(25)	(63)	(42)	(55)	(3,900)	(2,950)	(3,582)	(6,609)
Other current liabilities	(12,115)	(9,951)	(1,963)	(2,245)	(2,243)	(2,727)	(2,262)	(3,282)	(2,256)	(2,368)
Total current liabilities	**(12,942)**	**(10,780)**	**(1,988)**	**(2,308)**	**(2,285)**	**(2,782)**	**(6,162)**	**(6,232)**	**(5,838)**	**(8,977)**
Non-current liabilities										
Non-current financial liabilities	(2,738)	(3,742)	–	–	(139)	(157)	(5,152)	(6,393)	(4,303)	–
Other non-current liabilities	(223)	(237)	(123)	(107)	(914)	(1,852)	(603)	(635)	(1,097)	(944)
Total non-current liabilities	**(2,961)**	**(3,979)**	**(123)**	**(107)**	**(1,053)**	**(2,009)**	**(5,755)**	**(7,028)**	**(5,400)**	**(944)**
Net assets	**12,124**	**12,993**	**13,555**	**15,883**	**14,434**	**22,591**	**10,857**	**12,266**	**19,817**	**21,726**
Net assets attributable to owners of the company	12,124	12,993	13,555	15,883	14,034	21,941	10,857	12,266	19,817	21,726
Net assets attributable to non-controlling interests	–	–	–	–	400	650	–	–	–	–
Share of net assets from joint ventures	6,062	6,497	5,422	6,353	6,876	10,751	5,429	6,133	9,909	10,863
Carrying Amounts	**6,062**	**6,497**	**5,422**	**6,353**	**6,876**	**10,751**	**5,429**	**6,133**	**9,909**	**10,863**

Summarised statement of comprehensive income

	FREP		BASF-YPC		Taihu		Sinopec SABIC Tianjin		Shanghai SECCO (i)
	2023 RMB million	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**
Revenue	60,091	59,347	19,381	25,076	14,090	19,542	22,915	24,294	17,426
Depreciation, depletion and amortisation	(1,575)	(1,822)	(1,355)	(1,431)	(784)	(882)	(1,699)	(1,270)	(539)
Interest income	136	107	67	116	720	975	113	144	72
Interest expense	(315)	(338)	(4)	(7)	(61)	(274)	(204)	(111)	(199)
(Loss)/profit before taxation	(1,215)	(2,004)	430	3,542	1,666	1,657	(1,832)	(2,396)	(2,551)
Income tax expense	346	578	(108)	(885)	(292)	(201)	423	603	642
Net (loss)/profit for the year	(869)	(1,426)	322	2,657	1,374	1,456	(1,409)	(1,793)	(1,909)
Other comprehensive income	–	–	–	–	(9,531)	7,144	–	–	–
Total comprehensive income	**(869)**	**(1,426)**	**322**	**2,657**	**(8,157)**	**8,600**	**(1,409)**	**(1,793)**	**(1,909)**
Dividends declared by joint ventures	–	910	1,060	2,462	–	–	–	454	–
Share of net (loss)/profit from joint ventures	(435)	(713)	129	1,063	660	703	(704)	(897)	(955)
Share of other comprehensive income from joint ventures	–	–	–	–	(4,535)	3,422	–	–	–

(i) The Company and Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd. ("Gaoqiao Petrochemical") and INEOS Investment (Shanghai) Company Limited ("INEOS Shanghai") entered into an equity transfer agreement on 28 July 2022. According to the agreement, the Company and Gaoqiao Petrochemical transferred 15% and 35% equity interests in Shanghai SECCO to INEOS Shanghai respectively. The transactions were completed on 28 December 2022, and Shanghai SECCO was changed from a subsidiary to a joint venture after the completion of the transaction.

22 INTEREST IN JOINT VENTURES *(Continued)*

Summarised statement of comprehensive income *(Continued)*

The share of profit and other comprehensive income for the year ended 31 December 2023 in all individually immaterial joint ventures accounted for using equity method in aggregate was loss RMB4,274 million (2022: RMB18 million) and loss RMB544 million (2022: loss RMB376 million) respectively. As at 31 December 2023, the carrying amount of all individually immaterial joint ventures accounted for using equity method in aggregate was RMB35,866 million (2022: RMB34,194 million).

Impairment test

As at 31 December 2023, there are indicators of impairment in the long-term equity investment in Shanghai SECCO. The recoverable amount of this long-term equity investment is estimated based on a value-in-use calculation. The projected future cash flows primarily take into account the five-year profit forecast for Shanghai SECCO approved by the management, which is adjusted based on the historical performance of Shanghai SECCO and relevant industry trends, with cash flows remaining stable after five years. The pre-tax discount rate of 11.29% is calculated based on the weighted average cost of capital. The result of value-in-use calculation indicates that there is no impairment loss in this long-term equity investment as at 31 December 2023.

23 LONG-TERM PREPAYMENTS AND OTHER ASSETS

	31 December 2023 RMB million	31 December 2022 RMB million
Operating rights of service stations	26,184	28,009
Long-term receivables from and prepayment to Sinopec Group Company and fellow subsidiaries	1,734	3,235
Prepayments for construction projects to third parties	4,198	7,505
Others (i)	63,282	34,063
	95,398	**72,812**

Note:

(i) Others mainly comprise catalyst expenditures, time deposits with maturities over one year and improvement expenditures of property, plant and equipment.

The cost of operating rights of service stations is charged to expense on a straight-line basis over the respective periods of the rights. The movement of operating rights of service stations is as follows:

	2023 RMB million	2022 RMB million
Operating rights of service stations		
Cost:		
Balance at 1 January	54,130	53,791
Additions	599	880
Decreases	(543)	(541)
Balance at 31 December	**54,186**	**54,130**
Accumulated amortisation:		
Balance at 1 January	26,121	24,077
Additions	2,250	2,301
Decreases	(369)	(257)
Balance at 31 December	**28,002**	**26,121**
Net book value at 31 December	**26,184**	**28,009**

24 DERIVATIVE FINANCIAL ASSETS AND DERIVATIVE FINANCIAL LIABILITIES

Derivative financial assets and derivative financial liabilities of the Group are primarily commodity futures and swaps contracts. See Note 43.

	31 December 2023 RMB Million		31 December 2022 RMB Million	
	Fair value of assets	**Fair value of liabilities**	Fair value of assets	Fair value of liabilities
Cash flow hedge instruments	2,883	1,768	2,187	247
Other derivatives	6,838	984	17,148	7,066
	9,721	**2,752**	**19,335**	**7,313**

25 TRADE ACCOUNTS RECEIVABLE

	31 December 2023 RMB million	31 December 2022 RMB million
Amounts due from third parties	40,588	38,942
Amounts due from Sinopec Group Company and fellow subsidiaries	5,762	7,261
Amounts due from associates and joint ventures	6,318	4,240
	52,668	**50,443**
Less: Loss allowance for expected credit losses	(4,016)	(4,079)
	48,652	**46,364**

The ageing analysis of trade accounts receivable (net of loss allowance for expected credit losses) is as follows:

	31 December 2023 RMB million	31 December 2022 RMB million
Within one year	48,187	46,039
Between one and two years	279	152
Between two and three years	54	88
Over three years	132	85
	48,652	**46,364**

Loss allowance for expected credit losses are analysed as follows:

	2023 RMB million	2022 RMB million
Balance at 1 January	4,079	4,033
Provision for the year	313	417
Written back for the year	(372)	(561)
Written off for the year	(68)	(49)
Others	64	239
Balance at 31 December	**4,016**	**4,079**

As at 31 December 2023, the carrying amount of accounts receivable under factoring arrangement that are derecognised is RMB12,767 million.

Sales are generally on a cash term. Credit is generally only available for major customers with well-established trading records. Amounts due from Sinopec Group Company and fellow subsidiaries are repayable under the same terms.

These receivables relate to a wide range of customers for whom there is no recent history of default.

Information about the impairment of trade accounts receivable and the Group's exposure to credit risk can be found in Note 43.

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023 RMB million	31 December 2022 RMB million
Non-current assets		
Unlisted equity instruments	330	616
Listed equity instruments	120	114
Current assets		
Bills receivable (i)	2,221	3,507
	2,671	**4,237**

Note:

(i) As at 31 December 2023 and 2022, bills receivable were classified as financial assets at fair value through other comprehensive income, as relevant business model is achieved both by collecting contractual cash flows and selling of these assets.

27 INVENTORIES

	31 December 2023 RMB million	31 December 2022 RMB million
Crude oil and other raw materials	138,143	139,307
Work in progress	20,375	14,536
Finished goods	95,227	93,994
Spare parts and consumables	2,994	2,987
	256,739	**250,824**
Less: Allowance for diminution in value of inventories	(5,841)	(6,583)
	250,898	**244,241**

The cost of inventories recognised as an expense in the consolidated income statement amounted to RMB2,663,323 million for the year ended 31 December 2023 (2022: RMB2,774,951 million). It includes the write-down of inventories of RMB6,300 million mainly related to finished goods and raw materials (2022: RMB6,407 million mainly related to finished goods).

28 PREPAID EXPENSES AND OTHER CURRENT ASSETS

	31 December 2023 RMB million	31 December 2022 RMB million
Receivables	25,443	27,311
Advances to suppliers	5,067	7,956
Value-added input tax to be deducted	24,990	25,355
Prepaid income tax	3,903	4,017
	59,403	**64,639**

29 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities before offset are attributable to the items detailed in the table below:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2023 RMB million	31 December 2022 RMB million	**31 December 2023 RMB million**	31 December 2022 RMB million
Receivables and inventories	3,721	4,271	(20)	(17)
Payables	2,715	3,091	–	–
Cash flow hedges	16	85	(1,142)	(736)
Property, plant and equipment	17,965	21,536	(26,669)	(22,341)
Tax losses carried forward	9,036	4,643	–	–
Financial assets at fair value through other comprehensive income	137	131	(7)	(6)
Intangible assets	1,084	1,067	(92)	(85)
Lease liabilities and right of use assets	44,334	45,568	(40,422)	(42,264)
Others	2,792	1,395	(1,155)	(1,161)
Deferred tax assets/(liabilities)	**81,800**	**81,787**	**(69,507)**	**(66,610)**

The offsetting amount between deferred tax assets and liabilities are as follows:

	31 December 2023 RMB million	31 December 2022 RMB million
Deferred tax assets	61,690	59,354
Deferred tax liabilities	61,690	59,354

Deferred tax assets and liabilities after the offsetting adjustments are as follows:

	31 December 2023 RMB million	31 December 2022 RMB million
Deferred tax assets	20,110	22,433
Deferred tax liabilities	7,817	7,256

As at 31 December 2023, certain subsidiaries of the Company did not recognise deferred tax of deductible loss carried forward of RMB24,783 million (2022: RMB21,268 million), of which RMB5,496 million (2022: RMB8,972 million) was incurred for the year ended 31 December 2023, because it was not probable that the future taxable profits will be available. These deductible losses carried forward of RMB1,656 million, RMB3,349 million, RMB5,310 million, RMB8,972 million and RMB5,496 million, will expire in 2024, 2025, 2026, 2027,2028 and after, respectively.

