中石化煉化工程(集團)股份有限公司
SINOPEC Engineering (Group) Co., Ltd.*

(a joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 2386)

Annual Results Announcement for the Year ended 31 December 2023

The Board of Directors ("**Directors**") (the "**Board**") of SINOPEC Engineering (Group) Co., Ltd. (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2023. This results announcement, containing the full text of the 2023 Annual Report of the Company, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The full text of the 2023 Annual Report of the Company is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and on the website of the Company (www.segroup.cn).

Publication of the Results Announcement

The Chinese and English versions of this results announcement are available on the website of the Company (www.segroup.cn) and on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). In the event of any discrepancies between the English version and the Chinese version, the Chinese version shall prevail.

By Order of the Board
SINOPEC ENGINEERING (GROUP) CO., LTD.
YIN Fengbing
Chief Financial Officer & Secretary to the Board

Beijing, the PRC
17 March 2024

As at the date of this announcement, directors of the Company are: JIANG Dejun#, XIANG Wenwu#, LI Chengfeng, YU Renming*, WU Wenxin*, ZHANG Xinming#, HUI Chiu Chung, Stephen+, DUAN Xue+, YE Zheng+, ZHAO Jinsong+ and XIE Yanli#.*

\# *Executive Directors*
* *Non-executive Directors*
\+ *Independent Non-executive Directors*

This announcement is available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.segroup.cn).

* *For identification purposes only*

IMPORTANT NOTICE

The board of directors (the "**Board**") and the directors (the "**Directors**") of SINOPEC ENGINEERING (GROUP) CO., LTD. ("**SINOPEC SEG**" or the "**Company**") warrant that there are no false representations, misleading statements or material omissions contained in this annual report and are hereby jointly and severally liable for the authenticity, accuracy and completeness of the content hereof. Directors Mr. LI Chengfeng, Mr. YU Renming, Mr. WU Wenxin and Mr. DUAN Xue, could not attend the sixteenth meeting of the Fourth Session of the Board (the "**Meeting**") due to official duties. Directors Mr. LI Chengfeng, Mr. YU Renming and Mr. WU Wenxin authorised Mr. JIANG Dejun and Mr. DUAN Xue authorised Mr. HUI Chiu Chung, Stephen to attend the Meeting, and to vote on their behalves, respectively. Mr. JIANG Dejun (Chairman of the Board), Mr. ZHANG Xinming (Executive Director and President), Mr. YIN Fengbing (Chief Financial Officer) and Mr. XIA Jipeng (Head of the Finance Department) warrant the authenticity and completeness of the financial statements contained in this annual report.

The annual financial statements as at 31 December 2023 (the "**Reporting Period**") of SINOPEC SEG and its subsidiaries (together, the "**Group**"), prepared in accordance with the International Financial Reporting Standards, were audited by BDO Limited, which has issued a standard unqualified audit report.

This annual report contains forward-looking statements. All statements (other than statements of historical facts) that address business activities, events or developments that the Company expects or anticipates will or may occur in the future (including but not limited to projections, goals, estimates and business plans) are forward-looking statements. The future actual results or development trends may differ materially from those indicated by the forward-looking statements due to various factors. The forward-looking statements contained in this annual report were made by the Company as at 15 March 2024 and, unless otherwise required by the relevant regulatory authorities, the Company undertakes no obligation or responsibility to update these statements.

This annual report is in both Chinese and English languages. In the event of any discrepancies between the English version and the Chinese version, the Chinese version shall prevail.

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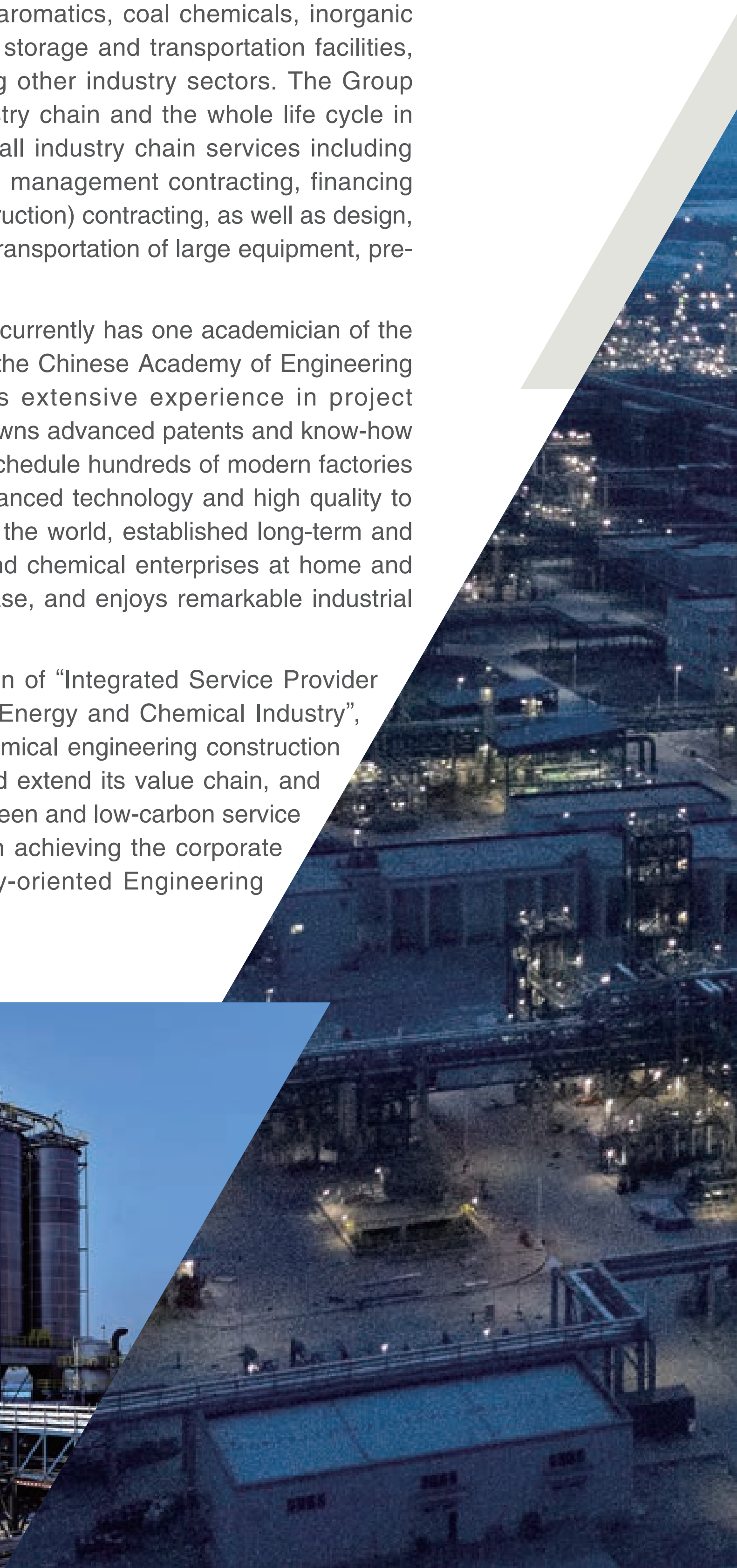
COMPANY PROFILE

The Group is a leading energy and chemical engineering company in the PRC with strong international competitiveness and can provide domestic and overseas clients with overall solutions for petrol refining, petrochemicals, aromatics, coal chemicals, inorganic chemicals, pharmaceutical chemicals, clean energy, storage and transportation facilities, environmental protection and energy saving, among other industry sectors. The Group is an integrated service provider for the whole industry chain and the whole life cycle in energy and chemical industry and can provide overall industry chain services including engineering consulting, technology licensing, project management contracting, financing assistance, EPC (engineering, procurement and construction) contracting, as well as design, procurement, construction and installation, lifting and transportation of large equipment, pre-commissioning and start-up.

After 70 years of continuous development, the Group currently has one academician of the Chinese Academy of Sciences, two academicians of the Chinese Academy of Engineering and nearly 10,000 professionals. The Group has extensive experience in project management and implementation, and owns and co-owns advanced patents and know-how in core business areas. The Group has delivered on schedule hundreds of modern factories with enormous investment, complicated process, advanced technology and high quality to clients in more than 20 countries and regions around the world, established long-term and steady cooperative relationships with large energy and chemical enterprises at home and abroad, maintained an extensive and stable client base, and enjoys remarkable industrial influence and social reputation.

In the future, adhering to the development orientation of “Integrated Service Provider with Whole Industry Chain and Whole Life Cycle in Energy and Chemical Industry”, the Group will base itself on the energy and petrochemical engineering construction industry, continuously broaden its business scope and extend its value chain, and comprehensively improve the level of safe, efficient, green and low-carbon service in the business chain, to create a new momentum in achieving the corporate vision of “Building the World’s Leading Technology-oriented Engineering Company”.



BASIC INFORMATION OF THE COMPANY

LEGAL NAME
中石化煉化工程(集團)股份有限公司

CHINESE ABBREVIATION
中石化煉化工程

ENGLISH NAME
SINOPEC ENGINEERING (GROUP) CO., LTD.

ENGLISH ABBREVIATION
SINOPEC SEG

LEGAL REPRESENTATIVE
Mr. JIANG Dejun

AUTHORISED REPRESENTATIVES
Mr. ZHANG Xinming

Mr. YIN Fengbing

COMPANY SECRETARY
Mr. YIN Fengbing

Ms. Ng Sau Mei

REGISTERED ADDRESS
67A, Ande Road, Xicheng District, Beijing, the PRC

BUSINESS AND CORRESPONDENCE ADDRESS
67A, Ande Road, Xicheng District, Beijing, the PRC

Postcode: 100011

Tel: +8610-5673-0525

Website: www.segroup.cn

E-mail: seg.ir@sinopec.com

WEBSITES ON WHICH THIS ANNUAL REPORT IS PUBLISHED
Website designated by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”):

http://www.hkex.com.hk

The Company’s website:

http://www.segroup.cn

PLACE WHERE THIS ANNUAL REPORT IS AVAILABLE FOR INSPECTION

Office of the Board

SINOPEC ENGINEERING (GROUP) CO., LTD.

67A, Ande Road, Xicheng District, Beijing, the PRC

PLACE OF LISTING OF SHARES, STOCK NAME AND STOCK CODE

H Shares: Hong Kong Stock Exchange

Stock name: SINOPEC SEG

Stock code: 2386

UNIFORM SOCIAL CREDIT CODE

911100007109349087

NAMES AND BUSINESS ADDRESSES OF AUDITORS

PRC:

BDO China Shu Lun Pan Certified Public Accountants LLP

Room 1410, 14th Floor, Fanli Mansion, No. 22 Chaoyangmenwai Street, Chaoyang District, Beijing, the PRC

Overseas:

BDO Limited

25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong

NAME AND BUSINESS ADDRESS OF LEGAL ADVISORS

PRC:

King & Wood Mallesons

17th-18th Floor, East Tower, World Financial Center, 1 Dongsanhuan Zhonglu, Chaoyang District, Beijing

Hong Kong:

Zhong Lun Law Firm LLP

4/F, Jardine House, 1 Connaught Place, Central, Hong Kong

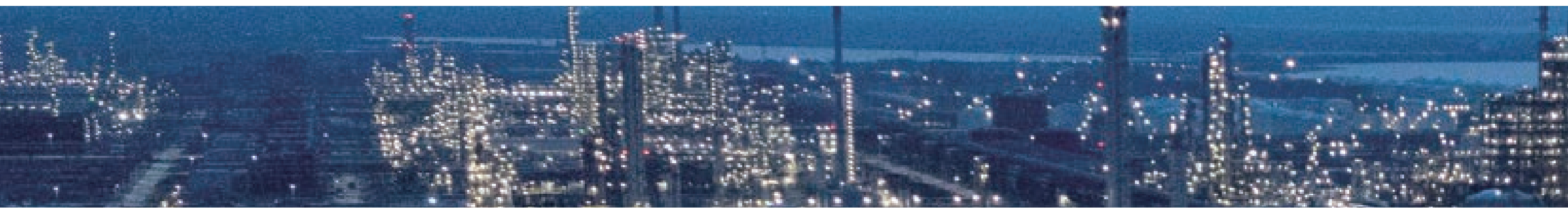
CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

The year 2023 is a new starting point for the new journey of Chinese-style modernization, as well as a new starting point for the high-quality development of the Company. During the year, the Board and the management adhered to observing standards and making improvements, optimizing our existing business and seeking growth, strengthening our fundamentals and preventing risks. We have deepened the implementation of high-quality development action, optimized production and operation with full efforts, and accelerated on the road to "excellent product, outstanding brand, leading innovation, and modern governance". The Company achieved a yearly revenue of RMB56.221 billion, net profit of RMB2.336 billion, and new contracts amount of RMB80.252 billion. With an overall consideration of the profitability of the Company, return of the shareholders and the needs for sustainable development in the future, the Board proposed a final dividend of RMB0.224 per share, taking into account of the interim dividend, the total dividend for the full year was RMB0.343 per share with a dividend payout ratio of 65%.

In the past year, the Board and the management focused on new missions and new tasks, optimized the top-level design, and confirmed the idea of high quality development in the aspects of "strengthening the strategic coordination and integration, consolidating the advantages of the traditional main business, driving technological innovations continuously, leading new-type industrialization of the industry, promoting the internationalization of enterprise operation, and realizing the diversification of value creation", and adopted a series of actions and generated fruitful results.

Market development increased in terms of both quantity and quality. During the year, new contracts amount hit a record high of RMB80.252 billion. The percentages of orders from Sinopec Group, domestically independent clients and overseas clients were 27.4%, 45.9% and 26.7% respectively. Development and layout of overseas markets were optimized, new overseas orders hit a record high; overseas business structure was further optimized, EPC contracting replaced construction contracts and became our main business. We successfully entered the FEED and PMC business markets in foreign countries such as Saudi Arabia, laying a good foundation for strengthening our competitiveness in project sources. We won the bidding of large-scale plant design and EPC contracting projects from domestically independent customers such as Huajin-Aramco and CNOOC-Shell. Overall, the current business layout of the Company is in line with the global industry trend and has met our development expectations.



Scientific and technological innovation continued to expand. The completion of the construction and put into production of Anqing RTC and Kuqa Green Hydrogen projects signifying the Company has achieved significant breakthroughs in the new energy fields represented by "conversion from oil to chemical products" and hydrogen energy industrial chain. In the field of new materials, a batch of pilot installations such as PGA and POE have completed construction, commenced operation and made rapid progress into the engineering stage. The complete set of zero-landfill harmless treatment technologies for multi-source solid wastes successfully developed by us has built a pilot plant in Yanshan, with 100% recycling rate for solid wastes. We have strengthened our reserves in technologies such as the treatment of wastewater, waste gas and waste catalyst, mixed combustion of biomass, high-value utilization of lignin and CCUS, and has preliminarily achieved the integrated full industrial chain service capabilities encompassing installation removal, site rehabilitation and resources utilization. The Company coordinated and promoted innovative areas such as integrated project management, appropriate design, centralized procurement, plant prefabrication, welding robot, digital plant and intelligent operation and maintenance as signification projects of new industrialization and all member entities have participated and implemented actively. The Company has started the remote intelligent operation and maintenance of RTC, ethylene, gasification and power plant and online simulation optimization technology and received initial recognition from the clients, with a view to become a brand-new business model along the entire lifecycle of factories. In the past year, the Company's technological innovation was more market-oriented, founded on the base of value appreciation, focused on leading new industrialization, with more balanced development in petrochemical main chain technology, extended chain technology and engineering technology.

Mr. JIANG Dejun

Chairman of the Board

Lean management enhances value creation. At project level, we strictly fulfilled the contracts and attach more importance to the multi-target comprehensive management and control of project quality, safety, progress and efficiency, so as to stabilize the profitability of the project in the fierce market competition. ExxonMobil Huizhou Ethylene Project has been advanced efficiently, and the organic combination of "international rules + Chinese mode" has formed valuable experience. The Group's subsidiary SEI became a member of the global first tier EPC contractor for ExxonMobil. Overseas projects have been implemented steadily with the level of further improved localization. At the Company's level, the Company adhered to the assessment of "one profit and five rates", continued to play the role of financial budget traction and control, with more effective fund management and control; improving the customized KPI for each enterprise's operation and management, guiding enterprises to serve the overall situation and making breakthroughs in key areas.

In the past year, the Company optimized the composition of the Board, further improved its scientific decision-making ability, with various risks under control, rendering steady development of the Company and significant improvement in its ESG performance. Looking ahead, the development trend of the energy industry will become increasingly clear, with both challenges and opportunities. Firstly, the trend of industrial transformation and upgrading, in-depth adjustment to the structure of the refining and chemical industry, the domestic enterprises are in the process of energy efficiency improvement and high-end layout have brought unique market opportunities to the Company; secondly, the trend of intelligent development, Intellectualization is an important part of new industrialization and comprehensive deepening of intelligent services for the entire life cycle of factories is required, thus, it becomes imperative to promote the application of artificial intelligence based on big data and large models in the petrochemical industry; thirdly, the trend of green and low-carbon development, carbon reduction, pollution reduction, green expansion and growth have become the common pursuit of the petrochemical industry, requiring engineering enterprises to continuously improve the R&D application and engineering transformation of green, low carbon and green energy technologies; fourthly, the trend of international operation. China's high level of opening up to the world and the development needs from petrochemical industries and industrial facilities in many countries in the world have provided us a wide stage. The Board of the Company will lead the Company to move unswervingly towards the world's best by strengthening strategic leadership and integrated planning.

We will grasp both domestic and international markets and resources in an integrated manner. Domestically, the Company will continue to strengthen the traditional market with technological advantages and help enterprises to achieve structural adjustment and high-end development. With our dual-carbon background, we will work intensively with enterprises to provide engineering and technical services with higher "green content" to accomplish energy efficiency improvement initiatives. Meanwhile, the Company will pay close attention to the policy on comprehensive replacement of old petrochemical facilities at national level and the policy of soil treatment for in-service facilities, so as to enhance the ability of high-level construction, dismantling and restoration in an all-round way to seize the huge market opportunities. In overseas, we will strengthen leadership of the Group, give impetus to regional market development centers, and continuously expand our business internationally; further explore the "international standard + Chinese mode" to win the market with our unique advantages, insist on building a "high-level front-end engineering capability + low-cost project execution capability", and enhance market competitiveness with comprehensive service capabilities. The Company will vigorously carry out expansion at country level in the Middle East and Central Asia regions to further expand the Southeast Asian and African markets. We will further enhance the linkage effect of domestic and international markets and resources, build SINOPEC SEG's refining and chemical engineering brand and establish comprehensive market competitiveness.

We will grasp both the energy and chemical industry and engineering construction industry. The Company will play a good role in providing quality service and acting as a bridge in the field of scientific research and innovation, focus on green and low carbon, closely follow the transformation and upgrading needs of the industry, so as to build the competitive advantage of the whole industry chain. In the meantime, the engineering and construction industry is facing a series of challenges such as high safety management pressure and increasing cost pressure. We have carried out a thematic discussion on leading the engineering construction industry for new industrialization and identified 11 directions of research and experimental topics, covering high-end, green, intelligent and other key areas. We will continue to promote organic synergy in our own industry and emerging industries among information technology, digital engineering, intelligent manufacturing, safe management, green low-carbon, and build a new road of industrialization.

We will grasp the forging of our own capability and the construction of industrial ecology in coordinated manner. We will further deepen our reform and optimizing the management, continue to explore the internal potential and enhance market competitiveness. We will be more open-minded in seeking external cooperation to promote the deep fusion of the industrial chain, talent chain, innovation chain and capital chain. We will continue to improve the talent development mechanism to develop and attract talent and to promote innovation with talent; increase our efforts in investment and cooperation in business sectors such as new technology, new equipment and energy saving and environmental protection, giving impetus to the growth pole of new businesses through investments; promote the extension of contract energy management model to the fields of green environmental protection and new materials, and explore a business model that realizes value through "investment + technology + engineering" for mutual benefit with service targets.

We will step up to promote high-quality development and value enhancement. The Company will focus more on key indicators such as return on net assets and operating cash ratio, continuously optimize the business structure, increase the proportion of high-end business, and simultaneously improve the efficiency and effectiveness. We will strive to diversify the value creation, and continuously improve the quality of the listed company and further improve value management in order that the performance as a result of our quality development is attached to the corporate value of the Company to safeguard shareholders' interests, and strive to establish itself as "a model of investors-oriented listed company."

Friends, we believe that a cleaner and greener energy and chemical industry carries the strong desire of the world's people for a better life and will also provide more powerful development momentum for global development. The Company will give full play to the advantages of whole industry chain integration, market advantages, brand advantages, technical advantages and talent advantages, so as to open a new stage of high-quality development, and realize effective quality enhancement and reasonable quantity growth. Under the unremitting efforts of the Board, the management and all the staffs, and with the strong support of our shareholders and all sectors of society, we will strive to realize the common enhancement of shareholders' value, customers' value, social value and employees' value!

Mr. JIANG Dejun

Chairman of the Board

Beijing, the PRC

15 March 2024

PRINCIPAL FINANCIAL DATA AND INDICATORS


1,235.01
0.00
25,187.70
7,645.05
210.95
12,411.80
149.16
27,752.93
23.26
1.41%

PRINCIPAL FINANCIAL DATA AND INDICATORS

Summary of Financial Data and Indicators Prepared in Accordance with International Financial Reporting Standards ("IFRS")

Unit: RMB'000

Items	As at 31 December 2023	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019	Changes from the end of 2022 (%)
Non-current assets	8,405,638	8,313,294	7,980,573	7,409,911	7,256,957	1.1
Current assets	72,562,033	70,369,169	64,937,676	64,055,416	60,616,791	3.1
Current liabilities	47,968,755	46,475,288	41,370,338	40,672,278	37,791,658	3.2
Non-current liabilities	2,151,201	2,170,383	2,430,602	2,537,011	2,811,549	(0.9)
Consolidated equity attributable to equity holders of the Company	30,842,143	30,031,512	29,112,086	28,251,172	27,265,976	2.7
Net assets per share of equity holders of the Company (RMB)	6.98	6.78	6.58	6.38	6.16	2.7

Unit: RMB'000

Items	Year ended 31 December					Changes over the same period of 2022 (%)
	2023	2022	2021	2020	2019	
Revenue	56,220,641	53,028,139	57,759,590	52,352,584	52,261,051	6.0
Gross profit	5,612,797	5,612,325	6,468,189	5,714,072	5,482,733	0.0
Operating profit	1,726,775	1,810,813	1,701,898	2,204,379	2,017,007	(4.6)
Profit before taxation	2,764,053	2,762,276	2,592,407	3,010,562	2,827,400	0.1
Profit attributable to equity holders of the Company	2,335,445	2,285,103	2,123,590	2,381,905	2,183,457	2.2
Basic earnings per share (RMB)	0.53	0.52	0.48	0.54	0.49	2.2
Net cash flow generated from operating activities	2,516,756	6,809,048	2,943,228	2,956,836	300,047	(63.0)
Net cash flow generated from operating activities per share (RMB)	0.57	1.54	0.66	0.67	0.07	(63.0)

* The Group implemented International Accounting Standards No. 12 (revised) from 1 January 2023 and adjusted the key financial data as of 31 December 2021 in the implementation of this revision.

Items	Year ended 31 December				
	2023	2022	2021	2020	2019
Gross profit margin (%)	**10.0**	10.6	11.2	10.9	10.5
Net profit margin (%)	**4.2**	4.3	3.7	4.6	4.2
Return on assets (%)(1)	**2.9**	3.0	2.9	3.4	3.1
Return on equity (%)(2)	**7.6**	7.6	7.3	8.4	8.0
Return on invested capital (%)(3)	**7.7**	7.8	7.5	8.6	8.3

Items	**As at 31 December 2023**	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Asset-liability ratio (%)(4)	**61.9**	61.8	60.1	60.5	59.8

(1) $$\text{Return on assets} = \frac{\text{Profit for the period}}{\text{(The opening total assets + The closing total assets)/2}}$$

(2) $$\text{Return on equity} = \frac{\text{Profit for the period}}{\text{Total equity at the end of the period}}$$

(3) $$\text{Return on invested capital} = \frac{\text{Earnings before interest and tax (EBIT) for the period} \times \text{(1 – effective income tax rate)}}{\text{Interest-bearing liabilities at the end of the period – Credit loans + Total equity at the end of the period}}$$

(4) $$\text{Asset-liability ratio} = \frac{\text{Total liabilities at the end of the year}}{\text{Total assets at the end of the year}}$$

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

1 Changes in the Share Capital of the Company

Unit: Share

	As at 31 December 2022		Increase/Decrease during the Reporting Period (+, -)			As at 31 December 2023	
	Number	Percentage (%)	New shares issued	Others	Subtotal	Number	Percentage (%)
Promoter shares (Domestic Shares)	2,967,200,000	67.01	–	–	–	2,967,200,000	67.15
Foreign shares listed overseas (H Shares)	1,460,800,000	32.99	–	-9,456,500	-9,456,500	1,451,343,500	32.85
Total number of shares	4,428,000,000	100.00	–	–	–	4,418,543,500	100.00

2 Shareholdings of Substantial Shareholders

As at the end of the Reporting Period, there were a total of 911 shareholders of the Company. As at 15 March 2024, the public float of the Company satisfied the minimum requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") according to the information publicly available to the Company and to the knowledge of the Directors.

(1) Shareholdings of the top ten shareholders

Unit: Share

Name of Shareholders	Increase/Decrease during the Reporting Period (+, -)	Number of Domestic Shares held as at the end of the Reporting Period	Number of H Shares held as at the end of the Reporting Period	Percentage as at the end of the Reporting Period	
				In total share capital (%)	In relevant class of shares (%)
China Petrochemical Corporation[(1)]	0	2,967,200,000	–	67.15	100.00
HKSCC NOMINEES LIMITED	-10,696,500	–	1,442,532,780	32.65	99.39
ZHANG SAIYU	0	–	2,900,000	0.07	0.20
PANG MING FAI	+1,100,000	–	1,100,000	0.02	0.08
HUI MO CHEE	0	–	870,000	0.02	0.06
HUI SIU SHUN WAN	+110,000	–	450,000	0.01	0.03
WONG CHOK SHUN	0	–	300,000	0.01	0.02
WONG CHUI CHUNG	0	–	295,000	0.01	0.02
WONG SIU JUNK	0	–	200,000	0.00	0.01
CHAN LAI KUEN SELINA	0	–	195,500	0.00	0.01
Statement on the connected relationship or acting in concert among or between the aforementioned shareholders	The Company is not aware of any connection or acting in concert among or between the aforementioned top ten shareholders				

(2) Information disclosed according to the Securities and Futures Ordinance

In accordance with the archiving notice submitted through Disclosure of Interests Online System, save as the information disclosed below, as at the end of the Reporting Period, to the knowledge of the Board, no person(s) had an interest or short position in the shares or underlying shares or debentures of the Company (other than Directors, the chief executive of the Company or supervisors of the Company (the "Supervisor(s)")) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") or recorded in the register kept under Section 336 of the Securities and Futures Ordinance or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company:

Name of Shareholders	Class of share	Capacity	Number of shares with interests held or regarded as being held (Share)	Percentage in shares of the Company of the same class (%)[5]	Percentage in the total share capital of the Company (%)[6]
China Petrochemical Corporation[1]	Domestic Share	Beneficial owner/Interests of controlled corporation	2,967,200,000 (L)	100.00 (L)	67.15 (L)
FMR LLC[2]	H Share	Interests of controlled corporation	146,096,410 (L)	10.00 (L)	3.31 (L)
Pandanus Associates Inc.[3]	H Share	Interests of controlled corporation	87,410,353 (L)	5.98 (L)	1.98 (L)
Pandanus Partners L.P.[3]	H Share	Interests of controlled corporation	87,410,353 (L)	5.98 (L)	1.98 (L)
FIL Limited[3]	H Share	Interests of controlled corporation	87,410,353 (L)	5.98 (L)	1.98 (L)
Fidelity Investment Trust[4]	H Share	Interests of controlled corporation	73,184,819 (L)	5.01 (L)	1.66 (L)

Notes: (L): long position; (S): short position; (P): lending pool.

Notes:

(1) China Petrochemical Corporation (the "Sinopec Group") directly and/or indirectly holds 2,967,200,000 domestic shares of the Company ("Domestic Shares"), representing 100% of the Domestic Shares and approximately 67.15% of the total share capital of the Company, respectively. Sinopec Assets Management Co., Ltd. is a wholly-owned subsidiary of Sinopec Group and directly holds 59,344,000 Domestic Shares, representing 2.00% of the Domestic Shares and approximately 1.34% of the total share capital of the Company, respectively. For the purposes of the SFO, Sinopec Group is also deemed to be interested in the Domestic Shares held by Sinopec Assets Management Co., Ltd.

(2) The information is based on the Corporate Substantial Shareholders Notice dated 23 November 2023 and filed by FMR LLC with the Hong Kong Stock Exchange.

(3) The information is based on the Corporate Substantial Shareholders Notices dated 22 August 2023 and filed by Pandanus Associates Inc., Pandanus Partners L.P. and FIL Limited with the Hong Kong Stock Exchange. According to these notices, Pandanus Associates Inc. holds 100% interest in Pandanus Partners L.P. and Pandanus Partners L.P. holds 39.40% interest in FIL Limited.

(4) The information is based on the Corporate Substantial Shareholders Notice dated 23 November 2023 and filed by Fidelity Investment Trust with the Hong Kong Stock Exchange.

(5) It is calculated on the basis that the Company has issued 2,967,200,000 Domestic Shares and 1,460,800,000 H Shares as at the dates of relevant disclosure of interests.

(6) It is calculated on the basis that the Company has issued 4,418,543,500 Shares in total.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW AND PROSPECTS

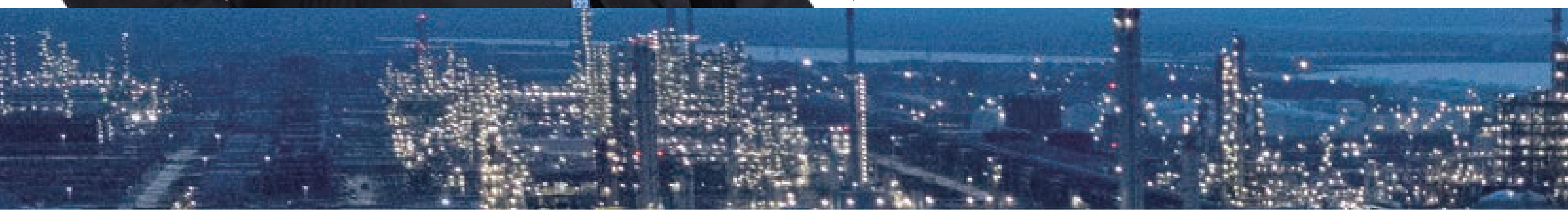
1 Business Review

(1) Operating Environment

Looking back to 2023, the slow recovery of the global economy, the fluctuation of crude oil price and sluggish consumption in the chemical market brought certain challenges to both the development of the industry and the operation of the Company. In the face of the complex and severe international environment and the arduous and burdensome tasks of domestic reform, development and stabilization, the Chinese government adhered to the general principle of seeking progress while maintaining stability, deepened reform and opening up in an all-round way, and intensified macro-control, China's economy rebounded towards a positive trend and high-quality development advanced in a solid manner, showing year-on-year GDP growth of 5.2%, and bringing more opportunities for the Company's development.

From the perspective of industry development, domestic energy demand has grown rigidly, and the process of green and low-carbon transformation has accelerated. China has accelerated the construction of a modern industrial system, the green and low-carbon transformation of the energy system has continued to accelerate, and the high-quality development of the petrochemical industry has been steadily promoted, bringing new market opportunities. The construction of a number of large-scale refining and chemical bases has been accelerated, the layout of production capacity has been further optimized, and the efficiency of resource utilization has been further improved. The downstream industrial chain of petrochemical industry has been continuously extended, and the high-end chemical new material project has been accelerated, providing an important guarantee for the development of strategic emerging industries such as high-end manufacturing, information technology, and green and low-carbon industries. The green and low-carbon transformation has been further promoted and deepened, the fusion of new energy and traditional energy has promoted each other, and the market for carbon emission reduction and carbon utilization has flourished. Digital and intelligent transformation has injected new momentum into the industry's quality and efficiency improvement and sustainable development.

Mr. ZHANG Xinming
Executive Director and President



The overseas energy and chemical industry have entered a critical period of transformation. The oil refining capacity pattern is retreating from the west and advancing to the east, the process of green and low-carbon transformation is accelerating, and "production cleanliness, low-carbon process, resource conservation, numerical and intelligent control" has become an inevitable trend, and the upgrading of oil refining process and green transformation still have great market potential; the petrochemical industry has entered a period of historic opportunity, and the integration, clustering, high-end and diversification effects will continue to play the role in the future, forming a benign development trend of the long cycle; the market scale of industrial chain of global new energy and green low-carbon has continued to expand, and new technologies have continued to make breakthroughs and continued to improve the maturity. The investment and construction of oil and gas production increase and refining and chemical projects in the Middle East region with a scale of hundreds of billions of US dollars is advancing at a fast pace; the investment layout in the refining deep processing and new petrochemical production capacity as well as natural gas and LNG in Southeast Asia region is steadily expanding; the upstream oil and gas development in Central Asia region continues to expand, and the natural gas processing and natural gas chemical industries are booming; the growth potential of refining and chemical production capacity in Africa region is still concentrated in the major oil and gas resource countries in North and West Africa, and East Africa's natural gas and LNG production capacity continues to grow.

(2) Operation Overview

During the Reporting Period, the Group's total revenue was RMB56.221 billion, profits attributable to equity holders of the Company was RMB2.335 billion. As at the end of the Reporting Period, the Group's backlog was RMB136.262 billion; the value of new contracts entered into by the Group during the Reporting Period was RMB80.252 billion.

The business of the Group mainly comprises four segments: (1) engineering, consulting and licensing; (2) engineering, procurement and construction contracting ("EPC Contracting"); (3) construction and (4) equipment manufacturing.

The following table sets forth the revenue generated from each of the segments and their respective percentage of the Group's total revenue (before inter-segment elimination) during the periods indicated:

	Year ended 31 December				
	2023		2022		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Engineering, consulting and licensing	3,822,158	6.2	3,370,136	5.7	13.4
EPC Contracting	31,987,238	51.7	29,586,178	49.8	8.1
Construction	25,278,988	40.9	25,600,495	43.1	(1.3)
Equipment manufacturing	731,149	1.2	829,751	1.4	(11.9)
Subtotal	61,819,533	100.0	59,386,560	100.0	4.1
Total (after inter-segment elimination)(1)	56,220,641	N/A	53,028,139	N/A	6.0

Note:

(1) "Total (after inter-segment elimination)" means the aggregate revenue generated from each business segment after inter-segment elimination to exclude the impact of inter-segment transactions. Inter-segment elimination mainly arises from the inter-segment sales to the EPC Contracting segment made by the engineering, consulting and licensing, engineering construction and equipment manufacturing segments.

During the Reporting Period, the Group's revenue from the engineering, consulting and licensing business reached RMB3.822 billion, representing an increase of 13.4% on a year-on-year basis, it was mainly caused by the increase of design business volume; the revenue from the EPC Contracting business reached RMB31.987 billion with a year-on-year increase of 8.1%, it was mainly the year-on-year increase of newly signed and on-hand contracts for EPC Contracting, large-scale general contracting projects such as Huizhou Ethylene, Zhenhai Base Phase II and Tianjin Nangang entered the peak construction period, showing year-on-year increase of revenue; the construction business revenue amounted to RMB25.279 billion, which remained broadly stable on a year-on-year basis; the equipment manufacturing business revenue amounted to RMB731 million, representing a decrease of 11.9% on a year-on-year basis, which was mainly due to the impact of the order types and execution cycle of the manufacturing business.

The following table sets forth the revenue generated from different industries in which the Group's clients operate for the periods indicated:

	Year ended 31 December				
	2023		2022		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Oil refining	6,773,150	12.0	7,421,327	14.0	(8.7)
Petrochemicals	34,602,951	61.6	31,606,768	59.6	9.5
New coal chemicals	556,553	1.0	912,927	1.7	(39.0)
Storage & transportation and others	14,287,987	25.4	13,087,117	24.7	9.2
Total	56,220,641	100.0	53,028,139	100.0	6.0

The Group's revenue mainly comes from providing services to customers in oil refining, petrochemicals, new coal chemicals, storage and transportation and other industries. Change in revenue structure mainly follows the industry development trends and project construction cycles. During the Reporting Period, contributed by the revenue of large-scale petrochemical projects such as Huizhou Ethylene, Zhenhai Base Phase II and Tianjin Nangang, the Group's revenue from the petrochemical industry was RMB34.603 billion, representing a year-on-year increase of 9.5%. Due to the impact of increase in newly signed and on-hand contracts in storage and transportation and other industries, the revenue from storage and transportation and other industries was RMB14.288 billion, representing a year-on-year increase of 9.2%. Due to the refining projects such as Hainan Refining are settled and ended, Huajin and other newly signed refining projects are in the pre-construction stage, the revenue from the oil refining industry was RMB6.773 billion, representing a decrease of 8.7% on a year-on-year basis. Due to the impact of the reduction of new coal chemical on-hand contracts, the revenue from new coal chemicals industry was RMB557 million, representing a decrease of 39.0% on a year-on-year basis.

The following table sets forth the Group's revenue generated in the PRC and overseas for the periods indicated:

	Year ended 31 December				
	2023		2022		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
PRC	**50,600,101**	**90.0**	48,837,100	92.1	3.6
Overseas	**5,620,540**	**10.0**	4,191,039	7.9	34.1
Subtotal	**56,220,641**	**100.0**	53,028,139	100.0	6.0

During the Reporting Period, the Group's revenue generated in the overseas was RMB5.621 billion, representing an increase of 34.1% on a year-on-year basis, which was mainly due to the upgrading and construction of Saudi Aramco's crude oil transfer pumping station, Saudi Marjan and other overseas projects entering the peak construction period, which drove revenue growth.

The following table sets forth the Group's new contract and backlog for the periods indicated:

	Year ended 31 December 2023 For the twelve-month period	Year ended 31 December 2022 For the twelve-month period	Change
	(RMB'000)	(RMB'000)	(%)
New contract	**80,251,717**	72,524,941	10.7

	As at 31 December 2023	As at 31 December 2022	Change
	(RMB'000)	(RMB'000)	(%)
Backlog	**136,262,230**	112,231,153	21.4

As at the end of the Reporting Period, the backlog of the Group amounted to RMB136.262 billion, representing an increase of 21.4% as compared to that as at 31 December 2022, and was 2.4 times of the total revenue of RMB56.221 billion in 2023. During the Reporting Period, the value of new contracts amounted to RMB80.252 billion, representing an increase of 10.7% on a year-on-year basis.

The following table sets forth the Group's capital expenditure for the periods indicated:

	As at 31 December 2023	As at 31 December 2022	Change
	(RMB'000)	(RMB'000)	(%)
Capital expenditure	**1,067,534**	1,099,491	(2.9)

During the Reporting Period, the Group's capital expenditure was RMB1.068 billion, which remained broadly stable on a year-on-year basis. During the Reporting Period, the Group's capital expenditures was mainly for engineering facilities and the renewal of purchased equipment, and the construction of temporary facilities for engineering projects, etc.

The discussions on the Group's environmental policies, relationships with its major stakeholders and compliance with applicable laws and regulations are set out in the "27. Corporate Report on Environmental, Social and Governance" on page 97 of this report.

(3) Business Highlights

Quantitative and qualitative increase in market development achievements

During the Reporting Period, the value of new contracts signed by the Group was RMB80.252 billion, representing an increase of 10.7% on a year-on-year basis. During the Reporting Period, the value of new domestic contracts signed by the Group was approximately RMB58.805 billion, domestic market continued to maintain comprehensive competitiveness, we signed front-end engineering consultancy and engineering design contracts for a number of projects, including the Maoming Oil Refining Transformation and Upgrading and Ethylene Quality Improvement Project, Luoyang One Million Tons Ethylene, Zhenhai Expansion of 1.5 million t/a Ethylene, and Shandong Binhua, as well as EPC and construction contracts for a number of large-scale industrial park projects. Representative new contracts include the general contract for undertaking engineering construction for partial plants such as ethylene, aromatics and polypropylene of the fine chemicals and feedstock project of North Huajin United Petrochemical Company Limited (the "Huajin Project") with a total contract value of approximately RMB15.661 billion; EPC contract for the Multiple Units of Zhenhai Refining and Chemical, and High-end Synthetic New Materials Project with a total contract value of approximately RMB3.405 billion; the EPC contract for the ethylene plant of PetroChina Jihua Transformation and Upgrading Project with a total contract value of approximately RMB3.173 billion; the EPC contract and construction contract for the multiple bid sections for the BASF Integration Project and the construction contract with a total contract value of approximately RMB1.755 billion; the EPC contract for the liquefied petroleum gas safety enhancement project of Sinopec's Qingdao Refining and Chemical with a total contract value of approximately RMB1.353 billion; and EPC contract for polypropylene of CNOOC Daxie Petrochemical Upgrading and Expansion Project with a total contract value of approximately RMB1.673 billion..

During the Reporting Period, the value of new overseas contracts signed by the Group was approximately USD2.978 billion, showing a year-on-year growth of 181.2%. We maintained strong momentum in international market development. Representative new contracts include the EPC contract of bid sections P1 and P2 of Saudi Aramco's Riyas NGL project (the "Saudi Riyas Project") with a total contract value of approximately USD1.173 billion; the EPC contract of the tank farm of the Saudi AMIRAL Project and its integration with the SATORP refinery (the "Saudi AMIRAL Project") with a total contract value of approximately USD727 million; the contract of the wind power lifting project for the new city of NEOM in Saudi Arabia with a total contract value of approximately USD48 million; we made new achievements in overseas "Technology+" high-end engineering services, and successfully signed a number of front-end engineering service contracts such as the pre-design of the ADNOC ethane recovery project in the United Arab Emirates, the technical consulting of the Mozyr polypropylene project in Belarus, the process package design of the new Longguang polystyrene project in Vietnam, and the LNG capacity expansion technology evaluation of the Qatar Energy NFS project; we won the bid for Saudi Aramco's Ras Tanura Steam Treatment VHRT Project, this is the first time that the Group contracted a PMC project overseas, and its business level has reached a new level.

During the Reporting Period, the Group signed 230 new contracts in emerging fields such as new energy and new materials, and new contracts in emerging fields such as new energy and new materials amounted to approximately RMB7.672 billion, representing a year-on-year increase of 65.0%, and the expansion of emerging businesses continued to accelerate.

Steady progress in the construction of key projects

Tianjin Nangang Ethylene Project (EPC): please refer to announcement dated 19 April 2022 and the 2022 annual report dated 19 March 2023 published by the Company for further details. As at the end of the Reporting Period, the project has been delivered.

Baling Caprolactam Project (EPC): please refer to the announcement dated 12 October 2021 published by the Company for further details. As at the end of the Reporting Period, the project has been delivered and put into production.

Tianjin LNG (Phase II) Project (EPC): please refer to the 2020 annual report dated 21 March 2021 published by the Company for further details. As at the end of the Reporting Period, the project has been delivered and put into operation.

Shandong LNG (Phase III) Project (EPC): please refer to the 2021 annual report dated 20 March 2022 and announcement dated 19 April 2022 published by the Company for further details. As at the end of the Reporting Period, the project has been delivered and put into operation.

Zhenhai Refining and Chemical, and High-end Synthetic New Materials Project (EPC): please refer to the announcement dated 14 April 2023, 24 February 2023, and 14 October 2022 published by the Company and the 2022 annual report dated 19 March 2023 published by the Company for further details. As at the end of the Reporting Period, the project was in the peak of its construction and installation stage, and the overall progress was over 70%.

PetroChina Jihua Transformation and Upgrading Project (EPC): please refer to the announcement dated 14 April 2023 and the 2022 annual report dated 19 March 2023 published by the Company for further details. As at the end of the Reporting Period, the project was in the construction and installation stage, and the overall progress was over 40%.

Longkou LNG Project (EPC): please refer to the announcement dated 24 February 2022 published by the Company for further details. As at the end of the Reporting Period, the project was in the peak stage of construction, and the overall progress was over 70%.

Huajin Project (EPC): please refer to the announcement dated 26 February 2024 published by the Company for further details. As at the end of the Reporting Period, the project was in the detailed design stage.

ExxonMobil Huizhou Ethylene Project (BEPC): please refer to the announcement dated 12 April 2021 published by the Company for further details. As at the end of the Reporting Period, the project progressed smoothly and was awarded the "President's Award for Safety of Global Project" by the owner.

Saudi AMIRAL Project (EPC): please refer to the announcement dated 27 June 2023 and 2023 interim report dated 20 August 2023 published by the Company for further details. As at the end of the Reporting Period, the project was in the civil construction stage, and the overall progress was about 30%.

Algeria LNG/MTBE (EPC) Project: please refer to the announcement dated 19 April 2022 and the 2022 annual report dated 19 March 2023 published by the Company for further details. As at the end of the Reporting Period, the project was in the stage of construction, and the overall progress was over 40%.

Project of the upgrading and construction of Saudi Aramco's crude oil transfer pumping station (EPC): please refer to the announcement dated 16 April 2020 published by the Company for further details. As at the end of the Reporting Period, the project was in the peak stage of construction, and the overall progress was over 80%.

ExxonMobil Singapore CRISP Integration Project (C): As at the end of the Reporting Period, the project was in the stage of construction, and the overall progress was over 30%.

Note: "EPC" means engineering, procurement and construction general contract, "BEPC" means basic design, detailed design, procurement and construction general contract, and "C" means construction general contract.

Further enhancement of scientific and technological innovation capability

During the Reporting Period, the Group has made prominent achievements in research and development of science and technology, the Group signed 258 new technology development contracts, new contracts amounted to RMB420 million; and 100 new technology licensing and service contracts, with the total amount of technology licensing contracts and technology coversion contract reached RMB410 million, reaching historical high.

During the Reporting Period, the Group had 797 new patent applications, among which, 574 were invention patents, accounting for 72.0%; the Group also had 462 newly licensed patents, 233 of which were invention patents, accounting for 50.4%, patent quality has been continuously optimized.

During the Reporting Period, the Group received a total of 33 science and technology progress awards in scientific and technical innovation and engineering construction fields at the provincial and ministerial level and above level. Among these awards, two projects including “Packaged Technology Development and Industrial Application for Shale Gas Liquefaction” won the Second Prize of Scientific and Technological Progress of SINOPEC, while “Engineering and Technology Development of Large-scale Fixed-bed Hydrogenation Reaction Process Enhancement” won the Third Prize of Scientific and Technological Progress of SINOPEC, and “A Multi-Tube Ethene Cracking Furnace” won the Silver Prize of the State-level Patent; 2 prizes of the national excellent design award, 10 prizes of the national high quality projects award.

The Group’s engineering and technology innovation was closely centered on the Company’s strategy and market demand, with key scientific research projects progressing steadily and new advances made in the research of key core technologies. During the Reporting Period, the Group completed the special work of summary of the refining and chemical industry chain and technology chain and released the “Company’s Technology Industry Chain” (the first edition), laying the foundation for the next step of precisely carrying out the work of “chain extension”, “chain supplementation” and “chain strengthening”.

During the Reporting Period, China’s first 10,000-ton PV green hydrogen demonstration project designed and constructed by the Group, Xinjiang Kuqa Green Hydrogen Demonstration Project, has successfully produced hydrogen, and successfully realized interpenetration of the whole process from green hydrogen production to utilization, marking the first time that China realizes interpenetration of the whole industrial chain of 10,000-ton green hydrogen refining project. This project reaches the hydrogen production scale of 20,000 tons per year, and provides a replicable and promotable demonstration case for the development of PV green hydrogen industry.

During the Reporting Period, focusing on the transformation of traditional technologies and the “dual carbon” target, the Group made significant breakthrough in engineering transformation. The world’s first set of 3 million t/a RTC (high efficiency catalytic cracking of heavy oil) industrial demonstration plant was successfully put into operation, realizing the leapfrog progress of catalytic cracking technology, this will provide strong technical support for the transformation and upgrading of refinery and chemical enterprises from traditional fuel-based refineries to chemical-based refineries, and will lay a solid foundation for the Group to expand its market development in this field and undertake engineering projects. At present, five sets of heavy oil catalytic cracking units are under engineering implementation.

During the Reporting Period, the first set of pilot plant of medical grade PGA (polyglycolic acid) of Sinopec designed and constructed by the Group was completed and delivered for midterm at Yangzi Petrochemical. This project realizes another breakthrough in high-end medical material technology.

During the Reporting Period, the first set of 150,000 t/a CHPPO plant in China designed and built by the Group was successfully put into production in Tianjin Petrochemical. Propylene oxide is important basic chemical raw material, and is widely used in polyurethane, polyester fiber and other polymers, as well as in the synthesis of pharmaceuticals and fine chemicals.

Continuous strengthening of engineering and construction capability

During the Reporting Period, the Group continued to strengthen lean management and project resource coordination and planning, focus on cost reduction and efficiency creation and quality enhancement, and make every effort to ensure the smooth operation of the projects; strengthen the whole process management and control of projects, improve the management of project progress, revenue and cost plan, optimize the process evaluation of the key indicators of projects, and strengthen the management of contractual changes and the process of settlement, execute contract in accordance with laws and regulations, and effectively guard against the risks of production and operation; improve engineering efficiency and effectiveness through design optimization; improve design and construction efficiency through standardized design and modular construction; strengthen the cultivation of strategic subcontractors, so that the execution capability of subcontracting resources and the quality of the project can be effectively improved; organize management benchmarking and optimize procurement solutions, so that the procurement bargaining and the ability of securing supply for the project can be continuously improved.

During the Reporting Period, the Group strengthened the application of advanced equipment and technology, promoted the industrialized application of automatic welding and welding robots, explored and promoted the implementation of standardization, automation, digitalization and modular construction in engineering and construction, so that the application rate of automatic welding was increased by 3% year-on-year, and the processes such as guiderail-free crawling welding robots, nine-axis and six-axis pipeline bottoming welding robots, were successfully researched and developed and implemented for industrialized application, and the work efficiency and quality were significantly improved. The Group carried out the research and development of intelligent plant workshop technology, explored the creation of plant manufacturing base, promoted the fusion of digitalization, intelligentization and engineering business, and actively led the innovation of engineering mode. The Group successfully researched and developed 2,000-ton multi-water-area mobile heavy-duty wharf and upgraded 5,000-ton gantry crane, further enhancing the ability to support and guarantee the pillar of the great power.

Maintenance of excellent state of QHSE

During the Reporting Period, taking the action of the year of strengthening safety management, the action of green enterprise, the special solution for the problem of “low, old and bad” quality and the action of “working hard for one hundred days” as the cardinal line, the Group pushed the system by auditing, strengthened the ability by training competition, took practical steps by checking and supervising and built the barrier by risk control, and continued to write a new chapter of safe, green and high-quality development. By the end of the reporting period, the Group had accumulated 290 million safe man-hours, showing an increase of 15.8% over the same period last year, and the situation of safety, high-quality and clean production was stable and under control, with no quality or environmental protection accidents occurring. During the entire year, the Group won 3 national quality awards, 6 first-class awards for national excellent welding, 4 national QC group achievements, and the Huizhou Ethylene Project was awarded the “President’s Award for Safety of Global Project” by the owner; the construction of green enterprise continued to advance, with all 9 member units passing the green enterprise review, and the performance of QHSE management realized a significant improvement.

During the Reporting Period, the Group continued to strengthen the foundation of production safety by specially tackling key problems of equipment management, serious violation of regulations and the “three fundamentals”; continued to improve the level of quality and safety control by identifying the risks at the source of design, R&D and manufacturing, and carrying out quality assessment, research and special rectification actions; and injected new kinetic energy into intrinsic safety by actively researching and developing new technologies such as “modular construction” and “integrated assembly”, and promoting the application of new equipment such as “intelligent rule violation identification”, “electronic fence”, and “welding robot”. The Group innovatively researched, developed, integrated and applied GD series of safe and green production processes with high efficiency, low consumption and low emission, vigorously promoted green construction site development and green enterprise review, and collaborated to tackle key problems such as VOCs emission and hazardous waste disposal, so as to achieve continuous improvement of green and low-carbon core competitiveness.

Continuous enhancement of digital/intelligent enabling capabilities

During the Reporting Period, the Group coordinated the construction of intelligent manufacturing digital base. The construction of refining and chemical engineering business domains was fully promoted, the design of informatization application framework 2.0, global APP and data resource catalog was completed, and 2 data governance achievements were selected as SINOPEC’s 100 excellent data application cases. The digital delivery capability continued to improve. Breakthroughs were made in the design of intelligent factories for projects such as Tianjin Nangang and Zhenhai Base, and digital delivery projects such as Zhongke and Gulei were successfully accepted. Intelligent application scenarios were continuously deepened, with the iterative upgrading of intelligent site development in projects such as Yangzi and Yizheng, and the initial achievements of intelligent operation and maintenance pilots were made in areas such as coal gasification units and equipment anti-corrosion.

In-depth promotion of talent team building

During the Reporting Period, the Group adheres to the development strategy of "strengthening the enterprise with talents" to strengthen the construction of talent team. Innovate the diversified mechanisms for introducing talents, deepen school-enterprise cooperation, and jointly implement the "Sailing Plan" in collaboration with colleges and universities. Forge a team of high-quality professional management personnel, promote the tenure system and contract management of the Company's executive staffs and middle and grass-root managing personnel, fully mobilize the enthusiasm and initiative of managing personnel at all levels, and stimulate the vitality of the enterprise. Improve the training mode of professional engineers, carry out the "strongest engineer" competition, and accurately train professional engineers and design engineers with the empowerment mode of "theory plus practice, learning plus discussion, training plus evaluation". In accordance with the requirements of "five understandings, five skills and five abilities", take practical steps in the job skills training and basic skills training of skilled operators, and implement measures such as "master leading disciple", "work instead of training" and "skill competition" to create a "learning-oriented" team. Continue to carry out "seedling program" for practical training of young talents to enable young talent to thrive in grassroot frontline practice. Implement the talent echelon plan, carry out the selection of business leaders, project talents, future talents and successor talents of skill masters, accelerate the cultivation of high-level talents, and continuously enhance the ability of talents to support and lead development.

Significant enhancement of ESG governance level

During the Reporting Period, the Group actively explored the fusion of international experience and Chinese practice for ESG, continuously established and optimized ESG work system, strengthened the management foundation and enhanced the disclosure level, so as to build a leading enterprise in term of ESG performance. Firstly, the Group established a key ESG performance indicator system, which covers key ESG performance indicators such as greenhouse gas emission, resource consumption, pollutant emission, occupational health and safety, and integrity and anti-corruption, and has incorporated ESG performance indicators such as safety, environmental protection, and compliance operation into the appraisal system of key management personnel and member enterprises, so as to facilitate the Company's achievement of annual ESG targets. Secondly, the Group established a comprehensive ESG disclosure mechanism. The Group actively responded to the revision of the ESG Guidelines of the Hong Kong Stock Exchange, and added "Performance Report" in the ESG report from March 2023 onwards, realizing an item-by-item response to the 48 disclosure indicators at 12 levels. The Group was rated AA in Wind's ESG rating and received the "Best Practice Award of Hong Kong Stock Exchange for ESG of Energy Industry" from Wind. Thirdly, the Group initially established a data statistic system for ESG indicators. The Group established a reporting mechanism covering all member enterprises to continuously improve the quality of information disclosure in ESG reports, and carried out independent verification work of ESG report for the first time.

2 Business Prospects

Looking to the future, challenges and opportunities coexist on the road ahead. The external environment is still complex and severe, domestic effective demand is insufficient, social expectation is weak, the Company's development still has to overcome some difficulties and challenges. However, the basic trend of China's long-term economic upturn has not changed; the development trend of industrial transformation and upgrading in the energy sector, green, low-carbon, intelligentization and internationalization will also bring more opportunities for the Company. From a comprehensive perspective, the opportunities still outweigh the challenges.

In 2024, the Group will continue to enhance our core competitiveness, further increase the pace of internationalization of business while strengthening and enlarging our traditional business, do a good job in technology research and development in a forward-looking manner, continue to enhance the green and low-carbon competitiveness of the whole industrial chain, continuously improve our project fulfillment capability, and strive for high level of business performance. In accordance with the Company's development strategy, combined with the actual production and operation, the Group have set the target of amount of new contracts for 2024 as RMB60 billion domestically and USD3 billion overseas. Focusing on the annual objectives of the Company, the Group will prioritize the following tasks with value management and value creation as core principles:

Expanding market development and continuously broaden the Company's business foundation. Domestically, the Group will do a good job of market tracking, development and service of key projects, consolidate the traditional areas of advantage; vigorously explore incremental and emerging markets, accelerate the cultivation of the most competitive distinctive products with core competitiveness, and strengthen the advantages of the whole industry chain. Internationally, the Group will continuously expand the circle of friends with a more open mindset, take the road of ecological and collaborative globalization, continue to expand the scale of overseas markets, expand the proportion of international business income, and comprehensively improve the level of international operation.

Optimizing project construction execution and continuously enhancing the project's technological performance. The Group will adhere to a customer-centric approach, providing customers with comprehensive solutions across the entire industry chain. Through high-quality, reliable, safe, and efficient services, the Group aims to enhance its own value while creating value for customers. Resources will be coordinated to ensure the orderly progress of ongoing projects. Strict compliance will be enforced to enhance performance capabilities and strengthen overall project management and control to ensure the quality of effectiveness. The Group will continue to deepen the application of advanced technology and equipment. In 2024, the application rate of automated welding will increase by an additional 3%. The Group will promote the application and practice of "Robots +" to expand the application scenarios of welding robots and lead innovations in welding technology and equipment. The Group will strengthen the application of informatization and intelligentization means, promote the research and development of intelligent plant workshop technology, promote the improvement of plant intelligent manufacturing capabilities, and steadily improve effectiveness and efficiency.

Improving risk control and consolidate the foundation of high-quality development of the Company. The Group will initiate the construction of a major operational risk management platform, continuously strengthen legal risk prevention throughout the entire lifecycle of contracts, and strictly guard against financial, foreign exchange, tax, and credit risks. We will focus on key indicators such as return on net assets and operating cash ratio to further solidify the profit foundation and enhance the profitability. We need to strengthen cost control through optimized design, innovative technology, and lean management to improve the overall cost control level across all aspects and processes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the Group's audited financial statements and the accompanying notes contained in this annual report. The relevant financial data below, unless otherwise stated, are extracted from the Group's audited financial statements prepared according to the IFRS.

1 Consolidated Results of Operations

The following table sets forth the consolidated comprehensive income and comprehensive income statement of the Group for the indicated years.

	Year ended 31 December				
	2023		2022		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB' 000)	(%)	(RMB' 000)	(%)	(%)
Revenue	56,220,641	100.0	53,028,139	100.0	6.0
Cost of sales	(50,607,844)	(90.0)	(47,415,814)	(89.4)	6.7
Gross profit	5,612,797	10.0	5,612,325	10.6	0.0
Other income	24,970	0.0	314,175	0.6	(92.1)
Selling and marketing expenses	(187,970)	(0.3)	(156,816)	(0.3)	19.9
Administrative expenses	(1,353,076)	(2.4)	(1,273,588)	(2.4)	6.2
Research and development costs	(2,202,372)	(3.9)	(2,577,892)	(4.9)	(14.6)
Other operating expenses	(207,018)	(0.4)	(110,024)	(0.2)	88.2
Other gains – net	39,444	0.1	2,633	0.0	1398.1
Operating profit	1,726,775	3.1	1,810,813	3.4	(4.6)
Finance income	1,091,152	1.9	1,008,528	1.9	8.2
Finance expenses	(72,044)	(0.1)	(73,491)	(0.1)	(2.0)
Finance income – net	1,019,108	1.8	935,037	1.8	9.0
Share of profits/(losses) of joint arrangements	179	0.0	(76)	(0.0)	–
Share of profit of associates	17,991	0.0	16,502	0.0	9.0
Profit before taxation	2,764,053	4.9	2,762,276	5.2	0.1
Income tax expense	(428,375)	(0.8)	(477,116)	(0.9)	(10.2)
Profit for the year	2,335,678	4.2	2,285,160	4.3	2.2

(1) Revenue

During the Reporting Period, the Group's total revenue was RMB56.221 billion, showing a year-on-year growth of 6.0%, which was mainly due to the reason that the domestic and foreign large-scale projects, such as Huizhou Ethylene, Zhenhai Base Phase II, Tianjin Nangang as well as the upgrading and reconstruction of Saudi Aramco's crude oil transfer pump station, entered the peak construction period, driving year-on-year growth of revenue.

(2) Cost of sales

The cost of sales of the Group increased by 6.7% to RMB50.608 billion for the year ended 31 December 2023, which was mainly due to the corresponding increase in procurement, subcontracting and other costs as revenue increases.

(3) Gross profit

The gross profit of the Group increased to RMB5.613 billion for the year ended 31 December 2023, which remained broadly stable on a year-on-year basis, the gross profit margin decreased from 10.6% for the same period of last year to 10.0%, within a reasonable gross profit margin range.

(4) Other income

Other income of the Group decreased by 92.1% to RMB25 million for the year ended 31 December 2023, which was mainly due to a year-on-year decrease of RMB216 million in exchange gains.

(5) Selling and marketing expenses

The selling and marketing expenses of the Group were RMB188 million, showing a year-on-year growth of 19.9%, which were mainly due to the increase in the domestic and foreign market development expenditures.

(6) Administrative expenses

The administrative expenses of the Group were RMB1.353 billion, showing a year-on-year growth of 6.2%, which were mainly due to the year-on-year increase in expenditures such as leasing and letter of guarantee.

(7) Research and development costs

The research and development expenses of the Group were RMB2.202 billion, representing a decrease of 14.6% on a year-on-year basis, which were mainly due to optimization of R&D investment direction, focusing on the direction of new chemical materials, and improvement of the efficiency of R&D input and output.

(8) Other operating expenses

Other operating expenses of the Group were RMB207 million, showing a year-on-year growth of 88.2%, which were mainly due to the year-on-year increase of the provision for impairment during the Reporting Period.

(9) Other gains – net

The net other gains of the Group were RMB39 million, which were mainly due to gain from the revitalization of idle real estate property.

(10) Operating profit

Due to the above reasons, the operating profit of the Group decreased by 4.6% to RMB1.727 billion for the year ended 31 December 2023.

(11) Finance income – net

The net finance income of the Group was RMB1.019 billion, showing a year-on-year growth of 9.0%, which was mainly due to the increase in deposit interest income.

(12) Income tax expense

The Group's income tax expense was RMB428 million, representing a decrease of 10.2% on a year-on-year basis. The effective income tax rate decreased from 17.3% to 15.5% on a year-on-year basis. The change in the effective income tax rate was mainly due to the profit fluctuation of certain subsidiaries with different tax rates.

(13) Profit for the year

Due to the above reasons, the profit for the year increased by 2.2% to RMB2.336 billion for the year ended 31 December 2023.

2 Discussion on the Results by Business Segments

The following table sets forth the revenue, gross profit, gross profit margin, operating profit and operating profit margin of each of our business segments for the periods indicated:

	Segment revenue		Segment gross profit		Segment gross profit margin		Segment operating profit		Segment operating profit margin	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(RMB'000)		(RMB'000)		(%)		(RMB'000)		(%)	
Engineering, consulting and licensing	**3,822,158**	3,370,136	**1,152,040**	1,046,112	**30.1**	31.0	**293,322**	104,380	**7.7**	3.1
EPC Contracting	**31,987,238**	29,586,178	**2,672,191**	2,528,013	**8.4**	8.5	**1,007,531**	955,023	**3.1**	3.2
Construction	**25,278,988**	25,600,495	**1,735,247**	1,981,773	**6.9**	7.7	**403,850**	609,936	**1.6**	2.4
Equipment manufacturing	**731,149**	829,751	**53,319**	56,427	**7.3**	6.8	**7,950**	7,570	**1.1**	0.9
Unallocated	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**14,122**	133,904	**N/A**	N/A
Subtotal	**61,819,533**	59,386,560	**5,612,797**	5,612,325	**N/A**	N/A	**1,726,775**	1,810,813	**N/A**	N/A
Total after inter-segment elimination(3)	**56,220,641**	53,028,139	**5,612,797**	5,612,325	**10.0(1)**	10.6(1)	**1,726,775**	1,810,813	**3.1(2)**	3.4(2)

Notes:

(1) Total gross profit margin is calculated based on total gross profit divided by total revenue, and total revenue is the gross earnings generated after inter-segment elimination in all the business segments.

(2) Total operating profit margin of the segment is calculated based on the total operating profit of the segment divided by total revenue, and total revenue is the gross earnings generated after inter-segment elimination in all the business segments.

(3) Inter-segment elimination is mainly caused by the inter-segment sales made by the engineering, consulting and licensing, engineering construction and equipment manufacturing segments to the EPC Contracting segment. Other information on inter-segment sales is set out in Note 7 to the financial statements contained in this annual report.

Engineering, Consulting and Licensing

The operating results of the Group's engineering, consulting and licensing business are as follows:

	Year ended 31 December			
	2023		2022	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	3,822,158	100.0	3,370,136	100.0
Cost of sales	(2,670,118)	(69.9)	(2,324,024)	(69.0)
Gross profit	1,152,040	30.1	1,046,112	31.0
Selling and marketing expenses	(49,023)	(1.3)	(38,747)	(1.1)
Administrative expenses	(254,195)	(6.7)	(246,856)	(7.3)
Research and development costs	(555,004)	(14.5)	(715,614)	(21.2)
Other income and expenses	(496)	(0.0)	59,485	1.8
Operating profit	293,322	7.7	104,380	3.1

(1) Revenue

During the Reporting Period, the revenue generated from the Group's engineering, consulting and licensing segment was RMB3.822 billion, representing a year-on-year increase of 13.4%, which was mainly due to the increase in business volume.

(2) Cost of sales

The cost of sales of the Group's engineering, consulting and licensing segment was RMB2.670 billion, representing a year-on-year increase of 14.9%, which was mainly due to the cost increase corresponding to the increase of business volume.

(3) Gross profit

The gross profit of the Group's engineering, consulting and licensing segment was RMB1.152 billion, representing a year-on-year increase of 10.1%, which was mainly due to the increase in revenue. The gross profit margin was 30.1%, which remained broadly stable on a year-on-year basis.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's engineering, consulting and licensing segment was RMB49 million, representing a year-on-year increase of 26.5%, which was mainly due to the increase in the domestic and foreign market development expenditures.

(5) Administrative expenses

The administrative expenses of the Group's engineering, consulting and licensing segment was RMB254 million, which remained broadly stable on a year-on-year basis.

(6) Research and development costs

The research and development costs of the Group's engineering, consulting and licensing segment were RMB555 million, representing a decrease of 22.4% on a year-on-year basis, which were mainly due to optimization of R&D investment direction, focusing on the direction of new chemical materials, and improvement of the efficiency of R&D input and output.

(7) Operating profit

Due to the above reasons and the impact, the operating profit of the Group's engineering, consulting and licensing segment was RMB293 million, representing a year-on-year of 181.0%.

EPC Contracting

The operating results of the Group's EPC Contracting business are as follows:

	Year ended 31 December			
	2023		2022	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	31,987,238	100.0	29,586,178	100.0
Cost of sales	(29,315,047)	(91.6)	(27,058,165)	(91.5)
Gross profit	2,672,191	8.4	2,528,013	8.5
Selling and marketing expenses	(83,448)	(0.3)	(61,238)	(0.2)
Administrative expenses	(500,781)	(1.6)	(426,460)	(1.4)
Research and development costs	(1,022,809)	(3.2)	(1,153,146)	(3.9)
Other income and expenses	(57,622)	(0.2)	67,854	0.2
Operating profit	1,007,531	3.1	955,023	3.2

(1) Revenue

During the Reporting Period, the revenue generated from the Group's EPC Contracting segment was RMB31.987 billion, representing an increase of 8.1% on a year-on-year basis, which was mainly due to the year-on-year increase in new and ongoing EPC contracts, and the contribution of revenue from large-scale projects such as Huizhou Ethylene, Zhenhai Base Phase II and Tianjin Nangang.

(2) Cost of sales

The cost of sales of the Group's EPC Contracting segment was RMB29.315 billion, representing an increase of 8.3% on a year-on-year basis, which was mainly due to the corresponding increase in procurement, subcontracting and other costs as business volume increases.

(3) Gross profit

The gross profit of the Group's EPC Contracting segment was RMB2.672 billion, representing an increase of 5.7% on a year-on-year basis, which was mainly due to the increase in revenue; the gross profit margin was 8.4%, which remained broadly stable on a year-on-year basis.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's EPC Contracting segment were RMB83 million, representing an increase of 36.3% on a year-on-year basis, which were mainly due to the increase in the domestic and foreign market development expenditures.

(5) Administrative expenses

The administrative expenses of the Group's EPC Contracting segment were RMB501 million, representing an increase of 17.4% on a year-on-year basis, which were mainly due to the year-on-year increase in expenditures such as leasing and letter of guarantee.

(6) Research and development costs

The research and development costs of the Group's EPC Contracting segment were RMB1.023 billion, representing a decrease of 11.3% on a year-on-year basis, which were mainly due to optimization of R&D investment direction, focusing on the direction of new chemical materials, and improvement of the efficiency of R&D input and output.

(7) Operating profit

Due to the above reasons and the impact, the operating profit of the Group's EPC Contracting segment was RMB1.008 billion, representing an increase of 5.5% on a year-on-year basis.

Construction

The operating results of the Group's construction business are as follows:

	Year ended 31 December			
	2023		2022	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	**25,278,988**	**100.0**	25,600,495	100.0
Cost of sales	**(23,543,741)**	**(93.1)**	(23,618,722)	(92.3)
Gross profit	**1,735,247**	**6.9**	1,981,773	7.7
Selling and marketing expenses	**(53,183)**	**(0.2)**	(50,836)	(0.2)
Administrative expenses	**(581,207)**	**(2.3)**	(580,057)	(2.3)
Research and development costs	**(596,161)**	**(2.4)**	(703,429)	(2.7)
Other income and expenses	**(100,846)**	**(0.4)**	(37,515)	(0.1)
Operating profit	**403,850**	**1.6**	609,936	2.4

(1) Revenue

During the Reporting Period, the revenue generated from the Group's construction segment was RMB25.279 billion, which remained broadly stable on a year-on-year basis.

(2) Cost of sales

The cost of sales of the Group's construction segment was RMB23.544 billion, which remained broadly stable on a year-on-year basis.

(3) Gross profit

The gross profit of the Group's construction segment was RMB1.735 billion, representing a decrease of 12.4% on a year-on-year basis, and the gross profit margin was 6.9%, representing a decrease of 0.8% on a year-on-year basis, total gross profit and gross profit margin of the construction business decreased year-on-year mainly due to the impact of rising subcontracted labor and man-hour costs.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's construction segment were RMB53 million, representing an increase of 4.6% on a year-on-year basis, which were mainly due to the increase in the domestic and foreign market development expenditures.

(5) Administrative expenses

The administrative expenses of the Group's construction segment were RMB581 million, which remained broadly stable on a year-on-year basis.

(6) Research and development costs

The research and development costs of the Group's construction segment were RMB596 million, representing a decrease of 15.2% on a year-on-year basis, which were mainly due to optimization of R&D investment direction, focusing on the direction of advanced tooling and automatic welding technology, and improvement of the efficiency of R&D input and output.

(7) Operating profit

Due to the above reasons and the impact, the operating profit of the Group's construction segment was RMB404 million, representing a decrease of 33.8% on a year-on-year basis.

Equipment Manufacturing

The operating results of the Group's equipment manufacturing business are as follows:

	Year ended 31 December			
	2023		2022	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	731,149	100.0	829,751	100.0
Cost of sales	(677,830)	(92.7)	(773,324)	(93.2)
Gross profit	53,319	7.3	56,427	6.8
Selling and marketing expenses	(2,315)	(0.3)	(5,995)	(0.7)
Administrative expenses	(14,295)	(2.0)	(20,215)	(2.4)
Research and development costs	(28,399)	(3.9)	(5,703)	(0.7)
Other income and expenses	(360)	(0.0)	(16,944)	(2.0)
Operating profit	7,950	1.1	7,570	0.9

(1) Revenue

During the Reporting Period, the revenue generated from the Group's equipment manufacturing segment was RMB731 million, representing a decrease of 11.9% on a year-on-year basis, which was mainly due to the impact of the different equipment manufacturing orders and production cycle.

(2) Cost of sales

The cost of sales of the Group's equipment manufacturing segment was RMB678 million, representing a decrease of 12.3% on a year-on-year basis, which was mainly due to the cost decrease in line with the decrease of business volume.

(3) Gross profit

The gross profit of the Group's equipment manufacturing segment was RMB53 million, representing a decrease of 5.5% on a year-on-year basis, which was mainly due to the decrease in revenue; gross profit margin was 7.3%, representing a growth of 0.5% on a year-on-year basis.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's equipment manufacturing segment were RMB2 million.

(5) Administrative expenses

The administrative expenses of the Group's equipment manufacturing segment were RMB14 million.

(6) Research and development costs

The research and development costs of the Group's equipment manufacturing segment were RMB28 million.

(7) Operating profit

Due to the above reasons and the impact, the operating profit of the Group's equipment manufacturing segment was RMB8 million, which remained broadly stable on a year-on-year basis.

3 Discussion on the results by other classification

The following table sets forth the revenue generated from different industries in which the Group's clients operate:

	Year ended 31 December				
	2023		2022		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB' 000)	(%)	(RMB' 000)	(%)	(%)
Oil refining	6,773,150	12.0	7,421,327	14.0	(8.7)
Petrochemicals	34,602,951	61.5	31,606,768	59.6	9.5
New coal chemicals	556,553	1.0	912,927	1.7	(39.0)
Storage & transportation and others	14,287,987	25.4	13,087,117	24.7	9.2
Total	56,220,641	100.0	53,028,139	100.0	6.0

The Group's revenue mainly comes from providing services to customers in oil refining, petrochemicals, new coal chemicals, storage and transportation and other industries. Change in revenue structure mainly follows the industry development trends and project construction cycles. During the Reporting Period, contributed by the increase of revenue of large-scale petrochemical projects such as Huizhou Ethylene, Zhenhai Base Phase II and Tianjin Nangang, the Group's revenue from the petrochemical industry was RMB34.603 billion, representing a year-on-year increase of 9.5%. Due to the impact of increase in newly signed and on-hand contracts in storage and transportation and other industries, the revenue from storage and transportation and other industries was RMB14.288 billion, representing a year-on-year increase of 9.2%. Due to the refining projects such as Hainan Refining are settled and ended, Huajin and other newly signed refining projects are in the pre-construction stage, the revenue from the oil refining industry was RMB6.773 billion, representing a decrease of 8.7% on a year-on-year basis. Due to the impact of the reduction of new coal chemical on-hand contracts, the revenue from new coal chemicals industry was RMB557 million, representing a decrease of 39.0% on a year-on-year basis.

The following table sets forth the revenue generated from different regions where the Group's clients operate:

	Year ended 31 December				
	2023		2022		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
PRC	**50,600,101**	**90.0**	48,837,100	92.1	3.6
Overseas	**5,620,540**	**10.0**	4,191,039	7.9	34.1
Total	**56,220,641**	**100.0**	53,028,139	100.0	6.0

During the Reporting Period, the Group's revenue generated in the overseas was RMB5.621 billion, representing an increase of 34.1% on a year-on-year basis, which was mainly due to the upgrading and construction of Saudi Aramco's crude oil transfer pumping station, Saudi Marjan and other overseas projects entering the peak construction period, which drove revenue growth.

The following table sets forth the revenue generated from services provided by the Group for (i) Sinopec Group and its associates; and (ii) non-Sinopec Group and its associates:

	Year ended 31 December				
	2023		2022		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Sinopec Group and its associates	**31,871,544**	**56.7**	31,366,296	59.2	1.6
Non-Sinopec Group and its associates	**24,349,097**	**43.3**	21,661,843	40.8	12.4
Total	**56,220,641**	**100.0**	53,028,139	100.0	6.0

During the Reporting Period, the Group's the revenue generated from Sinopec Group and its associates was RMB31.872 billion, which remained broadly stable on a year-on-year basis; the revenue generated from non-Sinopec Group and its associates was RMB24.349 billion, representing an increase of 12.4% on a year-on-year basis, mainly due to contributions from projects such as Huizhou Ethylene and Saudi Aramco's crude oil transfer pumping station.

4 Discussion on the backlog and new contracts

Backlog represents the total estimated contract value of work that remains to be completed pursuant to outstanding contracts as at a certain date, net of estimated value added tax, and is calculated based on the Group's assumption that the relevant contracts will be performed in accordance with their terms. Backlog is not a measure defined by generally accepted accounting principles. Any modification, termination or suspension of these contracts by the Group's clients may have a substantial and immediate effect on the Group's backlog. Projects may also remain in the Group's backlog for an extended period of time beyond what is initially anticipated due to various factors beyond the Group's control.

The following table sets forth the total value of backlog for each business segment of the Group as at the dates indicated:

	As at 31 December 2023 (RMB'000)	As at 31 December 2022 (RMB'000)	Change (%)
Engineering, consulting and licensing	11,452,408	10,955,159	4.5
EPC Contracting	96,302,360	76,579,262	26.2
Construction	26,649,189	23,395,035	12.4
Equipment manufacturing	1,858,273	1,301,697	42.8
Total	136,262,230	112,231,153	21.4

The following table sets forth the total value of backlog categorised by the industries in which the Group's clients operate as at the dates indicated:

	As at 31 December 2023 (RMB'000)	As at 31 December 2022 (RMB'000)	Change (%)
Oil refining	27,195,578	17,779,006	53.0
Petrochemicals	71,961,444	60,479,006	19.0
New coal chemicals	1,939,729	2,104,056	(7.8)
Storage & transportation and others	35,165,480	31,869,085	10.3
Total	136,262,230	112,231,153	21.4

The following table sets forth the total value of the backlog by regions as at the dates indicated:

	As at 31 December 2023 (RMB'000)	As at 31 December 2022 (RMB'000)	Change (%)
PRC	99,709,056	91,504,079	9.0
Overseas	36,553,174	20,727,074	76.4
Total	136,262,230	112,231,153	21.4

The following table sets forth the total value of backlog categorised by the clients of each of (i) Sinopec Group and its associates, and (ii) non-Sinopec Group and its associates as at the dates indicated:

	As at 31 December 2023 (RMB'000)	As at 31 December 2022 (RMB'000)	Change (%)
Sinopec Group and its associates	53,258,736	63,131,277	(15.6)
Non-Sinopec Group and its associates	83,003,494	49,099,876	69.1
Total	136,262,230	112,231,153	21.4

As at 31 December 2023, the Group's backlog was RMB136.262 billion, representing an increase of 21.4% compared to that as at 31 December 2022, and 2.4 times of the total revenue of RMB56.221 billion in 2023.

The following table sets forth the total value of new contracts entered into categorised by the Group's each business segment in the periods indicated:

	Year ended 31 December		
	2023	2022	Change
	(RMB'000)		(%)
Engineering, consulting and licensing	4,136,226	3,403,683	21.5
EPC Contracting	51,710,336	49,687,207	4.1
Construction	23,481,092	18,579,079	26.4
Equipment manufacturing	924,063	854,972	8.1
Total	80,251,717	72,524,941	10.7

The following table sets forth the total value of new contracts entered into by the Group categorised by the industries in which the Group's clients operate in the periods indicated:

	Year ended 31 December		
	2023	2022	Change
	(RMB'000)		(%)
Oil refining	16,189,721	6,894,988	134.8
Petrochemicals	46,085,389	54,144,751	(14.9)
New coal chemicals	392,225	321,182	22.1
Storage & transportation and others	17,584,382	11,164,020	57.5
Total	80,251,717	72,524,941	10.7

The following table sets forth the total value of new contracts entered into by the Group by regions in the periods indicated:

	Year ended 31 December		
	2023	2022	Change
	(RMB'000)		(%)
PRC	58,805,078	65,324,416	(10.0)
Overseas	21,446,639	7,200,525	197.8
Total	80,251,717	72,524,941	10.7

The following table sets forth the total value of new contracts entered into by the Group with the clients of each of (i) Sinopec Group and its associates, and (ii) non-Sinopec Group and its associates in the periods indicated:

	Year ended 31 December		
	2023	2022	Change
	(RMB'000)		(%)
Sinopec Group and its associates	21,999,001	33,642,298	(34.6)
Non-Sinopec Group and its associates	58,252,716	38,882,643	49.8
Total	80,251,717	72,524,941	10.7

During the Reporting Period, the value of the Group's new contracts was RMB80.252 billion, representing an increase of 10.7% on a year-on-year basis.