Periodically, management performed assessment on the probability that future taxable profit will be available over the period which the deferred tax assets can be realised or utilised. In assessing the probability, both positive and negative evidence was considered, including whether it is probable that the operations will have sufficient future taxable profits over the periods which the deferred tax assets are deductible or utilised and whether the tax losses result from identifiable causes which are unlikely to recur.

29 DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

Movements in the deferred tax assets and liabilities are as follows:

	Balance at 1 January 2022 RMB million	Recognised in consolidated income statement RMB million	Recognised in other comprehensive income RMB million	Others RMB million	Transferred from reserve RMB million	Balance at 31 December 2022 RMB million
Receivables and inventories	3,763	514	–	(23)	–	4,254
Payables	2,858	233	–	–	–	3,091
Cash flow hedges	(2,451)	203	(3,157)	(13)	4,767	(651)
Property, plant and equipment	1,740	(3,341)	–	796	–	(805)
Tax losses carried forward	4,749	525	–	(631)	–	4,643
Financial assets at fair value through other comprehensive income	118	(5)	12	–	–	125
Intangible assets	516	80	–	386	–	982
Lease liabilities and right of use assets	2,448	856	–	–	–	3,304
Others	186	73	–	(25)	–	234
Net deferred tax assets/(liabilities)	**13,927**	**(862)**	**(3,145)**	**490**	**4,767**	**15,177**

	Balance at 1 January 2023 RMB million	**Recognised in consolidated income statement RMB million**	**Recognised in other comprehensive income RMB million**	**Others RMB million**	**Transferred from reserve RMB million**	**Balance at 31 December 2023 RMB million**
Receivables and inventories	4,254	(568)	–	15	–	3,701
Payables	3,091	(376)	–	–	–	2,715
Cash flow hedges	(651)	(51)	(841)	(5)	422	(1,126)
Property, plant and equipment	(805)	(7,873)	–	(26)	–	(8,704)
Tax losses carried forward	4,643	4,392	–	1	–	9,036
Financial assets at fair value through other comprehensive income	125	–	5	–	–	130
Intangible assets	982	11	–	(1)	–	992
Lease liabilities and right of use assets	3,304	608	–	–	–	3,912
Others	234	1,415	–	(12)	–	1,637
Net deferred tax assets/(liabilities)	**15,177**	**(2,442)**	**(836)**	**(28)**	**422**	**12,293**

30 SHORT-TERM AND LONG-TERM DEBTS AND LOANS FROM SINOPEC GROUP COMPANY AND FELLOW SUBSIDIARIES

Short-term debts represent:

	31 December 2023 RMB million	31 December 2022 RMB million
Third parties' debts		
Short-term bank loans	**51,175**	**14,461**
RMB denominated	51,175	14,325
USD denominated	–	136
Current portion of long-term bank loans	**2,813**	**13,876**
RMB denominated	2,813	13,875
USD denominated	–	1
Current portion of long-term corporate bonds	**4,546**	**30,700**
RMB denominated	4,546	30,700
	58,534	**59,037**
Loans from Sinopec Group Company and fellow subsidiaries		
Short-term loans	**8,640**	**6,852**
RMB denominated	7,628	5,911
USD denominated	1,012	906
Euro denominated	–	35
Current portion of long-term loans	**3,797**	**440**
RMB denominated	3,797	440
	12,437	**7,292**
	70,971	**66,329**

The Group's weighted average interest rates on short-term loans were 2.23% (2022: 2.63%) per annum at 31 December 2023. The above borrowings are unsecured.

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30 SHORT-TERM AND LONG-TERM DEBTS AND LOANS FROM SINOPEC GROUP COMPANY AND FELLOW SUBSIDIARIES *(Continued)*

Long-term debts represent:

	Interest rate and final maturity	31 December 2023 RMB million	31 December 2022 RMB million
Third parties' debts			
Long-term bank loans			
RMB denominated	Interest rates ranging from 1.08% to 4.80% per annum at 31 December 2023 with maturities through 2035	157,298	86,532
USD denominated	Interest rates at 0.00% per annum at 31 December 2023 with maturities through 2038	51	53
		157,349	**86,585**
Corporate bonds			
RMB denominated	Fixed interest rates ranging from 2.50% to 3.20% per annum at 31 December 2023 with maturities through 2026	9,541	31,534
USD denominated	Fixed interest rate of 4.25% per annum at 31 December 2023 with maturities through 2043	3,518	12,163
		13,059	**43,697**
Total third parties' long-term debts		**170,408**	**130,282**
Less: Current portion		(7,359)	(44,576)
		163,049	**85,706**
Long-term loans from Sinopec Group Company and fellow subsidiaries			
RMB denominated	Interest rates ranging from 1.08% to 4.99% per annum at 31 December 2023 with maturities through 2038	28,608	22,695
Less: Current portion		(3,797)	(440)
		24,811	**22,255**
		187,860	**107,961**

Short-term and long-term bank loans, short-term other loans and loans from Sinopec Group Company and fellow subsidiaries are primarily unsecured and carried at amortised cost.

31 LEASE LIABILITIES

	31 December 2023 RMB million	31 December 2022 RMB million
Lease liabilities		
Current	17,536	16,004
Non-current	163,864	166,407
	181,400	**182,411**

32 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (EXCLUDING LEASE LIABILITIES)

	Loans from Sinopec Group Company and fellow subsidiaries and debts RMB million	Other long-term liabilities-loans from other related parties RMB million	Total RMB million
At 1 January 2023	**174,290**	**5,180**	**179,470**
Changes from financing cash flows:			
Proceeds from bank and other loans	698,936	474	699,410
Repayment of bank and other loans	(599,954)	–	(599,954)
Interest paid	(7,713)	(284)	(7,997)
Total changes from financing cash flows	**91,269**	**190**	**91,459**
Other changes:			
Interest costs (including capitalised interest costs)	9,474	333	9,807
Others	(16,202)	(570)	(16,772)
At 31 December 2023	**258,831**	**5,133**	**263,964**

33 TRADE ACCOUNTS PAYABLE AND BILLS PAYABLE

	31 December 2023 RMB million	31 December 2022 RMB million
Amounts due to third parties	216,847	224,994
Amounts due to Sinopec Group Company and fellow subsidiaries	4,276	25,358
Amounts due to associates and joint ventures	8,755	8,290
	229,878	**258,642**
Bills payable	29,122	10,782
Trade accounts payable and bills payable measured at amortised cost	**259,000**	**269,424**

The ageing analysis of trade accounts payable and bills payable is as follows:

	31 December 2023 RMB million	31 December 2022 RMB million
Within 1 month or on demand	181,241	206,325
Between 1 month and 6 months	51,035	43,310
Over 6 months	26,724	19,789
	259,000	**269,424**

34 CONTRACT LIABILITIES

As at 31 December 2023 and 2022, the Group's contract liabilities primarily represent advances from customers. Related performance obligations are expected to be satisfied and revenue is recognised within one year.

35 OTHER PAYABLES

	31 December 2023 RMB million	31 December 2022 RMB million
Salaries and welfare payable	13,941	13,617
Interest payable	145	549
Payables for constructions	66,928	68,492
Other payables	48,556	71,833
Taxes other than income tax	38,554	23,655
	168,124	**178,146**

36 PROVISIONS

Provisions primarily represent provision for future dismantlement costs of oil and gas properties. The Group has mainly committed to the PRC government to establish certain standardised measures for the dismantlement of its oil and gas properties by making reference to the industry practices and is thereafter constructively obligated to take dismantlement measures of its oil and gas properties.

Movement of provision of the Group's obligations for the dismantlement of its oil and gas properties is as follow:

	2023 RMB million	2022 RMB million
Balance at 1 January	43,599	40,495
Provision for the year	1,681	4,277
Accretion expenses	1,099	1,103
Decrease for the year	(1,195)	(2,438)
Exchange adjustments	38	162
Balance at 31 December	**45,222**	**43,599**

37 SHARE CAPITAL

	31 December 2023 RMB million	31 December 2022 RMB million
Registered, issued and fully paid		
94,971,971,046 listed A shares (2022: 95,115,471,046) of RMB1.00 each	94,972	95,115
24,377,280,600 listed H shares (2022: 24,780,936,600) of RMB1.00 each	24,377	24,781
	119,349	**119,896**

The Company was established on 25 February 2000 with a registered capital of 68.8 billion domestic state-owned shares with a par value of RMB1.00 each. Such shares were issued to Sinopec Group Company in consideration for the assets and liabilities transferred to the Company (Note 1).

Pursuant to the resolutions passed at an Extraordinary General Meeting held on 25 July 2000 and approvals from relevant government authorities, the Company is authorised to increase its share capital to a maximum of 88.3 billion shares with a par value of RMB1.00 each and offer not more than 19.5 billion shares with a par value of RMB1.00 each to investors outside the PRC. Sinopec Group Company is authorised to offer not more than 3.5 billion shares of its shareholdings in the Company to investors outside the PRC. The shares sold by Sinopec Group Company to investors outside the PRC would be converted into H shares.

In October 2000, the Company issued 15,102,439,000 H shares with a par value of RMB1.00 each, representing 12,521,864,000 H shares and 25,805,750 American Depositary Shares ("ADSs", each representing 100 H shares), at prices of HKD1.59 per H share and USD20.645 per ADS, respectively, by way of a global initial public offering to Hong Kong and overseas investors. As part of the global initial public offering, 1,678,049,000 state-owned ordinary shares of RMB1.00 each owned by Sinopec Group Company were converted into H shares and sold to Hong Kong and overseas investors.

In July 2001, the Company issued 2.8 billion listed A shares with a par value of RMB1.00 each at RMB4.22 by way of a public offering to natural persons and institutional investors in the PRC.

During the year ended 31 December 2010, the Company issued 88,774 listed A shares with a par value of RMB1.00 each, as a result of exercise of 188,292 warrants entitled to the Bonds with Warrants.

During the year ended 31 December 2011, the Company issued 34,662 listed A shares with a par value of RMB1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2012, the Company issued 117,724,450 listed A shares with a par value of RMB1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

On 14 February 2013, the Company issued 2,845,234,000 listed H shares ("the Placing") with a par value of RMB1.00 each at the Placing Price of HKD8.45 per share. The aggregate gross proceeds from the Placing amounted to approximately HKD24,042,227,300.00 and the aggregate net proceeds (after deduction of the commissions and estimated expenses) amounted to approximately HKD23,970,100,618.00.

In June 2013, the Company issued 21,011,962,225 listed A shares and 5,887,716,600 listed H shares as a result of bonus issues of 2 shares converted from the retained earnings, and 1 share transferred from the share premium for every 10 existing shares.