5 Assets, Liabilities, Equity and Cash Flows

The Group's funds mainly came from operating activities and were primarily used for working capital, capital expenditure and dividend distribution.

(1) Assets, Liabilities and Equity

Unit: RMB'000

	As at 31 December 2023	As at 31 December 2022	Changes
Total assets	80,967,671	78,682,463	2,285,208
Current assets	72,562,033	70,369,169	2,192,864
Non-current assets	8,405,638	8,313,294	92,344
Total liabilities	50,119,956	48,645,671	1,474,285
Current liabilities	47,968,755	46,475,288	1,493,467
Non-current liabilities	2,151,201	2,170,383	(19,182)
Net assets	30,847,715	30,036,792	810,923
Share capital	4,418,544	4,428,000	(9,456)
Reserves	26,423,599	25,603,512	820,087
Consolidated equity attributable to equity holders of the Company	30,842,143	30,031,512	810,631
Non-controlling interests	5,572	5,280	292

As at the end of the Reporting Period, the total assets of the Group were RMB80.968 billion, the total liabilities were RMB50.120 billion, and the equity attributable to the equity holders of the Company was RMB30.842 billion. The changes in the assets and liabilities as compared with those as at the end of 2022 and the main reasons are as follows:

As at the end of the Reporting Period, the total assets were RMB80.968 billion, representing an increase of RMB2.285 billion as compared with that as at the end of 2022. In particular, the current assets were RMB72.562 billion, representing an increase of RMB2.193 billion as compared with that as at the end of 2022, which was mainly due to an increase of RMB2.961 billion in time deposit, an increase of RMB2.567 billion in prepayments and other receivables, an increase of RMB140 million in contract assets, a decrease of RMB2.109 billion in cash and cash equivalents, a decrease of RMB1.090 billion in notes and trade receivables, a decrease of RMB285 million in inventories;

non-current assets amounted to RMB8.406 billion, representing an increase of RMB92 million as compared with that as at the end of 2022, which was mainly due to an increase of RMB144 million in property, plant and equipment, and a decrease of RMB32 million in right-of-use asset.

As at the end of the Reporting Period, the total liabilities were RMB50.120 billion, representing an increase of RMB1.474 billion as compared with that as at the end of 2022. In particular, the current liabilities were RMB47.969 billion, representing an increase of RMB1.493 billion as compared with that as at the end of 2022, which was mainly due to the increase of contract liabilities by RMB1.813 billion, a decrease of RMB267 million in other payables, and a decrease of RMB61 million in borrowings payable to fellow subsidiaries.

The non-current liabilities were RMB2.151 billion, representing a decrease of RMB19 million as compared with that as at the end of 2022, which was mainly due to a decrease of RMB93 million in retirement and other supplementary benefit obligations, and an increase of RMB48 million in lease liabilities.

The consolidated equity attributable to equity holders of the Company was RMB30.842 billion, an increase of RMB811 million as compared with that as at the end of 2022, which was mainly due to the increase in retained earnings.

(2) Cash Flows

During the Reporting Period, the net decrease in cash and cash equivalents was RMB1.768 billion and net cash generated from operating activities was RMB2.517 billion. The following table sets forth the main items and their changes in the Group's consolidated cash flow statements for the year ended 31 December 2023 and 2022, respectively.

Unit: RMB'000

Major items of cash flow	Year ended 31 December	
	2023	2022
Net cash generated from operating activities	**2,516,756**	6,809,048
Net cash used in from investing activities	**(2,663,865)**	(905,076)
Net cash used in financing activities	**(1,620,413)**	(1,527,590)
Net (decrease)/increase in cash and cash equivalents	**(1,767,522)**	4,376,382

During the Reporting Period, the profit before taxation was RMB2.764 billion, and the profit was RMB2.791 billion after adjusting the items in expenses that did not affect the cash flow in operating activities. Major non-cash expense items included net interest income and expenditure of RMB1.019 billion, depreciation and amortisation of RMB950 million, impairment provision of RMB167 million, net gains on disposal/write-off of property, plant and equipment was RMB39 million, exchange grains of RMB14 million. Changes in working capital increased cash outflow was RMB212 million, which were mainly shown in: the increase in contract liabilities which caused cash inflow from operating activities of RMB1.813 billion; the increase in trade and other receivables balance which caused the cash outflow from operating activities of RMB1.478 billion; the increase in contract assets which caused the cash outflow from operating activities of RMB143 million; the decrease in trade and other payables balance which caused the cash outflow from operating activities of RMB681 million; the decrease in inventory balance which caused the cash inflow from operating activities of RMB285 million.

After adjusting non-cash expense items, receivables and payables for the profit before taxation, deducting the income tax paid amounting to cash outflow RMB398 million, and increasing inflow of received interest by RMB335 million, the net cash generated from operating activities was RMB2.517 billion.

Net cash used in investing activities was RMB2.664 billion, which was mainly due to the purchase expenses of property, plant and equipment and an increase in time deposits.

Net cash used in financing activities was RMB1.620 billion, which was mainly due to the dividend distribution expenses.

Based on the cash flows during the Reporting Period, the Group has adequate working capital at present. In the next step, the Group will continue to strengthen the settlement of trade debts and control the use of working capital in operating activities. The Group will also continue to effectively manage the investment risk, as well as to expand the scale of investment and increase the return on capital.

(3) Summary of Financial Ratios

The following table sets forth the Group's key financial ratios for the periods indicated:

Main financial ratios	Year ended 31 December	
	2023	2022
Net profit margin (%)	**4.2**	4.3
Return on assets (%)[1]	**2.9**	3.0
Return on equity (%)[2]	**7.6**	7.6
Return on invested capital (%)[3]	**7.7**	7.8

Main financial ratios	**As at 31 December 2023**	As at 31 December 2022
Gearing ratio (%)[4]	**0.8**	0.9
Net debt to equity ratio (%)[5]	**Net cash**	Net cash
Current ratio[6]	**1.5**	1.5
Quick ratio[7]	**1.5**	1.5

(1) Return on assets = $\dfrac{\text{Profit for the year}}{\text{(Opening balance of total assets + Closing balance of total assets)/2}}$

(2) Return on equity = $\dfrac{\text{Profit for the year}}{\text{Total equity at the end of the year}}$

(3) Return on invested capital = $\dfrac{\text{Earnings before interest and tax (EBIT) for the year x (1 – effective income tax rate)}}{\text{Total interest bearing debt at the end of the year – Credit loans + Total equity at the end of the year}}$

(4) Gearing ratio = $\dfrac{\text{Total interest bearing debt at the end of the year}}{\text{Total interest bearing debt at the end of the year + Total equity at the end of the year}}$

(5) Net debt to equity ratio = $\dfrac{\text{Net debt at the end of the year}}{\text{Total equity at the end of the year}}$

(6) Current ratio = $\dfrac{\text{Current assets}}{\text{Current liabilities}}$

(7) Quick ratio = $\dfrac{\text{Current assets – Inventories}}{\text{Current liabilities}}$

Return on assets

During the Reporting Period, the Group's return on assets was 2.9%, which remained broadly stable on a year-on-year basis.

Return on equity

The Group's return on equity was 7.6%, which remained broadly stable on a year-on-year basis.

Return on invested capital

The Group's return on invested capital was 7.7%, which remained broadly stable on a year-on-year basis.

Gearing ratio

The Group's gearing ratio was 0.8%, representing a decrease of 0.1% on a year-on-year basis, which remained broadly stable on a year-on-year basis.

Net debt to equity ratio

The Group maintained positive net cash as at 31 December 2023 and as at 31 December 2022.

Current ratio

The Group's current ratio was 1.5, which remained stable on a year-on-year basis.

Quick ratio

The Group's quick ratio was 1.5, which remained stable on a year-on-year basis.

6 Foreign exchange risk

There were accounts receivable and payable and cash balances in relation to our overseas projects, which are settled in foreign currencies. During the Reporting Period, our foreign currencies mainly consist of U.S. dollars, Euros, Saudi riyal, Kuwaiti dinar and Malaysian ringgit. In the future, exchange rates will affect the pricing of our services as well as our material procurement costs settled in foreign currencies, fluctuation in exchange rates may affect our business performance and financial status. During the Reporting Period, the Group has not carried out hedging transaction related to foreign exchange fluctuation.

SIGNIFICANT EVENTS

SIGNIFICANT EVENTS

1 Corporate Governance

During the Reporting Period, the Company was in compliance with the code provisions of the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules and did not deviate from any code provision.

2 The Annual Dividend Distribution Plan as at 31 December 2023

The sixteenth meeting of the fourth session of the Board approved the dividend distribution plan for the year ended 31 December 2023 of a final cash dividend of RMB0.224 (inclusive of applicable taxes) per share. The above dividend distribution plan will be submitted to the Company's annual general meeting to be held on 10 May 2024 for review and approval before implementation.

The final dividend of 2023 will be paid on or before Friday, 19 July 2024 to all shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 22 May 2024. In order to qualify for the final dividend, the holders of H Shares must lodge all share certificates accompanied by the transfer documents with Computershare Hong Kong Investor Services Ltd. (address: Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) before 4:30 p.m. on Thursday, 16 May 2024 for registration. For the purpose of ascertaining shareholders who qualify for the dividend, the register of members for H Shares will be closed from Friday, 17 May 2024 to Wednesday, 22 May 2024 (both days inclusive).

The dividend will be denominated and declared in Renminbi. The holders of Domestic Shares will be paid in Renminbi and the holders of H Shares will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars will be the mean of the benchmark exchange rates of Renminbi to Hong Kong dollars as announced by the People's Bank of China during the five working days before 10 May 2024, the date on which the annual general meeting was convened to approve the final dividend.

In accordance with the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) and its implementation regulations, the Company 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 when distributing the cash dividends. Any H Shares not registered under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organisations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, 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 their agents or trustees. The Company will strictly comply with the law and the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H Shares as at Wednesday, 22 May 2024.

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends given to them under the relevant tax agreement with the PRC, the Company should withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of less than 10% under the relevant tax agreement with the PRC, the Company 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, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant shareholders submit the information required by the notice of the tax agreement to the H share registrar of the Company. The Company will assist with the tax refund of the extra amount withheld after obtaining the approval of the competent tax authority. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of over 10% but less than 20% under the tax agreement with the PRC, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of H Shares are residents of the countries which have had an agreed tax rate of 20% under the relevant tax agreement with the PRC, or which has not entered into any tax agreement with PRC, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

For investors investing in the H Shares of the Company listed on the Hong Kong Stock Exchange through the Shanghai Stock Exchange or Shenzhen Stock Exchange (including enterprises and individuals) (the "Southbound Trading"), the Company has entered into the Agreement on Appropriation of Cash Dividends of H Shares for Southbound Trading《港股通H股股票現金紅利派發協議》with China Securities Depository and Clearing Corporation Limited, pursuant to which, China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H Shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depositary and clearing system. The cash dividends for the investors of H Shares of Southbound Trading will be paid in Renminbi.

Pursuant to the relevant requirements under the "Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect" (Caishui [2014] No. 81)《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》(財稅[2014]81號) and the "Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect" (Caishui [2016] No. 127)《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》(財稅[2016]127號)), for dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

3 Connected Transactions

Continuing Connected Transactions between the Group and Sinopec Group

During the Reporting Period, the Group entered into a series of continuing connected transactions or agreements with Sinopec Group, including the following:

(1) the Engineering and Construction Services Framework Agreement and the supplemental agreement;

(2) the Financial Services Framework Agreement and the supplemental agreement;

(3) the Technology R&D Framework Agreement and the supplemental agreement;

(4) the General Services Framework Agreement and the supplemental agreement;

(5) the Land Use Rights and Properties Leasing Framework Agreement;

(6) the Counter-guarantees provided by Sinopec Group;

(7) the Safe Production Insurance Fund; and

(8) the Trademark Licensing Agreement.

For further details, please refer to the Company's announcement entitled "Renewal of the General Services Framework Agreement, the Technology R&D Framework Agreement, the Land Use Rights and Properties Leasing Framework Agreement, the Financial Services Framework Agreement and Engineering and Construction Services Framework Agreement and the Annual Caps and the Continuing Connected Transactions and Major Transactions under the Financial Services Framework Agreement and the Engineering and Construction Services Framework Agreement" published on 22 August 2021 and the contents in relation to the Financial Services Framework Agreement and the Engineering Services Framework Agreement in the Company's circular to its shareholders published on 15 September 2021.

The Group's Actual Connected Transactions

During the Reporting Period, the aggregate value of the connected transactions actually entered into by the Group was RMB35.567 billion. In particular, the expenses amounted to RMB2.577 billion and the revenue amounted to RMB32.990 billion (including RMB32.248 billion from the sale of products and services and RMB742 million from interest income).

During the Reporting Period, the engineering and construction services (supply of equipment and materials, procurement of services and equipment leasing, technology licensing and other engineering-related services) provided by Sinopec Group to the Group amounted to RMB2.481 billion, which was lower than the annual cap. The engineering and construction services (engineering consulting, technology licensing, engineering design, EPC contracting, construction and equipment manufacturing, etc.) provided by the Group to Sinopec Group amounted to RMB31.982 billion, which was lower than the annual cap.

During the Reporting Period, the service fees in relation to the settlement and other financial services between the Group and Sinopec Finance Co., Ltd. and Sinopec Century Bright Capital Investment Limited were RMB3 million, which was lower than the annual cap. The maximum daily balance of deposits and interest income was RMB7.959 billion, which was lower than the annual cap. The maximum daily balance of entrustment loans was RMB20.500 billion, which was lower than the annual cap.

During the Reporting Period, the technology R&D services provided by the Group to Sinopec Group amounted to RMB248 million, which was lower than the annual cap.

During the Reporting Period, the general services provided by the Group to Sinopec Group amounted to RMB5 million, which was lower than the annual cap.

During the Reporting Period, the general services provided by Sinopec Group to the Group amounted to RMB62 million, which was lower than the annual cap.

During the Reporting Period, the land use and property lease service provided by the Group to Sinopec Group amounted to RMB13 million, which was lower than the annual cap.

During the Reporting Period, the land use and property lease service provided by Sinopec Group to the Group amounted to RMB22 million, which was lower than the annual cap.

In terms of the premium payable under the documents on safe production funds, the amount payable by the Group shall not be less than the amount specified in these documents.

For more information on the major related-party transactions (including the above-mentioned connected transactions) during the Reporting Period, please refer to Note 42 of the consolidated financial statements prepared in accordance with the IFRS in this annual report, among which the above transactions constitute connected transactions, and the Company has complied with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules in relation to these connected transactions.

The external auditor engaged by the Company has reported on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has also issued an unqualified letter containing the conclusions in respect of the above-mentioned continuing connected transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules.

Opinions of Independent Non-executive Directors on the Above-mentioned Continuing Connected Transactions (including Deposits and Entrustment Loan Transactions under the Financial Services Framework Agreement)

The independent non-executive Directors reviewed the nature, implementation of annual caps, pricing policy and internal control procedure of the above-mentioned continuing connected transactions, and confirmed as follows:

(a) The transactions were entered into in the ordinary and usual course of business of the Group;

(b) One of the following items was met:

  i The transactions were entered into on normal commercial terms;

  ii If there were not sufficient comparable transactions to decipher whether the transactions were on normal commercial terms, the transactions under the relevant agreements were entered into on terms no less favourable to the Company than terms available to or from independent third parties (as the case may be); or

  iii If there were no appropriate assessments to determine whether the transactions met the conditions under (i) and (ii) above, the transactions were entered into on terms that were fair and reasonable to the shareholders of the Company; and

(c) The transactions were conducted in accordance with the relevant agreements and the terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

4 Material Litigation or Arbitration Events

In 2023, the Group was involved in claims which arose in connection with the collapse of a partially completed oil storage tank of the oil and gas storage tank project in Alberta, Canada on 24 April 2007, which resulted in the deaths of two workers and injuries of four others. Since the case has not progressed for a long time, the Group submitted a formal application for withdrawal of the case to the court and was approved, and the opposing party has filed an appeal. On 6 September 2022, the Group submitted factual statements to the Court of Appeal in accordance with the statutory procedures, and the Alberta Province Court of Appeal of Canada (hereinafter referred to as the "Court of Appeal") notified that the case is scheduled to be heard on 12 October 2023. On 11 October 2023, the opposing party filed a written application to the court of appeal for an adjournment of the hearing. On 12 October 2023, the Court of Appeal notified that the case would be heard on 17 January 2024. On 17 January 2024, the three judges of the collegial panel of court of appeal unanimously rendered a decision rejecting the opposing party's appeal request and upholding the original ruling (i.e., ruling to revoke the civil indemnity lawsuit filed by the opposing party against the Group in 2008). The opposing party has 60 days to apply for an appeal in federal supreme court.

There were no other material litigation or arbitration events during the Reporting Period.

5 Other Material Contracts

Save as disclosed in this annual report, the Group had no other contracts of significance which should be disclosed but have not been disclosed during the Reporting Period.

6 Repurchase, Sale and Redemption of Shares

During the Reporting Period, the Company repurchased a total of 12,823,500 H shares on the Hong Kong Stock Exchange, using funds totaling HK$50,082,493.75.

On 21 December 2023, the Company cancelled 9,456,500 H shares repurchased from 19 October 2023 to 15 December 2023, which represent approximately 0.21% of the total issued share capital and 0.65% of the total issued H shares of the Company as of the date when the repurchase authorization was approved by the 2022 annual general meeting of share holders, the 2023 first class meeting of domestic share holders and the 2023 first class meeting of H share holders. After the completion of the cancellation of the 9,456,500 H shares repurchased, the number of issued shares of the Company is 4,418,543,500 shares (including 1,451,343,500 H shares and 2,967,200,000 domestic shares).

The Board is of the view that the repurchase of H Shares will increase earnings per share and overall shareholders' return and is in the interests of the Company and the shareholders as a whole. Monthly reports on the repurchase of H Shares during the reporting period is given below:

Repurchase month	Number of shares repurchased	Purchase price per share		Amounts of repurchases (Hong Kong dollars)
		Highest (HK$/share)	Lowest (HK$/share)	
October	4,599,500	3.97	3.55	17,438,320.50
November	2,749,000	4.07	3.89	11,071,759.40
December	5,475,000	4.06	3.79	21,572,413.85

Except as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of its listed shares.

7 Reserves

During the Reporting Period, movements in the reserves of the Group were set out in the consolidated statement of changes in equity of the financial report, which was prepared in accordance with IFRS in this annual report.

8 Use of IPO Proceeds

The use of proceeds from the global offering by the Company is in consistence with that previously disclosed in the announcement. For details of the use of proceeds, please refer to the announcements of the Company entitled "Adjustment in Use of Proceeds from the Global Offering" dated 13 December 2013 and the "Adjustment in the Allocations of the Use of Proceeds from the Global Offering"dated 26 October 2018. During the Reporting Period, there was no material change to the use of proceeds from the global offering of the Group.

As of 31 December 2023, the use of proceeds from the global offering by the Company are set out below:

Intended Use of Proceeds as of 30 June 2018 from Global Offering	Allocation of the Remaining Proceeds from Global Offering as of 30 June 2018 (RMB million)	Used proceeds from 2018 to 2022 (RMB million)	Used proceeds in 2023 (RMB million)	Remaining proceeds as at 31 December 2023 (RMB million)
Establishing an engineering and technological R&D center, modular construction base and machinery manufacturing projects	600.00	20.00	–	580.00
Improving and developing overseas marketing networks	300.00	–	–	300.00
Information technology development projects	500.00	55.00	–	445.00
Purchasing large lifting and transport equipment and specialized construction equipment	400.00	182.00	26.00	192.00
Newly added long-term equity investment	2,200.00	1,165.00	–	1,035.00
Mergers and acquisitions of engineering companies, purchase of patents and proprietary technologies and other items	3,859.00	–	–	3,859.00
Total	7,859.00	1,422.00	26.00	6,411.00

9 Assets Transactions

During the Reporting Period, the Group has no material assets transactions other than in the ordinary and usual course of business.

10 Insolvency and Restructuring

During the Reporting Period, the Group was not involved in any insolvency or restructuring matters.

11 Material Trusteeship, Contracting and Lease

During the Reporting Period, the Group was not involved in any material trusteeship, contracting or lease of any asset of other companies, nor placing its assets to or under any other companies' trusteeship, contracting or lease which were required to be disclosed.

12 Material Acquisitions and Disposals

During the Reporting Period, the Group has not made any material acquisition or disposal of subsidiaries, associates and joint ventures.

13 Financial Derivatives for Hedging Purposes

During the Reporting Period, the Group did not use any financial derivative for hedging purposes.

14 Pledged Assets

During the Reporting Period, the Group has no pledged assets.

15 Debt

The Group had RMB102 million borrowings from the fellow subsidiaries as at the end of the Reporting Period, including short-term borrowings of USD9.70 million and RMB12 million, and a long-term borrowing of RMB21 million.

16 Contingent Liabilities

For details of the contingent liabilities of the Group, please refer to Note 41 to the financial statements contained in this annual report.

17 Review of Annual Report

The audit committee of the Company has reviewed this annual report. The audit committee did not have any disagreement concerning the financial statements contained in this annual report.

The audit committee is comprised of all independent non-executive Directors, namely, Mr. YE Zheng, Mr. HUI Chiu Chung, Stephen, Mr. DUAN Xue and Mr. ZHAO Jinsong. Among them, Mr. YE Zheng has the appropriate professional qualifications (including being a member of the Hong Kong Institute of Certified Public Accountants) and nearly 30 years of experience in auditing, internal control and consultancy.

18 Significant Events Affecting the Group After the Reporting Periods

From 31 December 2023 and up to the date of this annual report, the Group has no other significant events.

19 Other Important Matters

During the Reporting Period, none of the Company, the Board, any Director or any Supervisor was punished by administrative means or publicly sanctioned by Hong Kong Securities and Futures Commission, or publicly condemned by the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

1 Enhancement of Corporate Governance during the Reporting Period

During the Reporting Period, the Company was strictly in compliance with the domestic and foreign laws and regulations on securities regulation and continuously improved its corporate governance.

During the Reporting Period, in accordance with relevant domestic and foreign laws and regulations and its actual situation, the Company strictly standardised corporate governance based on the working rules, regulation such as the Rules and Procedures for the Shareholders Meetings, the Rules and Procedures for the Board Meetings and the Rules and Procedures for the Supervisory Committee Meetings and updated the internal documents in accordance with the Hong Kong Listing Rules and other applicable laws and regulations in a timely manner; continuously improved the quality of investor relations and information disclosure, receiving the recognition of the capital market; continuously modified its internal control system to intensify the execution thereof.

During the Reporting Period, the Company further enhanced on-the-job trainings to strengthen the awareness of responsibility of all Directors, Supervisors and senior management (the "Senior Management"), optimised the procedures and detailed services. The Company provided Directors with monthly reports of "Company Information", which provided the Directors with relevant data and information to make reasonable decisions. The Company also continued to enhance voluntary information disclosure to increase the transparency of the Company, and focused on investors' interest by strengthening two-way communication with investors. The Company actively performed its social responsibilities and promoted its sustainable development.

During the Reporting Period, the Supervisory Committee had no disagreement with any supervised matters. Furthermore, none of the Company, the Board, any Director, any Supervisor, any senior management member, any of the controlling shareholders or de facto controllers was punished by administrative means or publicly sanctioned by Hong Kong Securities and Futures Commission, or publicly condemned by the Hong Kong Stock Exchange.

2 Equity Interests of Directors, Supervisors and the Senior Management Members

During the Reporting Period, none of the Directors, Supervisors or any member of the Senior Management, as well as their respective associates had any interests or short positions (including interests or short positions which are taken or deemed to have under relevant provisions of the SFO) in any Shares, debentures or underlying Shares of the Company or any associated corporations (as defined under Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix C3 to the Hong Kong Listing Rules, to be notified to the Company or the Hong Kong Stock Exchange. Based on specific enquiries to all Directors and Supervisors by the Company, all Directors and Supervisors have confirmed that they complied with the standards stipulated in the Model Code during the Reporting Period.

3 Confirmation of Independence of Independent Non-executive Directors and Overview of their Performance

The Company has a sufficient number of independent non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise in accordance with the Hong Kong Listing Rules. The Company appointed four independent non-executive Directors, namely Mr. HUI Chiu Chung, Stephen, Mr. DUAN Xue, Mr. YE Zheng and Mr. ZHAO Jinsong. The Company received an annual confirmation letter from each of independent non-executive Directors regarding their compliance with relevant independence requirements set out in Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that all of its independent non-executive Directors are independent.

During the Reporting Period, the independent non-executive Directors diligently fulfilled their responsibilities prescribed by relevant laws, regulations and the Articles of Association and made positive contributions to the development of the Group. They actively attended the meetings of the Board and the special committees (for details about the attendance of the meetings, please refer to the Report of the Board in this annual report), carefully reviewed relevant documents, and made judgment with their own expertise in offering advices and suggestions on the development strategy, production and operation, internal control, risk management and social responsibility of the Company. The independent non-executive Directors also provided independent opinions according to regulations on connected transactions, external guarantee, dividend distribution plan and appointment of senior management members of the Company. The independent non-executive Directors maintained timely and effective communications with the executive Directors, management, external auditors and internal supervision and audit department and conducted several domestic and overseas research activities to better understand the Company’s practice on internal control, internal audit, risk management, environmental protection and social responsibility, information disclosure and oversea project implementation. The independent non-executive Directors also independently and objectively safeguarded the legitimate rights and interests of the Company and investors, especially the medium and minority investors, during the performance of their duties.

The composition of the Board of the Company and its operational mechanism can guarantee that the Board can obtain independent and objective advice. For example, the Company stipulates that matters such as connected transactions require prior approval or independent advice from independent non-executive Directors. The Board evaluates the effectiveness of relevant mechanisms on an annual basis.

4 The Company’s Independence from the Controlling Shareholder

After obtaining confirmations from the Company and Sinopec Group, the following statements are declared:

From 1 January 2023 to 31 December 2023, Sinopec Group complied with the principles and terms of the Non-Competition Agreement and the undertakings therein, fulfilled obligations and responsibilities in accordance with the Non-Competition Agreement and the undertakings therein, and did not violate the Non-Competition Agreement and the undertakings therein. The aforesaid was concluded based on Sinopec Group’s overall review of the compliance with each provision (including but not limited to the provision of options for new business opportunities, options for acquisitions and pre-emptive rights) under the Non-Competition Agreement and the undertakings therein.

Opinions of the independent non-executive Directors of the Company regarding the compliance with the Non-Competition Agreement of Sinopec Group are as follows:

Based on the review of relevant situations, the independent non-executive Directors of the Company are of the view that during the Reporting Period, Sinopec Group performed and complied with the Non-Competition Agreement entered into with the Company.

5 Construction and Implementation of Internal Control System of the Group

Internal Control Construction

During the Reporting Period, the Company continued to improve the "Internal Control Manual of the Company" (the "Internal Control Manual"). Internal Control Manual regulates internal management, prevents operational risks and guarantees the realisation of the development strategies and operation goals of the Company. The Internal Control Manual was in compliance with domestic and overseas regulatory requirements such as the "Basic Standard for Internal Control of Enterprises", the "Implementation Guidelines for Internal Control of Enterprises", and the "Guidelines for Assessment of Internal Control of Enterprises", which was jointly issued by five ministries and commissions including the Ministry of Finance of PRC, as well as the requirements under the SFO and the Hong Kong Listing Rules, and established a comprehensive internal control system. The risk-oriented Internal Control Manual has realised the top-down integrated management of business processes, unification of internal management standards in business control, business management has realised the integration of risk, internal control and system. The Company pays high attention to the level of internal control and risk prevention. The Internal Control Manual has further taken effective measures to strengthen internal control, leading to all-round enhancement of internal control.

Working Plans for Establishment and Improvement of Internal Control System and Implementation

The Company prepares annual goals and working plans with regard to internal control, and conducts comprehensive trainings, daily management and supervision and evaluation. Under the uniform deployment of the Company, the subsidiaries of the Company, through organization, revision and improvement of their respective management systems and implementation of various internal control requirements, has realised effective fusion of internal control, business and system. The Company has established an effective risk management mechanism. The Corporate Risk Management Committee and the Enterprise Comprehensive Risk Management Leading Group have ultimate responsibility for the activities of the Group members first and second lines of defense. The first line of defense: core business departments such as market, operation, and overseas business at all levels, as the first responsible body for risk prevention; the second line of defense: legal, risk, compliance, and financial, human resources, quality, safety, technology, information and other supporting functional departments assist the first line of defense to prevent risks from different business areas; the third line of defense: as the auditing functional department, the supervision and audit departments at all levels independently conduct audit evaluations on the Company's risk and internal control system. The internal control supervision and evaluation system has been established with regular testing by enterprises (department), daily supervision by the internal control management department, and comprehensive inspection and evaluation by the audit department.

Setup of Internal Control Examination and Supervision Department

The Corporate Reform and Legal Department of the Company, which is assigned to administer the overall supervision of internal control, is responsible for the daily supervision of internal control and the organisation of individual inspection. The Supervision and Audit Department is in charge of internal control evaluations and conducts independent comprehensive inspections and evaluation of internal control. The Company and its subsidiaries have established a two-level internal control inspection and evaluation system where the subsidiaries of the Company conduct self-inspections and evaluate internal control annually and the Company inspects the evaluation of internal control annually in a comprehensive manner.

Improvement of the Internal Control System Relating to Financial Accounting

The Internal Control Manual of the Company specifies the internal control requirements with regard to the financial statements and establishes connections with the professional management system, including fund and asset management, costs and expenses accounting and management, financial analysis and budget, connected transactions and the preparation of financial statements, which are respectively included in the related work flow, control procedures and control points. At the same time, items and matters in accounting statements are connected with control measures, so that the internal control measures can provide reasonable assurance that the disclosed financial statements are true and reliable.

Internal Control Deficiencies and Rectification

During the Reporting Period, no material internal control deficiency was identified. For the other general deficiencies of internal control discovered during the inspection, the management adopted various rectification measures and discussed these measures with external auditors of the Company. After the follow-up examinations, all internal control issues relating to financial reporting were rectified during the Reporting Period. Other management deficiencies were rectified or addressed by adopting the relevant rectification measures. The rectification was in compliance with relevant requirements.

Businesses with Sanctioned Countries

In order to monitor the possible sanction risks faced by the Company and ensure compliance with the related undertakings made to the Hong Kong Stock Exchange, the Company has adopted sufficient and effective internal control measures, including renewal of the appointment of outsourced international legal counsels with adequate expertise and experience in dealing with legal matters related to sanction and convening the risk management committee meetings to evaluate and monitor sanction risks faced by the Group. During the Reporting Period, the Group completed evaluations on the legal and operating risks related with the pertinent projects and sanctions according to the internal control procedures and the relevant information. During the Reporting Period, the Company did not violate the related undertakings.

Arrangement for Internal Control by the Board

The Board will review the updated Internal Control Manual annually. The Board is responsible for the communication, supervision and inspection of internal and external auditing through the Audit Committee, as well as the inspection and supervision of the effectiveness of implementation and self-evaluation of internal control.

Inside information management system

During the Reporting Period, with due consideration of the information disclosure requirements under the Hong Kong Listing Rules and the Guideline for Disclosure of Inside Information issued by the Securities and Futures Commission, the Group instructed special institution and staff to take responsibilities for the registration and management of persons who are aware of inside information. The Company also established the management archive of persons who are aware of inside information, updated the archive regularly and conducted regular trainings to persons who are aware of inside information and management staff, so as to strengthen their consciousness to comply with the relevant law.

The Group prohibits senior management members and employees who are likely to be aware of the Group's unpublished inside information or other information about the Group from using confidential or inside information without authorisation in accordance with the relevant stipulations of the Inside Information Disclosure Guideline. At the same time, in case of any enquiry about the affairs of the Group, only the secretary to the Board and the relevant authorised personnel are responsible for communicating with external persons.

6 Corporate Governance Report (pursuant to the Hong Kong Listing Rules)

(1) Compliance with Corporate Governance Code

From the listing date of the Company to 31 December 2023, the Company was in compliance with the code provisions of the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules and did not deviate from any code provision.

A Board

A.1 Board

a. The Board is the decision-making body of the Company, and all decisions made by the Board are carried out by the management of the Company. The Board follows sound corporate governance practices and procedures, operates standardly, and commits itself to improving the corporate governance of the Company.

b. The Board holds at least four meetings annually. The Board communicates with the Directors the time and subject matters 14 days prior to the meeting. The documents and materials for the meeting will usually be distributed 10 days in advance to each Director. In 2023, the Company held 7 Board meetings. For details of the attendance of the meetings, please refer to the Report of the Board in this annual report.

c. Each member of the Board may submit proposals to be included in the agenda for the Board meetings, and each Director is entitled to request other related information.

d. Board has evaluated its own operation and work over the past year and was of the view that the composition of the Board was appropriate and balanced. The Board made decisions in compliance with domestic and foreign laws and regulations and the Company's internal rules, prudently listened to the report of the Supervisory Committee, and safeguarded the rights and interests of the Company and its shareholders. The Directors and the Senior Management diligently fulfilled their responsibilities and actively took part in trainings and continuing professional development, which led to the improvement of governance of the Company.

e. The secretary to the Board of the Company and company secretary will assist the Directors in handling the routine tasks of the Board and continuously provide the Directors with and keep them informed of the regulations, policies and other requirements of domestic and overseas regulatory bodies in relation to corporate governance, and assist the Directors comply with domestic and foreign laws and regulations as well as the Articles of Association in performing their duties and responsibilities. The Company has purchased liability insurance for all the Directors to minimise any risk which may arise from the performance of their duties.

A.2 Chairman of the Board and President

a. Mr. JIANG Dejun serves as the Chairman of the Board, Mr. ZHANG Xinming serves as the executive Director and President. The Chairman of the Board is elected by the majority of the Directors, while the President is nominated and appointed by the Board. The duties and responsibilities of the Chairman of the Board 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 highly values the communication with the independent non-executive Directors and holds meetings with them at least once each year without the presence of other Directors.

c. The Chairman of the Board encourages open and active discussions. Directors may speak freely and actively participate in discussions on production and operation, corporate governance and material investments of the Company in Board meetings.

A.3 Board Composition

a. As at the date of this annual report, the Board of the Company consists of eleven members, with one female Director (for details, please refer to the section headed “Directors, Supervisors, Other Members of Senior Management and Employees” of this annual report). All Directors have rich experience in specialties and governance. Among the eleven (11) members, there are 4 executive Directors, 3 non-executive Directors and 4 independent non-executive Directors. The independent non-executive Directors represent at least one-third of the Board. The executive Directors and non-executive Directors of the Company are experienced in the management of refining and chemical engineering, or petroleum and petrochemical large enterprise. The independent non-executive Directors are well-known technological experts of chemical engineering, financial and accounting, respectively, and have experiences in managing large corporations, capital operation and finance investments, respectively. The composition of the Board is reasonable and diversified.

b. There is no financial, business, family or other material/relevant relationship between the members of the Board of the Company (especially between the Chairman of the Board and the President) except for the working relationship.

c. The Company received the confirmation letter for the year 2023 from each of the independent non-executive Directors regarding his compliance with relevant independence requirements as set out in Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that each of the independent non-executive Directors are independent.

A.4 Appointment, Re-election and Dismissal

a. The term of office of each Director (including non-executive Directors) is 3 years. If an independent non-executive Director has already served 9 years, his further appointment shall be subject to a separate resolution to be approved at the shareholders meeting.

b. All Directors will be elected through legal procedures, and the Board has no power to appoint temporary Directors.

c. For newly appointed Directors, the Company will engage professional consultants to prepare detailed materials, inform such Directors of regulatory requirements of the place where the Company is listed and remind such Directors of their rights, obligations and responsibilities.

A.5 Nomination Committee

a. The Company has established a nomination committee (the "Nomination Committee"). Mr. JIANG Dejun, the Chairman of the Board and executive Director, is the chairman of the Nomination Committee. Mr. HUI Chiu Chung, Stephen, an independent non-executive Director, is the vice chairman of the Nomination Committee. Mr. XIANG Wenwu, the Vice Chairman of the Board and executive Director, and Mr. DUAN Xue, Mr. YE Zheng, and Mr. ZHAO Jinsong, each an independent non-executive Director, are members of the Nomination Committee. The terms of reference of the Nomination Committee have been established, in which the procedure for the nomination of directors is set out, and are available on the websites of the Company and the Hong Kong Stock Exchange. The Nomination Committee will recommend the appointment or re-election of the Directors as well as the succession plan of Directors (especially the Chairman of the Board and the President of the Company), seek candidates for directorship with appropriate qualifications and competence; elect and nominate relevant personnel to be appointed as Directors, and propose recommendations thereof to the Board. In nominating director candidates, the Nomination Committee mainly considers the skills, knowledge, experience and qualifications of the director candidates to serve as a director, and also evaluates the amount of time and effort they can devote and the director diversity policy. The Nomination Committee is also responsible for evaluating the independence of independent non-executive directors.

b. After discussions and consideration, the Nomination Committee was of the view that the structure, number of members and composition of the Board of the Company in 2023 were reasonable and in consistence with the strategies of the Group.

c. Nomination Committee members may engage independent professionals when performing duties. Reasonable costs arising from or in connection with such consultation are borne by the Group. The expenses of the Nomination Committee are included in the budget of the Company.

d. Please refer to the "Report of the Board – Meetings Held by the Special Committees of the Board" of this annual report for information about meetings held by the Nomination Committee.

e. The Board has established the Board Diversity Policy, which provides that the nomination and appointment of Board members should be based on the skills and experience necessary for the overall sound operation of the Board, with due considerations given to the goal and requirement for the diversity of the Board members. When determining the composition of the Board, the Company should consider their diversity from multiple aspects, including but not limited to gender, age, culture, educational background, race, professional experience, skills, knowledge and tenure of service.

f. Board Diversity Policy has set up two measurable objectives, (1) to consider candidates for appointment as directors from a wide pool of talents taking into account the culture, educational background, gender, professional and industry experience, skills, experience, and other contributions that would satisfy the current needs of the Board; and (2) to review whether the composition and structure of the Board is suitable for the overall development strategy of the Group based on its business operation and the developmental need on an annual basis, and to propose adjustment and implementation plans where appropriate.

During the Reporting Period, the progress made by the Group regarding such measurable objectives are as follows: (1) The Company has appointed Ms. XIE Yanli as an executive director (employee representative director) of the Company on 26 May 2023 through a democratic election process. Selection and appointment of the Directors of the Company is in compliance with the requirements of the Board Diversity Policy and in line with the overall development strategy of the Group. The Nomination Committee will identify the candidates for directorships and make recommendation to the Board according to the Board Diversity Policy of the Company for any replacement of Director or an addition to the Board. The Board of the Company would also appoint suitable candidates for directorship based on the overall development of the Group and the Board Diversity Policy of the Company; and (2) the current composition and structure of the Board of the Company is appropriate for the development need of the existing business operation of the Group and is conducive for providing the Company with extensive valuable advice and supervision on decision-making. The Company will evaluate the implementation and effectiveness of the board diversity policy on an annual basis, and objectively consider the composition and effectiveness of the Board.

A.6 Responsibility of Directors

a. All the non-executive Directors of the Company have the same duties and authorities as executive Directors. In addition, the non-executive Directors, especially the independent non-executive Directors, are vested certain specific duties and authorities. The rights and obligations of Directors and non-executive Directors (including the independent non-executive Directors) are clearly defined in the Articles of Association and the Rules and Procedures for the Board meetings.

b. All Directors were able to devote sufficient time and effort in handling the matters of the Company.

c. The Company has adopted Model Code as code of conduct regarding the Directors' securities transactions. All Directors of the Company have confirmed that they have been in compliance with the Model Code during the Reporting Period. The Company has also established the "Measures for the Management of Person Having Access to Inside Information" with standards no less stringent than the Model Code to standardize the activities in connection with trading the Company's securities of the Company's employees.

d. The Company is responsible for arranging trainings for Directors and providing for the corresponding expenses. The Directors actively participated in continuing professional development. The Company has received the training records from Directors. For details, please refer to the Report of the Board in this annual report.

A.7 Provision for and Access to Information

a. The meeting agenda as well as other reference documents of the Board meetings and each special committee meetings will be distributed prior to the meetings so that each member will have sufficient time to review, which enables them to have comprehensive discussions at the meetings. Each Director can obtain all related information in a comprehensive and timely manner, and may seek advice from professional consultants if needed.

b. The secretary to the Board is responsible for organising and preparing materials for the Board meetings, including the explanation for each proposal to ensure thorough understanding by each Director. The management of the Group shall provide the Directors with necessary information and materials. The Director may request the President, or request, via the President, relevant departments to provide necessary information of the Group or related explanations.