During the year ended 31 December 2013, the Company issued 114,076 listed A shares with a par value of RMB1.00 each, as a result of exercise of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2014, the Company issued 1,715,081,853 listed A shares with a par value of RMB1.00 each, as a result of exercise of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2015, the Company issued 2,790,814,006 listed A shares with a par value of RMB1.00 each, as a result of exercise of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2022, the Company repurchased 442,300,000 listed A shares and 732,502,000 listed H shares respectively at a price of RMB4.06 per share to RMB4.50 per share for the repurchase of listed A shares, with a total amount of RMB1,888,163,981.61, and a price of HKD3.06 per share to HKD3.75 per share for the repurchase of listed H shares, with a total amount of HKD2,499,261,860.00, which had been cancelled in the year ended 31 December 2022.

During the year ended 31 December 2023, the Company repurchased 143,500,000 listed A shares and 403,656,000 listed H shares respectively at a price of RMB5.29 per share to RMB6.17 per share for the repurchase of listed A shares, with a total amount of RMB816,009,269.44, and a price of HKD3.78 per share to HKD4.56 per share for the repurchase of listed H shares, with a total amount of HKD1,646,392,242.20, which had been cancelled in the year ended 31 December 2023.

All A shares and H shares rank pari passu in all material aspects.

37 SHARE CAPITAL *(Continued)*

Capital management

Management optimises the structure of the Group's capital, which comprises of equity, debts and bonds. In order to maintain or adjust the capital structure of the Group, management may cause the Group to issue new shares, adjust the capital expenditure plan, sell assets to reduce debt, or adjust the proportion of short-term and long-term loans and bonds. Management monitors capital on the basis of the debt-to-capital ratio, which is calculated by dividing long-term loans (excluding current portion) and debentures payable, including long-term debts and loans from Sinopec Group Company and fellow subsidiaries, by the total of equity attributable to shareholders of the Company and long-term loans (excluding current portion) and debentures payable, and liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. Management's strategy is to make appropriate adjustments according to the Group's operating and investment needs and the changes of market conditions, and to maintain the debt-to-capital ratio and the liability-to-asset ratio of the Group at a range considered reasonable. As at 31 December 2023, the debt-to-capital ratio and the liability-to-asset ratio of the Group were 19.0% (2022: 12.1%) and 52.8% (2022: 51.8%), respectively.

The schedule of the contractual maturities of loans and commitments are disclosed in Notes 30 and 38, respectively.

There were no changes in the management's approach to capital management of the Group during the year. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

38 COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

At 31 December 2023 and 2022, capital commitments of the Group are as follows:

	31 December 2023 RMB million	31 December 2022 RMB million
Authorised and contracted for (i)	177,809	167,507
Authorised but not contracted for	61,951	94,407
	239,760	**261,914**

These capital commitments relate to oil and gas exploration and development, refining and petrochemical production capacity expansion projects, the construction of service stations and oil depots and investment commitments.

Note:

(i) The investment commitments of the Group is RMB5,856 million (2022: RMB1,751 million).

Commitments to joint ventures

Pursuant to certain of the joint venture agreements entered into by the Group, the Group is obliged to purchase products from the joint ventures based on market prices.

Exploration and production licenses

Exploration licenses for exploration activities are registered with the Ministry of Natural Resources. The maximum term of the Group's exploration licenses is 7 years, and may be renewed twice within 30 days prior to expiration of the original term with each renewal being for a two-year term. The Group is obligated to make progressive annual minimum exploration investment relating to the exploration blocks in respect of which the license is issued. The Ministry of Natural Resources also issues production licenses to the Group on the basis of the reserve reports approved by relevant authorities. The maximum term of a full production license is 30 years unless a special dispensation is given by the State Council. The maximum term of production licenses issued to the Group is 80 years as a special dispensation was given to the Group by the State Council. The Group's production license is renewable upon application by the Group 30 days prior to expiration.

The Group is required to make payments of exploration license fees and production right usage fees to the Ministry of Natural Resources annually which are expensed. Expenses recognised were approximately RMB628 million for the year ended 31 December 2023 (2022: RMB270 million).

Estimated future annual payments are as follows:

	31 December 2023 RMB million	31 December 2022 RMB million
Within one year	802	369
Between one and two years	175	152
Between two and three years	176	146
Between three and four years	172	115
Between four and five years	156	62
Thereafter	875	857
	2,356	**1,701**

38 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

Contingent liabilities

At 31 December 2023 and 2022, the guarantees by the Group in respect of facilities granted to the parties below are as follows:

	31 December 2023 RMB million	31 December 2022 RMB million
	8,563	8,927
Joint ventures (i)	**8,563**	**8,927**

Note:

(i) The Group provided a guarantee in respect to standby credit facilities granted to Zhongan United Coal Chemical Co., Ltd. ("Zhongan United") and Amur Gas Chemical Complex Limited Liability Company ("Amur Gas") by banks amounting to RMB7,100 million (31 December 2022: RMB7,100 million) and RMB25,781 million (31 December 2022: RMB25,351 million) respectively. As at 31 December 2023, the amount withdrawn (the portion corresponding to the shareholding ratio of the Group) by Zhongan United from banks and guaranteed by the Group was RMB4,828 million (31 December 2022: RMB5,254 million). As at 31 December 2023, the amount withdrawn (the portion corresponding to the shareholding ratio of the Group) by Amur Gas from banks and guaranteed by the Group was RMB3,735 million (31 December 2022: RMB3,673 million).

The Group provided a guarantee in respect to payment obligation under the raw material supply agreement of Amur Gas amount to RMB17,211 million (31 December 2022: RMB16,924 million). As at 31 December 2023, Amur Gas has not yet incurred the relevant payment obligations and therefore the Group has no guarantee amount (31 December 2022: Nil).

Management monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees. At 31 December 2023 and 2022, the Group estimates that there is no material liability has been accrued for ECLs related to the Group's obligation under these guarantee arrangements.

Environmental contingencies

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved, and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect management's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to refineries, oil fields, service stations, terminals and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material.

The Group paid normal routine pollutant discharge fees of approximately RMB19,156 million in the consolidated financial statements for the year ended 31 December 2023 (2022: RMB16,823 million).

Legal contingencies

The Group is defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of an unfavourable outcome of such contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

39 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to control or common control. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(a) Transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures

The Group is part of a larger group of companies under Sinopec Group Company, which is controlled by the PRC government, and has significant transactions and relationships with Sinopec Group Company and fellow subsidiaries. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

39 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures *(Continued)*

The principal related party transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures, which were carried out in the ordinary course of business are as follows:

	Notes	2023 RMB million	2022 RMB million
Sales of goods	(i)	408,554	352,691
Purchases	(ii)	218,974	184,986
Transportation and storage	(iii)	29,830	18,291
Exploration and development services	(iv)	41,783	37,317
Production related services	(v)	43,361	48,465
Agency commission income	(vi)	179	173
Interest income	(vii)	2,838	1,203
Interest expense	(viii)	1,283	541
Net deposits placed with related parties	(vii)	(903)	(3,382)
Net funds obtained from related parties	(ix)	43,621	36,608

The amounts set out in the table above in respect of the year ended 31 December 2023 and 2022 represent the relevant costs and income as determined by the corresponding contracts with the related parties.

Included in the transactions disclosed above, for the year ended 31 December 2023 are: a) purchases by the Group from Sinopec Group Company and fellow subsidiaries amounting to RMB200,604 million (2022: RMB158,874 million) comprising purchases of products and services (i.e. procurement, transportation and storage, exploration and development services and production related services) of RMB187,117 million (2022: RMB146,114 million), lease charges for land, buildings and others paid by the Group of RMB10,926 million, RMB1,050 million and RMB228 million (2022: RMB11,046 million, RMB938 million and RMB235 million), respectively and interest expenses of RMB1,283 million (2022: RMB541 million); and b) sales by the Group to Sinopec Group Company and fellow subsidiaries amounting to RMB87,247 million (2022: RMB58,403 million), comprising RMB84,329 million (2022: RMB57,151 million) for sales of goods, RMB2,838 million (2022: RMB1,203 million) for interest income and RMB80 million (2022: RMB49 million) for agency commission income.

For the year ended 31 December 2023, no individually significant right-of-use assets were leased from Sinopec Group Company and fellow subsidiaries, associates and joint ventures by the Group. The interest expense recognised for the year ended 31 December 2023 on lease liabilities in respect of amounts due to Sinopec Group Company and fellow subsidiaries, associates and joint ventures was RMB7,637 million (2022: RMB7,811 million).

For the year ended 31 December 2023, the amount of rental the Group paid to Sinopec Group Company and fellow subsidiaries, associates and joint ventures for land, buildings and others are RMB10,931 million, RMB1,053 million and RMB273 million (2022: RMB11,051 million, RMB943 million and RMB352 million), including pursuant to the continuing connected transaction agreements signed in 2000, the Sixth Supplementary Agreement on 27 August 2021, the amount of rental the Group paid to Sinopec Group Company for land and buildings are RMB10,926 million and RMB1,050 million (2022: RMB11,046 million and RMB938 million).

As at 31 December 2023 and 2022, there was no guarantee given to banks by the Group in respect of banking facilities to Sinopec Group Company and fellow subsidiaries, associates and joint ventures, except for the guarantees disclosed in Note 38. Guarantees given to banks by the Group in respect of banking facilities to associates and joint ventures are disclosed in Note 38.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms or in accordance with the agreements governing such transactions, and this has been confirmed by the independent non-executive directors.

Notes:

(i) Sales of goods represent the sale of crude oil, intermediate petrochemical products, petroleum products and ancillary materials.

(ii) Purchases represent the purchase of materials and utility supplies directly related to the Group's operations such as the procurement of raw and ancillary materials and related services, supply of water, electricity and gas.

(iii) Transportation and storage represent the cost for the use of railway, road and marine transportation services, pipelines, loading, unloading and storage facilities.

(iv) Exploration and development services comprise direct costs incurred in the exploration and development such as geophysical, drilling, well testing and well measurement services.

(v) Production related services represent ancillary services rendered in relation to the Group's operations such as equipment repair and general maintenance, insurance premium, technical research, communications, firefighting, security, product quality testing and analysis, information technology, design and engineering, construction of oilfield ground facilities, refineries and chemical plants, manufacture of replacement parts and machinery, installation, project management, environmental protection and management services.

(vi) Agency commission income represents commission earned for acting as an agent in respect of sales of products and purchase of materials for certain entities owned by Sinopec Group Company.

(vii) Interest income represents interest received from deposits placed with Sinopec Finance and Sinopec Century Bright Capital Investment Limited, finance companies controlled by Sinopec Group Company. The applicable interest rate is determined in accordance with the prevailing saving deposit rate. The balance of deposits at 31 December 2023 was RMB65,967 million (2022: RMB65,064 million).