B Remuneration of Directors and the Senior Management

a. The Company has established a remuneration committee (the "Remuneration Committee"). Mr. HUI Chiu Chung, Stephen, an independent non-executive Director, is the chairman of the Remuneration Committee, and Mr. YE Zheng, Mr. DUAN Xue and Mr. ZHAO Jinsong, each an independent non-executive Director, are members of the Remuneration Committee. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Hong Kong Stock Exchange. The Remuneration Committee is responsible for studying the compensation structures and policies of all Directors, Supervisors and Senior Management members and making recommendations to the Board or determining the compensation and welfare of individual executive Director and Senior Management members as authorised by the Board or making recommendations to the Board. The remuneration of Directors shall be determined in accordance with relevant laws and regulations of the PRC and the internal measures on remuneration of the Company. The Remuneration Committee appointed the advisory member to assist the Remuneration Committee in carrying out daily works. The expenses of the Remuneration Committee are included in the budget of the Company.

b. The Remuneration Committee consults the Chairman and Vice Chairman of the Board regarding the remuneration recommendations for other executive Directors. After assessment by the Remuneration Committee, it was of the view that for the year 2023, each of the executive Directors has fulfilled his/her responsibilities as stipulated under the service contract entered into with the Company.

c. Please refer to "Report of the Board – Meetings Held by the Special Committees of the Board" of this annual report for information about meetings held by the Remuneration Committee.

C Accountability and Auditing

C.1 Financial Reporting

a. The Directors are responsible for supervising the compilation of accounts in each financial period, which shall be prepared on a going concern basis, and should ensure that the accounts can authentically and fairly reflect the business conditions, operating results and cash flows of the Group during the corresponding period. The Board approved the financial statements for the year 2023 and warranted that there were no misrepresentations, misleading statements or material omissions contained in this annual report, and take jointly and severally responsibility for the authenticity, accuracy and integrity of the contents therein.

b. The Company provides financial information, production and operation status to the Directors every month to ensure that the Directors are informed of the Company's latest developments in a timely manner.

c. The Company adopted an internal control mechanism to ensure that the management and relevant departments provide sufficient financial data and related explanations to the Board and the Audit Committee.

d. The external auditors of the Company issued a statement about their reporting responsibilities in the independent auditors' report contained in the financial statements.

C.2 Risk Management and Internal Control

a. The Company has established a comprehensive and basic process for risk management that is composed of target setting, risk identification, risk assessment, risk response, supervision and improvement. At the beginning of each year, the Company and its subsidiaries will take into account then production and operation situation to analyse the changes and impact of the internal and external environment, identify the risk factors and major risk points in various professional fields, rank and evaluate the identified risks, work out countermeasures and indicators of monitoring and early warning to address the major and principal risks and place operation risks under dynamic monitoring.

b. The Company has deeply integrated risk management with internal control. In the internal control matrix, risks are described according to the Company's list of risks and, on this basis, the internal control points have been modified and improved to implement risk prevention counter-measures in daily business management activities. The Company has clarified the responsible parties and strengthened supervision and inspection through means including internal control evaluation to ensure that its internal risks are controllable and being under control.

c. The Board is the highest decision-making authority for the Company's overall risk control measures. The Board acknowledges that it is its responsibility to ensure that the Company has established and maintained appropriate and effective risk management and internal control systems, and has the responsibility to review the effectiveness of these systems at least once a year. Such systems are designed to manage rather than eliminate risks such as failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance that there will be no material misstatement or loss. The Company has established the Risk Management Committee to organise and lead the comprehensive risk management and internal control efforts of the Company. The departments and subsidiaries of the Company specifically implement overall risk management and internal control measures. They are responsible for promptly identifying, analysing and evaluating the risks in production and operations to put forward the counter-measures and solutions for internal control that are to be implemented afterwards.

d. For the purpose of inspecting and evaluating the internal risk control measures of the Company, the risk management departments of the Company and its subsidiaries will test on the implementation of internal control on a quarterly basis. The supervision and audit department of the Company will carry out comprehensive annual inspections and evaluations on the effectiveness of the risk-oriented internal control design and operation of the Company. The general procedures of inspection and evaluation mainly include drawing up a plan for inspection and evaluation of internal control, setting up a working group for inspection and evaluation of internal control, implementing online testing of the internal control system or onsite inspection and evaluation, identifying the deficiencies in internal control, re-checking and confirming the deficiencies, arriving at a conclusion based on onsite evaluation, summarising and analysing the results of inspection and evaluation, compiling the seasonal test report of internal control as well as the annual and interim work report on risk management and internal control, and regularly reporting to the management members and the Board.

e. The Company prepares and issues regular reports such as annual reports and interim reports in accordance with the requirements of the place where the Company is listed. The regular reports are reviewed by the executives and considered by the management of the Company before being submitted to the Board and the Supervisory Committee for approval and forming the resolution documents. The office of the Board will finalise the regular reports according to the opinions of the Board and disclose the reports together with other relevant documents required to be submitted and disclosed on the designated websites within the given timeframe. The Company has established procedures on disclosure of inside information to ensure that inside information is promptly identified, assessed and submitted, where applicable, to the Board. In case of the occurrence of any significant event that needs to be disclosed, the office of the Board will organise the drafting of a report according to the actual conditions and go through the relevant approval procedures according to the Articles of Association and rules and procedures of the Company before disclosing the information.

f. Statement of risk management and internal control: Internal risk control departments of the Company and its subsidiaries carry out risk management and internal control inspection and evaluation at least quarterly, and supervision and audit departments organise and implement risk-oriented internal control comprehensive inspection evaluation at least annually. During the Reporting Period, risk management and internal control inspection of the Company cover the Reporting Period, and the scope of inspection covers all major control aspects (including finance, business operation, compliance control and risk management function). In particular, the Board considers that the Company has adequacy of resources, staff qualifications and experience in accounting, internal audit and financial reporting functions as well as aspects related to the Company's environmental, social and governance performance and reporting, and the training courses received by the staff and relevant budget are also sufficient. The risk management and internal control evaluation results of the Company indicated that the Company has gradually enhanced consciousness on internal control as well as risk prevention from top down, revised internal control manual and realised online publication, further adopted effective measures to strengthen internal control management, and comprehensively increased internal control management level. The Company is not aware of any material deficiency, and the internal control of the Company (including financial report and compliance procedures according to the Hong Kong Listing Rules) is overall effective.

C.3 Audit Committee

a. The Company has established the Audit Committee. Mr. YE Zheng, an independent non-executive Director, is the chairman of the Audit Committee, and Mr. HUI Chiu Chung, Stephen, Mr. DUAN Xue and Mr. ZHAO Jinsong, each an independent non-executive Director, are members of the Audit Committee. Terms of reference of the Audit Committee have been established, and are available on the websites of the Company and the Hong Kong Stock Exchange. The Audit Committee advises on the appointment, re-appointment, termination of the independent auditors and their remuneration, reviews the financial statements to be submitted to the Board, and examines the Company's financial policies, internal audit system, internal control system and risk management system. As confirmed, none of the members of the Audit Committee had served as a partner or former partner in the Company's existing auditing firm.

According to the Letter to Issuers released by the Hong Kong Stock Exchange dated 19 December 2014 and relevant amendments to the "Corporate Governance Code" set out in Appendix C1 to the Hong Kong Listing Rules, and in order to improve the corporate governance practice and reinforce the risk management and internal control functions of the Board, the third meeting of the Second Session of the Board held by the Company on 18 March 2016 has resolved to incorporate the risk management function into the scope of authority of the Audit Committee and also to amend the terms of reference of the Audit Committee as appropriate. Such amendment was aimed to add and specify the description of audit function on risk management function. This resolution has been implemented after the approval by the Board of the Company.

b. Please refer to "Report of the Board – Meetings Held by the Special Committees of the Board" of this annual report for information about meetings held by the Audit Committee. Review opinions are issued at the meetings of audit committee, and submitted to the Board upon the signature of the members. During the Reporting Period, there was no disagreement between the Board and the Audit Committee.

c. Members of the Audit Committee may engage professionals when performing duties. Reasonable costs arising from or in connection with such consultation are borne by the Group. Meanwhile, the Audit Committee appointed the advisory member to assist the Audit Committee in specific daily routines. The expenses of the Audit Committee are included in the budget of the Group.

d. During the Reporting Period, the Audit Committee held meetings with the auditors twice without the presence of the management members, either in writing or through meeting in person, discussing the audit situations of financial reports and the auditors' fees for the year as well as coordinating the work allocation between the internal and external auditors. The Audit Committee considered the adequacy of resources, staff qualifications and experiences, as well as the training programmes provided to the relevant staffs and the budget of the Company's accounting, internal audit and financial reporting functions during the Reporting Period. The Audit Committee considers that the Company's management performed their duties and established an effective internal control system. In addition, the Audit Committee also considered the adequacy of the resource of the Company's internal audit function, reviewed and monitored the effectiveness of the internal audit function on a constant basis. According to the Company's internal control mechanism, the Company has established whistle-blowing mechanism, whereby the staff and stakeholders may have a channel, such as online reporting, reporting through letters, meeting with reporters, complaint mail box, to report and complain on their discovered activities that have breached the Company's internal control system. The Audit Committee has reviewed and approved such system.

D Delegation of Power by the Board

a. The Board, the management and the special committees of the Board have clear terms of references. The Articles of Association, the Rules and Procedures for the Shareholders Meetings, the Rules and Procedures for the Board, and the Working Rules for the President specify clear scopes of duties, authorities and authorisations of the Board and the management.

b. In addition to the Nomination Committee, Audit Committee and Remuneration Committee, the Board has also established the Strategy and Development Committee. The executive Director, Mr. JIANG Dejun, serves as the chairman of the Strategy and Development Committee. Mr. DUAN Xue, an independent non-executive Director, serves as the vice chairman of the Strategy and Development Committee. Mr. XIANG Wenwu (the executive Director and Vice Chairman of the Board), Mr. LI Chengfeng (a non-executive Director), Mr. YU Renming (a non-executive Director), Mr. WU Wenxin (a non-executive Director), Mr. ZHANG Xinming (an executive Director and the President) and Mr. ZHAO Jinsong (an independent non-executive Director) serve as members of the Strategy and Development Committee. The Strategy and Development Committee is responsible for studying the long-term development strategies as well as major decisions on capital expenditure, investment and financing of the Company. Please refer to "Report of the Board – Meetings Held by the Special Committees of the Board" of this annual report for information about meetings held by the Strategy and Development Committee.

c. All special committees under the Board have clear written scope of responsibilities. The terms of reference of all special committees under the Board specify that such committees should report its decisions or recommendations to the Board.

d. The Board confirms that corporate governance should be joint responsibilities of directors, and corporate governance functions include:

   (i) to develop and review the policies and practices on corporate governance of the Company;

   (ii) to review and monitor the training and continuous professional development of Directors, Supervisors and Senior Management;

   (iii) to review and monitor the policies and practices on compliance with legal and regulatory requirements of the Company;

   (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees, Directors and Supervisors; and

   (v) to review the compliance with Corporate Governance Code and disclosure in the Corporate Governance Report of the Company.

E Investor Relationship

a. The Company places great emphasis on investor relations. The Senior Management conducts road shows for investors every year to introduce matters that investors may be concerned about, such as development strategies, production and business performance of the Company. The office of the Board is responsible for communicating with investors in compliance with regulatory requirements through meetings with investors, invite investors for site visits and setting up email accounts for investors, which enhanced communications with investors. The Company continuously monitors and evaluates the implementation and effectiveness of the shareholders' communication policy during the year to ensure its effectiveness.

b. During the Reporting Period, for each substantially separate issue at a general meeting, a separate resolution was proposed. All resolutions were voted by poll to safeguard the interests of all the shareholders of the Company. A meeting notice was despatched to each shareholder at least 45 days (excluding the meeting date) prior to shareholders meetings.

c. The Chairman of the Board hosted the shareholders meetings as the chairman of such meeting and arrange for members of the Board and the Senior Management to attend shareholders meetings and answered questions raised by the shareholders of the Company.

d. The Company has amended the Articles of Association, the Rules and Procedures for the Board and the Rules and Procedures for the Supervisory Committee to adjust the number of persons comprising the Board and the Supervisory Committee. For further details, please refer to the announcement of the Company dated 4 May 2023 entitled "Postponement of the 2022 AGM and the Class Meetings; Extension of the Book Closure Period; and Supplemental Notice of the 2022 AGM".

F Company Secretary

a. Currently, Mr. YIN Fengbing and Ms. NG Sau Mei are the joint company secretaries of the Company. They are recognised by the Hong Kong Stock Exchange as the professional, and are nominated by the Chairman of the Board and appointed by the Board. They report to the Chairman of the Board, and responsible to the Company and the Board. The company secretaries of the Company give opinions on corporate governance to the Board and arranges orientation training and professional development of the Directors.

b. The company secretaries of the Company actively participated in professional development training and have taken no less than 15 hours of relevant professional training during the Reporting Period.

G Shareholders' Rights

a. Shareholders who individually or collectively hold 10% or more of the total voting shares issued by the Company may request in writing for the Board to convene extraordinary shareholders meeting or class meetings. If the Board fails to grant the request to call the meeting according to the Rules and Procedures for Shareholders Meetings, shareholders may call and hold the meeting at their discretion according to laws, and reasonable expenses arising therefrom are to be borne by the Company. The aforesaid provisions are subject to the following conditions: the proposals proposed at the shareholders meeting shall fall within the scope of authorities of the shareholders meetings, with specified proposals and resolutions, and in compliance with the relevant laws, administrative regulations and the Articles of Association.

b. When the Company holds a shareholders meeting, shareholders who individually or collectively hold 3% or more of the total voting shares issued by the Company may propose a provisional proposal 10 days before the date of the meeting.

c. The eligibility for attending the general meeting, the shareholders' rights and the meeting agenda are clearly stated in the notices to the shareholders of the Company.

d. The Company requires that the Company secretary is responsible for establishing an effective communication channel between the Company and its shareholders, setting up a special organisation for contacting shareholders, and passing their opinions and advice to the Board and the management members in a timely manner. Contact details of the Company can be found under the "Investor Center" section on the website of the Company.

(2) Auditors

At the 2022 annual general meeting of the Company held on 26 May 2023, the Company approved the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP and BDO Limited as the domestic and international auditors of the Company for the year 2023 and authorised the Board to determine their remuneration for the year 2023. As approved at the tenth meeting of the Fourth Session of the Board, the audit fee for 2023 is RMB4.57 million. The financial statement of 2023 was audited by BDO Limited.

During the Reporting Period, BDO China Shu Lun Pan Certified Public Accountants LLP and BDO Limited did not provide any material non-audit services to the Company.

(3) Other Information about Corporate Governance of the Company

For the composition of the Board, please refer to page 104 to page 109; for information regarding changes in share capital and shareholdings of substantial shareholders, please refer to page 20 to page 21; for information regarding meetings of the Board, please refer to page 82 to page 83; for the attendance of each Director in Board meetings and shareholders meetings, please refer to page 84; for information regarding the equity interests of Directors, Supervisors and other Senior Management members, please refer to page 66; for information regarding the resume and annual remuneration of Directors, Supervisors and other Senior Management members, please refer to page 104 to page 116.

REPORT OF THE BOARD

REPORT OF THE BOARD

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

1 Board Composition

As at the date of this annual report, the composition of the Fourth Session of the Board consists Mr. JIANG Dejun, Mr. XIANG Wenwu, Mr. ZHANG Xinming and Ms. XIE Yanli, as executive Directors; and Mr. LI Chengfeng, Mr. YU Renming and Mr. WU Wenxin, as non-executive Directors; Mr. HUI Chiu Chung, Stephen, Mr. DUAN Xue, Mr. YE Zheng and Mr. ZHAO Jinsong, as the independent non-executive Directors.

2 Principal Business Activities

The Group is a leading energy and chemical engineering company in the PRC with strong international competitiveness and can provide domestic and overseas clients with overall solutions for petrol refining, chemical engineering, aromatics, coal chemicals, inorganic chemicals, pharmaceutical chemicals, clean energy, storage and transportation facilities, environmental protection and energy saving, among other industry sectors. The Group is an integrated service provider of the whole industry chain and life cycle of the energy and chemical industry. and can provide overall industry chain services including engineering consulting, technology licensing, project management contracting, financing assistance, EPC (engineering, procurement and construction) contracting, as well as design, procurement, construction and installation, lifting and transportation of large equipment, pre-commissioning and start-up.

The list of the Company's major subsidiaries as at 31 December 2023, together with (among others) details of their principal countries of operation, places of incorporation or establishment and particulars of their issued share capital, is set out in Note 44 to the financial statements contained in this annual report.

3 Meetings of the Board

During the Reporting Period, the Company held 7 Board meetings. The details are as follows:

The ninth meeting of the Fourth Session of the Board was held in Beijing, the PRC, on 12 January 2023, whereby the Proposal on Appointment and Dismissal of Vice President of SINOPEC ENGINEERING (GROUP) CO., LTD. was considered and approved.

The tenth meeting of the Fourth Session of the Board was held in Beijing, the PRC, on 17 March 2023, whereby the followings were considered and approved: the work report of the Board for the year 2022; the report on the business operation for the year 2022 and the work arrangements for the year 2023; the report on the operating results, financial performance and other relevant matters for the year 2022; Independent Auditor's Auditing Opinion on the Company's Annual Financial Report for the Year 2022, Audit Committee's Review Opinion on the 2022 Annual Financial Report and Related Matters; the proposal to approve the audited financial statements for the year of 2022; the proposal on the 2022 annual report and results announcement; the proposal on the environmental, social and governance report for the year 2022; the proposal on the business operation plan, investment plan and financial budget for the year 2023; the proposed cap for the amount of performance guarantee(s) to be provided by the Company (as the parent company) for the benefit of its subsidiaries for the year 2023; the proposal on the final dividend distribution plan for the year 2022 and the authorisation to the Board to determine the interim profit distribution plan for the year 2023 to be put forward for approval at the Company's annual general meeting; the proposal on the appointment of domestic auditor and international auditor and the authorisation to the Board to fix their remuneration for the year 2023; the proposal to approve the "internal control manual (2023 version)"; the proposal to approve 2023 Audit Work Plan; the proposal to approve 2023 Labor Cost Budget; the proposal on grant of a general mandate to the Board to repurchase domestic shares and/or H shares to be put forward for approval at the annual general meeting and the class meeting for shareholders; the proposal on grant of a general mandate to the Board to issue domestic shares and/or H shares of the Company to be put forward for approval at the annual general meeting; the proposal on approving the convening of 2022 annual general meeting and the class meeting for shareholders; the proposal on the resignation of Directors and proposed appointment of Directors of the Fourth Session of the Board;

The eleventh meeting of the Fourth Session of the Board was held in Beijing, the PRC, on 4 May 2023, whereby the followings were considered and approved: Proposal on Election of Chairman of the Board of SINOPEC ENGINEERING (GROUP) CO., LTD., Proposal on Appointment of President of SINOPEC ENGINEERING (GROUP) CO., LTD., Proposal for Proposed Amendments to the Articles of Association, Proposal on Proposed Amendments to the "Rules and Procedures for the Board", Proposal on Proposed Appointment of Directors of the fourth session of the Board, Notice on the Postponement of the Annual General Meeting of Shareholders and Extension of the book closure period.

The twelfth meeting of the Fourth Session of the Board was held in Beijing, the PRC, on 29 May 2023, whereby the Proposal to Adjust the Members of the Special Committees of the Board of SINOPEC ENGINEERING (GROUP) CO., LTD. was considered and approved.

The thirteenth meeting of the Fourth Session of the Board was held in Beijing, the PRC, on 18 August 2023, whereby the followings were considered and approved: "Report on the Fulfillment of Key Targets for the First Half of 2023 and the Work Arrangements for the Second Half of 2023", "Report on Operating Results, Financial Conditions and Other Relevant Matters for the First Half of 2023", "Independent Auditor's Opinion on the Audit of the Company's Interim Financial Report for 2023", "Audit Committee's Review Opinion on the Interim Financial Report for 2023 and Related Matters", "ESG Committee's Review Opinion on the Progress of ESG Work", "Proposal for Approval of the Audited 2023 Interim Financial Report", "Proposal for 2023 Interim Report and Results Announcement", "Proposal for 2023 Interim Dividend Distribution Plan", "Proposal for Implementation Plan of Share Repurchase", "Proposal for Approval of the Company's Gross Payroll Clearance for the Year 2022", "Proposal for Proposed Amendments to the Articles of Association", "Proposal for Proposed Amendments to the Rules and Procedures for the Shareholders Meetings and the Rules and Procedures for the Board Meetings", "Proposal on Proposed Appointment of Directors of the Fourth Session of the Board", and "Proposal on Approval of the Convening of the First Extraordinary General Meeting of Shareholders for the Year 2023 and the Second Class Meetings of Shareholders for the Year 2023".

The fourteenth meeting of the Fourth Session of the Board was held in Beijing, the PRC, on 20 October 2023, whereby the followings were considered and approved: "Proposal to Adjust the Members of Special Committees of the Board of SINOPEC ENGINEERING (GROUP) CO., LTD.", "Proposal to Approve the Revision of the Performance Appraisal Method and Compensation Management Method for the Company's Leadership Personnel", "Proposal to Approve the Letter of Appraisal Responsibility of the Company's Leadership Personnel for the 2023 and the Term of Office of 2023-2024", and "Proposal to Appoint the General Counselor-at-law and the Chief Compliance Officer of SINOPEC ENGINEERING (GROUP) CO., LTD.".

The fifteenth meeting of the Fourth Session of the Board was held in Beijing, the PRC, on 15 November 2023, whereby the followings were considered and approved: "Proposal on the Appointment of Chief Financial Officer and Secretary of the Board of SINOPEC ENGINEERING (GROUP) CO., LTD.", "Proposal on the Appointment of Joint Company Secretaries of SINOPEC ENGINEERING (GROUP) CO., LTD.", and "Proposal on the Appointment of Authorized Representative of SINOPEC ENGINEERING (GROUP) CO., LTD. in the Hong Kong Stock Exchange".

4 Implementation of Resolutions Approved at Shareholders Meetings by the Board

During the Reporting Period, in accordance with relevant laws and regulations as well as the Articles of Association, all members of the Board diligently implemented the resolutions approved at the shareholders meetings, and have completed various tasks delegated to them at the shareholders meetings.

5 Attendance of Board Meetings and Shareholders Meetings

During the Reporting Period, the attendance of each Director of the Fourth Session of the Board to the Board meetings and shareholders meetings, and the trainings they received, are as follows:

Name	Board Meetings		Attendance at the general meeting for the year 2022 and the 2023 extraordinary shareholders meeting	Trainings
	Attend in person	Attend by proxy		
JIANG Dejun	7	0	4	3
XIANG Wenwu	7	0	4	3
LI Chengfeng	6	1	4	2
YU Renming[Note]	1	0	1	1
WU Wenxin	5	2	3	2
ZHANG Xinming[Note]	6	0	4	3
HUI Chiu Chung, Stephen	7	0	4	3
DUAN Xue[Note]	4	2	3	2
YE Zheng	7	0	4	4
ZHAO Jinsong[Note]	1	0	1	3
XIE Yanli[Note]	6	0	4	3

Note: Since May 2023, Mr. ZHANG Xinming has been serving as an executive Director of the Company, Mr. DUAN Xue has been serving as an independent non-executive Director of the Company, and Ms. XIE Yanli has been serving as an executive Director (employee representative Director) of the Company; Since October 2023, Mr. YU Renming has been serving as a non-executive Director of the Company and Mr. ZHAO Jinsong has been serving as an independent non-executive Director of the Company.

6 Meetings held by the Special Committees of the Board

The Board of the Company has established five special committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Strategy and Development Committee and the ESG Committee. During the Reporting Period, the Strategy and Development Committee and the Remuneration Committee each held one meeting, and the Audit Committee, the Nomination Committee and ESG Committee each held two meetings. The attendance of special committee meetings by members of each committee are as follows:

Name	Number of meetings required to be attended	Number of meetings attended in person	Number of meetings attended by proxy
Strategy and Development Committee			
JIANG Dejun	1	1	0
XIANG Wenwu	1	1	0
LI Chengfeng	1	1	0
YU Renming[Note]	0	0	0
WU Wenxin	1	0	1
ZHANG Xinming	1	1	0
DUAN Xue	1	0	1
ZHAO Jinsong[Note]	0	0	0
Audit Committee			
YE Zheng	2	2	0
HUI Chiu Chung, Stephen	2	2	0
DUAN Xue[Note]	1	0	1
ZHAO Jinsong[Note]	0	0	0
Remuneration Committee			
HUI Chiu Chung, Stephen	1	1	0
DUAN Xue[Note]	0	0	0
YE Zheng	1	1	0
ZHAO Jinsong[Note]	0	0	0
Nomination Committee			
JIANG Dejun	1	1	0
XIANG Wenwu	1	1	0
HUI Chiu Chung, Stephen	1	1	0
DUAN Xue	1	1	0
YE Zheng	1	1	0
ZHAO Jinsong[Note]	0	0	0
ESG Committee			
JIANG Dejun	2	2	0
ZHANG Xinming[Note]	1	1	0
DUAN Xue[Note]	1	0	1
YE Zheng	2	2	0
ZHAO Jinsong[Note]	0	0	0
XIE Yanli[Note]	1	1	0

Note: Since May 2023, Mr. ZHANG Xinming has been serving as an executive Director of the Company, Mr. DUAN Xue has been serving as an independent non-executive Director of the Company, and Ms. XIE Yanli has been serving as an executive Director (employee representative Director) of the Company; Since October 2023, Mr. YU Renming has been serving as a non-executive Director of the Company and Mr. ZHAO Jinsong has been serving as an independent non-executive Director of the Company.

Specific situations of meetings of each committee are as follows:

The first meeting of the Nomination Committee of the Fourth Session of the Board was held in Beijing, the PRC, on 16 March 2023, whereby the followings were considered and approved: Proposal on the Resignation of Directors and Proposed Appointment of Directors of the Fourth Board and Proposal on the Resignation of Supervisors and Proposed Appointment of Non-Employee Representative Supervisors to the Fourth Supervisory Committee.

The second meeting of the Remuneration Committee of the Fourth Session of the Board was held in Beijing, the PRC, on 16 March 2023, whereby the followings were considered and approved: Proposal to Approve the 2023 Labor Cost Budget and Proposal to Evaluate the Performance of the Executive Directors for 2022.

The first meeting of the ESG Committee of the Fourth Session of the Board was held in Beijing, the PRC, on 17 March 2023, whereby the Report on Environment, Society and Governance in 2022 was considered and approved.

The third meeting of the Audit Committee of the Fourth Session of the Board was held in Beijing, the PRC, on 17 March 2023, whereby the followings were considered and approved: the audited opinion of independent auditor on the Company's financial statements of 2022, description of execution of the continuing connected transactions in 2022, proposal on the appointment of domestic auditor and international auditor and the authorisation to the Board to fix their remuneration for the year 2023, proposal on 2022 Annual Report and Results Announcement, description of non-competition situation for the year 2022, Report on Internal Control, Risk and Compliance in 2022, work report of internal control audit for the year 2022 and proposal on submitting for approval of the 2023 audit work plan.

The fourth meeting of the Audit Committee of the Fourth Session of the Board was held in Beijing, the PRC, on 17 August 2023, whereby the followings were considered and approved: Independent Auditor's Opinion on the Audit of the Company's Interim Financial Report for 2023, Proposal for 2023 Interim Report and Results Announcement, Note on the Execution of Continuing Connected Transactions in the First Half of 2023 and Report on Risk Management, Internal Control and Compliance Work in the First Half of 2023.

The second meeting of the Strategy and Development Committee of the Fourth Session of the Board was held in Beijing, the PRC, on 17 August 2023, whereby the Proposal on the Mid-Term Evaluation of Sinopec Engineering Group's Fourteen Five-Year Plan was considered and approved.

The second meeting of the Nomination Committee of the Fourth Session of the Board was held in Beijing, the PRC, on 18 August 2023, whereby the Proposal on Proposed Appointment of Directors of the Fourth Session of the Board was considered and approved.

The second meeting of the ESG Committee of the Fourth Session of the Board was held in Beijing, the PRC, on 18 August 2023, whereby the ESG Committee's Review Comment for the Progress of ESG Work was considered and approved.

7 Results

The financial results of the Group for the year ended 31 December 2023 were prepared in accordance with the IFRS and its financial position as at that date and the corresponding analysis are set out from page 126 to page 208 in this annual report.

8 Dividends

In accordance with the PRC Company Law and other relevant laws and regulations, the Company attaches great importance to the reasonable return on investment to investors and ensures the continuity and stability of the Company's profit distribution policy. The Company's distributable profits in the form of cash each year shall be no less than 30% of the net profits attributable to the Company's shareholders in the year, under the circumstances that there are net profits attributable to the Company's shareholders and accumulated undistributable profits, and that the Company's investment plan and cash expenses can be satisfied. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, the Company's results of operations, cash flows, financial condition, and operating and capital expenditure requirements. And the distributable profits will be determined under PRC GAAP or IFRS (whichever is lower), and should comply with the Articles of Association, the PRC Company Law and any other applicable PRC law and regulations and other relevant requirements of the regulatory authorities of the place where the Company is listed.

At the annual general meeting for the year 2022 convened on 26 May 2023, an ordinary resolution was passed to approve the authorisation to the Board to determine the interim profit distribution plan for the year 2023. The dividend distribution plan of RMB0.119 per share (inclusive of applicable tax) for the six months ended 30 June 2023 was approved at the thirteenth meeting of the Fourth Session of the Board convened on 18 August 2023. The dividend distribution plan was implemented.

The sixteenth meeting of the Fourth Session of the Board of the Company approved the dividend distribution plan for the year ended 31 December 2023 of a final cash dividend of RMB0.224 (inclusive of applicable taxes) per share. The above dividend distribution plan will be submitted to the Company's annual general meeting to be held on 10 May 2024 for review and approval before implementation.

The final dividend for the year of 2023 will be paid on or before Friday, 19 July 2024 to all Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 22 May 2024. In order to qualify for the final dividend, the holders of H Shares must lodge all share certificates accompanied by the transfer documents with Computershare Hong Kong Investor Services Ltd. (address: Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) before 4:30 p.m. on Thursday, 16 May 2024 for registration. For the purpose of ascertaining shareholders who qualify for the dividend, the register of members for H Shares will be closed from Friday, 17 May 2024 to Wednesday, 22 May 2024 (both days inclusive).

The dividend will be denominated and declared in Renminbi. The holders of Domestic Shares will be paid in Renminbi and the holders of H Shares will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars will be the mean of the benchmark exchange rates of Renminbi to Hong Kong dollars as announced by the People's Bank of China during the five working days before 10 May 2024, the date on which the annual general meeting was convened to approve the final dividend.

In accordance with the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) and its implementation regulations, the Company 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 when distributing the cash dividends. Any H Shares not registered under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organisations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, 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 their agents or trustees. The Company will strictly comply with the law and the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H Shares as at Wednesday, 22 May 2023.

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends given to them under the relevant tax agreement with the PRC, the Company should withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of less than 10% under the relevant tax agreement with the PRC, the Company shall withhold and pay individual income tax of the dividend 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, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant Shareholders submit the information required by the notice of the tax agreement to the H share registrar of the Company. The Company will assist with the tax refund of the extra amount withheld after obtaining the approval of the competent tax authority. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of over 10% but less than 20% under the tax agreement with the PRC, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of H Shares are residents of the countries which have had an agreed tax rate of 20% under the relevant tax agreement with the PRC, or which has not entered into any tax agreement with PRC, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

For investors investing in the H Shares of the Company listed on the Hong Kong Stock Exchange through the Shanghai Stock Exchange or Shenzhen Stock Exchange (including enterprises and individuals) (the “Southbound Trading”), the Company has entered into the Agreement on Appropriation of Cash Dividends of H Shares for Southbound Trading 《港股通H股股票現金紅利派發協議》 with China Securities Depository and Clearing Corporation Limited, pursuant to which, China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H Shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depositary and clearing system. The cash dividends for the investors of H Shares of Southbound Trading will be paid in Renminbi.

Pursuant to the relevant requirements under the “Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect” (Caishui [2014] No. 81) 《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》(財稅[2014]81號) and the “Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect” (Caishui [2016] No. 127) 《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》(財稅[2016]127號)), for dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the Company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

9 Major Suppliers and Customers

During the Reporting Period, the total purchases of the Group from the top five suppliers of the Group accounted for 9.1% of the total purchases of the Group, of which the purchases from the largest supplier accounted for 3.5% of the total purchases of the Group.

During the Reporting Period, the total sales of the Group to the top five customers accounted for 65.7% of the total sales of the Group, of which sales to the largest customer accounted for 49.6% of the total sales. For details on the Group’s relationships with major customers and the risks that the Group’s business may face due to such relationships, please see the section headed “Report of the Board – 27 Risk Factors – Risks relating to decreased orders from major clients” in this annual report.

During the Reporting Period, other than the connected transactions with the controlling shareholder, Sinopec Group, and its subsidiaries, as disclosed in the section headed “Connected Transactions” of this annual report, to the knowledge of the Board, none of the Directors, Supervisors and their close associates or any Shareholder holding 5% or more of the share capital of the Company had any interest in any of the above-mentioned major suppliers and customers.

10 Bank Loans and Other Borrowings

The Group had RMB102 million borrowings from the fellow subsidiaries as at the end of the Reporting Period, including short-term borrowings of USD9.70 million and RMB12 million, and a long-term borrowing of RMB21 million.

11 Fixed Assets

During the Reporting Period, changes to the fixed assets of the Group are set out in Note 17 to the financial statements prepared in accordance with the IFRS in this annual report.

12 Donations

During the Reporting Period, the amount of charity donations made by the Group amounted to approximately RMB1.0335 million.

13 Pre-emptive Right

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

14 Issuance of Equity Securities or Debentures

During the Reporting Period, neither the Company nor any of its subsidiaries has issued any equity securities (including securities convertible into equity securities) or debentures.

15 Management Contract

During the Reporting Period, neither the Company nor any of its subsidiaries has entered into any contract by which a person undertakes the management and administration of the whole or any substantial part of any business of the Company or any of its subsidiaries.

16 Equity-Linked Agreements

During the Reporting Period, neither the Company nor any of its subsidiaries has entered into or has any equity-linked agreement, or any agreement requiring the Company or any of its subsidiaries to enter into the agreement that will or may result in the issuance of shares by the Company.

17 Permitted Indemnity Provisions

During the Reporting Period, the Company purchased liability insurance for Directors to reduce their risks in the normal course of performing their duties. Save for this, there has been no permitted indemnity provision being in force for the benefit of any existing directors or the then directors of the Company (whether made by the Company or otherwise) or any associated company of the Company (if made by the Company).

18 Significant Investment

During the Reporting Period, the Company has made no significant investment (including any investment with a value of 5% or more of the Company's total assets as at 31 December 2023).

19 Accounting Standard

The difference between the main accounting policies adopted by the Company for compilation of 2023 audited consolidated financial statement and the main accounting policies for compilation of 2022 audited consolidated financial statement are indicated in details in Note 3.1 to the financial statements.

20 Retirement and Employee Benefit Plan

Details of the Group's retirement and employee benefit plan are set out in Note 33 to the financial statements.

For the disclosures in relation to the employees of the Group, please refer to the section headed "Directors, Supervisors, Other Members of Senior Management and Employees – 6 Employees" in this annual report.

21 Compliance with Laws and Regulations

In 2023, the Group was strictly in compliance with laws and regulations such as the Civil Code of the People's Republic of China, the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Construction Law of the People's Republic of China, the Tendering/Bidding Law of the People's Republic of China and the Safe Production Law of the People's Republic of China and other applicable environmental policies in China; and under the existing system, the Company also continuously increased or improved various systems, established a relatively complete compliance operation mechanism, prevented and avoided the occurrence of major legal risks to the maximum extent, and provided strong compliance guarantee for the Company's operation and development.

22 The Right of Directors and Supervisors to acquire Shares or Debentures

During the Reporting Period, none of the directors, supervisors or their respective associates of the Company or any of its subsidiaries has been granted the right by the Company or its subsidiaries or the holding company of the Company or any subsidiary of the Company's holding company, or has exercised any of such rights, to acquire shares or debentures of the Company or any other body corporate.

23 Interests of Directors and Supervisors in Material Transactions, Arrangements and Contracts

During the Reporting Period, for details of the interests of Directors and Supervisors in material transactions, arrangements and contracts of significance, please refer to the section headed "Directors, Supervisors, Other Members of Senior Management and Employees – 5 Contract Benefits of Directors and Supervisors" in this annual report.

24 Change of Auditors

The Company has not changed auditors since the annual general meeting for the year 2019 on 8 May 2020.

25 Core Competitiveness Analysis

The Group is a leading energy and chemical engineering company in the PRC. The Group has the legacy of being among very first oil refining and petrochemical engineering enterprises established in the PRC in the 1950s. Leveraging on long operating history and sophisticated industry experiences, we have developed the strong execution capabilities in the PRC with respect to engineering and constructing large-scale and complex oil refining, petrochemical and new coal chemicals projects, etc., which usually include a series of process units and public utilities, and we are highly competitive in the international engineering markets.

While adhering to the technical advantages in the petrochemical field, the Group focuses on the development of dual-carbon process technology and equipment related to the petrochemical engineering field, forming a group of cutting-edge technologies, standards and guidelines with independent characteristics such as energy saving, carbon reduction and carbon sequestration, and realizing the development of industrial application and process package.

The competitive strengths of the Group are particularly reflected in the large business scale, strong executive capacity, excellent management and technical team, advanced industrialised proprietary and patented technologies, sound management system, advanced software and equipment, rich and reliable suppliers and subcontractors resources, complete service chain in the technology R&D and licensing, preliminary project consulting, financing assistance, engineering, procurement, construction, trial test/commissioning and maintenance services and excellent one-stop engineering service capability.

Given our competitive advantages in industry chain, business chain, technology chain and supply chain, the Group is now a leader in China's oil refining and engineering industry. The Group is also on the cutting edge of the rapidly developing Chinese and international engineering markets.

26 Risk Factors

The trend of the global macro-economic situation is under stress and turbulence

The business performance of the Group is closely related to the economic situation of the PRC as well as the global economic situation. In 2023, the global economy remained in the doldrums, public security risks overseas rose, the new round of scientific and technological revolution accelerated, and the world entered a transition period in which the old and new orders alternated, and the intertwining of change and chaos became more prominent. The global economy maintained a certain degree of resilience against the backdrop of high inflation and high interest rates, but due to the lack of overall economic recovery, the big countries have gradually shifted from incremental competition to the era of existing market competition. High interest rates and the appreciation of the US dollar have led to debt crises in many developing countries, and global financial stability has been subjected to stronger shocks, with the spillover effects of financial turmoil deepening the debt crisis in some developing countries. Geopolitical crises such as the ongoing Russia-Ukraine conflict and the intensification of the Israeli-Palestinian conflict have led to persistently high energy price, multiple shocks to the supply chain, and a significant contraction in global trade. In 2023, the global energy landscape has been profoundly adjusted, the energy supply chain has been reshaped at an accelerated pace, and the energy transition has accelerated. Despite the intensification of geopolitical conflicts and the risk of contagion, they have not yet had a substantial impact on the production facilities of Middle Eastern resource countries and the supply and demand fundamentals of the global oil market, and it is expected that international oil price will gradually return to being dominated by supply and demand fundamentals. The international engineering industry is facing complex and severe challenges such as turbulent external environment, intensified competition within the industry, declining profits and concentrated exposure of existing risks. The Global Decarbonization Accelerator (GDA) initiative, announced at the 28th Conference of the Parties (COP28) of UN and aiming to accelerate the energy transition and significantly reduce carbon emissions, will have many influences for the future development of the energy sector. The operation of the Group may also be adversely affected by other various factors, including but not limited to the adverse influence brought by sudden change and unpredictability of international geopolitics, fluctuation in international oil price, and uncertainty in oil products and chemical product demand upon investment in overseas oil refining and chemical engineering projects.