(viii) Interest expense represents interest charges on the loans obtained from Sinopec Group Company and fellow subsidiaries.

(ix) The Group obtained loans, discounted bills and issued the acceptance bills from Sinopec Group Company and fellow subsidiaries.

39 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures *(Continued)*

In connection with the Reorganisation, the Company and Sinopec Group Company entered into a number of agreements under which 1) Sinopec Group Company will provide goods and products and a range of ancillary, social and supporting services to the Group and 2) the Group will sell certain goods to Sinopec Group Company. These agreements impacted the operating results of the Group for the year ended 31 December 2023. The terms of these agreements are summarised as follows:

- The Company has entered into a non-exclusive "Agreement for Mutual Provision of Products and Ancillary Services" ("Mutual Provision Agreement") with Sinopec Group Company effective from 1 January 2000 in which Sinopec Group Company has agreed to provide the Group with certain ancillary production services, construction services, information advisory services, supply services and other services and products. While each of Sinopec Group Company and the Company is permitted to terminate the Mutual Provision Agreement upon at least six months notice, Sinopec Group Company has agreed not to terminate the agreement if the Group is unable to obtain comparable services from a third party. The pricing policy for these services and products provided by Sinopec Group Company to the Group is as follows:

  (1) the government-prescribed price;

  (2) where there is no government-prescribed price, the government-guidance price;

  (3) where there is neither a government-prescribed price nor a government-guidance price, the market price; or

  (4) where none of the above is applicable, the price to be agreed between the parties, which shall be based on a reasonable cost incurred in providing such services plus a profit margin not exceeding 6%.

- The Company has entered into a series of lease agreements with Sinopec Group Company to lease certain lands and buildings effective on 1 January 2000. The lease term is 40 or 50 years for lands and 20 years for buildings, respectively. The Company and Sinopec Group Company can renegotiate the rental amount every three years for land. The Company and Sinopec Group Company can renegotiate the rental amount for buildings every year. However such amount cannot exceed the market price as determined by an independent third party.

- The Company has entered into agreements with Sinopec Group Company effective from 1 January 2000 under which the Group has been granted the right to use certain trademarks, patents, technology and computer software developed by Sinopec Group Company.

- The Company has entered into a service stations franchise agreement with Sinopec Group Company effective from 1 January 2000 under which its service stations and retail stores would exclusively sell the refined products supplied by the Group.

- On the basis of a series of continuing connected transaction agreements signed in 2000, the Company and Sinopec Group Company have signed the Sixth Supplementary Agreement on 27 August 2021, which took effect on 1 January 2022 and made adjustment to "Mutual Supply Agreement" and "Buildings Leasing Contract", etc.

Amounts due from/to Sinopec Group Company and fellow subsidiaries, associates and joint ventures included in the following accounts captions are summarised as follows:

	31 December 2023 RMB million	31 December 2022 RMB million
Trade accounts receivable	12,056	11,480
Financial assets at fair value through other comprehensive income	101	596
Prepaid expenses and other current assets	14,953	10,375
Long-term prepayments and other assets	9,025	8,633
Total	**36,135**	**31,084**
Trade accounts payable and bills payable	19,971	38,337
Contract liabilities	4,402	4,736
Other payables	26,052	38,312
Other long-term liabilities	5,133	5,180
Short-term loans and current portion of long-term loans from Sinopec Group Company and fellow subsidiaries	12,437	7,292
Long-term loans excluding current portion from Sinopec Group Company and fellow subsidiaries	24,811	22,255
Lease liabilities (including to be paid within one year)	154,051	156,537
Total	**246,857**	**272,649**

Amounts due from/to Sinopec Group Company and fellow subsidiaries, associates and joint ventures, other than short-term loans and long-term loans, bear no interest, are unsecured and are repayable in accordance with normal commercial terms. The terms and conditions associated with short-term loans and long-term loans payable to Sinopec Group Company and fellow subsidiaries are set out in Note 30.

As at and for the year ended 31 December 2023, and as at and for the year ended 31 December 2022, no individually significant loss allowance for expected credit losses were recognised in respect of amounts due from Sinopec Group Company and fellow subsidiaries, associates and joint ventures.

39 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management personnel emoluments

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 management personnel compensation is as follows:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	6,757	9,299
Retirement scheme contributions	512	566
	7,269	**9,865**

(c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its staff. The details of the Group's employee benefits plan are disclosed in Note 40. As at 31 December 2023 and 2022, the accrual for the contribution to post-employment benefit plans was not material.

(d) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled energy and chemical enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred as "state-controlled entities").

Apart from transactions with Sinopec Group Company and fellow subsidiaries, the Group has transactions with other state-controlled entities, include but not limited to the followings:

- sales and purchases of goods and ancillary materials;
- rendering and receiving services;
- lease of assets;
- depositing and borrowing money; and
- uses 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.

40 EMPLOYEE BENEFITS PLAN

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its staff. The Group is required to make contributions to the retirement plans at rates ranging from 13.0% to 16.0% of the salaries, bonuses and certain allowances of its staff. 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. The Group's contributions for the year ended 31 December 2023 were RMB13,932 million (2022: RMB13,190 million).

41 SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. The format is based on the Group's management and internal reporting structure.

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 has identified the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Exploration and production, which explores and develops oil fields, produces crude oil and natural gas and sells such products to the refining segment of the Group and external customers.

(ii) Refining, which processes and purifies crude oil, that is sourced from the exploration and production segment of the Group and external suppliers, and manufactures and sells petroleum products to the chemicals and marketing and distribution segments of the Group and external customers.

(iii) Marketing and distribution, which owns and operates oil depots and service stations in the PRC, and distributes and sells refined petroleum products (mainly gasoline and diesel) in the PRC through wholesale and retail sales networks.

(iv) Chemicals, which manufactures and sells petrochemical products, derivative petrochemical products and other chemical products mainly to external customers.

(v) Corporate and others, which largely comprises the trading activities of the import and export companies of the Group and research and development undertaken by other subsidiaries.

The segments were determined primarily because the Group manages its exploration and production, refining, marketing and distribution, chemicals, and corporate and others businesses separately. The reportable segments are each managed separately because they manufacture and/or distribute distinct products with different production processes and due to their distinct operating and gross margin characteristics.

41 SEGMENT REPORTING *(Continued)*

(1) Information of reportable segmental revenues, profits or losses, assets and liabilities

The Group's chief operating decision maker evaluates the performance and allocates resources to its operating segments on an operating profit basis, without considering the effects of finance costs or investment income. Inter-segment transfer pricing is based on the market price or cost plus an appropriate margin, as specified by the Group's policy.

Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Segment assets include all tangible and intangible assets, except for interest in associates and joint ventures, investments, deferred tax assets, cash and cash equivalents, time deposits with financial institutions and other unallocated assets. Segment liabilities exclude short-term debts, income tax payable, long-term debts, loans from Sinopec Group Company and fellow subsidiaries, deferred tax liabilities and other unallocated liabilities.

Information of the Group's reportable segments is as follows:

	2023 RMB million	2022 RMB million
Revenue from primary business		
Exploration and production		
External sales	177,980	192,330
Inter-segment sales	116,703	121,912
	294,683	**314,242**
Refining		
External sales	170,691	194,839
Inter-segment sales	1,355,310	1,376,425
	1,526,001	**1,571,264**
Marketing and distribution		
External sales	1,756,575	1,660,924
Inter-segment sales	17,943	13,421
	1,774,518	**1,674,345**
Chemicals		
External sales	411,379	449,911
Inter-segment sales	94,426	80,328
	505,805	**530,239**
Corporate and others		
External sales	630,248	759,352
Inter-segment sales	905,264	1,028,800
	1,535,512	1,788,152
Elimination of Inter-segment sales	(2,489,646)	(2,620,886)
Revenue from primary business	**3,146,873**	**3,257,356**
Other operating revenues		
Exploration and production	5,336	5,169
Refining	3,785	3,875
Marketing and distribution	43,911	39,529
Chemicals	9,502	9,913
Corporate and others	2,808	2,326
Other operating revenues	**65,342**	**60,812**
Revenue	**3,212,215**	**3,318,168**

41 SEGMENT REPORTING *(Continued)*

(1) Information of reportable segmental revenues, profits or losses, assets and liabilities *(Continued)*

	2023 RMB million	2022 RMB million
Result		
Operating profit/(loss)		
By segment		
– Exploration and production	44,963	53,716
– Refining	20,608	12,211
– Marketing and distribution	25,939	24,537
– Chemicals	(6,036)	(14,127)
– Corporate and others	604	1,318
– Elimination	750	(1,820)
Total segment operating profit	**86,828**	**75,835**
Share of profit/(loss) from associates and joint ventures		
– Exploration and production	3,061	2,883
– Refining	(750)	(645)
– Marketing and distribution	3,383	3,142
– Chemicals	(4,704)	3,365
– Corporate and others	5,209	5,734
Aggregate share of profits from associates and joint ventures	**6,199**	**14,479**
Investment income		
– Exploration and production	–	–
– Refining	30	35
– Marketing and distribution	–	31
– Chemicals	(33)	14,258
– Corporate and others	832	(264)
Aggregate investment income	**829**	**14,060**
Net finance costs	**(9,922)**	**(9,974)**
Profit before taxation	**83,934**	**94,400**

	31 December 2023 RMB million	31 December 2022 RMB million
Assets		
Segment assets		
– Exploration and production	445,556	412,543
– Refining	331,116	327,706
– Marketing and distribution	387,643	388,961
– Chemicals	255,577	242,794
– Corporate and others	153,740	148,014
Total segment assets	**1,573,632**	**1,520,018**
Interest in associates and joint ventures	232,630	233,941
Financial assets at fair value through other comprehensive income	450	730
Deferred tax assets	20,110	22,433
Cash and cash equivalents, time deposits with financial institutions and other bank balances	163,537	145,052
Other unallocated assets	34,337	28,947
Total assets	**2,024,696**	**1,951,121**
Liabilities		
Segment liabilities		
– Exploration and production	187,385	179,151
– Refining	55,095	86,428
– Marketing and distribution	246,586	237,534
– Chemicals	90,489	84,472
– Corporate and others	206,674	221,885
Total segment liabilities	**786,229**	**809,470**
Short-term debts	58,534	59,037
Income tax payable	1,454	4,725
Long-term debts	163,049	85,706
Loans from Sinopec Group Company and fellow subsidiaries	37,248	29,547
Deferred tax liabilities	7,817	7,256
Other unallocated liabilities	14,556	15,838
Total liabilities	**1,068,887**	**1,011,579**

41 SEGMENT REPORTING *(Continued)*

(1) Information of reportable segmental revenues, profits or losses, assets and liabilities *(Continued)*

	2023 RMB million	2022 RMB million
Capital expenditure		
Exploration and production	78,596	83,300
Refining	22,899	22,863
Marketing and distribution	15,735	19,140
Chemicals	55,038	58,612
Corporate and others	4,485	5,181
	176,753	**189,096**
Depreciation, depletion and amortisation		
Exploration and production	46,755	45,321
Refining	20,386	20,588
Marketing and distribution	23,995	23,461
Chemicals	18,958	17,716
Corporate and others	3,656	2,820
	113,750	**109,906**
Impairment losses on long-lived assets		
Exploration and production	887	2,891
Refining	191	2
Marketing and distribution	278	415
Chemicals	1,280	1,790
Corporate and others	–	571
	2,636	**5,669**

(2) Geographical information

The following tables set out information about the geographical information of the Group's external sales and the Group's non-current assets, excluding financial instruments and deferred tax assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

	2023 RMB million	2022 RMB million
External sales		
Mainland China	2,857,361	2,824,140
Singapore	157,113	263,087
Others	197,741	230,941
	3,212,215	**3,318,168**

	31 December 2023 RMB million	31 December 2022 RMB million
Non-current assets		
Mainland China	1,426,377	1,353,771
Others	38,068	44,739
	1,464,445	**1,398,510**

42 PRINCIPAL SUBSIDIARIES

As at 31 December 2023, the following list contains the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group.