Risks brought by changes in market environment

In 2024, geopolitical friction will bring about the intensification of trade friction, global energy development faced security risks and low-carbon transformation pressure at the same time, the pace of capacity expansion in the refining industry will slow down, the competitive pressure of the ethylene industry chain will become more and more intense, and the integration and substitution of production capacity will accelerate. China still faces a complex external environment. Under the “Carbon Peaking and Carbon Neutrality” target, the substitution of non-fossil energy is increasing, the development environment of energy and chemical industry is facing deep adjustment, the competition in scale will shift to cost competition in full, and the refining and chemical industry will face more harsh state of survival of the fittest. As far as the engineering market is concerned, diversified investment subjects, diversified competition subjects and rising execution risks will become the new normal faced by engineering companies. In 2024, the global energy industry will enter a period of multiple games of production capacity, safety and green low-carbon transformation; the refining industry will face limited space for addition of new production capacity, and focus on structural upgrading and transformation; ethylene production capacity is expected to increase steadily, and Asian region will lead the global ethylene production capacity growth; natural gas supply will remain tight, with limited growth amplitude of new LNG supply capacity in terms of the scale of existing investments and the expected market rebalancing. In the field of low-carbon new energy, the clean hydrogen energy industry will enter a critical year of development, and although the global investment layout is good, the uncertainty of the industry will increase due to rising costs and weak demand; with the advancement of technology and the reduction of costs, the scale of the CO2 capture industry will continue to grow. The continuous changes in the global energy market and the adjustment of energy policies in various countries have accelerated the transformation of the global energy governance system. In the field of global energy and chemical engineering, the proportion of high-end projects and high value-added projects will be further increased, the requirements for engineering technology and management level will continue to rise, and the limited market capacity and increasingly fierce competition will make the international business face more severe challenges.

Risks relating to changes in policies

(1) Nationalisation, seizure, confiscation, suspension, cancellation, spillover of geopolitical conflict and other risks with regard to projects undertaken by us

Some of the countries where the Company's overseas projects are located or the target countries where the market is developed have local wars, political instability, governmental governing was inefficient or gets into trouble, public liability and credit risk are high, and the resulting policy uncertainty and possible government intervention in investment matters have increased the political risks of project investment and construction. In some countries, government nationalisation, seizure, confiscation, suspension and cancellation of refinery projects occur from time to time. Little or even no compensation is paid to investors. Thus, relevant project participants may suffer huge losses. Under such circumstances, the risks relating to exploration of new markets and project implementation activities in affected countries are relatively high and this may hinder the development of the international business of the Group. However, as the Company is an asset-light company, which mainly provides engineering services, it has a very low possibility of contracting overseas projects in the form of investment or equity participation. Even if it participates in overseas projects involving investment in the future, these projects will be subject to strict risk assessment. In general, the above risks have a limited impact on the Group's international business. At the same time, the risk of spillover of geopolitical conflicts may also affect the Group's engineering service business in markets of some countries.

(2) Restrictive requirements and imperfection risk of the policy and legal system in the country where the project is located

Certain countries where our projects are located have set restrictions on foreign cooperation access, localization requirements, environmental protection, labor protection and public safety policies for the industry where the Group is located, and there are problems such as incomplete and imperfect system, differential management and inefficient execution, and there is substantial uncertainty about whether partial reasonable policies can be continuously and effectively implemented in the future. Once some conditions occur due to imperfect policies and laws, higher standards for admittance or localization, the implementation of the project will be blocked directly, or the economic efficiency will decline, and the project will be involved in disputes or even legal proceedings, which will affect the implementation of the project in the host country and the further exploration of the market.

(3) Risks relating to changes in fiscal, tax and legal systems

The Group pays taxes in overseas countries and regions where it operates, changes in value-added tax, income tax, customs tax and other aspects of host countries' tax system, tax rate and collection & management methods will directly affect the economic results of the projects and may reduce the profitability of the project. In recent years, the taxation and legal systems of developing countries were gradually improved, tax enforcement became increasingly normalized and strict, and with the increase of the volume of business contracted overseas by Chinese engineering construction enterprises, some countries have focused on strengthening tax inspection and supervision of Chinese enterprises, and adopted means for anti-tax-avoidance measures. In the process of overseas business market development, the Group will fully analyze and evaluate the current fiscal, tax and legal systems of the target countries, but it is difficult to predict the possible changes in the tax-related legal policies and collection & management methods during the implementation of the project, and these changes may have a significant adverse impact on the profitability and financial performance of the Company's overseas business.

Meanwhile, if changes are made in the legal system of the host regions of major overseas projects such as Middle East, Central Asia, Southeast Asia and North Africa, including changes in investment laws, business laws, environmental protection laws, labor laws and other relevant laws, and if regulations and enforcement may become stricter, the execution of our projects will become more difficult and potentially affect the development of new projects in the host countries; if the current laws and regulations related to environmental protection, safety and health or provisions related to localization requirements are revised or updated, or standards are raised, the costs of compliance and operating efficiency of overseas businesses will be affected.

Risks relating to project delay and budget overrun

(1) Risks relating to inaccurate project quotation and preliminary budget

Insufficient accumulation of basic data required for project quotation and preliminary budget (labour hour, procurement and construction price), and insufficient efficiency and accuracy of quotations and preliminary budget, may affect the decision-making of projects and subsequent project implementation. For large projects with higher complexity, particularly the EPC contracting projects and emerging projects of investment-construction-operation integration, due to the high complexity of the projects and the long cooperative operation period, inaccurate project quotations and primary budget estimates in the early stages of the projects may result in difficulties in completing the projects in accordance with the original budget estimates in the later stages of project implementation.

(2) Risks relating to sub-contractor management

The Group usually engages sub-contractors to provide assistance in completing projects; however, if the resource distribution of sub-contractors is inadequate, it will delay current project completion and impede undertaking of other projects. Concurrently, the delay in sub-contractors' progress will increase the risk of project delay. In addition, the Group assumes joint liability for subcontracted projects, which means that the Group may be subject to compensation liability due to quality problems of subcontracted projects and may be subject to lawsuits and compensation claims, may undertake joint liability for the on-site security accidents of the sub-contractors and bear the risk of the losses in project results and damages to company image. It is possible that our business and financial status as well as our business operations will be adversely affected by these matters.

(3) Risks relating to frequent fluctuation of raw material prices for construction

The occurrence of frequent fluctuations on price of raw materials used in domestic and overseas projects of the Group due to geopolitics, changes in the macro environment, etc. directly increases the difficulty of project procurement cost control. Especially in the international market, sub-contractors compete by providing low bids in order to win contracts, leads to a decrease in the contractor's profit. If the price of raw materials increases significantly, the risk of completing a project outside the limits of our budget will be elevated.

(4) Risks relating to inflation, including the increase in cost of human resources

The Middle East and Central Asia are the primary target markets of the Group's international business. Currently, we are vigorously developing the regional markets in Southeast Asia. Considering that the economy in such areas as a whole is unstable with high inflation rates, this may directly lead to increase in price of sub-contracting and labour markets. Concurrently, due to the fluctuation in the exchange rate of Renminbi, the cost of exported labour services increases, which further increases project costs.

(5) Risks relating to project management

Risks relating to project management are mainly reflected in financing service support, engineering design and capability for claiming indemnity. Some of the Group's on-going overseas projects are financing projects and the project contract amount is large. Insufficient financing service support may lead to delays in construction because we may not solve problems in the financing process in a timely manner. For projects where international practices such as engineering design standards and industry rules are substantially different from practices of the PRC, once the Group's design team's abilities were hampered, the delay in design deliverables will result in difficulties in the execution of subsequent procurement and construction. Due to the complexity of the construction projects of the Group, the capability for claiming indemnity may directly affect the profitability of a project. If the project team's experience in claims and counter claims is inadequate to meet the requirements of the undertaken project, if we fail to properly deal with claims and counter claims in some EPC contracting projects where the conditions are complex and the demand is high, especially for the overseas projects, these will cause a negative impact on the effectiveness and profitability of such projects.

Risks relating to QHSE

In recent years, both the domestic and overseas markets require better QHSE management, and the social media has also become increasingly concerned about QHSE. Thus, the QHSE management ability of a company has become much more important to its survival and future development. The Group is a participant in the petrochemical engineering industry, which has both "petrochemical" and "engineering" production characteristics. In view of the high-risk nature of the petrochemical and engineering industries and the accumulated triple pressures of construction timeline, the risk of instability related to safety and quality remains high, which objectively increases the pressure and difficulty of QHSE management work for the Company.

Any non-standard, non-regulated, imperfect situation or insufficient execution in the Group' QHSE management principles, models and system may result in QHSE incidents. On the other hand, the social situation confronted by the Company's overseas projects is relatively unstable, and the overseas public safety risks are under great pressure, which may lead to overseas public safety incidents.

Risks relating to exchange rate

During the Reporting Period, there were accounts receivable and payable and cash balances in relation to our overseas projects, which are settled in foreign currencies. During the Reporting Period, our foreign currencies mainly consist of U.S. dollars, Euros, Kuwaiti dinar, Saudi riyal, and Malaysian ringgit. Exchange rates will affect the pricing of our services as well as our material procurement costs settled in foreign currencies. Thus, fluctuation in exchange rates may affect the Group's business performance and financial status. Moreover, the exchange and remittance of foreign currencies are subject to PRC laws and regulations on foreign currency, and therefore, it cannot be guaranteed that policies on foreign trade under current accounts and capital accounts will remain unchanged. Foreign currency policies may limit our ability to obtain adequate foreign currencies. We cannot ensure that we have enough foreign currencies to meet the demand of the Group under certain exchange rates. This will affect the execution of our projects settled in foreign currencies.

During the Reporting Period, relevant hedge transactions implemented by the Company regarding exchange rate fluctuation are set out in the section headed "SIGNIFICANT EVENTS – 12 Financial Derivatives For Hedging Purposes" in this annual report.

Risks relating to the uncertainty of obtaining new projects

The Group's revenue mainly comes from offering services in refining, petrochemical, new coal chemical and storage & transportation industries. Client demands are affected by periodic variation of traditional resources and overall business levels. Resource supply and price variations will significantly affect our ability to obtain new projects. At the same time, the competitiveness of traditional resources in the resource market is the prerequisite of ensuring service demand. If government subsidies or other economic stimulating measures are implemented to lower the prices of substitute resources, and if technological breakthroughs for substitute resource suppliers and users may be achieved, the cost advantages of traditional resources will diminish. This will decrease our new business volume on a large scale. Overseas business will be affected by multiple factors such as global industry development trends, country-specific political and economic situations, peer competition situations, geopolitical conflicts, and there will be still a great deal of uncertainty in the development and contracting of new projects.

Risks relating to decreased orders from major clients

The industries in which our clients are involved are capital and technology-intensive with high entrance thresholds. Our major clients are relatively concentrated, resulting in the Group being dependent on a small group of clients, especially on the largest client which is SINOPEC SEG's controlling shareholder (and its associates). If our major clients choose to switch to a competitor of the Group, or reduce orders because of financial difficulties and other factors, we will face severe business fluctuations or revenue decreases. We endeavour to attract more new clients for both our domestic and international businesses. However, it is likely that the majority of our clients and revenue will continue to come from our current major clients. Therefore, we cannot guarantee stability and growth of our revenue due to potential risks which may result in significant negative impact on our business performance.

Risks relating to changes in investment strategies and tactics

In recent years, the international situations changed beyond expectations, and the global energy market fluctuated sharply. These factors had certain adverse impact to the implementation of investment strategies such as acquisition, sales and new market exploration of domestic and international engineering companies. With the gradually stable operation of the domestic economy, the Company will still promote the high-quality development of the enterprise through the implementation of investment strategies such as acquisition, sales and new market exploration. Entering a new business domain by acquisition may result in additional business risks which differ from our previous risk factors. There might be great difficulties in how to recognise all significant risks during our due diligence investigation, how to achieve synergy and resource integration, and how to successfully operate an expanded company after acquisition. We will strive to assist potential buyers to assume liabilities of the business, and execute the contracts and other rights should we sell any part of the Group or pursue acquisitions in the future. The Group plans to accelerate the promotion of new technological innovation, new product research and development and new business transformation focusing on the domestic and overseas markets, and may increase investment in technology and R&D in the field of alternative energy sources and alternative chemical raw materials, the future development of relevant investments and transactions is mainly subject to influence of uncontrollable government policies superposed with huge downward pressure and potential financial risks in the world, which may result in a significant negative impact on the business and financial status of the Group.

Risks relating to new business segments

When expanding new businesses such as new coal chemicals, energy saving and environmental protection, LNG, hydrogen energy, photovoltaic, wind power, the Group is faced with the intricate market environment, the Group's technical reserves in new fields may not be perfect enough, project engineering and constructional experience may be insufficient, if it has little knowledge of the credit status of the clients, it is very difficult for the Group to fully identify and avoid major risks existing in the new businesses.

Risks relating to the new business models

The Group proactively explores new business models such as contract environmental protection management and contract energy management. The Group will invest in the whole process of a project, and scale back on costs and earn profits by sharing environmental protection and energy saving benefits with its clients. As it involves the corporate operation and project operation of its clients, the Group will face, for instance, credit risks due to the transferring of project benefits by the clients, the risks brought about by improper corporate operation of the clients or by legal disputes, the project risks in failure to achieve expected targets in terms of energy saving and environmental protection benefits and failures in timely pay-back of investments.

Risks of engaging in oil and natural gas engineering projects in sanctioned countries

The United States and other jurisdictions or organizations, including the European Union and the United Nations, have, through executive orders, legislation or other governmental means, implemented measures that impose economic sanctions against certain countries or jurisdictions, or against targeted industry. Groups of companies or persons, and/or organizations within these sanctioned countries or jurisdictions, have experienced a series of macro risks, such as economic recession, fiscal imbalance and debt default, which have also led to a number of micro risks such as devaluation of currencies, exchange difficulties, financial creditworthiness, logistics and transportation, and "secondary sanctions". The sanctions that are expected to be imposed are likely to continue, and the implementation and interpretation of such sanctions and policies may evolve, therefore, there is still scrutiny on the Group's business or risks that one of or more of the Group's business activities may be deemed to violate sanctions laws. In view of this, the Group can provide no assurances that its future business will be free of risk under U.S. sanctions or sanctions from other countries or organizations, or that the Group's business will conform to the expectations and requirements of U.S. authorities or the authorities of any other government or organization that does not have jurisdiction over the Group's business but may impose sanctions on an extraterritorial basis. Shareholders and potential investors should consider (1) if investment in the Company would expose them to any OFAC or related sanctions arising from their nationality or residency, and (2) the risk that, if the Group engages in oil, gas and refining chemical engineering business in sanctioned countries, such business may result in reduction of the marketability of the shares of the Company and may have an adverse effect on the share price of the Company.

27 Corporate Report on Environmental, Social and Governance

For details of the Group' environmental, social and governance practices, please refer to the 2023 environmental, social and governance report to be issued by the Company on 17 March 2024.

By Order of the Board

JIANG Dejun

Chairman of the Board

Beijing, the PRC

15 March 2024

REPORT OF THE SUPERVISORY COMMITTEE

REPORT OF THE SUPERVISORY COMMITTEE

To all shareholders,

The Supervisory Board and the supervisors of SINOPEC ENGINEERING (GROUP) CO., LTD. (hereinafter referred to as the Company) strictly fulfill their supervisory duties and actively participate in the supervision of the decision-making process in accordance with the relevant provisions of the "Company Law of the People's Republic of China" and the "Articles of Association". Supervisory Committee timely inspects the financial status of the Company, supervising directors and senior management members of the Company to perform duties; convening meetings of the Supervisory Committee as scheduled, verifying and reviewing relevant proposals to be submitted by the Board to the shareholders general meetings, exercising the powers of Supervisory Committee in accordance with relevant laws and regulations as well as the Articles of Association and submitting proposals to shareholders general meetings at appropriate time, to remain true to our original aspiration and mission, adhering to work in a honest, diligent and conscientious manner, combining standardized supervision with good service, and supporting the Chairman of the Board, President and other senior management members of the Company to sufficiently exercise their lawful rights and exert the functions of Supervisory Committee for the high-quality and sustainable development of the Company.

During the Reporting Period, the Supervisory Committee held five meetings, in which the Company's annual and interim reports, annual and interim financial reports, dividend distribution plan, annual operation investment plan, financial budget and so on were reviewed and considered.

The fourth meeting of the Fourth Session of the Supervisory Committee of the Company was held on 17 March 2023. The work report of the Supervisory Committee for the year 2022, the financial statements of 2022, the 2022 annual report, the dividend distribution plan for the year 2022, production and operation plan, investment plan and financial budget for the year 2023 and so on were considered and approved at the meeting, and nomination of Mr. HAN Weiguo as a candidate for supervisor of the fourth Supervisory Committee of the Company.

The fifth meeting of the Fourth Session of the Supervisory Committee of the Company was held on 4 May 2023. A proposal for "Revision of the Rules and Procedures for the Supervisory Committee" was considered and approved at the meeting, and nomination of Mr. MA Yanhui and Mr. WU Defei as candidates for supervisors of the fourth Supervisory Committee of the Company.

The sixth meeting of the Fourth Session of the Supervisory Committee of the Company was held on 26 May 2023, and Mr. MA Yanhui was elected as the chairman of the Fourth Session of the Supervisory Committee of the Company.

The seventh meeting of the Fourth Session of the Supervisory Committee of the Company was held on 18 August 2023. The 2023 interim financial statements, the 2023 interim report, the 2023 interim dividend distribution plan and so on were considered and approved at the meeting.

The eighth meeting of the Fourth Session of the Supervisory Committee of the Company was held on 20 September 2023, and Mr. SHA Yu was nominated as a candidate for supervisor of the Fourth Session of the Supervisory Committee of the Company.

Furthermore, the Supervisory Committee organised supervisors to attend the shareholders general meetings of the Company and the Board meetings and the supervision of the decision-making process for major issues of the Company.

Through the supervision of operation, management and financial of the Company, the Supervisory Committee and all supervisors is of the opinion that in 2023, the Board of the Company and senior management members of the Company have faithfully fulfilled the responsibilities and obligations assigned by relevant laws and regulations, the Articles of Association and the shareholders general meetings, further optimised the internal control system of the Company, strengthened risk prevention and control, actively used the Audit Committee of the Board and the Supervision Committee to give play to the functions of supervision and restraint, continued to strengthen the construction of the compliance management system, establishment of a compliance management system that is based on risks and post compliance duties, and strengthens the control of the whole business process; and the operational standards, as well as the decision-making procedures of the Company are in compliance with the relevant requirements of the PRC Company Law and the Articles of Association. The Supervisory Committee did not identify any behavior of any Directors and senior management members of the Company in violation of applicable PRC laws, regulations or the Articles of Association or in infringement of the interests of the Company and the rights and interests of other shareholders in performing their duties. The financial activities of the Company are in compliance with the China Business Accounting Standards, the International Financial Reporting Standard and related regulations. The Company's financial operation is in good condition, and the financial statements truly and fairly represented financial status and operating results of the Company. The Company strictly implements relevant stipulations on the use of proceeds, and the actual use of the proceeds were consistent with the previous disclosure. The decision-making procedure for connected transactions of the Company complied with the stipulations of relevant laws, regulations and Articles of Association, and there was no infringement of the interests of the Company and the rights and interests of other shareholders, etc.

This session of the Supervisory Committee will continue to uphold the principle of diligence and integrity, conscientiously perform its supervisory duties, strictly consider the major decision-making matters and strengthen the process control and process monitoring, put greater efforts in inspection and supervision and protect the interests of the Company and its shareholders.

Beijing, the PRC

15 March 2024

DIRECTORS, SUPERVISORS, OTHER MEMBERS OF SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS, SUPERVISORS, OTHER MEMBERS OF SENIOR MANAGEMENT AND EMPLOYEES

1 DIRECTORS, SUPERVISORS AND OTHER MEMBERS OF SENIOR MANAGEMENT

(1) Directors

Mr. JIANG Dejun (蔣德軍) – Chairman of the Board

Mr. JIANG Dejun (蔣德軍), is Chairman of the Board of SINOPEC SEG. Mr. JIANG is a principal senior engineer with a Ph. D degree. From November 2001 to September 2003, he was the deputy head of Lanzhou Design Institute of Sinopec Group (中國石化集團蘭州設計院). From September 2003 to June 2007, he was the director and vice president of Sinopec Ningbo Engineering Co., Ltd. (中國石化寧波工程有限公司). From June 2007 to December 2008, he was the deputy manager of SINOPEC Engineering Co., Ltd. (中國石化集團煉化工程有限公司). From December 2008 to September 2012, he was the Vice President of SINOPEC Engineering Co., Ltd. and deputy Director of Engineering Enterprise Management Department of Sinopec Group. From September 2012 to October 2019, he was the vice president of Sinopec Fifth Construction Co., Ltd. (中石化第五建設有限公司). He was an employee representative Supervisor of SINOPEC SEG from January 2015 to December 2020, and was the general manager of Sinopec Engineering Incorporation from October 2019 to December 2020. He has been the President of SINOPEC SEG from December 2020 to May 2023, a Director of SINOPEC SEG since February 2021, and Chairman of the Board of SINOPEC SEG since May 2023.

Mr. XIANG Wenwu (向文武) – Vice Chairman of the Board

Mr. XIANG Wenwu (向文武), is the Vice Chairman of the Board of SINOPEC SEG, and executive director of Sinopec Fourth Construction Co., Ltd. Mr. XIANG is a principal senior economist and holds a Ph.D. diploma. Mr. XIANG served as deputy manager of Sinopec Group Second Construction Company (中國石化集團第二建設公司) ("Sinopec Group SCC") from June 1999 to March 2004, the manager of Sinopec Group SCC from March 2004 to December 2008, the general manager of Sinopec Group SCC from December 2008 to July 2010, a director and the general manager of Sinopec Group Nanjing Engineering Co., Ltd. (中國石化集團南京工程有限公司) from December 2009 to April 2012, an executive director and the general manager of Sinopec Nanjing Engineering Co., Ltd. (中石化南京工程有限公司) from April 2012 to November 2014, and the vice president of the SINOPEC SEG from August 2012 to January 2017. Mr. XIANG has been the President of SINOPEC SEG from January 2017 to December 2020, a Director of SINOPEC SEG since February 2017. He has been the Vice Chairman of the Board of SINOPEC SEG and an executive Director of Sinopec Fourth Construction Co., Ltd. since December 2020.

Mr. LI Chengfeng (李成峰) – Director

Mr. LI Chengfeng (李成峰), he is a Director of SINOPEC SEG, and also serves as deputy chief engineer of China Petroleum & Chemical Corporation ("Sinopec Corp."), general manager of chemical business department of Sinopec Corp., chairman of AGCC (阿穆爾天然氣化工) project joint venture and executive director of Sinopec Asset Management Co., Ltd. (中國石化集團資產經營管理有限公司). Mr. LI is a senior engineer with a master degree. From December 2004 to September 2005, Mr. Li served as vice president of BASF-YPC Company Limited (BASF-YPC). From September 2005 to March 2008, he served as a director of Sinopec Yangzi Petrochemical Company (Limited) (中國石化揚子石化股份(有限責任)公司). From September 2005 to October 2006, he served as the vice president of Sinopec Yangzi Petrochemical Corporation (中國石化揚子石化股份有限公司). From October 2006 to June 2007, he served as the general manager of Sinopec Yangzi Petrochemical Corporation. From June 2007 to March 2008, he served as the general manager of Sinopec Yangzi Petrochemical Co., Ltd. (中國石化揚子石化有限公司). From October 2006 to March 2008, he served as the chairman of BASF-YPC. From March 2008 to December 2008, he served as the manager of chemical sales branch of Sinopec Corp. From December 2008 to March 2012, he served as the general manager of chemical sales branch of Sinopec Corp. From January 2009 to November 2014, he served as the executive director of Sinopec Chemical Commercial Holding Company Limited. From April 2009 to November 2014, he served as the general manager of Sinopec Chemical Commercial Holding Company Limited. From July 2010 to November 2014, he served as deputy director of chemical business department of Sinopec Corp. From October 2014 to November 2014, he served as chairman of Sinopec Chemical Commercial Holding (Hong Kong) Co., Ltd. From November 2014 to December 2016, he served as the director of Sinopec Wuhan Petrochemical plant, the general manager of Sinopec Corp. Wuhan Branch and the chairman of Sino-Korean (Wuhan) Petrochemical Co., Ltd (中韓(武漢)石油化工有限公司). From November 2014 to May 2016, he served as the general manager of Sino-Korean (Wuhan) Petrochemical Co., Ltd. From December 2016 to June 2018, he served as the chairman of Sinopec Yangzi Petrochemical Co., Ltd., (中石化揚子石化有限責任公司) Yangzi Petrochemical Co., Ltd. (揚子石化有限公司) and chairman of BASF-YPC. From June 2018 to December 2019, he served as the director of the chemical business department of Sinopec Corp. From September 2018 to October 2022, he has been Vice chairman of ZTHC Energy Co., Ltd. (中天合創能源有限責任公司). From January 2019 to November 2022, he has been chairman of Shanghai SECCO Petrochemical Co., Ltd. (上海賽科石油化工有限責任公司). Since December 2019, he has served as the general manager of the chemical business department of Sinopec Corp. and the executive director of Sinopec Asset Management Co., Ltd. Since May 2020, he has served as the chairman of AGCC project joint venture. Since December 2020, he has served as the deputy chief engineer of Sinopec Corp. and he has been a Director of SINOPEC SEG since October 2021.

Mr. YU Renming (俞仁明) – Director

Mr. YU Renming (俞仁明), is a Director of SINOPEC SEG and serves as the Deputy Chief Engineer and General Manager of the Refining Business Department of Sinopec Corp., as well as a principal senior engineer. Mr. YU served as the Deputy General Manager of Sinopec Zhenhai Refining and Chemical Co., Ltd. (中國石化鎮海煉油化工股份有限公司) from June 2000 to September 2006; Served as a director of Sinopec Zhenhai Refining and Chemical Co., Ltd. from June 2003 to September 2006; From September 2006 to September 2007, served as the Deputy Manager of Zhenhai Refining and Chemical Branch of Sinopec Corp.; From September 2007 to March 2008, served as the manager of Zhenhai Refining and Chemical Branch of Sinopec Corp.; From January 2008 to December 2017, served as the Director of the Production and Operation Management Department of Sinopec Corp.; From December 2010 to January 2021, served as the employee representative supervisor of Sinopec Corp.; Served as the Director of the Refining Business Department of Sinopec Corp. from December 2017 to December 2019; From December 2017 to December 2019, served as Vice Chairman and Chairman of the Audit Committee of Yanbu Aramco Sinopec Refining Company Ltd.; Served as the Chairman of SINOPEC SEG from December 2019 to December 2020; Since December 2020, he has served as the Deputy Chief Engineer and General Manager of the Refining Business Department of Sinopec Corp.; He has been serving as a director of SINOPEC SEG since October 2023.

Mr. WU Wenxin (吳文信) – Director

Mr. WU Wenxin (吳文信), he is a Director of SINOPEC SEG and also serves as the general manager of the engineering department of Sinopec Group (中國石化集團工程部), the general manager of the engineering department of Sinopec Corp. (中國石化股份公司工程部), and the director of SINOPEC SABIC Tianjin Petrochemical Co., Ltd. (中沙(天津)石化有限公司). Mr. WU is a principal senior engineer with a Master degree. From May 2007 to September 2010, he served as the deputy general manager of Fujian Petrochemical Company Limited (福建煉油化工有限公司). From December 2007 to September 2010, he was the director of the refining and ethylene integration project of Fujian Refining & Petrochemical Co., Ltd. (福建聯合石油化工有限公司). From November 2009 to September 2010, he served as a director of Fujian Petrochemical Company Limited. From July 2010 to March 2018, he served as a deputy director of the engineering department of Sinopec Corp. From September 2013 to March 2018, he was a deputy director of the engineering department of Sinopec Group. From October 2017 to October 2018, he was an executive director and general manager of Sinopec Engineering Quality Supervision Co., Ltd. (中石化工程質量監測有限公司). From March 2018 to December 2019, he served as the director of the engineering department of Sinopec Group and the director of the engineering department of Sinopec Corp. Since June 2018, he served as a director of SINOPEC SABIC Tianjin Petrochemical Co., Ltd. He has been a Director of SINOPEC SEG since October 2018, and has been the general manager of the engineering department of Sinopec Group and the general manager of the engineering department of Sinopec Corp. since December 2019.

Mr. ZHANG Xinming (張新明) – Executive Director and President

Mr. ZHANG Xinming (張新明), Executive Director and President of SINOPEC SEG. Mr. ZHANG is a principal senior engineer, graduated from university with a Master's degree in Business Administration. Mr. ZHANG served as the Deputy General Manager of Sinopec Luoyang Engineering Co., Ltd. (中國石化洛陽工程有限公司) and the Deputy General Manager of Sinopec Guangzhou Engineering Co., Ltd. (中國石化廣州工程有限公司) from August 2013 to March 2015; From March 2015 to December 2019, served as the Deputy Director of the Development Planning Department of Sinopec Group; Served as the Deputy General Manager of the Development Planning Department of Sinopec Group from December 2019 to April 2021; From September 2020 to April 2023, served as the Chairman of Sinopec Shanghai Engineering Co., Ltd; Served as the supervisor of SINOPEC SEG from May 2021 to April 2023; was appointed as the President of SINOPEC SEG from April 2023; He has been serving as an executive Director of SINOPEC SEG since May 2023.

Mr. HUI Chiu Chung, Stephen (許照中) – Independent Director

Mr. HUI Chiu Chung (許照中), J.P., is an independent Director of SINOPEC SEG. Mr. HUI is currently the chairman and chief executive officer of Luk Fook Financial Services Limited. He also serves as an independent non-executive director of Zhuhai Holdings Investment Group Limited (Stock Code: 908), Gemdale Properties and Investment Corporation Limited (Stock Code: 535), Lifestyle International Holdings Limited (Stock Code: 1212), China South City Holdings Limited (Stock Code: 1668), Agile Group Holdings Limited (Stock Code: 3383) and FSE Engineering Holdings Limited (Stock Code: 331) and a non-executive director of Luk Fook Holdings (International) Limited (Stock Code: 590), whose shares are listed on the Hong Kong Stock Exchange. Mr. HUI was appointed as the independent non-executive director of Hong Kong Exchanges and Clearing Limited (Stock Code: 388) by the Hong Kong SAR Government since April 2009, at which his term expires in April 2015. Mr. HUI has over 47 years of experience in the securities and investment industry. He was the managing director of UOB Kay Hian (Asia) Limited (大華繼顯(亞洲)有限公司) from 2002 to 2005; group managing director of OSK Asia Holdings Limited (僑豐金融集團有限公司) ("OSK") from August 2005 to March 2007; chief executive officer of OSK from April 2007 to March 2011; and the vice chairman of OSK Asia Holdings Hong Kong Limited (僑豐金融集團(香港)限公司) from April 2011 to September 2011. He served for years as a council member and vice chairman of the Hong Kong Stock Exchange, a member of the Advisory Committee and the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission, a director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee of the Hong Kong Exchanges and Clearing Limited, an appointed member of the Securities and Futures Appeal Tribunal, a member of the Standing Committee on Company Law Reform, and an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel. Mr. HUI became a senior fellow member of the Hong Kong Securities and Investment Institute and fellow member of the Hong Kong Institute of Directors in 2011 and 2002, respectively. Mr. HUI has been an independent Director of SINOPEC SEG since April 2013.

Mr. DUAN Xue (段雪) – Independent Director

Mr. DUAN Xue (段雪), is an independent Director of SINOPEC SEG. Mr. DUAN is currently an academician of the Chinese Academy of Sciences, a researcher and doctoral supervisor of Beijing University of Chemical Technology, the executive deputy director of the Academic Committee of the State Key Laboratory of Effective Utilization of Chemical Resources, the vice-president of the China Petroleum and Chemical Industry Federation, and a council member of the Chemical Industry and Engineering Society of China. Mr. DUAN worked as a teaching assistant at Beijing Institute of Chemical Technology from September 1985 to January 1990; served as an associate professor at Beijing Institute of Chemical Technology from January 1990 to January 1993; and he has been a researcher at Beijing University of Chemical Technology since January 1993, and was elected in 2007 as an academician of the Chinese Academy of Sciences. Mr. DUAN has been an independent Director of SINOPEC SEG since May 2023.

Mr. YE Zheng (葉政) – Independent Director

Mr. YE Zheng (葉政), is an independent Director of SINOPEC SEG. Mr. YE is a director of Ace Sustainability & Risk Advisors Limited, and an independent non-executive director of Hainan Meilan International Airport Company Limited (海南美蘭國際空港股份有限公司) (Stock Code: 357) whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He worked in Shanghai Municipal Finance Bureau (上海市財政局) from October 1982 to January 1989. Mr. YE has over 25 years of experience in audit, internal control and consultancy. He served as an auditor in Ernst & Young (安永會計師事務所) from October 1995 to April 2000; an audit manager in KPMG (畢馬威會計師事務所) from May 2000 to December 2001; a senior audit manager in Grant Thornton (香港均富會計師事務所) from January 2002 to July 2005; a director in Ernst &Young from August 2005 to October 2006, and a practicing director of Mazars CPA Limited from November 2006 to April 2021. Mr. YE obtained a bachelor's degree in accounting and finance in May 1993, and a master's degree in business administration in December 1994, both from California State University, Long Beach. Mr. YE became a member of the American Institute of Certified Public Accountants in September 1998 and a member of the Hong Kong Institute of Certified Public Accountants in May 2003. He has been a director of Ace Sustainability & Risk Advisors Limited since April 2021, an independent Director of SINOPEC SEG since April 2013, and an independent non-executive director of Hainan Meilan International Airport Company Limited (海南美蘭國際空港股份有限公司) (Stock Code: 357) since October 2021. Mr. YE was a consulting expert for the third session of the committee for enterprise internal control standards appointed by the Ministry of Finance of the People's Republic of China from 1 November 2014 to 31 October 2016.

Mr. ZHAO Jinsong – Independent Director

Mr. ZHAO Jinsong (趙勁松), is an independent Director of SINOPEC SEG. Mr. ZHAO is currently the director and professor of the Institute of Process System Engineering, Department of Chemical Engineering, Tsinghua University, deputy director of the Beijing Key Laboratory of Industrial Big Data System and Application, and also the executive vice-chairman of the Culture and Ethics Committee of the Chinese Society of Engineers, the chairman of the Engineering and Ethics Education Committee of the Chemical Industry and Engineering Society of China, the vice-chairman of the Process System Engineering Special Committee of the Systems Engineering Society of China, vice chief editor of the "Chinese Journal of Chemical Engineering (English Edition)", member of the editorial board of the international journal "Computers & Chemical Engineering, Process Safety and Environmental Protection", member of the expert group of Hazardous Chemical Safety Special Committee of the Safety Commission of the State Council, member of the first Expert Group on Ecological and Environmental Emergency Response of the Ministry of Ecology and Environment, and leader in the field of safety production in Beijing. Mr. ZHAO worked as a postdoctoral associate researcher at Purdue University of USA from August 1997 to March 2001; worked as a senior engineer at Day & Zimmermann, Inc. and AET, Inc. of USA from March 2001 to March 2005; worked as a professor and doctoral supervisor at the School of Information Technology, Beijing University of Chemical Technology from March 2005 to March 2008; from April 2008, he served as a professor and doctoral supervisor in the Department of Chemical Engineering of Tsinghua University, and served as the director of the Department of Chemical Engineering at Tsinghua University from June 2013 to December 2020. Mr. ZHAO has been an independent Director of SINOPEC SEG since October 2023.

Ms. XIE Yanli (謝艷麗) – Employee Representative Director

Ms. XIE Yanli (謝艷麗), is an employee representative Director of SINOPEC SEG., and served as the executive director and general manager of Sinopec Energy Management Co., Ltd. (director of Sinopec Energy Management Center). Ms. XIE is a principal senior engineer with a master's degree. Ms. XIE held various positions in Sinopec Research Institute of Economics and Technology, Sinopec Energy Management Company (中石化節能技術服務公司) and Sinopec Energy Management Center from July 2002 to June 2020; and has been the executive director and general manager of Sinopec Energy Management Co., Ltd. (director of Sinopec Energy Management Center) since June 2020. Ms. XIE has been an employee representative Director of SINOPEC SEG since May 2023.

Profile of the Directors of the Fourth Session of the Board as at the date of this annual report

Name	Gender	Age	Position in the Company	Term of Office as Director
JIANG Dejun	Male	58	Chairman of the Board	October 2021 – October 2024
XIANG Wenwu	Male	57	Vice Chairman of the Board	October 2021 – October 2024
LI Chengfeng	Male	59	Director	October 2021 – October 2024
YU Renming	Male	60	Director	October 2023 – October 2024
WU Wenxin	Male	60	Director	October 2021 – October 2024
ZHANG Xinming	Male	57	Executive Director and President	May 2023 – October 2024
HUI Chiu Chung, Stephen	Male	76	Independent Director	October 2021 – October 2024
DUAN Xue	Male	67	Independent Director	May 2023 – October 2024
YE Zheng	Male	59	Independent Director	October 2021 – October 2024
ZHAO Jinsong	Male	55	Independent Director	October 2023 – October 2024
XIE Yanli	Female	47	Employee Representative Director	May 2023 – October 2024

(2) Supervisors

Mr. WU Defei (吳德飛) – Supervisor

Mr. WU Defei (吳德飛), is a Supervisor of SINOPEC SEG, and serves as the executive director of Sinopec Engineering Incorporation (中國石化工程建設有限公司). Mr. WU is a principal senior engineer with a doctoral degree in engineering. Mr. WU served as the Deputy Director of the Refining Business Department of Sinopec Corp. from January 2018 to March 2019; Served as a director of Fujian Petrochemical Company Limited from October 2018 to June 2020; From March 2019 to August 2020, served as the Deputy General Manager of Sinopec Nanjing Engineering Co., Ltd. (中石化南京工程有限公司); From August 2020 to December 2020, served as the Executive Vice General Manager of Sinopec Engineering Incorporation; Served as the General Manager of Sinopec Engineering Incorporation from December 2020 to April 2023; Appointed as Executive Director of Sinopec Engineering Incorporation from April 2023; Appointed as the supervisor of SINOPEC SEG from May 2023.

Mr. HAN Weiguo (韓衛國) – Supervisor

Mr. HAN Weiguo (韓衛國), is a Supervisor of SINOPEC SEG, as well as an executive director of Sinopec Luoyang Engineering Co., Ltd. (中石化洛陽工程有限公司) and Sinopec Guangzhou Engineering Co., Ltd. (中石化廣州工程有限公司). Mr. HAN is a senior engineer with a Master's degree in Business Administration. From May 2016 to May 2020, Mr. HAN served as vice president of Sinopec Luoyang Engineering Co., Ltd. and Sinopec Guangzhou Engineering Co., Ltd., and served as general manager of Sinopec Luoyang Engineering Co., Ltd. and Sinopec Guangzhou Engineering Co., Ltd. from May 2020 to February 2023. He was the executive director of Sinopec Luoyang Engineering Co., Ltd. and Sinopec Guangzhou Engineering Co., Ltd. since February 2023; Since May 2023, he has been a supervisor of SINOPEC SEG.

Mr. SHA Yu (沙裕) – Supervisor

Mr. SHA Yu (沙裕), is a Supervisor of SINOPEC SEG, and serves as the executive director of Sinopec Shanghai Engineering Co., Ltd. (中石化上海工程有限公司). Mr. SHA is a principal senior engineer with a Master's degree in Business Administration. Mr. SHA served as the Deputy General Manager of Sinopec Shanghai Engineering Co., Ltd. from August 2016 to September 2020; Served as a director and general manager of Sinopec Shanghai Engineering Co., Ltd. from September 2020 to September 2023; was appointed as Executive Director of Sinopec Shanghai Engineering Co., Ltd. from September 2023; Since October 2023, he has been a Supervisor of SINOPEC SEG.

Mr. ZHOU Yingguan (周赢冠) – Supervisor

Mr. ZHOU Yingguan (周赢冠), is a Supervisor of SINOPEC SEG, as well as an executive director of Sinopec Nanjing Engineering Co., Ltd. (中石化南京工程有限公司). Mr. ZHOU is a principal senior economist with a university diploma. From March 2004 to July 2010, Mr. ZHOU served as the vice president of the Sinopec Group Second Construction Company (中國石化集團第二建設公司); from July 2010 to April 2012, he served as the vice president of Sinopec Group Nanjing Engineering Co., Ltd. (中國石化集團南京工程有限公司); from April 2012 to April 2017, he has been the vice president of Sinopec Nanjing Engineering Co., Ltd. He was the Supervisor of SINOPEC SEG from January 2015 to October 2018. He was an executive director and president of Sinopec Fourth Construction Co., Ltd. from April 2017 to December 2020. He has been a Director of SINOPEC SEG from October 2018 to December 2020. Since December 2020, he has been an executive director of Sinopec Nanjing Engineering Co., Ltd. Since February 2021, he has been a Supervisor of SINOPEC SEG.