Name of company	Particulars of issued capital (million)	Interests held by the Company %	Interests held by non-controlling interests %	Principal activities
Sinopec Great Wall Energy & Chemical Company Limited	RMB22,761	100.00	–	Coal chemical industry investment management, production and sale of coal chemical products
Sinopec Yangzi Petrochemical Company Limited	RMB15,651	100.00	–	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Overseas Investment Holding Limited ("SOIH")	USD3,598	100.00	–	Investment holding of overseas business Sinopec International Petroleum Exploration
Sinopec International Petroleum Exploration and Production Limited ("SIPL")	RMB8,250	100.00	–	Investment in exploration, production and sale of petroleum and natural gas
Sinopec Yizheng Chemical Fibre Limited Liability Company	RMB4,000	100.00	–	Production and sale of polyester chips and polyester fibres
Sinopec Lubricant Company Limited	RMB3,374	100.00	–	Production and sale of refined petroleum products, lubricant base oil, and petrochemical materials
China International United Petroleum and Chemical Company Limited	RMB5,000	100.00	–	Trading of crude oil and petrochemical products
Sinopec Qingdao Petrochemical Company Limited	RMB1,595	100.00	–	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Catalyst Company Limited	RMB1,500	100.00	–	Production and sale of catalyst products
China Petrochemical International Company Limited	RMB1,400	100.00	–	Trading of petrochemical products
Sinopec Chemical Sales Company Limited	RMB1,000	100.00	–	Marketing and distribution of petrochemical products
Sinopec Hainan Refining and Chemical Company Limited	RMB9,606	100.00	–	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Beihai Refining and Chemical Limited Liability Company	RMB5,294	98.98	1.02	Import and processing of crude oil, production, storage and sale of petroleum products and petrochemical products
ZhongKe (Guangdong) Refinery & Petrochemical Company Limited	RMB6,397	90.30	9.70	Crude oil processing and petroleum products manufacturing
Sinopec Qingdao Refining and Chemical Company Limited	RMB5,000	85.00	15.00	Manufacturing of intermediate petrochemical products and petroleum products
Zhongguo Petroleum & Chemical Sales Company Limited	RMB28,403	70.42	29.58	Marketing and distribution of refined petroleum products
Sinopec Kantons Holdings Limited ("Sinopec Kantons")	HKD248	60.33	39.67	Provision of crude oil pipeline transportation services
Sinopec-SK (Wuhan) Petrochemical Company Limited ("Sinopec-SK")	RMB7,193	59.00	41.00	Production, sale, research and development of petrochemical products, ethylene and downstream byproducts
Sinopec Shanghai Gaoqiao Petrochemical Company Limited ("Gaoqiao Petrochemical")	RMB10,000	55.00	45.00	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Hunan Petrochemical Co., Ltd. ("Hunan Petrochemical")	RMB3,000	55.00	45.00	Crude oil processing and petroleum products manufacturing
Sinopec Shanghai Petrochemical Company Limited ("Shanghai Petrochemical")	RMB10,799	50.55	49.45	Manufacturing of synthetic fibres, resin and plastics, intermediate petrochemical products and petroleum products
Fujian Petrochemical Company Limited ("Fujian Petrochemical") (i)	RMB10,492	50.00	50.00	Manufacturing of plastics, intermediate petrochemical products and petroleum products

Except for Sinopec Kantons and SOIH, which are incorporated in Bermuda and Hong Kong SAR respectively, all of the above principal subsidiaries are incorporated and operate their businesses principally in the PRC. All of the above principal subsidiaries are limited companies.

Notes:

(i) The Group consolidated the financial statements of the entity because it 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.

42 PRINCIPAL SUBSIDIARIES *(Continued)*

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information which the amount before inter-company eliminations for each subsidiary that has non-controlling interests that are material to the Group.

Summarised consolidated statement of financial position

	Marketing Company		SIPL*		Shanghai Petrochemical		Fujian Petrochemical		Sinopec Kantons		Gaoqiao Petrochemical	
	At 31 December 2023 RMB million	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million	**At 31 December 2023 RMB million**	At 31 December 2022 RMB million
Current assets	202,333	190,697	19,529	25,677	15,455	15,766	3,729	1,901	6,118	5,436	18,521	23,991
Current liabilities	(217,315)	(212,593)	(936)	(9,468)	(14,573)	(13,998)	(1,841)	(169)	(207)	(209)	(7,107)	(10,162)
Net current (liabilities)/assets	(14,982)	(21,896)	18,593	16,209	882	1,768	1,888	1,732	5,911	5,227	11,414	13,829
Non-current assets	324,288	326,170	8,983	12,869	24,110	25,370	8,862	10,215	8,001	7,902	14,904	15,681
Non-current liabilities	(56,057)	(56,147)	(11,583)	(11,892)	(63)	(783)	(702)	(707)	(255)	(232)	(4,050)	(5,385)
Net non-current assets/(liabilities)	268,231	270,023	(2,600)	977	24,047	24,587	8,160	9,508	7,746	7,670	10,854	10,296
Net assets	253,249	248,127	15,993	17,186	24,929	26,355	10,048	11,240	13,657	12,897	22,268	24,125
Attributable to owners of the Company	170,919	167,747	9,789	10,121	12,542	13,229	5,024	5,620	8,220	7,764	12,248	13,269
Attributable to non-controlling interests	82,330	80,380	6,204	7,065	12,387	13,126	5,024	5,620	5,437	5,133	10,020	10,856

Summarised consolidated statement of comprehensive income

Year ended 31 December	Marketing Company		SIPL*		Shanghai Petrochemical		Fujian Petrochemical		Sinopec Kantons		Gaoqiao Petrochemical	
	2023 RMB million	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB Million**	2022 RMB million	**2023 RMB million**	2022 RMB million
Revenue	1,814,710	1,710,428	2,952	3,308	92,932	82,443	4,556	4,931	549	529	60,156	69,298
Profit/(loss) for the year	22,418	20,129	3,208	2,576	(1,349)	(2,842)	(1,196)	(1,925)	1,169	346	106	3,176
Total comprehensive income	23,260	22,644	(1,193)	6,438	(1,304)	(2,665)	(1,196)	(1,925)	1,252	734	105	3,181
Comprehensive income attributable to non-controlling interests	8,259	8,224	(861)	2,659	(646)	(1,318)	(598)	(962)	499	291	47	1,436
Dividends paid to non-controlling interests	6,749	3,453	–	–	7	548	–	333	195	169	895	984

Summarised statement of cash flows

Year ended 31 December	Marketing Company		SIPL*		Shanghai Petrochemical		Fujian Petrochemical		Sinopec Kantons		Gaoqiao Petrochemical	
	2023 RMB million	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB million**	2022 RMB million	**2023 RMB Million**	2022 RMB million	**2023 RMB Million**	2022 RMB million
Net cash generated from/(used in) operating activities	50,598	43,408	1,947	1,458	664	(7,459)	1,660	2	557	133	(1,507)	(1,247)
Net cash (used in)/generated from investing activities	(22,148)	(23,490)	509	11,824	1,973	4,390	(1,644)	653	(633)	(1,153)	4,735	4,235
Net cash (used in)/generated from financing activities	(27,172)	(15,984)	(8,394)	(1,369)	1,378	(1,169)	(28)	(682)	(501)	(434)	(3,229)	(2,986)
Net increase/(decrease) in cash and cash equivalents	1,278	3,934	(5,938)	11,913	4,015	(4,238)	(12)	(27)	(577)	(1,454)	(1)	2
Cash and cash equivalents at 1 January	13,204	8,999	20,040	7,068	889	5,112	27	54	2,224	3,432	3	1
Effect of foreign currency exchange rate changes	87	271	160	1,059	2	15	–	–	18	246	–	–
Cash and cash equivalents at 31 December	14,569	13,204	14,262	20,040	4,906	889	15	27	1,665	2,224	2	3

* The non-controlling interests of subsidiaries which the Group holds 100% of equity interests at the end of the year are the non-controlling interests of their subsidiaries.

43 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Overview

Financial assets of the Group include cash and cash equivalents, time deposits with financial institutions, financial assets at fair value through profit or loss, derivative financial assets, trade accounts receivable, amounts due from Sinopec Group Company and fellow subsidiaries, amounts due from associates and joint ventures, financial assets at FVOCI and other receivables. Financial liabilities of the Group include short-term debts, loans from Sinopec Group Company and fellow subsidiaries, derivative financial liabilities, trade accounts payable and bills payable, amounts due to Sinopec Group Company and fellow subsidiaries, amounts due to associates and joint ventures, other payables, long-term debts and lease liabilities.

The Group has exposure to the following risks from its uses of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Board of Directors has overall responsibility for the establishment, oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, and set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management controls and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group's audit committee.

Credit risk

(i) Risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's deposits placed with financial institutions (including structured deposits) and receivables from customers. To limit exposure to credit risk relating to deposits, the Group primarily places cash deposits only with large financial institutions in the PRC with acceptable credit ratings. The majority of the Group's trade accounts receivable relate to sales of petroleum and chemical products to related parties and third parties operating in the petroleum and chemical industries. No single customer accounted for greater than 10% of total trade accounts receivable at 31 December 2023, except the amounts due from Sinopec Group Company and fellow subsidiaries. Management performs ongoing credit evaluations of the Group's customers' financial condition and generally does not require collateral on trade accounts receivable. The Group maintains a loss allowance for expected credit losses and actual losses have been within management's expectations.

The carrying amounts of cash and cash equivalents, time deposits with financial institutions, financial assets at fair value through profit or loss, derivative financial assets, trade accounts receivable, financial assets at FVOCI and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

(ii) Impairment of financial assets

The Group's primary type of financial assets that are subject to the expected credit loss model is trade accounts receivable, financial assets at FVOCI and other receivables.