Mr. ZHENG Lijun (鄭立軍) – Employee Representative Supervisor

Mr. ZHENG Lijun (鄭立軍), is an employee representative Supervisor of SINOPEC SEG, who is also an executive director of Sinopec Ningbo Engineering Co., Ltd. (中石化寧波工程有限公司). Mr. ZHENG is a principal senior engineer with a university diploma. From March 2017 to November 2019, Mr. ZHENG served as the deputy general manager of Sinopec Engineering Incorporation (中國石化工程建設有限公司). From November 2019 to December 2022, he served as the Vice President of SINOPEC SEG. He was the president of Sinopec Ningbo Engineering Co., Ltd. from December 2022 to December 2023. He has been an executive director of Sinopec Ningbo Engineering Co. Ltd. since December 2023. He has been an employee representative Supervisor of SINOPEC SEG since February 2024.

Mr. YI Hao (衣浩) – Employee Representative Supervisor

Mr. YI Hao (衣浩), is an employee representative Supervisor of SINOPEC SEG, as well as an executive director of Sinopec Fifth Construction Co., Ltd. (中石化第五建設有限公司). Mr. YI is a principal senior economist with a university diploma. Mr. Yi served as the vice president of the Fifth Construction Company of Sinopec Group (中國石化集團第五建設公司) from July 2000 to April 2012. From April 2012 to April 2015, he served as the vice president of Sinopec Fifth Construction Co., Ltd. (中石化第五建設有限公司). From April 2015 to April 2017, he served as the chairman of the trade union and supervisor of Sinopec Fifth Construction Co., Ltd. From April 2017 to December 2018, he served as the vice president of Sinopec Fifth Construction Co., Ltd., president of Sinopec Fifth Construction Co., Ltd. from December 2018 to December 2019. Since December 2019, he has been the executive director of Sinopec Fifth Construction Co., Ltd. Since October 2021, he has been an employee representative Supervisor of SINOPEC SEG.

Mr. WANG Yi (王毅) – Employee Representative Supervisor

Mr. WANG Yi (王毅), is an employee representative Supervisor of SINOPEC SEG and also serves as an executive director of Sinopec Tenth Construction Company Limited (中石化第十建設有限公司). Mr. WANG is a principal senior engineer with a master degree. From November 2014 to July 2019, Mr. WANG was the vice president of Sinopec Tenth Construction Company Limited; from July 2019 to August 2020, he served as the Vice President of SINOPEC SEG; from August 2020 to December 2022, he was the president of Sinopec Tenth Construction Company Limited; since December 2022, he has been the executive director of Sinopec Tenth Construction Company Limited; he has been an employee representative Supervisor of SINOPEC SEG since January 2023.

As at the date of this report, profile of the Supervisors of the Fourth Session of the Supervisory Committee

Name	Gender	Age	Position in the Company	Term of Office as Supervisor
WU Defei	Male	48	Supervisor	May 2023 – October 2024
HAN Weiguo	Male	53	Supervisor	May 2023 – October 2024
SHA Yu	Male	54	Supervisor	October 2023 – October 2024
ZHOU Yingguan	Male	55	Supervisor	October 2021 – October 2024
ZHENG Lijun	Male	55	Employee Representative Supervisor	February 2024 – October 2024
YI Hao	Male	55	Employee Representative Supervisor	October 2021 – October 2024
WANG Yi	Male	53	Employee Representative Supervisor	January 2023 – October 2024

(3) Other Senior Management

Please refer to the subsection headed "Directors" in this section for biographical details of Mr. ZHANG Xinming.

Mr. WANG Guohua (王國華) – Vice President

Mr. WANG Guohua (王國華), is the Vice President of SINOPEC SEG and the president of Sinopec Heavy Lifting & Transportation Co., Ltd. (中石化重型起重運輸工程有限公司). Mr. WANG is a principal senior economist with a bachelor degree. Mr. WANG served as the deputy manager of Sinopec Fourth Construction Company (中石化第四建設公司) (the "FCC") from July 2003 to December 2008, the deputy general manager of FCC from December 2008 to April 2012, the deputy general manager of Sinopec Fourth Construction Co., Ltd (中石化第四建設有限公司) (the "SFCC") from April 2012 to October 2014, an executive director and the president of the SFCC from October 2014 to April 2017, and the vice president of the SFCC from April 2017 to March 2019. Mr. WANG has been the president of Sinopec Heavy Lifting & Transportation Co., Ltd. since March 2019, and has been a Vice President of SINOPEC SEG since April 2019.

Mr. YIN Fengbing (尹鳳兵) – Chief Financial Officer, Secretary to the Board and Company Secretary

Mr. YIN Fengbing (尹鳳兵), is the Chief Financial Officer, Secretary to the Board and Company Secretary of SINOPEC SEG. Mr. YIN is a senior accountant with a university background. Mr. YIN held multiple positions at Sinopec Yizheng Chemical Fiber Co., Ltd. (中國石化儀徵化纖股份有限公司), and the financial planning department and the finance department of Sinopec Group from July 1992 to August 2020. Mr. YIN served as the Chief Accountant of Sinopec Sales Co., Ltd. North China Branch (中國石化銷售股份有限公司華北分公司) from August 2020 to October 2023. He has been the Chief Financial Officer of SINOPEC SEG since October 2023. He has been the Secretary to the Board and Company Secretary of SINOPEC SEG since November 2023.

Mr. FENG Di (馮迪) – Vice President

Mr. FENG Di (馮迪), is the vice president of SINOPEC SEG. Mr. FENG is a senior engineer with a master degree. From September 1990 to December 2022, Mr. FENG has consecutively held several positions in Sinopec Luoyang Petrochemical Engineering Co., Ltd. (中石化洛陽石油化工工程公司) and SINOPEC SEG. Mr. FENG has served as a vice president of SINOPEC SEG since January 2023.

Mr. SUN Baoping (孫寶平) – Vice President

Mr. SUN Baoping (孫寶平), is the vice president of SINOPEC SEG. Mr. SUN is a principal senior economist with a master degree. Mr. SUN has consecutively held several positions in Beijing Petrochemical Engineering Co., Ltd. and SINOPEC Engineering Incorporation (中國石化工程建設有限公司) from August 1997 to December 2022. Mr. SUN has served as a vice president of SINOPEC SEG since January 2023.

As at the date of this report, profile of other members of the Senior Management

Name	Gender	Age	Position in the Company	Date of Taking Office
ZHANG Xinming	Male	57	Executive Director and President	April 2023
WANG Guohua	Male	54	Vice President	April 2019
YIN Fengbing	Male	53	Chief Financial Officer Secretary to the Board Company Secretary	October 2023 November 2023 November 2023
FENG Di	Male	55	Vice President	January 2023
SUN Baoping	Male	49	Vice President	January 2023

2 Relationship among Directors, Supervisors and Other Members of the Senior Management

There is no financial, business, family or other material relationship between Directors, Supervisors and other members of the Senior Management except for the working relationship.

3 Positions Held by the Directors and Supervisors in Shareholders and Their Competition Interests during the Reporting Period

During the Reporting Period and as at the date of this annual report, (i) Mr. LI Chengfeng served as deputy chief engineer of Sinopec Corp., general manager of chemical business department of Sinopec Corp., chairman of AGCC project joint venture and executive director of Sinopec Asset Management Co., Ltd.; (ii) Mr. YU Renming served as Deputy Chief Engineer and General Manager of the Refining Business Department of Sinopec Corp.; and (iii) Mr. WU Wenxin served as the general manager of the engineering department of Sinopec Group, the general manager of the engineering department of Sinopec Corp., and the director of SINOPEC SABIC Tianjin Petrochemical Co., Ltd.; Save for the above, to the knowledge of the Board, none of the Directors and Supervisors is a director or employee of a company which has an interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or owns interest in any other business which competes or is likely to compete, directly or indirectly, with the business of the Group.

4 Contract Benefits of Directors and Supervisors

As at 31 December 2023 or any time during the Reporting Period, there is no any transaction, arrangement or contract of significance to which the Company, a parent company of the Company, a subsidiary of the Company or a subsidiary of the Company's parent company is a party, and in which the Directors or Supervisors or any entity connected with any of the Directors or Supervisors is or was materially interested, either directly or indirectly.

All Directors have entered into service agreements with the Company. Such service agreements are effective from the date of approval by the shareholders to the expiry of the term of the Fourth Session of the Board. The service agreements can be renewed in accordance with the Articles of Association and applicable laws and regulations. There is no service contract signed between the Directors and the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

All Supervisors have entered into agreements with the Company concerning the compliance with relevant laws and regulations, the Articles of Association and arbitration regulations. The term of office for Supervisors starts from the date of their respective appointment to the expiry of the Fourth Session of the Supervisory Committee. The service agreements can be renewed in accordance with the Articles of Association and applicable laws and regulations. There is no service contract signed between the Supervisors and the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

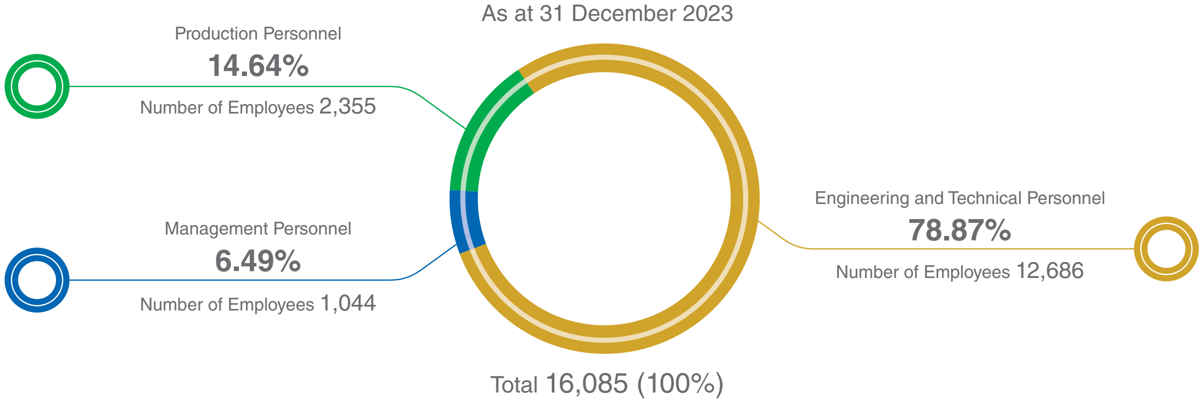
5 Remuneration of Directors, Supervisors and other Senior Management Members

During the Reporting Period, the total number of Directors, Supervisors and other Senior Management members paid by the Company was 25, and the annual total remuneration paid was RMB20 million. For details of the remuneration of Directors, Supervisors and the five highest paid individuals for the year ended 31 December 2023, please see notes 15 and 42(b) to the financial statements in this annual report.

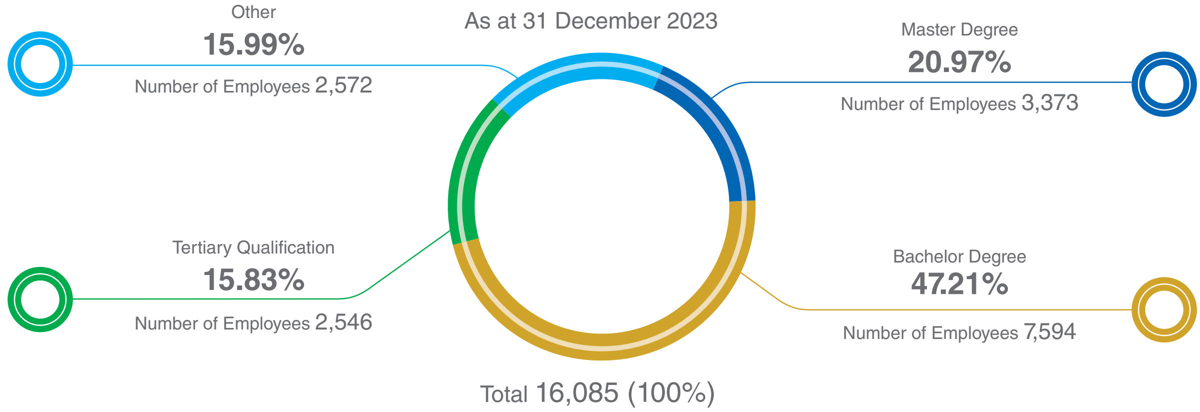
6 Employees

As at 31 December 2023, there were a total of 16,085 employees in the Group.

The following table lists the information of employees classified by business as at 31 December 2023.



The following table lists the information of employees classified based on education background as at 31 December 2023.



7 Gender Diversity of Employees

The table below sets forth the gender ratio of all employees (including senior management) of the Group as of 31 December 2023.

	As at 31 December 2023	
	Number of Employees	Percentage of total number of employees (%)
Female	4,376	27.2
Male	11,709	72.8
Total	16,085	100.0

The table below sets forth the gender ratio of senior management of the Group as of 31 December 2023.

	As at 31 December 2023	
	Number of employees	Percentage of total number of employees (%)
Female	1	4.5
Male	21	95.5
Total	22	100.0

The Group adheres to the employment principle of “equal treatment and mutual respect”, provides equal development opportunities for employees of different genders, and is committed to creating a working environment where employees of different genders cooperate and respect each other. The Group is committed to improving the gender diversity of employees, but due to the unique nature the engineering and construction industry in which the Group operates, it is more challenging to achieve gender diversity for all employees.

8 Employee Remuneration

During the Reporting Period, we maintained good labour relationship. The remuneration of our employees mainly consists of salary, discretionary bonuses and contributions to the compulsory social security funds. In accordance with the laws and regulations of the PRC, the Group participates in different retirement pension related programmes for our employees, including the programmes organised by the provincial and municipal governments of the PRC and other complementary retirement pension related plans. Bonuses are usually determined in accordance with the overall performance of the Group's business. For the years ended 31 December 2022 and 31 December 2023, the employment costs of the Group were approximately RMB6.797 billion and RMB7.097 billion, respectively.

9 Employee Training Programmes

During the Reporting Period, 22 key special trainings were organised by the Group. Throughout the year, a total of 43,258 attendees attended the trainings inside and outside the Group, of which there were 6.6 thousand attendees who were operation management staff, 41.5 thousand attendees who were engineering and technical staff, and 5.1 thousand attendees who were operational staff.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SINOPEC ENGINEERING (GROUP) CO., LTD.

(中石化煉化工程(集團)股份有限公司)

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

OPINION

We have audited the consolidated financial statements of SINOPEC Engineering (Group) Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 126 to 208, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy 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 its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") 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 International Standards on Auditing ("ISAs"). 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 Hong Kong Institute of Certified Public Accountants' "Code of Ethics for Professional 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition of construction contracts

(Refer to notes 3.19, 5(a) and 6 to the consolidated financial statements)

The Group recognised revenue of RMB56,220,641,000 for the year ended 31 December 2023.

Revenue from construction contracts is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, depending on the nature of the contract, is measured by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract. Management estimates the total contract revenue and total contract costs at the inception of each contract. As the contract progresses, management regularly reviews and revises the estimates of contract revenue and contract costs if circumstances change, such as variations in contract work, claims and incentive payments. The increases or decreases in estimated total contract revenue or total contract costs resulted in the adjustments to the extent of progress toward completion and revenue recognised in the period in which the circumstances that give rise to the revision becomes known by management.

These transactions require individual consideration and involve management's estimates and judgment. We have identified the revenue recognition related to construction contracts as a key audit matter.

Our responses:

Our procedures in relation to the revenue recognition of construction contracts included:

– assessing and testing the related internal control of the management's accounting estimates and judgment of construction contracts;

– obtaining material construction contracts to review key contract terms and verify the total contract revenues;

– checking, on a sample basis, the principal terms set out in the relevant construction contracts and the implementation status and testing on the accuracy of the calculation of the extent of progress toward completion and revenue and costs recognised during the year;

– testing, on a sample basis, the amount and timing of the construction contract cost recognised and performing cut-off testing procedures to check that cost had been recognised in the appropriate account period; and

– performing analytical review procedures on the gross margins of material construction contracts of the Group.

KEY AUDIT MATTERS (CONTINUED)

Provision for expected credit losses ("ECL") of trade receivables and contract assets

(Refer to notes 3.9(c), 21 and 23(a) to the consolidated financial statements)

ECL for trade receivables and contract assets are based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgment.

We have identified ECL assessment of trade receivables and contract assets as a key audit matter because their assessment is a subjective area as it requires the management's judgment and uses of estimates.

Our responses:

Our procedures in relation to management's ECL assessment on trade receivables and contract assets included:

– reviewing and assessing the application of the Group's policy for calculating the ECL;

– evaluating techniques and methodology in the ECL model against the requirements of IFRS 9;

– assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgments, including testing the accuracy of the historical default data, evaluating whether the expected credit loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances;

– evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimation of ECL; and

– discussing with management the estimates of the recoverable amounts for those material trade receivables balances which are past due over 180 days, including customers' payment history and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the annual report of the Company, but does not include 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.

DIRECTORS' RESPONSIBILITIES 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 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 also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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 the auditor's report that includes our opinion. The report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the directors, 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.

BDO Limited

Certified Public Accountants

Ng Wai Man

Practising Certificate number P05309

Hong Kong, 15 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000 (restated)
Revenue	6	**56,220,641**	53,028,139
Cost of sales		**(50,607,844)**	(47,415,814)
Gross profit		**5,612,797**	5,612,325
Other income	8	**24,970**	314,175
Selling and marketing expenses		**(187,970)**	(156,816)
Administrative expenses		**(1,353,076)**	(1,273,588)
Research and development costs		**(2,202,372)**	(2,577,892)
Other operating expenses		**(207,018)**	(110,024)
Other gains – net	9	**39,444**	2,633
Operating profit		**1,726,775**	1,810,813
Finance income	10	**1,091,152**	1,008,528
Finance expenses	10	**(72,044)**	(73,491)
Finance income – net		**1,019,108**	935,037
Share of profit/(loss) of a joint arrangement	20(a)	**179**	(76)
Share of profit of associates	20(b)	**17,991**	16,502

	Notes	2023 RMB'000	2022 RMB'000 (restated)
Profit before taxation	11	**2,764,053**	2,762,276
Income tax expense	12	**(428,375)**	(477,116)
Profit for the year		**2,335,678**	2,285,160
Other comprehensive income for the year, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**9,994**	59,640
Item that will not be reclassified subsequently to profit or loss:			
Gain/(loss) on revaluation of retirement benefit plans obligations, net of income tax effect		**(35,263)**	80,197
Gain on equity instruments measured at fair value through other comprehensive income		**2,862**	–
Share of associates' other comprehensive income		**244**	6
Other comprehensive (expense)/income for the year, net of tax		**(22,163)**	139,843
Total comprehensive income for the year		**2,313,515**	2,425,003
Profit attributable to:			
Equity holders of the Company		**2,335,445**	2,285,103
Non-controlling interests		**233**	57
Profit for the year		**2,335,678**	2,285,160
Total comprehensive income attributable to:			
Equity holders of the Company		**2,313,282**	2,424,946
Non-controlling interests		**233**	57
Total comprehensive income for the year		**2,313,515**	2,425,003
		RMB	RMB
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	13	**0.53**	0.52

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000 (restated)	As at 1 January 2022 RMB'000 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	17	**4,807,778**	4,663,369	4,398,287
Right-of-use assets	18	**2,227,712**	2,259,678	2,372,201
Intangible assets	19	**177,156**	192,024	203,079
Investment in a joint arrangement	20(a)	**4,026**	3,847	3,923
Investments in associates	20(b)	**182,558**	174,423	158,915
Fair value through other comprehensive income investments	25	**252,862**	250,000	–
Deferred income tax assets	38	**753,546**	769,953	844,168
Total non-current assets		**8,405,638**	8,313,294	7,980,573
Current assets				
Inventories	24	**472,854**	757,495	479,931
Notes and trade receivables	21	**7,505,664**	8,595,313	6,853,516
Prepayments and other receivables	22	**9,227,666**	6,660,674	8,058,422
Contract assets	23(a)	**9,886,330**	9,745,992	10,273,333
Loans due from the ultimate holding company	26	**20,500,000**	20,500,000	20,500,000
Restricted cash	27	**90,394**	82,916	109,685
Time deposits	28	**12,014,538**	9,053,681	8,357,613
Cash and cash equivalents	29	**12,864,587**	14,973,098	10,305,176
Total current assets		**72,562,033**	70,369,169	64,937,676
Total assets		**80,967,671**	78,682,463	72,918,249

	Notes	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000 (restated)	As at 1 January 2022 RMB'000 (restated)
Equity				
Share capital	30	**4,418,544**	4,428,000	4,428,000
Reserves		**26,423,599**	25,603,512	24,684,086
Equity attributable to equity holders of the Company		**30,842,143**	30,031,512	29,112,086
Non-controlling interests		**5,572**	5,280	5,223
Total equity		**30,847,715**	30,036,792	29,117,309
LIABILITIES				
Non-current liabilities				
Lease liabilities	32	**114,406**	66,816	88,241
Loan due to a fellow subsidiary	37	**21,461**	–	–
Retirement and other supplemental benefit obligations	33	**1,821,196**	1,913,763	2,154,036
Provision for litigation claims	34	**191,681**	184,271	181,292
Deferred tax liabilities	38	**2,457**	5,533	7,033
Total non-current liabilities		**2,151,201**	2,170,383	2,430,602
Current liabilities				
Notes and trade payables	35	**19,805,792**	19,792,197	20,390,057
Other payables	36	**2,826,445**	3,093,433	2,886,826
Loan due to a fellow subsidiary	37	**80,702**	141,972	63,757
Contract liabilities	23(b)	**24,742,158**	22,929,193	17,485,967
Lease liabilities	32	**38,322**	62,254	73,489
Current income tax liabilities		**475,336**	456,239	470,242
Total current liabilities		**47,968,755**	46,475,288	41,370,338
Total liabilities		**50,119,956**	48,645,671	43,800,940
Total equity and liabilities		**80,967,671**	78,682,463	72,918,249
Net current assets		**24,593,278**	23,893,881	23,567,338
Total assets less current liabilities		**32,998,916**	32,207,175	31,547,911

On behalf of the directors

JIANG Dejun	**ZHANG Xinming**	**YIN Fengbing**
Chairman of the Board	*Executive Director, President*	*Chief Financial Officer*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to equity shareholders of the Company								
	Share capital	Capital reserve	Statutory surplus reserve	Specific reserve	Exchange translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 (Note 30)	RMB'000 (Note 31(v))	RMB'000 (Note 31(iv))	RMB'000 (Note 31(vi))	RMB'000 (Note 31(vii))	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022	4,428,000	10,098,729	1,632,788	185,417	(8,045)	13,697,319	30,034,208	5,303	30,039,511
Net effect of change of accounting standard (Note 3.1)	–	–	–	–	–	(2,696)	(2,696)	(23)	(2,719)
At 1 January 2023 (restated)	4,428,000	10,098,729	1,632,788	185,417	(8,045)	13,694,623	30,031,512	5,280	30,036,792
Profit for the year	–	–	–	–	–	2,335,445	2,335,445	233	2,335,678
Other comprehensive income:									
Defined benefits obligation revaluation of actuarial gain and loss – gross	–	–	–	–	–	(41,956)	(41,956)	–	(41,956)
Defined benefits obligation revaluation of actuarial gain and loss – tax	–	–	–	–	–	6,693	6,693	–	6,693
Exchange differences arising on translation of foreign operations	–	–	–	–	9,994	–	9,994	–	9,994
Gain on equity instruments measured at fair value through other comprehensive income	–	–	–	–	–	2,862	2,862	–	2,862
Share of associates' other comprehensive income	–	–	–	–	–	244	244	–	244
Total comprehensive income	–	–	–	–	9,994	2,303,288	2,313,282	233	2,313,515
Transactions with owners:									
Final dividends for 2022 (Note 14)	–	–	–	–	–	(929,880)	(929,880)	–	(929,880)
Interim dividends for 2023 (Note 14)	–	–	–	–	–	(526,932)	(526,932)	–	(526,932)
Appropriation of specific reserve	–	–	–	269,486	–	(269,486)	–	86	86
Utilisation of specific reserve	–	–	–	(273,735)	–	273,735	–	(27)	(27)
Appropriation of statutory surplus reserve	–	–	183,034	–	–	(183,034)	–	–	–
Repurchase of shares	(9,456)	(36,383)	–	–	–	–	(45,839)	–	(45,839)
Total transactions with owners	(9,456)	(36,383)	183,034	(4,249)	–	(1,635,597)	(1,502,651)	59	(1,502,592)
At 31 December 2023	4,418,544	10,062,346	1,815,822	181,168	1,949	14,362,314	30,842,143	5,572	30,847,715

	Attributable to equity shareholders of the Company								
	Share capital	Capital reserve	Statutory surplus reserve	Specific reserve	Exchange translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 (Note 30)	RMB'000 (Note 31(v))	RMB'000 (Note 31(iv))	RMB'000 (Note 31(vi))	RMB'000 (Note 31(vii))	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	4,428,000	10,098,729	1,506,179	137,354	(67,685)	13,015,508	29,118,085	5,251	29,123,336
Net effect of change of accounting standard (Note 3.1)	–	–	–	–	–	(5,999)	(5,999)	(28)	(6,027)
At 1 January 2022 (restated)	4,428,000	10,098,729	1,506,179	137,354	(67,685)	13,009,509	29,112,086	5,223	29,117,309
Profit for the year	–	–	–	–	–	2,285,103	2,285,103	57	2,285,160
Other comprehensive income:									
Defined benefits obligation revaluation of actuarial gain and loss – gross	–	–	–	–	–	101,157	101,157	–	101,157
Defined benefits obligation revaluation of actuarial gain and loss – tax	–	–	–	–	–	(20,960)	(20,960)	–	(20,960)
Exchange differences arising on translation of foreign operations	–	–	–	–	59,640	–	59,640	–	59,640
Share of associates' other comprehensive income	–	–	–	–	–	6	6	–	6
Total comprehensive income	–	–	–	–	59,640	2,365,306	2,424,946	57	2,425,003
Transactions with owners:									
Final dividends for 2021	–	–	–	–	–	(983,016)	(983,016)	–	(983,016)
Interim dividends for 2022	–	–	–	–	–	(522,504)	(522,504)	–	(522,504)
Appropriation of specific reserve	–	–	–	266,461	–	(266,461)	–	–	–
Utilisation of specific reserve	–	–	–	(218,398)	–	218,398	–	–	–
Appropriation of statutory surplus reserve	–	–	126,609	–	–	(126,609)	–	–	–
Total transactions with owners	–	–	126,609	48,063	–	(1,680,192)	(1,505,520)	–	(1,505,520)
At 31 December 2022	4,428,000	10,098,729	1,632,788	185,417	(8,045)	13,694,623	30,031,512	5,280	30,036,792

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	40	**2,579,592**	6,725,099
Income tax paid		**(398,014)**	(416,099)
Interest received		**335,178**	500,048
Net cash generated from operating activities		**2,516,756**	6,809,048
Cash flows from investing activities			
Purchase of property, plant and equipment		**(368,450)**	(708,531)
Purchase of intangible assets		**(27,695)**	(31,956)
Interest income on the loans to the ultimate holding company		**642,949**	745,533
Proceeds from disposal of property, plant and equipment		**42,728**	25,946
Dividends received from associates		**7,460**	10,000
Net increase in time deposits		**(2,960,857)**	(696,068)
Loans to ultimate holding company		**(20,500,000)**	(20,500,000)
Loans repaid by ultimate holding company		**20,500,000**	20,500,000
Payments for fair value through other comprehensive income investments		**–**	(250,000)
Net cash used in investing activities		**(2,663,865)**	(905,076)
Cash flows from financing activities	43		
(Repayment)/drawdown of borrowings from a fellow subsidiary		**(65,156)**	61,892
New loan raised		**21,461**	–
Interest paid		**(8,553)**	(5,872)
Dividends paid		**(1,419,293)**	(1,464,532)
Payments of lease liabilities		**(86,740)**	(119,078)
Payment on repurchase of shares		**(62,132)**	–
Net cash used in financing activities		**(1,620,413)**	(1,527,590)
Net (decrease)/increase in cash and cash equivalents		**(1,767,522)**	4,376,382
Cash and cash equivalents at beginning of year		**14,973,098**	10,305,176
Exchange difference on cash and cash equivalents		**(340,989)**	291,540
Cash and cash equivalents at end of year	29	**12,864,587**	14,973,098

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

1. General Information

1.1 Principal activities

SINOPEC Engineering (Group) Co., Ltd. (中石化煉化工程(集團)股份有限公司, the "Company") and its subsidiaries (together, the "Group") is principally engaged locally and overseas in (1) engineering, consulting and licensing, (2) EPC Contracting, (3) construction and (4) equipment manufacturing in respect of oil refining, petrochemical engineering, storage and transportation etc.

1.2 Organisation and reorganisation

The Company was established as a company with limited liability under the name of Sinopec Engineering Co., Ltd (中國石化集團煉化工程有限公司) in the People's Republic of China (the "PRC") on 24 July 2007 under the Company Law of the PRC. The address of the Company's registered office is 6 to 9th floor, No.1 building, A67, Ande Road, Xicheng District, Beijing, PRC.

The directors of the Company (the "Directors") regard China Petrochemical Corporation (中國石油化工集團有限公司, "Sinopec Group") as being the ultimate holding company of the Group, which is owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

Pursuant to a reorganisation of engineering, consulting and licensing, EPC Contracting, construction and equipment manufacturing in respect of oil refining, petrochemical engineering, storage and transportation of Sinopec Group in preparation for the primary listing (the "Listing") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") ("the Reorganisation"), Sinopec Group transferred the equity interests of its refining and engineering entities to the Company and the Company became the holding company of the subsidiaries now comprising the Group. Subsequent to the above reorganisation transactions which were completed in April 2012, the Company was transformed into a joint stock company with limited liability and renamed as SINOPEC Engineering (Group) Co., Ltd. (中石化煉化工程(集團)股份有限公司) on 28 August 2012.

The Company has completed its listing on the Main Board of the Hong Kong Stock Exchange on 23 May 2013.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

The consolidated financial statements have been approved for issue by the Board of Directors on 15 March 2024.

2. Basis of Preparation

The consolidated financial statements have been prepared in accordance with all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred to as the "IFRS Accounting Standards") issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies set out below.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3. Material Accounting Policy Information

3.1 New standards, interpretations and amendments adopted from 1 January 2023

The following amendments are effective for the period beginning 1 January 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform – Pillar Two Model Rules 47 (Amendment to IAS 12 Income Taxes)

These amendments to various IFRS Accounting Standards are mandatorily effective for reporting periods beginning on or after 1 January 2023. See the applicable notes for further details on how the amendments affected the Group.

IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting period beginning on or after 1 January 2023.

IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous accounting approaches to be followed.

Since IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers such as A Layout Group. The Group carried out an assessment of its contracts and operations and concluded that the adoption of IFRS 17 has had no effect on the annual consolidated financial statements of the Group.

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose ‘significant accounting policies’ with ‘material accounting policy information’. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the Consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

These amendments had no effect on the consolidated financial statements of the Group.

3. Material Accounting Policy Information (Continued)

3.1 New standards, interpretations and amendments adopted from 1 January 2023 (Continued)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

Pursuant to the requirement of the "Accounting of deferred income tax related to assets and liabilities arising from an individual transaction not applicable to initial recognition exemption" under the "Interpretation of Chinese Accounting Standards No. 16" (Accounting [2022] No.31, hereinafter referred to as Interpretation No.16) promulgated by the Ministry of Finance of China, as for the taxable temporary difference and deductible temporary difference arising from the initial recognition of assets and liabilities, the lessee shall recognize the corresponding deferred income tax liabilities and deferred income tax assets respectively when the transaction occurs while initial recognition of the lease liabilities and right of use assets. Since 1 January 2023, the Company has implemented the Interpretation No.16. The Company adjusted the cumulative impact amount to the opening retained earnings and other related financial statement items of the earliest period presented in the financial statements in accordance with the relevant regulations.

Starting from 1 January 2023 the Group adopted the IAS 12, the table below shows the adjustments recognized for each individual line item arising from the adoption of the amendments for the period/year ended 31 December 2022 and 1 January 2022.

	As at 31 December 2022		As at 1 January 2022	
	RMB'000		RMB'000	
	Before the adjustment	After the adjustment	Before the adjustment	After the adjustment
Deferred income tax assets	769,229	769,953	843,162	844,168
Deferred tax liabilities	2,091	5,533	–	7,033
Total equity attributable to equity shareholders of the Company	30,034,208	30,031,512	29,118,085	29,112,086

For the year ended 31 December 2022

	Amendments to IAS 12
	RMB'000
Impact on profit for the year	
Decrease in income tax expense	(3,309)

International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes)

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.

The Amendments introduce a mandatory exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The exception is effective immediately and retrospectively. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

Management of the Group has determined that the Group is not within the scope of OECD's Pillar Two Model Rules and the exception to the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes is not applicable to the Group.

3. Material Accounting Policy Information (Continued)

3.2 New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)

The following amendments are effective for the period beginning 1 January 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability. The Group does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Group.

3.3 Consolidation

Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the 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 existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that the Group ceases control.

In the statement of financial position of the Company, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Inter-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 3.8).

The Group's shares of its associates' post-acquisition profits or losses is recognised in the profit or loss and its share of post acquisition movements in other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investments. When the Group's share of losses in an associate equals or exceeds its interest in that associate (which includes any other unsecured receivables that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Where unrealised losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's prospective. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. Material Accounting Policy Information (Continued)

3.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and certain senior management (including chief financial officer) (together referred to as the "Senior Management") that makes strategic decisions.

3.5 Foreign currency translation

Functional currency and presentation currency

Items included in the individual financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and all other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within "other gains – net" and "other operating expenses".

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

3.6 Property, plant and equipment

Property, plant and equipment, except for construction-in-progress ("CIP"), are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditures that are directly attributable to the acquisition of the items, including the purchase price, import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings and other facilities	12 – 40 years
Machinery, transportation equipment and other equipment	4 – 30 years

CIP represents buildings and plant under construction and is stated at cost less accumulated impairment loss. Cost includes costs of construction of buildings, cost of plant and other direct costs. No depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to the relevant asset categories and depreciated in accordance with the policy as stated above.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.8).

Gains or losses on disposals are determined by comparing the proceeds on disposal with the carrying amount and are included within "other gains – net" in the consolidated statement of profit or loss and other comprehensive income.

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

3. Material Accounting Policy Information (Continued)

3.7 Intangible assets

Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. These costs are amortised over their estimated useful lives of 5 years, and recorded in "depreciation and amortisation" within administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Amortisation methods and useful lives are reviewed and adjusted if appropriates, at each reporting period.

3.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Property, plant and equipment, intangible assets and interest in associate and joint venture that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised at each reporting date.

3.9 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when the Group becomes a party to the contractual provision of the financial instrument. Financial assets and financial liabilities are initially measured at fair value.

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income. A trade receivable without a significant financing component is initially measured at the transaction price.

(a) Classification and measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") – debt investment; FVTOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

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

(i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Material Accounting Policy Information (Continued)

3.9 Financial instruments (Continued)

(a) Classification and measurement of financial assets (Continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

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

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

(i) contingent events that would change the amount or timing of cash flows;

(ii) terms that may adjust the contractual coupon rate, including variable rate features;

(iii) prepayment and extension features; and

(iv) terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3. Material Accounting Policy Information (Continued)

3.9 Financial instruments (Continued)

(a) Classification and measurement of financial assets (Continued)

Financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

Notes and trade receivables, other receivables, loans due from the ultimate holding company, restricted cash, time deposits and cash and cash equivalents are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

Financial assets at FVTOCI

They are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the fair value reserve (non-recycling); and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the fair value reserve (non-recycling).

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(b) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

(c) Impairment of financial assets

The Group recognises loss allowances for ECL on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECL. For trade receivables and contract assets, the Group applies the simplified approach to providing for ECL prescribed by IFRS 9, which requires the use of the lifetime expected losses provision for all trade receivables. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit losses experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

12-month ECL are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

3. Material Accounting Policy Information (Continued)

3.9 Financial instruments (Continued)

(c) Impairment of financial assets (Continued)

Measurement of ECL

The Group assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost. ECL are a probability-weighted estimation of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

The Group has the following types of assets that are subject to IFRS 9's new ECL model:

- notes and trade receivables
- contract assets
- cash and cash equivalents
- restricted cash
- time deposits
- loans due from the ultimate holding company
- other receivables

While cash and cash equivalents, restricted cash, time deposits, and loans due from the ultimate holding company are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For trade receivables and contract assets with no significant financing component, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and contract assets with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other financial assets measured at amortised cost are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group assesses on in particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indication of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

3. Material Accounting Policy Information (Continued)

3.9 Financial instruments (Continued)

(c) Impairment of financial assets (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward-looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

(i) significant financial difficulty of the borrower or issuer;

(ii) a breach of contract such as a default or past due event;

(iii) the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

(iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(v) the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Write-off

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

A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(d) Classification and measurement of financial liabilities

The Group's financial liabilities include notes and trade payables, other payables, loan due to a fellow subsidiary and lease liabilities. Financial liabilities (other than lease liabilities) are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit or loss. Other financial liabilities (other than lease liabilities) are subsequently measured at amortised cost using the effective interest method, in the case of loans and borrowings, net of directly attributable transaction costs. Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gain or loss on derecognition is also recognised in the profit or loss. Accounting policies of lease liabilities are set out in note 3.21.

(e) Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the profit or loss.

3. Material Accounting Policy Information (Continued)

3.9 Financial instruments (Continued)

(f) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Accounting Standards, or for gains and losses arising from a group of similar transactions.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are expensed to relevant operating expenses when used, sold or capitalised to property, plant and equipment when installed, as appropriate, using moving weighted average method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

3.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.13 Payables

Payables primarily include notes and trade payables and other payables, and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.14 Employee benefits

Pension obligations

The full-time employees of the Group in the PRC are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The Group also provides supplementary pension subsidies to certain employees in the PRC. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees. The liability recognised in the consolidated statement of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. Net interests are recognised to the profit or loss and are calculated by the discount rate, which is determined by reference to the market yields of the high-quality government bonds at the end of the reporting period, multiplied the net defined benefit liabilities or assets at each of the beginning of the reporting period. The differences between the actual return on plan assets and with the passage of time in the plan assets are recognised in other comprehensive income.

3. Material Accounting Policy Information (Continued)

3.14 Employee benefits (Continued)

Pension obligations (Continued)

The Group has various defined contribution plans in accordance with the local conditions and practices in the municipalities and provinces in which they operate. Defined contribution plans are pension and/or other social benefit plans under which the Group pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions are recognised as labour costs when they are due.

Other post-employment obligations

Some of the companies comprising the Group provide post-retirement medical benefits to their retired employees. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

Termination and early retirement benefits

Termination and early retirement benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and district of the employee concerned. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

3.15 Taxation

Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax rates and tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3. Material Accounting Policy Information (Continued)

3.15 Taxation (Continued)

Current and deferred income tax (Continued)

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, a joint arrangement and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and deferred income tax liabilities are offset when meeting all the conditions below:

- The Group has the legally enforceable right to settle current income tax assets and current income tax liabilities; and
- The deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Value-added taxation (“VAT”)

Sales of goods and provision of engineering, consulting and licensing services of the Group are subjected to VAT. VAT payable is determined by applying 13% or 6% on the taxable revenue arising from sales of goods and provision of engineering, consulting and licensing service in certain regions after offsetting deductible input VAT of the period.

Taxable revenue from construction services is subject to VAT at the rate of 9% after offsetting deductible input VAT. Certain revenue resulting from providing construction services was taxed by using applicable simple tax method, paying VAT at 3%.

3.16 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the consolidated financial statements unless the probability of outflow of resources embodying economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is not recognised in the consolidated financial statements unless virtually certain but disclosed when an inflow of economic benefits is probable.

3.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. Material Accounting Policy Information (Continued)

3.18 Contract assets and contract liabilities

The contract asset is the Group's right to consideration in the exchange for services that the Group has transferred to customer. The contract assets transferred to trade receivables when receipt of the consideration is conditional only on the passage of time.

The Group expects that contract assets have the same risk characteristics as trade receivables. The ECL assessment of contract assets in accordance with the accounting policy set out in Note 3.9.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

3.19 Revenue recognition

The Group's revenue and other income recognition policies are as follows:

Revenue from construction and service contracts

According to the nature of the contracts, the stage of contract completion is based on that the customer is able to control goods in progress during the Group's performance, revenue on construction contracts is recognised based on the Group's efforts or input to the satisfaction of the performance obligation over time. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. Variations in contract work are recognised as contract revenue to the extent that the modification has been approved by the parties to the contracts and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

Services rendered

Revenue for services rendered mainly includes technological development, engineering, consultation and supervision is recognised over time when services are rendered.