The Group's cash deposits are placed only with large financial institutions with acceptable credit ratings, and there is no material impairment loss identified.

For trade accounts receivable and financial assets at FVOCI, the Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade accounts receivable and financial assets at FVOCI.

To measure the ECLs, trade accounts receivable and financial assets at FVOCI have been grouped based on shared credit risk characteristics and the days past due.

The ECLs were calculated based on historical actual credit loss experience. The rates were considered the differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The Group performed the calculation of ECL rates by the operating segment.

43 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

The following table provides information about the exposure to credit risk and ECLs for accounts receivable as at 31 December 2023 and 2022.

		Impairment provision on individual basis		Impairment provision on provision matrix basis		
31 December 2023	**Gross carrying amount RMB million**	**Carrying amount RMB million**	**Impairment provision on individual basis RMB million**	**Weighted-average loss rate**	**Impairment provision RMB million**	**Loss allowance RMB million**
Current and within 1 year past due	48,261	8,958	4	0.2%	70	74
1 to 2 years past due	326	139	1	24.6%	46	47
2 to 3 years past due	116	34	25	45.1%	37	62
Over 3 years past due	3,965	3,599	3,467	100.0%	366	3,833
Total	**52,668**	**12,730**	**3,497**		**519**	**4,016**

		Impairment provision on individual basis		Impairment provision on provision matrix basis		
31 December 2022	Gross carrying amount RMB million	Carrying amount RMB million	Impairment provision on individual basis RMB million	Weighted-average loss rate	Impairment provision RMB million	Loss allowance RMB million
Current and within 1 year past due	46,097	7,014	2	0.1%	56	58
1 to 2 years past due	216	29	25	20.9%	39	64
2 to 3 years past due	269	193	148	43.4%	33	181
Over 3 years past due	3,861	3,487	3,405	99.2%	371	3,776
Total	**50,443**	**10,723**	**3,580**		**499**	**4,079**

All of the entity's other receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The Group considers there was no significant increase in credit risk for other receivables by taking into account of their past history of making payments when due and current ability to pay, and thus the impairment provision recognised during the period was limited to 12 months expected losses.

43 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Management prepares monthly cash flow budget to ensure that the Group will always have sufficient liquidity to meet its financial obligations as they fall due. The Group arranges and negotiates financing with financial institutions and maintains a certain level of standby credit facilities to reduce the Group's liquidity risk.

As at 31 December 2023, the Group has standby credit facilities with several PRC financial institutions which provide borrowings up to RMB416,358 million (2022: RMB454,857 million) on an unsecured basis, at a weighted average interest rate of 2.23% per annum (2022: 2.38%). As at 31 December 2023, the Group's outstanding borrowings under these facilities were RMB59,815 million (2022: RMB21,313 million) and were included in debts.

The following table sets out the remaining contractual maturities at the date of the statement of financial position of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates current at the date of the statement of financial position) and the earliest date the Group would be required to repay:

	31 December 2023					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million
Short-term debts	58,534	58,964	58,964	–	–	–
Long-term debts	163,049	177,294	3,958	59,114	89,223	24,999
Loans from Sinopec Group Company and fellow subsidiaries	37,248	40,605	13,305	9,060	8,862	9,378
Lease liabilities	181,400	291,252	18,358	12,512	35,821	224,561
Derivative financial liabilities	2,752	2,752	2,752	–	–	–
Trade accounts payable and bills payable	259,000	259,000	259,000	–	–	–
Other payables	94,796	94,796	94,796	–	–	–
	796,779	**924,663**	**451,133**	**80,686**	**133,906**	**258,938**

	31 December 2022					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million
Short-term debts	59,037	59,774	59,774	–	–	–
Long-term debts	85,706	94,823	2,207	13,620	68,180	10,816
Loans from Sinopec Group Company and fellow subsidiaries	29,547	32,222	7,813	4,288	13,962	6,159
Lease liabilities	182,411	299,176	16,699	12,905	36,984	232,588
Derivative financial liabilities	7,313	7,313	7,313	–	–	–
Trade accounts payable and bills payable	269,424	269,424	269,424	–	–	–
Other payables	121,716	121,716	121,716	–	–	–
	755,154	**884,448**	**484,946**	**30,813**	**119,126**	**249,563**

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's short-term and long-term capital requirements.

43 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(a) Currency risk

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Group does not have significant financial instruments that are denominated in foreign currencies other than the functional currencies of respective entities as at 31 December, and consequently does not have significant exposure to foreign currency risk.

(b) Interest rate risk

The Group's interest rate risk exposure arises primarily from its short-term and long-term debts and loans from Sinopec Group Company and fellow subsidiaries. Debts bearing interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and terms of repayment of short-term and long-term debts, and loans from Sinopec Group Company and fellow subsidiaries of the Group are disclosed in Note 30.

As at 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year by approximately RMB1,353 million (2022: decrease/increase by approximately RMB524 million). This sensitivity analysis has been determined assuming that the change of interest rates was applied to the Group's debts outstanding at the date of the statement of financial position with exposure to cash flow interest rate risk. The analysis is performed on the same basis for 2022.

(c) Commodity price risk and hedge accounting

The Group engages in oil and gas operations and is exposed to commodity price risk related to price volatility of crude oil, refined oil products and chemical products. The fluctuations in prices of crude oil, refined oil products and chemical products could have significant impact on the Group. The Group uses derivative financial instruments, including commodity futures and swaps contracts, to manage a portion of this risk.

Based on the dynamic study and judging of the market, combined with the resource demand and production and operation plan, the Group evaluate and monitor the market risk exposure caused by transaction positions, and continuously manage and hedge the risk of commodity price fluctuation caused by market changes.

As at 31 December 2023, the Group had certain commodity contracts of crude oil, refined oil products and chemical products designated as qualified cash flow hedges and economic hedges. As at 31 December 2023, it is estimated that a general increase/decrease of USD10 per barrel in basic price of derivative financial instruments, with all other variables held constant, would impact the fair value of derivative financial instruments, which would decrease/increase the Group's profit for the year by approximately RMB1,139 million (2022: decrease/increase RMB5,104 million), and decrease/increase the Group's other reserves by approximately RMB4,537 million (2022: increase/decrease RMB192 million). This sensitivity analysis has been determined assuming that the change in prices had occurred at the date of the statement of financial position and the change was applied to the Group's derivative financial instruments at that date with exposure to commodity price risk. The analysis is performed on the same basis for 2022.

For the hedge relationship with cash flow hedge accounting applied, the corresponding changes in cash flow hedge reserves are as follows:

	2023 RMB million	2022 RMB million
Beginning of the year	3,079	7,244
Effective portion of changes in fair value of hedging instruments recognised during the year	7,420	6,667
Reclassification adjustments for amounts transferred to the consolidated income statement	(1,245)	8,127
Amounts transferred to initial carrying amount of hedged items	(3,078)	(20,560)
Related tax	(418)	1,601
End of the year	**5,758**	**3,079**

The ineffective portion of cash flow hedge relationship is disclosed in Note 8.

43 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the date of the statement of financial position across the three levels of the fair value hierarchy defined in IFRS 7, 'Financial Instruments: Disclosures', with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

At 31 December 2023

	Level 1 RMB million	**Level 2 RMB million**	**Level 3 RMB million**	**Total RMB million**
Assets				
Financial assets at fair value through profit or loss:				
– Fund Investments	3	–	–	3
Derivative financial assets:				
– Derivative financial assets	5,942	3,779	–	9,721
Financial assets at fair value through other comprehensive income:				
– Equity instruments	120	–	330	450
– Trade accounts receivable and bills receivable	–	–	2,221	2,221
	6,065	**3,779**	**2,551**	**12,395**
Liabilities				
Derivative financial liabilities:				
– Derivative financial liabilities	367	2,385	–	2,752
	367	**2,385**	**–**	**2,752**

At 31 December 2022

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Assets				
Financial assets at fair value through profit or loss:				
– Fund Investments	2	–	–	2
Derivative financial assets:				
– Derivative financial assets	7,857	11,478	–	19,335
Financial assets at fair value through other comprehensive income:				
– Equity instruments	114	–	616	730
– Trade accounts receivable and bills receivable	–	–	3,507	3,507
	7,973	**11,478**	**4,123**	**23,574**
Liabilities				
Derivative financial liabilities:				
– Derivative financial liabilities	1,293	6,020	–	7,313
	1,293	**6,020**	**–**	**7,313**

During the years ended 31 December 2023 and 2022, there was no transfer between instruments in Level 1 and Level 2.

Management of the Group uses discounted cash flow model with inputted interest rate, which were influenced by historical fluctuation and the probability of market fluctuation, to evaluate the fair value of trade accounts receivable and bills receivable classified as Level 3 financial assets.

43 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

Fair values *(Continued)*

(ii) Fair values of financial instruments carried at other than fair value

The disclosures of the fair value estimates, and their methods and assumptions of the Group's financial instruments, are made to comply with the requirements of IFRS 7 and IFRS 9 and should be read in conjunction with the Group's consolidated financial statements and related notes. The estimated fair value amounts have been determined by the Group using market information and valuation methodologies considered appropriate. However, considerable judgement is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair values of the Group's financial instruments carried at other than fair value (other than long-term indebtedness and investments in unquoted equity securities) approximate their carrying amounts due to the short-term maturity of these instruments. The fair values of long-term indebtedness are estimated by discounting future cash flows using current market interest rates offered to the Group for debt with substantially the same characteristic and maturities range from 2.69% to 5.47% (2022: 2.66% to 4.35%). The following table presents the carrying amount and fair value of the Group's long-term indebtedness other than loans from Sinopec Group Company and fellow subsidiaries at 31 December 2023 and 2022:

	31 December 2023 RMB million	31 December 2022 RMB million
Carrying amount	170,409	130,282
Fair value	167,014	125,866

The Group has not developed an internal valuation model necessary to estimate the fair values of loans from Sinopec Group Company and fellow subsidiaries as it is not considered practicable to estimate their fair values because the cost of obtaining discount and borrowing rates for comparable borrowings would be excessive based on the Group's existing capital structure and the terms of the borrowings.

Except for the above items, the financial assets and liabilities of the Group are carried at amounts not materially different from their fair values at 31 December 2023 and 2022.

44 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. Management bases the assumptions and estimates on historical experience and on various other assumptions that it believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an ongoing basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of such policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The material accounting policies are set forth in Note 2. Management believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

Oil and gas properties and reserves

The accounting for the exploration and production's oil and gas activities is subject to accounting rules that are unique to the oil and gas industry. There are two methods to account for oil and gas business activities, the successful efforts method and the full cost method. The Group has elected to use the successful efforts method. The successful efforts method reflects the volatility that is inherent in exploring for mineral resources in that costs of unsuccessful exploratory efforts are charged to expense as they are incurred. These costs primarily include dry hole costs, seismic costs and other exploratory costs. Under the full cost method, these costs are capitalised and written-off or depreciated over time.

Engineering estimates of the Group's oil and gas reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved". Proved and proved developed reserves estimates are updated at least annually and take into account recent production and technical information about each field. In addition, as prices and cost levels change from year to year, the estimates of proved and proved developed reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in relation to depreciation rates. Oil and gas reserves have a direct impact on the assessment of the recoverability of the carrying amounts of oil and gas properties reported in the financial statements. If proved reserves estimates are revised downwards, earnings could be affected by changes in depreciation expense or an immediate write-down of the property's carrying amount.

Future dismantlement costs for oil and gas properties are estimated with reference to engineering estimates after taking into consideration the anticipated method of dismantlement required in accordance with industry practices in similar geographic area, including estimation of economic life of oil and gas properties, technology and price level. The present values of these estimated future dismantlement costs are capitalised as oil and gas properties with equivalent amounts recognised as provisions for dismantlement costs.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expense, impairment loss and future dismantlement costs. Capitalised costs of proved oil and gas properties are amortised on a unit-of-production method based on volumes produced and reserves.

44 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Impairment for long-lived assets

If circumstances indicate that the net book value of a long-lived asset, may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets". The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances, including environmental protection and energy structure transition variables, indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. For goodwill, the recoverable amount is estimated annually. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets or cash-generating units are not readily available. Accordingly, the Group determines the recoverable amount based on the present value in use.

The projected future cash flows of an asset are based on data from the most recent financial budget approved by management, as well as on a stabilized growth rate for the years following the period of that budget. In appropriate and reasonable circumstances, the growth rate can be zero or negative. Projected cash flows based on budgets usually cover five years, or longer periods if that is reasonable. When projecting cash flows for years beyond the budgeted period, the growth rate used does not exceed the long-term average growth rate of the business or markets in which products are located, or the long-term average growth rate of the market in which the asset is located, except where a higher growth rate can be justified. In determining the discount rate, the weighted average cost of capital is usually used as the basis.

In determining the value in use, expected cash flows generated by the asset or the cash-generating units are discounted to their present value, which requires significant judgement relating to future selling prices of crude oil, natural gas, refined and chemical products, the production costs, the product mix, production volumes, production profiles, the oil and gas reserves and discount rate. Management 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 and projections of sale volume, selling price, amount of operating costs and discount rate.

Depreciation

Property, plant and equipment, other than oil and gas properties, 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 of the assets at least 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 and take into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Measurement of expected credit losses

The Group measures and recognises ECLs using readiness matrix, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions. The Group regularly monitors and reviews the assumptions used for estimating ECLs.

Allowance for diminution in value of inventories

If the costs of inventories become higher than their net realisable values, an allowance for diminution in value of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Management bases the estimates on all available information, including the current market prices of the finished goods, and historical operating costs. 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.

45 PARENT AND ULTIMATE HOLDING COMPANY

The directors consider the parent and ultimate holding company of the Group as at 31 December 2023 is Sinopec Group Company, a state-owned enterprise established in the PRC. This entity does not produce financial statements available for public use.

46 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Amounts in million)	Note	31 December 2023 RMB	31 December 2022 RMB
Non-current assets			
Property, plant and equipment, net		305,439	296,480
Construction in progress		70,306	81,501
Right-of-use assets		90,705	97,656
Investment in subsidiaries		312,553	290,191
Interest in associates		77,415	75,449
Interest in joint ventures		23,604	17,239
Financial assets at fair value through other comprehensive income		14	201
Deferred tax assets		6,567	9,487
Long-term prepayments and other assets		53,907	47,586
Total non-current assets		**940,510**	**915,790**
Current assets			
Cash and cash equivalents		64,471	23,228
Time deposits with financial institutions		350	31,350
Financial assets at fair value through profit or loss		3	2
Derivative financial assets		482	3,892
Trade accounts receivable		27,878	33,841
Financial assets at fair value through other comprehensive income		367	703
Dividends receivable		1,644	1,977
Inventories		67,922	70,376
Prepaid expenses and other current assets		85,840	62,261
Total current assets		**248,957**	**227,630**
Current liabilities			
Short-term debts		40,545	35,954
Loans from Sinopec Group Company and fellow subsidiaries		6,090	673
Lease liabilities		6,420	6,682
Derivative financial liabilities		251	4,299
Trade accounts payable and bills payable		86,642	111,143
Contract liabilities		9,079	9,769
Other payables		284,311	269,684
Total current liabilities		**433,338**	**438,204**
Net current liabilities		**184,381**	**210,574**
Total assets less current liabilities		**756,129**	**705,216**
Non-current liabilities			
Long-term debts		107,484	54,859
Loans from Sinopec Group Company and fellow subsidiaries		5,936	11,433
Lease liabilities		86,399	91,878
Provisions		40,077	38,298
Other long-term liabilities		2,495	2,954
Total non-current liabilities		**242,391**	**199,422**
		513,738	**505,794**
Equity			
Share capital		119,349	119,896
Reserves	(a)	394,389	385,898
Total equity		**513,738**	**505,794**

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46 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) RESERVES MOVEMENT OF THE COMPANY

The reconciliation between the opening and closing balances of each component of the Group's consolidated reserves is set out in the consolidated statement of changes in equity. Details of the change in the Company's individual component of reserves between the beginning and the end of the year are as follows:

	The Company	
	2023	2022
	RMB million	RMB million
Capital reserve		
Balance at 1 January	7,038	8,303
Other equity movements under the equity method	(36)	(1,265)
Others	–	–
Balance at 31 December	**7,002**	**7,038**
Share premium		
Balance at 1 January	52,846	55,850
Purchase of own shares	(1,778)	(3,004)
Balance at 31 December	**51,068**	**52,846**
Statutory surplus reserve		
Balance at 1 January	101,009	96,346
Appropriation	5,125	4,663
Balance at 31 December	**106,134**	**101,009**
Discretionary surplus reserve		
Balance at 1 January	117,000	117,000
Balance at 31 December	**117,000**	**117,000**
Other reserves		
Balance at 1 January	4,354	9,464
Changes in the fair value of investments in other equity instruments, net of deferred tax	2	–
Share of other comprehensive income of associates and joint ventures, net of deferred tax	(63)	10
Cash flow hedges, net of deferred tax	(66)	(5,207)
Special reserve	(72)	87
Balance at 31 December	**4,155**	**4,354**
Retained earnings		
Balance at 1 January	103,651	118,645
Profit for the year	51,193	46,417
Distribution to owners (Note 14)	(40,760)	(56,903)
Appropriation	(5,125)	(4,663)
Special reserve	72	(87)
Others	(1)	242
Balance at 31 December	**109,030**	**103,651**
	394,389	**385,898**

47 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Pursuant to the resolutions of the 15th meeting of the 8th session of the Board of Directors held on 24 March 2023 and the 2022 Annual General Meeting of Shareholders held on 30 May 2023, and with the approval for registration by the China Securities Regulatory Commission in the Reply on Agreeing to the Registration of China Petroleum & Chemical Corporation to Issue Shares to Specific Targets (Zheng Jian Xu Ke [2024] No. 110 (證監許可[2024]110號)), the Company was approved to issue 2,390,438,247 new shares to specific investors. Based on the actual issuance, the Company issued 2,390,438,247 ordinary shares (par value of RMB1.00 per share at an issue price of RMB5.02 per share) to Sinopec Group Company, a specific investor, raising a total of RMB12 billion. The above-mentioned raised funds has been received on 12 March 2024, and KPMG Huazhen LLP has performed verification procedure on the above-mentioned raised funds and issued a Capital Verification Report No. 2400292.

Other than the differences in the classifications of certain financial statements captions and the accounting for the items described below, there are no material differences between the Group's consolidated financial statements prepared in accordance with the accounting policies complying with CASs and IFRS Accounting Standards. The reconciliation presented below is included as supplemental information, is not required as part of the basic financial statements and does not include differences related to classification, presentation or disclosures. Such information has not been subject to independent audit or review. The major differences are:

(i) GOVERNMENT GRANTS

Under CASs, grants from the government are credited to capital reserve if required by relevant governmental regulations. Under IFRS Accounting Standards, government grants relating to the purchase of fixed assets are recognised as deferred income and are transferred to the income statement over the useful life of these assets.

(ii) SAFETY PRODUCTION FUND

Under CASs, safety production fund should be recognised in profit or loss with a corresponding increase in reserve according to PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related fixed assets are purchased, is reduced by the purchased cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRS Accounting Standards, payments are expensed as incurred, or capitalised as fixed assets and depreciated according to applicable depreciation methods.

(iii) CAPITALISATION OF EXCHANGE DIFFERENCE OF SPECIFIC LOANS

Under CASs, exchange difference arising on translation of specific loans and related interest denominated in a foreign currency should be capitalised as part of the cost of qualifying assets. Under IFRS Accounting Standards, such exchange difference is recognised in income statement unless the exchange difference represents an adjustment to interest.

Effects of major differences between the shareholders' equity under CASs and the total equity under IFRS Accounting Standards are analysed as follows:

	Notes	**31 December 2023 RMB million**	31 December 2022 RMB million
Shareholders' equity under CASs		958,655	940,457
Adjustments:			
Government grants	(i)	(868)	(915)
Capitalisation of exchange difference of specific loans	(iii)	(1,978)	–
Total equity under IFRS Accounting Standards*		**955,809**	**939,542**

Effects of major differences between the net profit under CASs and the profit for the year under IFRS Accounting Standards are analysed as follows:

	Notes	**2023 RMB million**	2022 RMB million
Net profit under CASs		70,046	76,614
Adjustments:			
Government grants	(i)	47	52
Safety production fund	(ii)	(248)	179
Capitalisation of exchange difference of specific loans	(iii)	(1,978)	–
Others		(3)	(346)
Profit for the year under IFRS Accounting Standards*		**67,864**	**76,499**

* The figures are extracted from the consolidated financial statements prepared in accordance with the accounting policies complying with IFRS Accounting Standards during the year ended 31 December 2022 and 2023 which have been audited by KPMG.

This section provides supplemental information on oil and gas exploration and producing activities of the Group and its equity method investments at 31 December 2023 and 2022, and for the years then ended in the following four separate tables. Table I provides costs incurred in oil and gas exploration and development. Table II through IV provide information on the Group's and its equity method investments' estimated net proved reserve quantities, standardised measure of discounted future net cash flows, and changes in the standardised measure of discounted cash flows.

Table I: Costs incurred in oil and gas exploration and development

			2023 RMB million			2022 RMB million
	Total	China	Other countries	Total	China	Other countries
The Group						
Exploration	23,514	23,514	–	23,269	23,269	–
Development	56,940	56,782	158	52,984	52,984	–
Total costs incurred	**80,454**	**80,296**	**158**	**76,253**	**76,253**	**–**
Equity method investments						
Share of costs of exploration and development of associates and joint ventures	**705**	**–**	**705**	**1,796**	**–**	**1,796**
Total of the Group's and its equity method investments'	**81,159**	**80,296**	**863**	**78,049**	**76,253**	**1,796**

Table II: Reserve quantities information

The Group's and its equity method investments' estimated net proved underground oil and gas reserves and changes thereto for the years ended 31 December 2023 and 2022 are shown in the following table.