Sales of products

Revenue from sales of products is recognised when i) control of the products has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products; and ii) collectability of the related receivables is reasonably assured. No contract liability and right to the returned goods are recognised as insignificant amount of returns are expected based on previous experience.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

3. Material Accounting Policy Information (Continued)

3.20 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the consolidated financial statements in the year in which the dividends are approved by the Company's equity holders or directors, where appropriate.

3.21 Leases

(a) Definition of a lease and the Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

3. Material Accounting Policy Information (Continued)

3.21 Leases (Continued)

(a) Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

The Group remeasures lease liabilities whenever:

- there are changes in lease term, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments changes due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

Refundable rental deposits paid are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases. Rental income is recognised on a straight-line basis over the term of the lease.

4. Financial and Capital Risks Management

The Group works out general principles for overall risk management, including management of financial risks, as well as management policies covering specific areas. In considering the importance of risks, the Group identifies and evaluates risks at head office and individual subsidiary level, and requires analysis and proper communication for the information collected periodically.

4.1 Financial risk management

The activities of the Group expose them to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Group.

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2023	2022
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Notes, trade and other receivables	**8,966,171**	9,737,226
Restricted cash	**90,394**	82,916
Time deposits	**12,014,538**	9,053,681
Cash and cash equivalents	**12,864,587**	14,973,098
Loans due from the ultimate holding company	**20,500,000**	20,500,000
Financial assets at FVTOCI		
Fair value through other comprehensive income investments	**252,862**	250,000
Total financial assets	**54,688,552**	54,596,921
Financial liabilities		
Financial liabilities measured at amortised cost		
Notes, trade and other payables	**22,081,288**	22,080,648
Loan due to a fellow subsidiary – current	**80,702**	141,972
Lease liabilities	**152,728**	129,070
Loan due to a fellow subsidiary – non-current	**21,461**	–
Total financial liabilities	**22,336,179**	22,351,690

(a) Market risk

Foreign exchange risk

The functional currency of the entities within the Group is RMB and most of the transactions are settled in RMB.

The Group carries out operations outside the PRC where transactions are usually denominated in the United States Dollars ("USD") which are translated into RMB at the prevailing exchange rates on the dates of the transactions.

The Group is exposed to currency risk primarily through provision of engineering contracting services which give rise to notes, trade and other receivables, notes, trade and other payables, restricted cash, time deposits and cash and cash equivalents that are denominated in a foreign currency. The currency that gives rise to this risk is primarily in USD as at 31 December 2023 and 31 December 2022.

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Foreign exchange risk (Continued)

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than RMB to which they relate.

	USD	Others
At 31 December 2023	**RMB'000**	**RMB'000**
Restricted cash, time deposits and cash and cash equivalents	**2,759,539**	**3,114,446**
Notes, trade and other receivables	**188,435**	**651,070**
Notes, trade and other payables	**(124,005)**	**(1,863,519)**
Loans due to a fellow subsidiary – current	**(68,702)**	**–**
Lease liabilities	**(1,481)**	**(24,770)**
Net exposure in RMB	**2,753,786**	**1,877,227**

	USD	Others
At 31 December 2022	RMB'000	RMB'000
Restricted cash, time deposits and cash and cash equivalents	2,766,345	2,448,911
Notes, trade and other receivables	34,610	645,188
Notes, trade and other payables	(296,841)	(1,614,035)
Loan due to a fellow subsidiary – current	(69,646)	(72,326)
Lease liabilities	(390)	(16,402)
Net exposure in RMB	2,434,078	1,391,336

A 5% strengthening of RMB against the USD as at 31 December 2023 and 31 December 2022 would have changed the equity and net profit by the amounts shown below:

	2023	2022
	RMB'000	RMB'000
Decrease in equity and net profit		
– USD	**(103,267)**	(91,278)

A 5% weakening of RMB as at 31 December 2023 and 31 December 2022 would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis at the relevant period.

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Interest rate risk

The Group's ordinary income and operating cash flows are substantially independent of changes in market interest rates. The interests arise from the borrowing, the loans between the Group and the ultimate holding company and time deposits are mainly based on fixed interest rate.

Price risk

The Group is not exposed to equity securities price risk because the Group's equity securities investments are classified as financial assets at FVTOCI which are stated at fair value.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from restricted cash, time deposit, cash and cash equivalent, notes, trade and other receivables, contract assets and loans due from the ultimate holding company.

In order to minimise credit risk, the Group has developed and maintained the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is based on the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

For financial assets measured at amortised cost and contract assets, the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. In the opinion of the Directors, the Group has no significant concentration of credit risk arising from its ordinary course of business due to its large customer base. The Group does not hold any collateral from its debtors.

Impairment assessment under ECL model

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(b) Credit risk (Continued)

Impairment assessment under ECL model (Continued)

Trade receivables and contract assets

As set out in Note 3.9, the Group assesses ECL under IFRS 9 on trade receivables and contract assets based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 5 years as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

Based on the Group's assessment of historical credit loss experience of the existing debtors and all available forward looking information, for trade receivables and contract assets, the Group used estimated loss rates based on aging for classes with different credit risk characteristics and exposures.

Other receivables

The Group measures the loss allowance equal to 12-month ECL of other receivables. For those balances expected to have significant increase in credit risk since initial recognition, the Group apply lifetime ECL based on aging for classes with different credit risk characteristics and exposures.

Restricted cash, time deposits and cash and cash equivalents

Restricted cash, time deposits and cash and cash equivalents are placed at financial institutions that have sound credit ratings assigned by international credit-rating agencies and the Group considers the credit risk to be insignificant.

Loans due from the ultimate holding company

The 12-month ECL calculated by the Group is not significant and there has been no significant increase in credit risk since initial recognition.

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors the cash flow forecasts of the Group in meeting its liabilities.

The table below analyses the Group's non-derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period from the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Weighted average effective interest rate	Within 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023							
Notes, trade and other payables	N/A	22,081,288	–	–	–	22,081,288	22,081,288
Loan due to a fellow subsidiary – current	5.25%	80,702	–	–	–	80,702	80,702
Lease liabilities	4.78%	42,651	28,966	52,293	57,923	181,833	152,728
Loan due to a fellow subsidiary – non-current	3.15%	–	–	21,461	–	21,461	21,461
Total other liabilities		22,204,641	28,966	73,754	57,923	22,365,284	22,336,179

	Weighted average effective interest rate	Within 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying Amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022							
Notes, trade and other payables	N/A	22,080,648	–	–	–	22,080,648	22,080,648
Loan due to a fellow subsidiary – current	2.58%	141,972	–	–	–	141,972	141,972
Lease liabilities	4.78%	64,933	27,319	30,078	18,538	140,868	129,070
Total other liabilities		22,287,553	27,319	30,078	18,538	22,363,488	22,351,690

4. Financial and Capital Risks Management (Continued)

4.2 Capital risk management

The objectives of the Group when managing capital are to safeguard the ability of the Group in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors their capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debts are calculated as other liabilities (including notes and trade payables, other payables, loan due to a fellow subsidiary and lease liabilities, as shown in the consolidated statement of financial position) less restricted cash, time deposits and cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debts less non-controlling interests.

	2023	2022
	RMB'000	RMB'000
		(restated)
Total other liabilities	**22,336,179**	22,351,690
Less: Restricted cash, time deposits and cash and cash equivalents	**(24,969,519)**	(24,109,695)
Net debt	**(2,633,340)**	(1,758,005)
Total equity (excluding non-controlling interests)	**30,842,143**	30,031,512
Total capital	**28,208,803**	28,273,507
Gearing ratio	**N/A**	N/A

4.3 Fair value measurement of financial instruments

Fair value measurements

Apart from the below mentioned, the carrying amounts of the Group's financial assets and financial liabilities as re-elected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group discloses fair value measurements of financial instruments by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

5. Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Construction contracts

Revenue from individual contracts is recognised according to progress of the project. The determination of the progress of the construction service involves judgments. According to the nature of contract, the Group recognises revenue by reference to the stage of completion of the contract activity at the end of the reporting period as measured by the proportion that the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. In addition, when determining the transaction price, the Group consider factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purpose. The Group does not consider the arrangement with customers have significant financing component. The Group has, therefore, recognised revenue on progress confirmation over the period during which the services are rendered and transferred to customers. As at 31 December 2023 the contract assets (Note 23(a)) and contract liabilities (Note 23(b)) are RMB9,886,330,000 (31 December 2022: RMB9,745,992,000) and RMB24,742,158,000 (31 December 2022: RMB22,929,193,000) respectively.

(b) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment (Note 17). This estimate is based on projected wear and tear incurred during the useful life of property, plant and equipment. This could change significantly as a result of technical renovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. As at 31 December 2023, the net carrying amount of property, plant and equipment is RMB4,807,778,000 (31 December 2022: RMB4,663,369,000).

(c) Provision for ECL of trade receivables and contract assets

The Group determines the provision for ECL on trade receivables (Note 21) and contract assets (Note 23(a)). This estimate is based on the credit history of the customers and the current market condition and forward-looking information. Management reassesses the adequacy of provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be easily accessible public information and market volatility might bear a significant impact which might not be easily ascertained. As at 31 December 2023, the provision for impairment on trade receivables and contract assets are RMB2,302,773,000 (31 December 2022: RMB2,286,527,000) and RMB662,374,000 (31 December 2022: RMB528,294,000) respectively.

(d) Deferred taxes

The estimates of deferred income tax assets (Note 38) require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The change in future income tax rates and timing would affect income tax expense or benefit, as well as deferred income tax balance. The realisation of deferred income tax assets also depends on the realisation of sufficient profitability (taxable profit) of the Group. Deviation of future profitability from the estimate could result in material adjustments to the carrying amount of deferred income tax assets. Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the years in which such estimates are changed. As at 31 December 2023, deferred tax assets recognised in the consolidated statement of financial position is RMB753,546,000 (31 December 2022: RMB769,953,000).

5. Critical Accounting Estimates and Judgments (Continued)

(e) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for provisions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of corporate securities which have maturity approximating to the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. As at 31 December 2023, the net liabilities of retirement benefit plan obligations (Note 33(b)) is RMB1,821,196,000 (31 December 2022: RMB1,913,763,000).

(f) Provision for litigation claims

The Group are from time to time involved in legal proceedings arising in the ordinary course of our business. If the management believes that the legal proceedings may result claims for compensation to third parties against the Group, the best estimate of provision for litigation claims will be recognised. If the management believes that the legal proceedings may be more likely not to result claims for compensation to third parties against the Group, no provision will be recognised under any potential litigation claims. Except to the extent that the situations and uncertainties involved, that will be disclosed as contingent liabilities. To access the outcome of legal proceedings and any potential amount of litigation claims, significant judgment is required. As at 31 December 2023, provision for litigation claims (Note 34) is RMB191,681,000 (31 December 2022: RMB184,271,000).

6. Revenue

The Group's revenue is set out below:

	2023	2022
	RMB'000	RMB'000
Engineering, consulting and licensing	**3,638,978**	3,224,572
EPC Contracting	**31,987,238**	29,586,178
Construction	**20,226,938**	19,788,145
Equipment manufacturing	**367,487**	429,244
	56,220,641	53,028,139

7. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Senior Management that are used to make strategic decisions.

The Senior Management considers the business from a product and service perspective, which mainly includes four reportable operating segments:

(i) Engineering, consulting and licensing – providing design, consulting, research and development, feasibility studies, compliance certification services to oil refining and chemical etc industries;

(ii) EPC Contracting – providing integrated engineering, procurement, construction, maintenance and project management services to oil refining and chemical etc industries;

(iii) Construction – providing infrastructure for oil refining and chemical etc industries, oil and gas storage, pipelines transportation, construction, renovation, expansion, repair and maintenance services and large equipment lifting and transportation services in construction projects; and

(iv) Equipment manufacturing – providing design, development, manufacture and sales of equipment and spare parts for facilities including oil refining and chemical facilities.

Inter-segment sales were conducted at prices no less than cost and with terms mutually agreed among those business segments. Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated costs.

Segment assets consist primarily of property, plant and equipment, rights of use assets, construction in progress, intangible assets, investment in a joint arrangement and investment in associates, other non-current assets, inventories, notes and trade receivables, prepayments and other receivables, restricted cash and cash and cash equivalents. Unallocated assets comprise items such as some of the time deposits, cash and cash equivalents, loans due from the ultimate holding company, deferred income tax assets and other unallocated assets.

Segment liabilities comprise operating liabilities.

Capital expenditure comprises additions to property, plant and equipment (Note 17), right-of-use assets (Note 18), intangible assets (Note 19) and other non-current assets.

7. Segment Information (Continued)

The segment information provided to the Senior Management for the reportable segments is as follow:

(i) As at and for the year ended 31 December 2023:

The segment results for the year ended 31 December 2023 are as follows:

	Engineering, consulting and licensing	EPC contracting	Construction	Equipment manufacturing	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results							
Revenue from external customers	3,638,978	31,987,238	20,226,938	367,487	–	–	56,220,641
Inter-segment revenue	183,180	–	5,052,050	363,662	–	(5,598,892)	–
Segment revenue	3,822,158	31,987,238	25,278,988	731,149	–	(5,598,892)	56,220,641
Segment results	293,322	1,007,531	403,850	7,950	14,122	–	1,726,775
Finance income							1,091,152
Finance expenses							(72,044)
Share of profit of a joint arrangement	179	–	–	–	–	–	179
Share of profit of associates	5,187	12,804	–	–	–	–	17,991
Profit before taxation							2,764,053
Income tax expense							(428,375)
Profit for the year							2,335,678
Other segment items							
Depreciation	235,239	165,223	485,421	21,491	385	–	907,759
Amortisation	26,434	10,684	5,252	–	193	–	42,563
Capital expenditures							
– Property, plant and equipment	268,350	156,094	496,390	5,134	–	–	925,968
– Right-of-use assets	38,286	52,525	22,911	149	–	–	113,871
– Intangible assets	9,473	9,861	6,037	–	2,324	–	27,695
Provision/(Reversal of provision) for ECL on trade and other receivables and contract assets, net	15,794	11,268	167,667	(3,148)	(24,525)	–	167,056

7. Segment Information (Continued)

The segment assets and liabilities as at 31 December 2023 are as follows:

	Engineering, Consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Segment assets	25,232,480	27,514,114	20,067,534	902,657	(26,281,214)	47,435,571
Investment in a joint arrangement	4,026	–	–	–	–	4,026
Investment in associates	57,270	125,288	–	–	–	182,558
Unallocated assets						33,345,516
Total assets						80,967,671
Liabilities						
Segment liabilities	31,855,442	21,168,426	15,201,792	542,538	(18,650,699)	50,117,499
Other unallocated assets						2,457
Total liabilities						50,119,956

7. Segment Information (Continued)

(ii) As at and for the year ended 31 December 2022:

The segment results for the year ended 31 December 2022 are as follows:

	Engineering, consulting and licensing	EPC contracting	Construction	Equipment manufacturing	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results							
Revenue from external customers	3,224,572	29,586,178	19,788,145	429,244	–	–	53,028,139
Inter-segment revenue	145,564	–	5,812,350	400,507	–	(6,358,421)	–
Segment revenue	3,370,136	29,586,178	25,600,495	829,751	–	(6,358,421)	53,028,139
Segment results	104,380	955,023	609,936	7,570	133,904	–	1,810,813
Finance income							1,008,528
Finance expenses							(73,491)
Share of loss of a joint arrangement	(76)	–	–	–	–	–	(76)
Share of profit of associates	6,826	9,676	–	–	–	–	16,502
Profit before taxation							2,762,276
Income tax expense							(477,116)
Profit for the year							2,285,160
Other segment items							
Depreciation	346,495	156,600	349,429	20,476	–	–	873,000
Amortisation	27,742	12,960	2,309	–	–	–	43,011
Capital expenditures							
– Property, plant and equipment	398,169	108,607	485,103	8,214	–	–	1,000,093
– Right-of-use assets	18,779	28,961	19,702	–	–	–	67,442
– Intangible assets	7,609	21,834	2,513	–	–	–	31,956
Provision for impairment on inventories	–	27,849	–	–	–	–	27,849
Provision/(Reversal of provision) for ECL on trade and other receivables and contract assets, net	13,786	(16,538)	36,642	14,779	–	–	48,669

7. Segment Information (Continued)

The segment assets and liabilities as at 31 December 2022 are as follows:

	Engineering, Consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Segment assets	30,910,037	22,123,629	21,227,989	1,072,592	(27,154,459)	48,179,788
Investment in a joint arrangement	3,847	–	–	–	–	3,847
Investment in associates	55,627	118,796	–	–	–	174,423
Unallocated assets						30,324,405
Total assets						78,682,463
Liabilities						
Segment liabilities	32,947,171	23,930,637	18,353,474	729,688	(27,320,832)	48,640,138
Other unallocated liabilities	–	–	–	–	–	5,533
Total liabilities						48,645,671

Analysis of information by geographical regions:

The following table lists out the information about geographical regions. The geographical regions of the sales to external customers are based on the locations where the services are rendered or the places where the goods are delivered. The specific non-current assets include property, plant and equipment, right-of-use assets, intangible assets, investment in a joint arrangement and investment in associates, which the geographical regions are based on the places where the assets are located for property, plant and equipment and land use rights, the places where they are allocated to for intangible assets and the places where the business are conducted for a joint arrangement and associates.

Revenue

	2023	2022
	RMB'000	RMB'000
The PRC	**50,600,101**	48,837,100
Saudi Arabia	**3,117,518**	2,037,734
Kuwait	**275,112**	434,231
Other countries	**2,227,910**	1,719,074
	56,220,641	53,028,139

Information about major customers

The customers accounted for more than 10% of the total revenue of the Group and revenue from them for the year ended 31 December 2023 and 2022, the details are as follows:

	2023	2022
	RMB'000	RMB'000
Fellow subsidiary and its subsidiaries		
– Customer group A	**27,890,375**	26,236,433

The revenue from the customers are derived from the segment of engineering, consulting and licensing, EPC contracting, construction and equipment manufacturing.

7. Segment Information (Continued)

Specified non-current assets

	2023	2022
	RMB'000	RMB'000
The PRC	6,735,025	6,968,179
Other countries	664,205	325,162
	7,399,230	7,293,341

Disaggregation of revenue from contracts with customer

The Group derives revenue from the transfer of goods and service at a point in time and over time in the following customers' segment for engineering, consulting and licensing, EPC contracting, construction and equipment manufacturing:

	Engineering, consulting and licensing	EPC contracting	Construction	Equipment manufacturing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Timing of revenue recognition					
For the year ended 31 December 2023					
– At a point in time	–	–	–	367,487	367,487
– Over time	3,638,978	31,987,238	20,226,938	–	55,853,154
Total revenue	3,638,978	31,987,238	20,226,938	367,487	56,220,641
For the year ended 31 December 2022					
– At a point in time	–	–	–	429,244	429,244
– Over time	3,224,572	29,586,178	19,788,145	–	52,598,895
Total revenue	3,224,572	29,586,178	19,788,145	429,244	53,028,139
For the year ended 31 December 2023					
– Oil refining	849,087	1,785,971	4,138,092	–	6,773,150
– Petrochemicals	1,973,465	20,281,348	11,980,780	367,358	34,602,951
– New coal chemicals	173,837	31,934	350,782	–	556,553
– Storage and transportation and others	642,589	9,887,985	3,757,284	129	14,287,987
Total revenue	3,638,978	31,987,238	20,226,938	367,487	56,220,641
For the year ended 31 December 2022					
– Oil refining	1,202,823	3,625,856	2,590,206	2,442	7,421,327
– Petrochemicals	1,887,513	16,297,227	12,995,739	426,289	31,606,768
– New coal chemicals	134,236	394,751	383,427	513	912,927
– Storage and transportation and others	–	9,268,344	3,818,773	–	13,087,117
Total revenue	3,224,572	29,586,178	19,788,145	429,244	53,028,139

8. Other Income

	2023	2022
	RMB'000	RMB'000
Operating lease rental income on property, plant and equipment	98,679	72,696
Income from write back long outstanding payables	1,731	10,086
Government grants (1)	73,197	48,533
Others	(148,637)	182,860
	24,970	314,175

Notes:
(1) Government grants mainly represent financial subsidies from Talent Development Fund and job stabilisation subsidies etc.

9. Other Gains – Net

	2023	2022
	RMB'000	RMB'000
Gains on disposal/write-off of property, plant and equipment	39,444	3,193
Gains on disposal/write-off of land use rights	–	140
Losses on separation and transfer of "Water/electricity/gas supply and property management"	–	(700)
	39,444	2,633

10. Finance Income and Finance Expenses

	2023	2022
	RMB'000	RMB'000
Finance income		
Interest income from the ultimate holding company	606,408	693,529
Interest income from the fellow subsidiaries	136,048	87,850
Bank interest income	348,696	227,149
	1,091,152	1,008,528
Finance expenses		
Interest expenses to a fellow subsidiary on balances wholly repayable within 3 years	(9,005)	(5,658)
Interest expenses on retirement and other supplementary benefit obligation	(54,081)	(60,905)
Finance charges on lease liabilities	(6,293)	(6,926)
Other interest expense	(2,665)	(2)
	(72,044)	(73,491)
	1,019,108	935,037

11. Profit Before Taxation

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

	2023 RMB'000	2022 RMB'000
Staff costs, including directors and supervisors emoluments (Note 16)	7,097,339	6,796,902
Retirement benefit plan contribution (including in the above mentioned staff costs)	910,602	871,843
Cost of goods sold	20,030,602	18,277,547
Subcontracting costs	19,215,571	18,883,927
Depreciation and amortisation		
– Property, plant and equipment	766,004	700,138
– Right of use assets	141,755	172,862
– Intangible assets	42,563	43,011
Operating lease rentals		
Short term leases expenses	445,503	350,686
Provision for ECL on trade and other receivables and contract assets, net	167,056	48,669
Provision for impairment on inventories	–	27,849
Rental income from property, plant and equipment after relevant expenses	(71,566)	(55,873)
Research and development costs	2,202,372	2,577,892
Gains on disposal/write-off of property, plant and equipment	(39,444)	(3,193)
Gains on disposal/write-off of land use rights	–	(140)
Auditor's remuneration		
– Audit service	4,570	4,570
Exchange gains, net	(13,566)	(229,800)

12. Income Tax Expense

	2023 RMB'000	2022 RMB'000 (restated)
Current tax		
PRC enterprise income tax	405,219	427,456
Overseas enterprise income tax	12,808	28,446
Over provision for income tax in prior years	(9,676)	(30,541)
	408,351	425,361
Deferred tax		
Origination and reversal of temporary differences (Note 38)	20,024	51,755
Income tax expense	428,375	477,116

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the years ended 31 December 2023 and 2022 is 25%.

12. Income Tax Expense (Continued)

According to the normal statutory PRC corporate income tax and relevant rules, for the years ended 31 December 2023 and 2022, certain subsidiaries of the Company have been qualified as new high-tech enterprises which can enjoy 15% preferential tax rate in the related period, other members of the Group are subject to 25% income tax rate.

The tax of other countries is based on the nation's tax laws, where the relevant subsidiary of the Group operates in.

The difference between the actual income tax charge in the consolidated statement of profit or loss and other comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2023	2022
	RMB'000	RMB'000
		(restated)
Profit before tax	**2,764,053**	2,762,276
Taxation calculated at the statutory tax rate	**691,013**	690,569
Income tax effects of:		
Preferential income tax treatments of certain companies	**(377,544)**	(449,835)
Difference in overseas profits tax rates	**(27,362)**	14,099
Non-deductible expenses	**176,047**	213,349
Income not subject to tax	**(18,169)**	(12,800)
Unrecognised tax losses	**32,227**	61,769
Utilisation of previously unrecognised tax losses	**(38,161)**	(9,494)
Over provision for income tax in prior years	**(9,676)**	(30,541)
Income tax expense	**428,375**	477,116
Effective income tax rate	**15.5%**	17.3%

13. Earnings Per Share

Basic earnings per share for each of the years ended 31 December 2023 and 2022 is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue.

	2023	2022
		(restated)
Profit attributable to equity holders of the Company (RMB'000)	**2,335,445**	2,285,103
Weighted average number of ordinary shares in issue	**4,427,740,918**	4,428,000,000
Basic earnings per share (RMB)	**0.53**	0.52

Diluted earnings per share is equal to basic earnings per share as there was no potential diluted shares outstanding for the reporting period.

14. Dividends

Dividends represented dividends declared by the Company during each of the years ended 31 December 2023 and 2022.

	2023	2022
	RMB'000	RMB'000
Interim dividends of RMB0.119 per ordinary share (2022: RMB0.118)[1]	**526,932**	522,504
Proposed final dividends of RMB0.224 per ordinary share (2022: RMB0.210)[2]	**991,107**	929,880

(1) Pursuant to a resolution passed at the board of Directors' meeting on 18 August 2023, the Directors authorised to declare the interim dividends for the year ended 31 December 2023 of RMB0.119 (2022: RMB0.118) per share totalling RMB526,932,000 (2022: RMB522,504,000).

(2) Pursuant to the board of Directors' meeting on 15 March 2024, the Directors recommended to declare the final dividends for the year ended 31 December 2023 of RMB0.224 (2022: RMB0.210) per share totalling RMB991,107,000 (2022: RMB929,880,000). Such recommendation is to be approved by the shareholders at the Annual General Meeting. Dividends declared after the year end of the reporting period are not recognised as a liability at the end of the reporting period.

15. Directors' and Supervisors' Emoluments and Five Highest Individuals' Emoluments

(a) Directors' and supervisors' emoluments

Details of directors and supervisors of the Company are as follows:

(i) For the year ended 31 December 2023

	Fee	Basic salaries, other allowances and benefits-in-kind	Discretionary bonus	Contributions to pension plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
SUN Lili[(2)(8)]	–	221	841	49	1,111
JIANG Dejun[(2)]	–	383	788	129	1,300
XIANG Wenwu[(2)]	–	317	1,126	129	1,572
ZHANG Xinming[(7)]	–	353	747	129	1,229
XIE Yanli[(7)]	–	276	618	112	1,006
	–	1,550	4,120	548	6,218
Non-executive directors					
LI Chengfeng[(1)(2)]	–	–	–	–	–
WU Wenxin[(1)(2)]	–	–	–	–	–
YU Renming[(1)(10)]	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
HUI Chiu Chung, Stephen[(2)]	200	–	–	–	200
YE Zheng[(2)]	200	–	–	–	200
DUAN Xue[(7)]	100	–	–	–	100
JIN Yong	100	–	–	–	100
ZHAO Jinsong[(10)]	33	–	–	–	33
	633	–	–	–	633

15. Directors' and Supervisors' Emoluments and Five Highest Individuals' Emoluments (Continued)

(a) Directors' and supervisors' emoluments (Continued)

Details of directors and supervisors of the Company are as follows: (Continued)

(i) For the year ended 31 December 2023 (Continued)

	Fee	Basic salaries, other allowances and benefits-in-kind	Discretionary bonus	Contributions to pension plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Supervisors					
MA Yanhui(7)(11)	–	285	570	107	962
ZHU Fei(2)(6)	–	142	574	53	769
ZHOU Chengping(2)(5)	–	84	658	25	767
WU Zhongxian(2)(4)	–	–	–	–	–
XU Yijun(2)(12)	–	315	672	101	1,088
YI Hao(2)	–	296	232	103	631
WANG Yi(3)	–	411	650	129	1,190
WU Defei(7)	–	298	901	127	1,326
HAN Weiguo(7)	–	340	815	109	1,264
ZHOU Yingguan(2)	–	308	339	109	756
SHA Yu(10)	–	302	736	121	1,159
	–	2,781	6,147	984	9,912
	633	4,331	10,267	1,532	16,763

15. Directors' and Supervisors' Emoluments and Five Highest Individuals' Emoluments (Continued)

(a) Directors' and supervisors' emoluments (Continued)

Details of directors and supervisors of the Company are as follows: (Continued)

(ii) For the year ended 31 December 2022

	Fee	Basic salaries, other allowances and benefits-in-kind	Discretionary bonus	Contributions to pension plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
SUN Lili(2)(8)	–	540	1,083	120	1,743
XIANG Wenwu(2)	–	432	1,171	120	1,723
JIANG Dejun(2)	–	376	989	120	1,485
	–	1,348	3,243	360	4,951
Non-executive directors					
WANG Zizong(1)(2)(9)	–	–	–	–	–
LI Chengfeng(1)(2)	–	–	–	–	–
WU Wenxin(1)(2)	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
HUI Chiu Chung, Stephen(2)	200	–	–	–	200
JIN Yong(2)(8)	200	–	–	–	200
YE Zheng(2)	200	–	–	–	200
	600	–	–	–	600
Supervisors					
ZHU Fei(2)(6)	–	346	843	120	1,309
XU Yijun(2)(12)	–	309	755	95	1,159
WU Zhongxian(2)(4)	–	286	997	91	1,374
ZHOU Yingguan(2)	–	305	1,113	102	1,520
ZHANG Xinming(2)(6)	–	481	650	112	1,243
ZHOU Chengping(2)(5)	–	326	935	95	1,356
YI Hao(2)	–	289	967	94	1,350
	–	2,342	6,260	709	9,311
	600	3,690	9,503	1,069	14,862

15. Directors' and Supervisors' Emoluments and Five Highest Individuals' Emoluments (Continued)

(a) Directors' and supervisors' emoluments (Continued)

Details of directors and supervisors of the Company are as follows: (Continued)

Notes:

(1) These non-executive directors receive no emoluments for their services provided to the Company but they however receive emoluments from the Group for their services as directors and/or supervisors of a number of subsidiaries.
(2) Appointed on 26 October 2021
(3) Appointed on 17 January 2023
(4) Resigned on 17 January 2023
(5) Resigned on 19 March 2023
(6) Resigned on 4 May 2023
(7) Appointed on 26 May 2023
(8) Resigned on 26 May 2023
(9) Resigned on 25 July 2023
(10) Appointed on 20 October 2023
(11) Retired on 20 October 2023
(12) Resigned on 4 March 2024

(b) Five highest paid individuals

The number of director or supervisor and non-director or supervisor included in the five highest paid individuals for the years ended 31 December 2023 and 2022 are set forth below:

	2023	2022
	Number of individuals	Number of individuals
Director or supervisor	3	4
Non-director or supervisor	2	1
	5	5

The aggregate of the emoluments in respect of the remaining highest paid non-director or supervisor are as follows:

	2023	2022
	RMB'000	RMB'000
Basic salaries, other allowances and benefits-in-kind	478	263
Discretionary bonuses	1,886	1,042
Contributions to pensions plans	202	105
	2,566	1,410

The emoluments two (2022: one) highest paid individuals who are non-director or supervisor are within the following bands:

	2023	2022
	Number of individuals	Number of individuals
HK$1,500,001 to HK$2,000,000	–	1
HK$1,000,001 to HK$1,500,000	2	–
Nil to HK$1,000,000	–	–
	2	1

No emoluments were paid by the Group to any director or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2022: nil).

16. Employment Benefits

	2023	2022
	RMB'000	RMB'000
Salaries, wages and bonuses	**4,865,640**	4,648,084
Retirement benefits(1)	**850,659**	799,657
Early retirement and supplemental pension benefit (Note 33 (b))		
– service cost	**–**	3,532
– interest cost	**54,081**	60,905
Immediate recognition of actuarial losses	**5,862**	7,749
Housing fund(2)	**424,425**	400,912
Welfare, medical and other expenses	**896,672**	876,063
	7,097,339	6,796,902

Notes:

(1) Retirement benefits

The Group is required to make specific contributions to the state-managed retirement plan at a rate of 14% to 19% (2022: 14% to 19%) of the specified salaries of the PRC employees for the year ended 31 December 2023. The PRC government is responsible for the pension liability to the retired employees. The PRC employees of the Group are entitled to a monthly pension upon their retirements.

(2) Housing fund

In accordance with the PRC housing reform regulations, the Group is required to make contributions to the state-managed housing fund at rates of 12% of the specified salaries of the PRC employees. At the same time, the employees are required to make a contribution based on certain percentages. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. The Group has no further obligations for housing benefits beyond the contributions made above.

17. Property, Plant and Equipment

	Buildings and other facilities	Machinery, transportation equipment and other equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022				
Cost	3,745,323	5,375,963	568,543	9,689,829
Accumulated depreciation and impairment	(1,731,646)	(3,559,896)	–	(5,291,542)
Net book amount	2,013,677	1,816,067	568,543	4,398,287
Year ended 31 December 2022				
Opening net book amount	2,013,677	1,816,067	568,543	4,398,287
Transfers	64,201	849,141	(913,342)	–
Additions	–	44,037	956,056	1,000,093
Depreciation	(123,986)	(576,152)	–	(700,138)
Disposals/write-off	(773)	(34,100)	–	(34,873)
Closing net book amount	1,953,119	2,098,993	611,257	4,663,369
At 31 December 2022 and 1 January 2023				
Cost	3,807,432	5,834,235	611,257	10,252,924
Accumulated depreciation and impairment	(1,854,313)	(3,735,242)	–	(5,589,555)
Net book amount	1,953,119	2,098,993	611,257	4,663,369
Year ended 31 December 2023				
Opening net book amount	**1,953,119**	**2,098,993**	**611,257**	**4,663,369**
Transfers	**133,313**	**818,040**	**(951,353)**	**–**
Additions	**–**	**15,502**	**910,466**	**925,968**
Depreciation	**(126,611)**	**(639,393)**	**–**	**(766,004)**
Disposals/write-off	**(5,435)**	**(10,120)**	**–**	**(15,555)**
Closing net book amount	**1,954,386**	**2,283,022**	**570,370**	**4,807,778**
At 31 December 2023				
Cost	**3,934,260**	**6,387,446**	**570,370**	**10,892,076**
Accumulated depreciation and impairment	**(1,979,874)**	**(4,104,424)**	**–**	**(6,084,298)**
Net book amount	**1,954,386**	**2,283,022**	**570,370**	**4,807,778**

Depreciation expense recognised is analysed as follows:

	2023	2022
	RMB'000	RMB'000
Cost of sales	**671,008**	593,767
Selling and marking expenses	**296**	287
Administrative expenses	**40,904**	40,722
Research and development costs	**53,796**	65,362
	766,004	700,138

18. Right-of-Use Assets

The Group leases assets including buildings and other facilities, Machinery, transportation equipment and other equipment and lands. Information about leases for which the Group is a lessee is presented below:

	Buildings and other facilities	Machinery, transportation equipment and other equipment	Land use right	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	148,749	49,637	2,173,815	2,372,201
Additions	64,813	2,629	–	67,442
Depreciation for the year	(86,117)	(29,530)	(57,215)	(172,862)
Disposal/written off	–	–	(771)	(771)
Modification	(5,398)	(934)	–	(6,332)
Balance at 31 December 2022 and 1 January 2023	**122,047**	**21,802**	**2,115,829**	**2,259,678**
Additions	**111,661**	**2,210**	**–**	**113,871**
Depreciation	**(74,557)**	**(9,996)**	**(57,202)**	**(141,755)**
Disposal/written off	**–**	**–**	**(241)**	**(241)**
Modification	**(3,056)**	**(785)**	**–**	**(3,841)**
Balance at 31 December 2023	**156,095**	**13,231**	**2,058,386**	**2,227,712**

Depreciation recognised is analysed as follows:

	2023	2022
	RMB'000	RMB'000
Cost of sales	**95,342**	113,922
Administrative expenses	**40,924**	54,419
Research and development expenses	**5,489**	4,521
	141,755	172,862

19. Intangible Assets

	Patent	Computer software	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2022			
Cost	479,882	600,574	1,080,456
Accumulated amortisation	(479,882)	(397,495)	(877,377)
Net book amount	–	203,079	203,079
Year ended 31 December 2022			
Opening net book amount	–	203,079	203,079
Additions	10,100	21,856	31,956
Amortisation	(84)	(42,927)	(43,011)
Disposal			
– Cost	–	(2,571)	(2,571)
– Accumulated amortisation	–	2,571	2,571
Closing net book amount	10,016	182,008	192,024
At 31 December 2022 and 1 January 2023			
Cost	489,982	619,859	1,109,841
Accumulated amortisation	(479,966)	(437,851)	(917,817)
Net book amount	10,016	182,008	192,024
Year ended 31 December 2023			
Opening net book amount	**10,016**	**182,008**	**192,024**
Additions	**–**	**27,695**	**27,695**
Amortisation	**(1,010)**	**(41,553)**	**(42,563)**
Disposal			
– Cost	**–**	**(100)**	**(100)**
– Accumulated amortisation	**–**	**100**	**100**
Closing net book amount	**9,006**	**168,150**	**177,156**
At 31 December 2023			
Cost	**489,982**	**647,454**	**1,137,436**
Accumulated amortisation	**(480,976)**	**(479,304)**	**(960,280)**
Net book amount	**9,006**	**168,150**	**177,156**

Amortisation recognised is analysed as follows:

	2023	2022
	RMB'000	RMB'000
Cost of sales	**4,819**	4,403
Administrative expenses	**23,072**	21,212
Research and development expenses	**14,672**	17,396
	42,563	43,011

20. Investment in a Joint Arrangement and Associates

(a) Investment in a joint arrangement

	2023	2022
	RMB'000	RMB'000
Joint venture		
Beginning of the year	3,847	3,923
Share of total comprehensive income/(expense)	179	(76)
End of the year	4,026	3,847

The Group's joint venture, is unlisted and established in a form of limited company, is as follows:

Name	Establishment/Place of incorporation	Registered and fully paid capital	Indirect effective interest held	Principal activities and place of operations
		RMB'000		
Hainan Great Wall Machinery Engineering Co., Ltd. (海南長城機械工程有限公司)	The PRC	3,000 (2022: 3,000)	50%	Technical development, sales of equipment/The PRC

The above joint venture is accounted for by using the equity method.

	2023	2022
	RMB'000	RMB'000
Current assets	7,385	8,160
Non-current assets	829	944
Total assets	8,214	9,104
Current liabilities	162	1,409
Total liabilities	162	1,409
Equity	8,052	7,695
Share of equity by the Group (50%) (2022: 50%)	4,026	3,847

	2023	2022
	RMB'000	RMB'000
Revenue	570	–
Profit/(loss) and total comprehensive income/(expense) for the year	357	(151)
Share of total comprehensive income/(expense) (50%) (2022:50%)	179	(76)

There are no material contingent liabilities and commitments relating to the Group's interests in the joint venture and no material contingent liabilities and commitments of the joint venture itself.

20. Investment in a Joint Arrangement and Associates (Continued)

(b) Investments in associates

	2023 RMB'000	2022 RMB'000
Beginning of the year	**174,423**	158,915
Share of total comprehensive income	**18,235**	16,508
Dividend distribution	**(10,100)**	(1,000)
End of the year	**182,558**	174,423

The Group's associates, all of which are unlisted and established in a form of limited company, are as follows:

Name	Establishment/Place of incorporation	Registered and fully paid capital RMB'000	Indirect effective interest held	Principal activities and place of operations
China Petrochemical Technology Co., Ltd. (中國石油化工科技開發有限公司)[1]	The PRC	50,000 (2022: 50,000)	35.00% (2022: 35.00%)	Technical development, Technical service/The PRC
Shanghai KSD Bulk Solids Engineering Co., Ltd. (上海金申德粉體工程有限公司)[2]	The PRC	5,500 (2022: 5,500)	36.36% (2022: 36.36%)	Powder engineering services/ The PRC

The above associates are accounted for by using the equity method.

(1) The Group's share of the results of China Petrochemical Technology Co., Ltd., its aggregated assets and liabilities, are as follows:

	2023 RMB'000	2022 RMB'000
Current assets	**1,746,053**	1,748,945
Non-current assets	**59,896**	64,332
Total assets	**1,805,949**	1,813,277
Current liabilities	**1,347,575**	1,367,169
Non-current liabilities	**60**	4,566
Total liabilities	**1,347,635**	1,371,735
Equity attributable to equity holders	**409,070**	397,332
Non-controlling interests	**49,244**	44,209
	458,314	441,541
Share of equity by the Group (35%) (2022: 35%)	**143,175**	139,066

20. Investment in a Joint Arrangement and Associates (Continued)

(b) Investments in associates (Continued)

(1) The Group's share of the results of China Petrochemical Technology Co., Ltd., its aggregated assets and liabilities, are as follows: (Continued)

	2023	2022
	RMB'000	RMB'000
Revenue	789,693	724,012
Profit and total comprehensive income for the year attributable to equity holders	37,675	32,527
Profit and total comprehensive income for the year attributable to non-controlling interest holders	6,242	6,407
Share of total comprehensive income (35%) (2022: 35%)	13,209	11,384

For the years ended 31 December 2023, China Petrochemical Technology Co., Ltd. declares dividends of RMB26,000,000 (2022: Nil).