Proved oil and gas reserves are those quantities of oil and gas, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulation before contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether the estimate is a deterministic estimate or probabilistic estimate. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change as additional information becomes available.

Proved developed oil and gas reserves are proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared with the cost of a new well.

"Net" reserves exclude royalties and interests owned by others and reflect contractual arrangements and obligation of rental fee in effect at the time of the estimate.

Table II: Reserve quantities information *(Continued)*

			2023			2022
	Total	**China**	**Other countries**	Total	China	Other countries
The Group						
Proved developed and undeveloped reserves (oil) (million barrels)						
Beginning of the year	1,659	1,642	17	1,440	1,416	24
Revisions of previous estimates	88	80	8	275	277	(2)
Improved recovery	89	89	–	84	84	–
Extensions and discoveries	130	130	–	108	108	–
Production	(250)	(245)	(5)	(248)	(243)	(5)
End of the year	**1,716**	**1,696**	**20**	**1,659**	**1,642**	**17**
Proved developed reserves						
Beginning of the year	1,506	1,489	17	1,315	1,291	24
End of the year	**1,524**	**1,507**	**17**	**1,506**	**1,489**	**17**
Proved undeveloped reserves						
Beginning of the year	153	153	–	125	125	–
End of the year	**192**	**189**	**3**	**153**	**153**	**–**
Proved developed and undeveloped reserves (gas) (billion cubic feet)						
Beginning of the year	8,802	8,802	–	8,449	8,449	–
Revisions of previous estimates	880	880	–	806	806	–
Improved recovery	20	20	–	17	17	–
Extensions and discoveries	819	819	–	664	664	–
Production	(1,214)	(1,214)	–	(1,134)	(1,134)	–
End of the year	**9,307**	**9,307**	**–**	**8,802**	**8,802**	**–**
Proved developed reserves						
Beginning of the year	7,135	7,135	–	6,734	6,734	–
End of the year	**7,525**	**7,525**	**–**	**7,135**	**7,135**	**–**
Proved undeveloped reserves						
Beginning of the year	1,667	1,667	–	1,715	1,715	–
End of the year	**1,782**	**1,782**	**–**	**1,667**	**1,667**	**–**

Table II: Reserve quantities information *(Continued)*

	2023 Total	2023 China	2023 Other countries	2022 Total	2022 China	2022 Other countries
Equity method investments						
Proved developed and undeveloped reserves of associates and joint ventures (oil) (million barrels)						
Beginning of the year	303	–	303	309	–	309
Revisions of previous estimates	1	–	1	9	–	9
Improved recovery	2	–	2	6	–	6
Extensions and discoveries	5	–	5	4	–	4
Production	(24)	–	(24)	(25)	–	(25)
End of the year	**287**	**–**	**287**	**303**	**–**	**303**
Proved developed reserves						
Beginning of the year	260	–	260	263	–	263
End of the year	**253**	**–**	**253**	**260**	**–**	**260**
Proved undeveloped reserves						
Beginning of the year	43	–	43	46	–	46
End of the year	**34**	**–**	**34**	**43**	**–**	**43**
Proved developed and undeveloped reserves of associates and joint ventures (gas) (billion cubic feet)						
Beginning of the year	4	–	4	7	–	7
Revisions of previous estimates	3	–	3	–	–	–
Improved recovery	–	–	–	–	–	–
Extensions and discoveries	–	–	–	–	–	–
Production	(3)	–	(3)	(3)	–	(3)
End of the year	**4**	**–**	**4**	**4**	**–**	**4**
Proved developed reserves						
Beginning of the year	3	–	3	6	–	6
End of the year	**4**	**–**	**4**	**3**	**–**	**3**
Proved undeveloped reserves						
Beginning of the year	1	–	1	1	–	1
End of the year	**–**	**–**	**–**	**1**	**–**	**1**
Total of the Group and its equity method investments						
Proved developed and undeveloped reserves (oil) (million barrels)						
Beginning of the year	1,962	1,642	320	1,749	1,416	333
End of the year	**2,003**	**1,696**	**307**	**1,962**	**1,642**	**320**
Proved developed and undeveloped reserves (gas) (billion cubic feet)						
Beginning of the year	8,806	8,802	4	8,456	8,449	7
End of the year	**9,311**	**9,307**	**4**	**8,806**	**8,802**	**4**

Table III: Standardised measure of discounted future net cash flows

The following table represents the standardised measure of discounted future net cash flows related to the above proved oil and gas reserves. Estimated future cash inflows from production are computed by applying the average, first-day-of-the-month price adjusted for differential for oil and gas during the twelve-month period before the ending date of the period covered by the report to year-end quantities of estimated net proved reserves. Future price changes are limited to those provided by contractual arrangements in existence at the end of each reporting year. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates to estimated future pre-tax net cash flows, less the tax basis of related assets. Discounted future net cash flows are calculated using 10% discount factors. This discounting requires a year-by-year estimate of when the future expenditure will be incurred and when the reserves will be produced.

The information provided does not represent management's estimate of the Group's and its equity method investments' expected future cash flows or value of proved oil and gas reserves. Estimates of proved reserve quantities are imprecise and change over time as new information becomes available. Moreover, probable and possible reserves, which may become proved in the future, are excluded from the calculations. The arbitrary valuation requires assumptions as to the timing and amount of future development and production costs. The calculations are made for the years ended 31 December 2023 and 2022 and should not be relied upon as an indication of the Group's and its equity method investments' future cash flows or value of its oil and gas reserves.

	2023 RMB million			2022 RMB million		
	Total	**China**	**Other countries**	Total	China	Other countries
The Group						
Future cash flows	1,365,530	1,354,246	11,284	1,490,949	1,479,098	11,851
Future production costs	(576,620)	(571,451)	(5,169)	(635,757)	(630,922)	(4,835)
Future development costs	(105,071)	(102,896)	(2,175)	(98,212)	(96,575)	(1,637)
Future income tax expenses	(172,520)	(169,975)	(2,545)	(190,893)	(187,900)	(2,993)
Undiscounted future net cash flows	**511,319**	**509,924**	**1,395**	**566,087**	**563,701**	**2,386**
10% annual discount for estimated timing of cash flows	(146,846)	(146,599)	(247)	(170,126)	(169,810)	(316)
Standardised measure of discounted future net cash flows	**364,473**	**363,325**	**1,148**	**395,961**	**393,891**	**2,070**
Equity method investments						
Future cash flows	42,746	–	42,746	57,107	–	57,107
Future production costs	(16,828)	–	(16,828)	(18,011)	–	(18,011)
Future development costs	(6,449)	–	(6,449)	(7,393)	–	(7,393)
Future income tax expenses	(3,426)	–	(3,426)	(5,831)	–	(5,831)
Undiscounted future net cash flows	**16,043**	**–**	**16,043**	**25,872**	**–**	**25,872**
10% annual discount for estimated timing of cash flows	(7,656)	–	(7,656)	(13,015)	–	(13,015)
Standardised measure of discounted future net cash flows	**8,387**	**–**	**8,387**	**12,857**	**–**	**12,857**
Total of the Group's and its equity method investments' results of standardised measure of discounted future net cash flows	**372,860**	**363,325**	**9,535**	**408,818**	**393,891**	**14,927**

Table IV: Changes in the standardised measure of discounted cash flows

	2023 RMB million	2022 RMB million
The Group		
Sales and transfers of oil and gas produced, net of production costs	(121,932)	(137,885)
Net changes in prices and production costs	(75,738)	185,589
Net changes in estimated future development cost	(21,664)	(22,685)
Net changes due to extensions, discoveries and improved recoveries	61,899	58,610
Revisions of previous quantity estimates	40,389	78,310
Previously estimated development costs incurred during the year	21,883	11,885
Accretion of discount	52,985	32,342
Net changes in income taxes	10,690	(51,700)
Net changes for the year	**(31,488)**	**154,466**
Equity method investments		
Sales and transfers of oil and gas produced, net of production costs	(1,443)	(2,018)
Net changes in prices and production costs	(6,646)	3,301
Net changes in estimated future development cost	335	(694)
Net changes due to extensions, discoveries and improved recoveries	329	562
Revisions of previous quantity estimates	94	505
Previously estimated development costs incurred during the year	343	311
Accretion of discount	1,411	1,388
Net changes in income taxes	1,107	(647)
Net changes for the year	**(4,470)**	**2,708**
Total of the Group's and its equity method investments' results of net changes for the year	**(35,958)**	**157,174**

STATUTORY NAME
中國石油化工股份有限公司

ENGLISH NAME
China Petroleum & Chemical Corporation

CHINESE ABBREVIATION
中國石化

ENGLISH ABBREVIATION
Sinopec Corp.

LEGAL REPRESENTATIVE
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AUTHORISED REPRESENTATIVES
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Mr. Huang Wensheng

SECRETARY TO THE BOARD
Mr. Huang Wensheng

REPRESENTATIVE ON SECURITIES MATTERS
Mr. Zhang Zheng

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REGISTERED ADDRESS CHANGE INFORMATION
No change during the reporting period

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CHANGES IN THE PLACES FOR INFORMATION DISCLOSURE AND THE PROVISION OF REPORTS
No change during the reporting period

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A Shares:
Shanghai Stock Exchange

Stock short name	: SINOPEC CORP
Stock code	: 600028

H Shares:
Hong Kong Stock Exchange

Stock short name	: SINOPEC CORP
Stock code	: 00386

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The Company's 2023 annual report is disclosed on the website of the SSE (http://www.sse.com.cn) and the Company's designated information disclosure media China Securities News, Shanghai Securities News and Securities Times. The following documents will be available for inspection during normal business hours after 22 March 2024 at the registered address of Sinopec Corp. upon requests by the relevant regulatory authorities and shareholders in accordance with the Articles of Association and the laws and regulations of PRC:

a) The original copies of the 2023 annual report signed by Mr. Ma Yongsheng, the Chairman;

b) The original copies of the audited financial statements and consolidated financial statements as of 31 December 2023 prepared under CASs and IFRS Accounting Standards, signed by Mr. Ma Yongsheng, the Chairman, Mr. Yu Baocai, the President, Ms. Shou Donghua, the Chief Financial Officer and head of the financial department of Sinopec Corp.;

c) The above original auditors' reports signed by the auditors; and

d) Copies of the documents that Sinopec Corp. has published during the reporting period.

By Order of the Board
Ma Yongsheng
Chairman

Beijing, PRC, 22 March 2024

If there is any inconsistency between the Chinese and English versions of this annual report, the Chinese version shall prevail.