(2) The Group's share of the results of Shanghai KSD Bulk Solids Engineering Co., Ltd., its aggregated assets and liabilities, are as follows:

	2023	2022
	RMB'000	RMB'000
Current assets	178,672	233,652
Non-current assets	2,342	3,364
Total assets	181,014	237,016
Current liabilities	71,433	137,202
Non-current liabilities	1,235	2,543
Total liabilities	72,668	139,745
Equity	108,346	97,271
Share of equity by the Group (36.36%) (2022: 36.36%)	39,395	35,368

	2023	2022
	RMB'000	RMB'000
Revenue	93,806	128,250
Profit and total comprehensive income for the year	13,732	14,097
Share of total comprehensive income (36.36%) (2022: 36.36%)	5,026	5,124

For the year ended 31 December 2023, Shanghai KSD Bulk Solids Engineering Co., Ltd. declares dividends of RMB2,750,000 (2022: RMB2,750,000).

There are no material contingent liabilities and commitments relating to the Group's interests in the associates and no material contingent liabilities and commitments of the associates themselves.

21. Notes and Trade Receivables

	2023	2022
	RMB'000	RMB'000
Trade receivables		
Fellow subsidiaries	**2,204,304**	3,635,396
Joint ventures of fellow subsidiaries	**477,975**	490,604
Associates of fellow subsidiaries	**415,131**	198,741
Associates	**23,616**	77,020
Third parties	**5,700,329**	5,261,796
	8,821,355	9,663,557
Less: ECL allowance for impairment	**(2,302,773)**	(2,286,527)
Trade receivables – net	**6,518,582**	7,377,030
Notes receivables	**987,082**	1,218,283
Notes and trade receivables – net	**7,505,664**	8,595,313

The carrying amounts of the Group's notes and trade receivables as at 31 December 2023 and 31 December 2022 approximate their fair values.

All notes receivables of the Group are bank's acceptance bills and commercial's acceptance bills and usually collected within six months from the date of issue.

The Group usually provides customers with a credit term between 15 and 180 days. For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. The Group does not hold any collateral as security.

Ageing analysis of notes and trade receivables, net of ECL allowance, by invoice date is as follows:

	2023	2022
	RMB'000	RMB'000
Within 1 year	**6,902,080**	7,871,827
Between 1 and 2 years	**402,241**	540,571
Between 2 and 3 years	**151,325**	121,889
Between 3 and 4 years	**17,865**	20,802
Between 4 and 5 years	**5,495**	8,112
Over 5 years	**26,658**	32,112
	7,505,664	8,595,313

21. Notes and Trade Receivables (Continued)

The movements of ECL allowance on trade receivables are as follows:

	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**2,286,527**	2,303,492
ECL allowance	**176,872**	204,982
Receivables written off as uncollectible	**(9,582)**	(4,395)
Reversal	**(151,044)**	(217,552)
At the end of the year	**2,302,773**	2,286,527

During the year ended 31 December 2023, the Group has performed an individual assessment on those trade debtors with significant outstanding balances, some trade receivables has provided full ECL allowance in light of the severe financial difficulty and long default payment record, this led to a significant change in the ECL allowance on trade receivables.

The carrying amounts of the Group's notes and trade receivables are denominated in the following currencies:

	2023	2022
	RMB'000	RMB'000
RMB	**6,859,282**	8,190,451
USD	**145,832**	26,055
SAR	**378,525**	180,066
KWD	**113,672**	193,281
Others	**8,353**	5,460
	7,505,664	8,595,313

22. Prepayments and Other Receivables

	2023	2022
	RMB'000	RMB'000
Prepayments		
Prepayments for fellow subsidiaries	**82,814**	472,133
Prepayments for joint ventures of fellow subsidiaries	**1,416**	335
Prepayments for associates of fellow subsidiaries	**2,107**	209
Prepayments for construction	**1,475,498**	1,825,752
Prepayments for materials and equipment	**5,321,888**	2,732,945
Prepayments for labour costs	**46,624**	109,016
Prepayments for rent	**2,215**	3,383
Others	**82,172**	76,211
	7,014,734	5,219,984
Other receivables		
Amounts due from fellow subsidiaries(1)	**121,303**	44,860
Amounts due from joint ventures of fellow subsidiaries(1)	**235,918**	220,208
Amounts due from associates of fellow subsidiaries(1)	**66,103**	164,369
Dividends receivable	**3,640**	1,000
Interests receivable	**366,693**	198,502
Petty cash funds	**3,037**	4,736
Other guarantee deposits and deposits	**189,658**	160,863
Payment in advance	**408,452**	296,412
Maintenance funds	**65,385**	64,591
Value-added tax credit	**581,503**	154,202
Prepaid value-added tax	**87,457**	56,484
Prepaid income tax	**83,465**	88,091
Others	**121,407**	98,135
	2,334,021	1,552,453
Less: ECL allowance for impairment	**(121,089)**	(111,763)
Prepayments and other receivables – net	**9,227,666**	6,660,674

(1) The amounts due from related parties are unsecured, interest free and repayable on demand.

22. Prepayments and Other Receivables (Continued)

The carrying amounts of the Group's prepayments and other receivables as at 31 December 2023 and 31 December 2022 approximate their fair values.

The movements of ECL allowance on other receivables are as follows:

	2023	2022
	RMB'000	RMB'000
At the beginning of the year	111,763	108,093
ECL allowance	41,347	54,406
Write-off of irrecoverable receivable	–	(953)
Reversal	(32,021)	(49,783)
At the end of the year	121,089	111,763

23. Contract Assets and Contract Liabilities

(a) Contract assets

	2023	2022
	RMB'000	RMB'000
Contract assets arising from construction contracts	9,886,330	9,745,992

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require progress payments over the construction period once certain specified milestones are reached. The Group requires customers to pay deposits, normally 10% of total contract sum, as part of its credit risk management policies. The Group also agrees to have 1 to 2 years retention period for, normally 5% of the contract value. This amount is included in contract assets until the end of retention period as the Group's entitlement to this final payment is conditional on the Group's satisfactory work.

The movements of ECL allowance on contract assets are as follows:

	2023	2022
	RMB'000	RMB'000
At the beginning of the year	528,294	465,962
ECL allowance	163,784	97,855
Reversal	(29,704)	(35,523)
At the end of the year	662,374	528,294

23. Contract Assets and Contract Liabilities (Continued)

(b) Contract liabilities

	2023	2022
	RMB'000	RMB'000
Contract liabilities arising from construction contracts	**24,742,158**	22,929,193

Notes:
When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract until the revenue recognised on the project exceeds the amount of the deposit.

The balance of contract liabilities as at 1 January 2023 is RMB22,929,193,000 (2022: RMB17,485,967,000), in which RMB17,733,666,000 (2022: RMB13,370,398,000) was recognised as revenue during the year.

Unsatisfied performance obligation:

The Group has signed construction contracts with a number of clients to provide construction services for a certain period of time in the future. These contracts normally constitute a single performance obligation as a whole. As at 31 December 2023, part of the construction projects of the Group was still in the process, and the total transaction price apportioned to the unsatisfied performance obligation was RMB136,262,230,000 (2022: RMB112,231,153,000), the amount of which was related to the progress of the performance of each construction contract, and will be recognised as revenue in accordance with the percentage of work performed in the future.

24. Inventories

	2023	2022
	RMB'000	RMB'000
Raw materials	**252,848**	524,201
Turnover materials	**244,935**	252,707
Goods in transit	**2,920**	8,436
	500,703	785,344
Provision for impairment on inventories	**(27,849)**	(27,849)
Inventory, net	**472,854**	757,495

For the year ended 31 December 2023 and 2022, the cost of inventories recognised as expense and included in cost of sales amounted to RMB20,030,602,000 and RMB18,277,547,000 respectively.

25. FAIR Value Through Other Comprehensive Income Investments

	2023	2022
	RMB'000	RMB'000
Beginning of financial year	250,000	–
Additions	2,862	250,000
End of financial year	252,862	250,000

Financial assets, at FVOCI is analysed as follows:

	2023	2022
	RMB'000	RMB'000
Unlisted equity shares	252,862	250,000
Total	252,862	250,000

Unlisted equity shares related to investment in Sinopec Carbon Industry Technology Co., Ltd., the company incorporated in the PRC. The Company mainly provides carbon verification; carbon asset management; research and development of carbon emission reduction, carbon conversion, carbon capture and carbon storage technologies; China certified voluntary emission reduction services; natural science research and experimental development; engineering and technological research and experimental development; technical services, technology development, technology consulting, technology exchange, technology transfer, technology promotion; technology import and export; engineering technology services; production, storage and sales of chemical products and hazardous chemicals; contract energy management; project investment; equity investment; financial asset management services; computer data processing and storage services; big data collection and application; intelligent design consulting; enterprise management consulting and information technology consulting services.

The financial asset, at FVOCI is classified as Level 3 of the fair value hierarchy, based on the unobservable inputs of the net asset value. The lower the net asset value, the lower the fair value.

26. Loans Due from the Ultimate Holding Company

Loans due from the ultimate holding company are unsecured, repayable within one year and interest bearings as follows:

	2023	2022
Loans due from the ultimate holding company	2.90% to 3.60%	3.00% to 3.60%

27. Restricted Cash

	2023	2022
	RMB'000	RMB'000
Restricted cash		
– RMB	**90,394**	82,916

Restricted cash mainly represented restricted funds frozen by the order of Justice, bank deposits for guarantees and deposit for farmers' salaries.

As at 31 December 2023 and 31 December 2022, the weighted average effective interest rates per annum on restricted cash with maturities ranging from one to twelve months was determined in accordance with the interest rate per annum of bank current account.

The maximum exposure to credit risk approximates to carrying amounts of the Group's restricted cash at the end of the respective reporting periods.

28. Time Deposits

	2023	2022
	RMB'000	RMB'000
Time deposits with initial term over three months:		
Time deposits in banks	**9,711,065**	7,060,597
Time deposits in fellow subsidiaries	**2,303,473**	1,993,084
	12,014,538	9,053,681

	2023	2022
	RMB'000	RMB'000
Denominated in:		
– RMB	**9,096,527**	6,567,098
– USD	**2,213,496**	2,013,327
– MYR	**267,535**	285,151
– KWD	**115,230**	159,264
– EUR	**–**	28,841
– SAR	**321,750**	–
	12,014,538	9,053,681

The fellow subsidiaries are Sinopec Finance Co., Ltd. and Sinopec Century Bright Capital Investment Limited.

The effective interest rates per annum on time deposits, with maturities of three months to three years (2022: three months to three years), are approximately 1.87% to 5.65% as at 31 December 2023 (2022: 0.50% to 5.20%).

The maximum exposure to credit risk approximates to carrying amounts of the Group's time deposits at the end of the respective reporting periods.

29. Cash and Cash Equivalents

	2023	2022
	RMB'000	RMB'000
Cash at bank and in hand		
– less than three months time deposits	**2,325,199**	2,448,480
– cash deposits	**5,304,178**	6,911,272
	7,629,377	9,359,752
Deposits in fellow subsidiaries		
– less than three months time deposits	**438,873**	173,998
– cash deposits	**4,796,337**	5,439,348
	5,235,210	5,613,346
	12,864,587	14,973,098

	2023	2022
	RMB'000	RMB'000
Denominated in:		
– RMB	**9,908,613**	12,244,426
– USD	**546,043**	753,018
– SAR	**516,467**	654,062
– EUR	**602,732**	540,027
– KWD	**147,364**	191,516
– THB	**16,558**	15,076
– MYR	**50,927**	46,646
– Others	**1,075,883**	528,327
	12,864,587	14,973,098

The fellow subsidiaries are Sinopec Finance Co., Ltd. and Sinopec Century Bright Capital Investment Limited.

As at 31 December 2023 and 31 December 2022, the weighted average effective interest rates per annum on cash at bank are determined in accordance with the interest rate per annum of bank current account.

The effective interest rates per annum on deposits less than three months, with maturities of seven days to three months (2022: seven days to three months), are approximately 0.00% to 14.23% as at 31 December 2023 (2022: 0.00% to 4.50%).

The maximum exposure to credit risk approximates the carrying amounts of cash and cash equivalents at the end of the respective reporting periods.

30. Share Capital

	As at 31 December 2023		As at 31 December 2022	
	Number of shares	**Share capital**	Number of shares	Share capital
		RMB'000		RMB'000
Registered, issued and fully paid				
– Domestic shares of RMB1.00 each[1]	**2,967,200,000**	**2,967,200**	2,967,200,000	2,967,200
– H Shares of RMB1.00 each	**1,460,800,000**	**1,460,800**	1,460,800,000	1,460,800
– Shares repurchased and cancelled	**(9,456,500)**	**(9,456)**	–	–
	4,418,543,500	**4,418,544**	4,428,000,000	4,428,000

(1) The 2,967,200,000 domestic shares comprise as follows:
(a) 2,907,856,000 shares are held by Sinopec Group; and
(b) 59,344,000 shares are held by SAMC (a fellow subsidiary).

Where the Company or its subsidiaries had repurchased the Company's listed securities, the following information should be disclosed. Such information can be disclosed in other parts of the annual report.

During the year, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary share	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	HK$	HK'000
October	4,599,500	3.97	3.55	17,438
November	2,749,000	4.07	3.89	11,072
December	5,475,000	4.06	3.85	21,572

The 9,456,500 shares of above ordinary shares were cancelled upon repurchase on 21 December 2023.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

31. The Statement of Financial Position, the Statement of Changes in Equity and Reserves of the Company

(i) The statement of financial position of the Company

	2023 RMB'000	2022 RMB'000 (restated)
ASSETS		
Non-current assets		
Property, plant and equipment	**152,732**	140,134
Right-of-use assets	**47,360**	55,212
Intangible assets	**106,186**	121,844
Investment in subsidiaries	**8,331,541**	7,999,976
Deferred income tax assets	**1,059**	3,693
Total non-current assets	**8,638,878**	8,320,859
Current assets		
Inventories	**62**	66
Notes and trade receivables	**49,482**	39,471
Prepayments and other receivables	**1,320,753**	1,042,914
Contract assets	**1,299**	56,957
Loans due from the ultimate holding company	**20,500,000**	20,500,000
Time deposits	**9,605,581**	6,955,217
Cash and cash equivalents	**8,153,201**	10,124,234
Total current assets	**39,630,378**	38,718,859
Total assets	**48,269,256**	47,039,718

31. The Statement of Financial Position, the Statement of Changes in Equity and Reserves of the Company (Continued)

(i) The statement of financial position of the Company (Continued)

	2023	2022
	RMB'000	RMB'000
		(restated)
Equity		
Share capital	**4,418,544**	4,428,000
Reserves	**14,953,826**	14,604,937
Total equity	**19,372,370**	19,032,937
LIABILITIES		
Non-current liabilities		
Lease liabilities	**–**	102
Retirement and other supplemental benefit obligations	**834**	1,018
Total non-current liabilities	**834**	1,120
Current liabilities		
Trade payables	**495,998**	506,578
Other payables	**28,220,445**	27,327,197
Contract liabilities	**6,770**	20,652
Lease liabilities	**161**	5,891
Current income tax liabilities	**172,678**	145,343
Total current liabilities	**28,896,052**	28,005,661
Total liabilities	**28,896,886**	28,006,781
Total equity and liabilities	**48,269,256**	47,039,718
Net current assets	**10,734,326**	10,713,198
Total assets less current liabilities	**19,373,204**	19,034,057

Approved and authorised for issue by the board of directors on 15 March 2024.

JIANG Dejun	**ZHANG Xinming**	**YIN Fengbing**
Chairman of the Board	*Executive Director, President*	*Chief Financial Officer*

31. The Statement of Financial Position, the Statement of Changes in Equity and Reserves of the Company (Continued)

(ii) The statement of changes in equity of the Company

	Share capital	Capital reserve	Statutory surplus reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	4,428,000	11,207,894	1,506,179	2,056,542	19,198,615
Net effect of change of accounting standard	–	–	–	607	607
At 1 January 2022 (restated)	4,428,000	11,207,894	1,506,179	2,057,149	19,199,222
Profit for the year	–	–	–	1,264,685	1,264,685
Other comprehensive income:					
Defined benefits obligation revaluation of actuarial gain and loss – gross	–	–	–	330	330
Defined benefits obligation revaluation of actuarial gain and loss – tax	–	–	–	(82)	(82)
Exchange differences arising on foreign operations	–	–	–	74,302	74,302
Total comprehensive income	–	–	–	1,339,235	1,339,235
Transactions with owners:					
Final dividends for 2021	–	–	–	(983,016)	(983,016)
Interim dividends for 2022	–	–	–	(522,504)	(522,504)
Transfer to Statutory surplus reserve	–	–	126,609	(126,609)	–
Total transactions with owners	–	–	126,609	(1,632,129)	(1,505,520)
At 31 December 2022 and 1 January 2023	**4,428,000**	**11,207,894**	**1,632,788**	**1,764,255**	**19,032,937**
Profit for the year	**–**	**–**	**–**	**1,830,335**	**1,830,335**
Other comprehensive income:					
Defined benefits obligation revaluation of actuarial gain and loss – gross	**–**	**–**	**–**	**(10)**	**(10)**
Defined benefits obligation revaluation of actuarial gain and loss – tax	**–**	**–**	**–**	**3**	**3**
Exchange differences arising on foreign operations	**–**	**–**	**–**	**11,756**	**11,756**
Total comprehensive income	**–**	**–**	**–**	**1,842,084**	**1,842,084**
Transactions with owners:					
Final dividends for 2022	**–**	**–**	**–**	**(929,880)**	**(929,880)**
Interim dividends for 2023	**–**	**–**	**–**	**(526,932)**	**(526,932)**
Transfer to Statutory surplus reserve	**–**	**–**	**183,034**	**(183,034)**	**–**
Repurchase of shares	**(9,456)**	**(36,383)**	**–**	**–**	**(45,839)**
Total transactions with owners	**(9,456)**	**(36,383)**	**183,034**	**(1,639,846)**	**(1,502,651)**
At 31 December 2023	**4,418,544**	**11,171,511**	**1,815,822**	**1,966,493**	**19,372,370**

31. The Statement of Financial Position, the Statement of Changes in Equity and Reserves of the Company (Continued)

(iii) Distributable profits

The distributable profits of the Company are as follows:

	2023	2022
	RMB'000	RMB'000
		(restated)
Distributable profits	**1,966,493**	1,764,255

(iv) Statutory surplus reserve

In accordance with the relevant laws and regulations of the PRC and the articles of association of the Company, it is required to appropriate 10% of its net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of such a reserve reaches 50% of the respective companies registered capital, any further appropriation is optional. The reserve must be made before distribution of dividends to shareholders.

The statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory surplus reserve is non-distributable.

(v) Capital reserve

Capital reserve arising from event-driven revaluation represented reserve recognised due to the revaluation arising from the Reorganisation, being the excess of fair value over carrying value net of the deferred tax liabilities. Apart from the above mentioned event-driven revaluation, capital reserve included transactions with holding company such as assets transferred from/ to Sinopec Group and also the share premium account and the fair value change arising from the financial assets designated as a fair value through other comprehensive income of associate.

(vi) Specific reserve

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund for its engineering and construction contracting business. The fund can be used for improvements of safety at the worksite, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditures, an equivalent amount is transferred from safety fund to retained earnings.

(vii) Exchange translation reserve

Exchange translation reserve represents exchange differences arising on the translation of financial statements of foreign operations and is treated according to accounting policies Note 3.5.

32. Lease Liabilities

	2023	2022
	RMB'000	RMB'000
Total minimum lease payments:		
Due within one year	**42,651**	64,933
Due in the second to fifth years	**81,259**	57,397
Due after the fifth year	**57,923**	18,538
	181,833	140,868
Future finance charges on leases liabilities	**(29,105)**	(11,798)
Present value of leases liabilities	**152,728**	129,070
Present value of minimum lease payments:		
Due within one year	**38,322**	62,254
Due in the second to fifth years	**67,095**	51,048
Due after the fifth year	**47,311**	15,768
	152,728	129,070
Less:		
Portion due within one year included under current liabilities	**(38,322)**	(62,254)
Portion due after one year included under non-current liabilities	**114,406**	66,816

During the year ended 31 December 2023, the Group entered into a number of lease agreements for usage of residential properties, office and equipment for 1 to 20 years (2022: 1 to 20 years). The Group makes fixed payments and additional variable payments depends on the usage of the buildings, plant and machinery, transportation equipment and other equipment during the contract period. On lease commencement, the Group recognised right-of-use assets included in property, plant equipment amounting to RMB113,871,000 (2022: RMB67,442,000).

During the year ended 31 December 2023, the total cash outflows for the leases are RMB344,478,000 (2022: RMB353,804,000).

Details of the lease activities

As at 31 December 2023, the Group has entered into leases for office and staff quarter.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term
Office and staff quarter	Building and other facilities carried at cost in "property, plant and equipment"	108 (2022: 98)	1 to 10 years (2022: 1 to 10 years)
Land use rights in PRC	Prepaid land use rights payments	131 (2022: 131)	20 to 59 years (2022: 21 to 60 years)

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

33. Retirement and Other Supplemental Benefit Obligations

(a) State-managed retirement plan

For the year ended 31 December 2023, the Chinese employees of the Group participate in employee social security plans organised and administrated by the PRC government authority. The PRC companies are required to contribute from 14% to 19%, (2022: 14% to 19%) depending on the applicable legal regulations, of salaries, wages and bonuses to the state-managed retirement plans. The obligation of these PRC companies with respect to the state-managed retirement plans is to make the specified contributions (Note 16(1)).

The total costs charged to the consolidated statement of comprehensive income during the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
	RMB'000	RMB'000
Contributions to state-managed retirement plan	**850,659**	799,657

(b) Group employee retirement benefit plans

The Group has implemented a retirement benefit plan to employees in the PRC who were retired on or before 30 June 2012. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees.

According to the plans, such employees after retirement can enjoy retirement pension, welfare allowance, part of medical expenses claim, living expenses and insurance and housing fund and other benefits. The employees' lifetime is guaranteed by the plans.

The exposure to actuarial risks of the Group's retirement benefit plans include: discount rate risk, benefit growth rate risk.

The Group is not obligated to provide post-employment benefits to incumbent employees.

The most recent actuarial valuation as at 31 December 2023 was performed by an independent qualified actuarial firm: Towers Watson Management Consulting (Shenzhen) Co., Ltd. Beijing Branch. The present value, related current service cost and past service cost of the Group's retirement benefit plan obligation are prepared by qualified actuary using the projected unit credit actuarial cost method.

(i) Discount rates adopted (per annum):

	2023	2022
Retirement with honors benefit plan	**2.50%**	2.50%
Retirement benefit plan	**2.50%**	3.00%
Early retirement benefit plan	**2.25%**	2.50%

(ii) Benefit growth rates (per annum):

	2023	2022
Retirement with honors benefit plan	**2.00%**	2.00%
Retirement benefit plan	**2.40%**	2.20%
Early retirement benefit plan	**1.80%**	2.10%

33. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

(iii) Duration:

	2023	2022
Retirement with honors benefit plan	**4.0 years**	5.0 years
Retirement benefit plan	**13.0 years**	14.0 years
Early retirement benefit plan	**3.0 years**	3.0 years

The below sensitivity analysis details how the Group's retirement benefit plan obligation as at the reporting date would have increased/(decreased) as a result of 0.25% reasonably possible increase or decrease assessed by management in each of the significant actuarial assumptions:

	As at 31 December 2023 Increase/(decrease) in retirement benefit plan obligation		As at 31 December 2022 Increase/(decrease) in retirement benefit plan obligation	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
	RMB'000	RMB'000	RMB'000	RMB'000
Discount rates	**(39,170)**	**40,749**	(39,613)	41,179
Benefit growth rates	**38,893**	**(37,577)**	39,508	(38,189)

The above sensitivity analysis is based on a change in an actuarial assumption while holding all other actuarial assumptions constant. Also, it is based on the assumption that changes in actuarial assumptions are not correlated.

(iv) Mortality: Average life expectancy of residents in the PRC.

(v) Benefit costs paid to the retirees are assumed to continue until the death of the retirees.

33. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

The total costs of retirement benefit plans in the consolidated statement of comprehensive income are as follows:

	Retirement with honors benefit plan	Retirement benefit plan	Early retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2022				
Service costs:				
Past service cost	–	–	3,532	3,532
Net interest expenses	717	57,101	3,087	60,905
Immediate recognition of actuarial losses	–	–	7,749	7,749
Benefit cost recognised in profit or loss	717	57,101	14,368	72,186
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	286	(62,610)	–	(62,324)
Actuarial revaluation of other assumptions change	6,747	(45,512)	–	(38,765)
Benefit cost recognised in other comprehensive income	7,033	(108,122)	–	(101,089)
Total benefit cost recognised consolidated statement of comprehensive income	7,750	(51,021)	14,368	(28,903)
For the year ended 31 December 2023				
Net interest expenses	**683**	**51,083**	**2,315**	**54,081**
Immediate recognition of actuarial losses	**–**	**–**	**5,862**	**5,862**
Benefit cost recognised in profit or loss	**683**	**51,083**	**8,177**	**59,943**
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	**–**	**103,276**	**–**	**103,276**
Actuarial revaluation of other assumptions change	**(4,196)**	**(57,124)**	**–**	**(61,320)**
Benefit cost recognised in other comprehensive income	**(4,196)**	**46,152**	**–**	**41,956**
Total benefit cost recognised in the consolidated statement of comprehensive income	**(3,513)**	**97,235**	**8,177**	**101,899**

The Group's benefit plans do not include incumbent employees. No current service cost of each benefit plan incurred during each financial period. Meanwhile, the Group's benefit plans do not provide reserve of plan assets, therefore, there is no reserve of earnings from plan assets during each financial year.

Service cost and net interest expenses are recognised in employment benefits, part of the administrative expenses and finance expenses of the consolidated statement of comprehensive income. Revaluation of net liabilities of benefit obligation is recognised as other comprehensive income in the consolidated statement of profit or loss and other comprehensive income.

33. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

As at the end of each reporting period, no assets reserve is under the Group's benefit plans. The net liabilities of retirement benefit plan obligations are recognised in the consolidated statement of financial position as follows:

	2023	2022
	RMB'000	RMB'000
Net liabilities of retirement benefit plan obligation	1,821,196	1,913,763

The movement of retirement benefit plan obligation as follows:

	Retirement with honors benefit plan	Retirement benefit plan	Early retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	31,832	1,978,116	144,088	2,154,036
Past service cost	–	–	3,532	3,532
Net interest expenses	717	57,101	3,087	60,905
Immediate recognition of actuarial gains	–	–	7,749	7,749
Revaluation gain/(loss):				
Actuarial revaluation of economic assumptions change	286	(62,610)	–	(62,324)
Actuarial revaluation of other assumptions change	6,747	(45,512)	–	(38,765)
Direct benefit paid by the Group	(9,119)	(152,404)	(49,847)	(211,370)
At 31 December 2022 and 1 January 2023	30,463	1,774,691	108,609	1,913,763
Net interest expenses	683	51,083	2,315	54,081
Immediate recognition of actuarial losses	–	–	5,862	5,862
Revaluation gain/(loss):				
Actuarial revaluation of economic assumptions change	–	103,276	–	103,276
Actuarial revaluation of other assumptions change	(4,196)	(57,124)	–	(61,320)
Direct benefit paid by the Group	(6,892)	(147,770)	(39,804)	(194,466)
At 31 December 2023	20,058	1,724,156	76,982	1,821,196

The Group has no reserve of plan assets, no capital injection of plan assets is established and no future contribution is arranged.

34. Provision for Litigation Claims

	2023	2022
	RMB'000	RMB'000
Beginning of the year	**184,271**	181,292
Exchange difference	**8,206**	4,876
Payment	**(796)**	(1,897)
End of the year	**191,681**	184,271

The amounts represented the provision provided by a subsidiary of the Group for litigation.

The subsidiary of the Group has been sued during Year 2007 to Year 2009 due to a construction contract disputes and the case is ongoing process. The management of the Group has calculated all provision for the expected compensation incurred in accordance with the progress and solutions of the case.

For the years ended December 2023 and 2022, no additional provision for litigation claims is provided.

35. Notes and Trade Payables

	2023	2022
	RMB'000	RMB'000
Trade payables		
– Fellow subsidiaries	**238,088**	306,790
– Associates of fellow subsidiaries	**–**	232
– Joint ventures of fellow subsidiaries	**1,897**	635
– Associates	**3,096**	48
– Third parties	**17,721,740**	17,442,700
	17,964,821	17,750,405
Notes payables	**1,840,971**	2,041,792
Notes and trade payables	**19,805,792**	19,792,197

The carrying amounts of the Group's notes and trade payables as at 31 December 2023 and 31 December 2022 approximate their fair values.

35. Notes and Trade Payables (Continued)

Aging analysis of notes and trade payables based on invoice date is as follows:

	2023	2022
	RMB'000	RMB'000
Within 1 year	**17,112,063**	16,452,797
Between 1 and 2 years	**609,854**	1,521,141
Between 2 and 3 years	**976,857**	883,714
Over 3 years	**1,107,018**	934,545
	19,805,792	19,792,197

The carrying amounts of notes and trade payables are denominated in the following currencies:

	2023	2022
	RMB'000	RMB'000
RMB	**18,401,314**	18,615,829
USD	**58,412**	48,337
SAR	**828,402**	614,264
KWD	**317,784**	347,111
MYR	**8,096**	36,173
OMR	**1,180**	12,757
THB	**18,601**	2,745
Others	**172,003**	114,981
	19,805,792	19,792,197

36. Other Payables

	2023	2022
	RMB'000	RMB'000
Salaries payables	451,210	457,724
Other taxation payables	550,504	802,300
Output value-added tax to be recognised	445	2,682
Payable of separation and transfer of "Water/electricity/gas supply and property management"	392	8,360
Deposits and guarantee deposits payables	83,990	72,117
Advanced payables	802,420	1,049,747
Rent, property management and maintenance payables	186,883	116,537
Contracts payables	422,981	419,668
Amounts due to ultimate holding company(1)	23	209
Amounts due to fellow subsidiaries(1)	176,530	68,598
Amounts due to a joint venture(1)	71	71
Amounts due to joint ventures of fellow subsidiaries(1)	241	241
Amounts due to associates of fellow subsidiaries(1)	31,281	888
Interest payables	445	–
Others	119,029	94,291
Total other payables	2,826,445	3,093,433

Note:
(1) Amounts due to related parties are unsecured, interest free and repayable on demand.

The carrying amounts of the Group's other payables as at 31 December 2023 and 31 December 2022 approximate their fair values.

37. Loan Due to a Fellow Subsidiary

The book value and fair value of borrowings are as follows:

	Book Value	Fair Value	Book Value	Fair Value
	2023	2023	2022	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Borrowings				
– Unsecured	80,702	80,702	141,972	141,972
Non-current				
Borrowings				
– Unsecured	21,461	21,461	-	-

Loan due to a fellow subsidiary is unsecured. Current is repayable within one year and Non-current is repayable within three years and interest bearing at 3.00% to 7.37% (2022: 2.16% to 2.99%) per annum. The fellow subsidiaries are Sinopec Century Bright Capital Investment Limited and Sinopec Finance Co., Ltd.

38. Deferred Income Tax

Deferred income tax assets recognised:

	2023	2022
	RMB'000	RMB'000
		(restated)
Deferred income tax assets	753,546	769,953

Deferred income tax liabilities recognised:

	2023	2022
	RMB'000	RMB'000
		(restated)
Deferred income tax liabilities	2,457	5,533

The gross movement on the deferred income tax account is as follows:

	2023	2022
	RMB'000	RMB'000
		(restated)
At the beginning of the year	764,420	837,134
Gain/(loss) to equity for defined benefit obligations revaluation of actuarial gain or loss	6,693	(20,959)
Tax charged to profit for the year (Note 12)	(20,024)	(51,755)
At the end of the year	751,089	764,420

38. Deferred Income Tax (Continued)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2023 and 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets/liabilities

	Provision for retirement and other supplemental benefit obligation	Provision for impairment on assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	355,903	459,331	27,928	843,162
Net effect of change of accounting standard			(6,028)	(6,028)
At 1 January 2022 (restated)	355,903	459,331	21,900	837,134
Credited/(Charged) to:				
Loss/(Profit) for the year	(45,381)	(9,286)	2,912	(51,755)
Equity	(20,959)	–	–	(20,959)
At 31 December 2022 and 1 January 2023	**289,563**	**450,045**	**24,812**	**764,420**
Credited/(Charged) to:				
Loss/(Profit) for the year	**(20,800)**	**(5,303)**	**6,079**	**(20,024)**
Equity	**6,693**	**–**	**–**	**6,693**
At 31 December 2023	**275,456**	**444,742**	**30,891**	**751,089**

Deferred income tax assets not recognised

Deferred income tax assets are recognised for tax losses carried-forward to the extent that the realisation of the related income tax benefits through the future taxable profits is probable. In accordance with the PRC tax law applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. Deferred income tax assets not recognised in the Group is as follows:

	2023	2022
	RMB'000	RMB'000
Tax losses for which no deferred income tax asset was recognised	**1,105,852**	896,098

The Group did not recognise deferred income tax assets as the management believes it is not likely that such tax losses would be realised before they expire. The tax loss for which no deferred income tax assets recognised mentioned would be expired in five years.

39. Commitments

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 31 December 2023 and 31 December 2022 not provided for in the consolidated financial statements are as follows:

	2023	2022
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	**7,087**	22,424

(b) Operating leasing commitments

At the reporting date, the lease commitments for short-term leases are as follows:

	2023	2022
	RMB'000	RMB'000
Less than 1 year	**29,562**	43,140

As at 31 December 2023 and 31 December 2022, the Group leases a number of residential properties, offices and equipment with a lease period of 6 to 12 months, which are qualified to be accounted for under short-term lease exemption under IFRS 16.

40. Cash Generated from Operations

	2023 RMB'000	2022 RMB'000
Profit before taxation	2,764,053	2,762,276
Adjustments for:		
Provision for ECL on trade and other receivables and contract assets, net	167,056	48,669
Provision for impairment on inventories	–	27,849
Depreciation of property, plant and equipment	766,004	700,138
Depreciation of right-of-use assets	141,755	172,862
Amortisation of intangible assets	42,563	43,011
Net gains on disposal/write-off of property, plant and equipment	(39,444)	(3,193)
Net gains on disposal/write-off land use rights	–	(140)
Losses on separation and transfer of "Water/electricity/gas supply and property management"	–	700
Interest income	(1,091,152)	(1,008,528)
Interest expense	72,044	73,491
Exchange gains, net	(13,566)	(229,800)
Share of (profit)/loss of a joint arrangement	(179)	76
Share of profit of associates	(17,991)	(16,502)
Cash flows from operating activities before changes in working capital	2,791,143	2,570,909
Changes in working capital:		
– Inventories	284,641	(305,413)
– Contract assets	(142,714)	470,584
– Contract liabilities	1,812,965	5,443,226
– Notes, trade and other receivables	(1,478,293)	(584,321)
– Notes, trade and other payables	(680,672)	(896,655)
– Restricted cash	(7,478)	26,769
Cash generated from operations	2,579,592	6,725,099

41. Contingencies

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provisions have been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (Note 34).

42. Significant Related Party Transactions and Balances

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.

In addition to the related party information shown elsewhere in this report, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year ended 31 December 2023 and 2022 and balances as at 31 December 2023 and 31 December 2022.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

(a) Significant related party transactions and year end balances arising with the Sinopec Group, fellow subsidiaries, associates, joint ventures of fellow subsidiaries and associates of fellow subsidiaries:

	2023 RMB'000	2022 RMB'000
Construction and services provided to		
– Ultimate holding company	–	75
– Joint ventures of fellow subsidiaries	2,522,238	1,165,901
– Associates of fellow subsidiaries	1,742,248	2,678,109
– Fellow subsidiaries	27,579,853	27,384,967
– Associates	137,183	16,613
	31,981,522	31,245,665
Construction and services received from		
– Ultimate holding company	15,709	9,837
– Joint ventures of fellow subsidiaries	2,516	2,225
– Associates of fellow subsidiaries	578	1,042
– Fellow subsidiaries	2,405,842	5,300,459
– Associates	56,314	15,182
	2,480,959	5,328,745
Technology research and development provided to		
– Ultimate holding company	6,057	10,283
– Fellow subsidiaries	240,245	5,523
– Joint Ventures of fellow subsidiaries	1,396	–
– Associates	–	198,356
	247,698	214,162

42. Significant Related Party Transactions and Balances (Continued)

(a) Significant related party transactions and year end balances arising with the Sinopec Group, fellow subsidiaries, associates, joint ventures of fellow subsidiaries and associates of fellow subsidiaries: (Continued)

	2023 RMB'000	2022 RMB'000
General services provided to		
– Joint ventures of fellow subsidiaries	**–**	294
– Associates of fellow subsidiaries	**449**	41
– Fellow subsidiaries	**4,634**	6,982
	5,083	7,317
General services received from		
– Fellow subsidiaries	**62,231**	48,391
Interest income on loans		
– Ultimate holding company	**606,408**	693,529
Interest expense on borrowings		
– Fellow subsidiaries	**9,005**	5,658
Expenses in relation to settlement and other financial services		
– Fellow subsidiaries	**2,991**	3,281
Deposit interest income from fellow subsidiaries	**136,048**	87,850

	2023 RMB'000	2022 RMB'000
Deposits and time deposits placed in fellow subsidiaries	**7,538,683**	7,606,431

The majority of these significant related party transactions with Sinopec Group and fellow subsidiaries also constitute continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

42. Significant Related Party Transactions and Balances (Continued)

(a) Significant related party transactions and year end balances arising with the Sinopec Group, fellow subsidiaries, associates, joint ventures of fellow subsidiaries and associates of fellow subsidiaries: (Continued)

Apart from transactions with Sinopec Group, fellow subsidiaries, associates, joint ventures of fellow subsidiaries and associates of fellow subsidiaries, the Group has transactions with other state-owned enterprises including but not limited to the following:

– Sales and purchases of goods and services;

– Purchases of assets;

– Lease of assets; and

– Bank deposits and borrowings.

In the ordinary course of business, the Group sells goods and services to, and purchase goods and services from other state-owned enterprises based on terms as set out in the underlying agreements, market price or actual cost incurred, or as mutually agreed.

In the ordinary course of business, the Group places deposits and borrowings mainly in state-owned financial institutions. The deposits and borrowings are in accordance with terms as set out in the respective agreement, and the interest rates are set at prevailing market rates.

Apart from the disclosure of loans due from the ultimate holding company in Note 26, trade receivables, prepayments and other receivables are unsecured, interest free and repayable on demand.

(b) Key management personnel remuneration

Key management includes directors, supervisors, and other key management personnel to the Board of Directors. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Fee	**633**	600
Basic salaries, other allowances and benefits-in-kind	**5,583**	3,634
Discretionary bonus (i)	**11,919**	12,055
Contributions to pension plans	**2,027**	2,458
	20,162	18,747

(i) The Group determines and pays discretionary bonus based on the actual financial results and performance of employee.

43. Reconciliations of Liabilities Arising from Financing Activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Loans due to a fellow subsidiary – current	Loans due to a fellow subsidiary – non-current	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	63,757	–	161,730	225,487
Cash-flow:				
– Drawdown	61,892	–	–	61,892
– Capital element of lease rentals paid	–	–	(112,462)	(112,462)
– Interest element of lease rentals paid	–	–	(6,616)	(6,616)
Non-cash:				
– Entered into new lease	–	–	88,343	88,343
– Interest expenses	–	–	6,616	6,616
– Modification	–	–	(10,028)	(10,028)
– Exchange difference	16,323	–	1,487	17,810
At 31 December 2022 and 1 January 2023	**141,972**	**–**	**129,070**	**271,042**
Cash-flow:				
– Drawdown	**12,000**	**21,461**	**–**	**33,461**
– Capital element of lease rentals paid	**–**	**–**	**(80,492)**	**(80,492)**
– Interest element of lease rentals paid	**–**	**–**	**(6,248)**	**(6,248)**
– Repayment	**(77,156)**	**–**	**–**	**(77,156)**
Non-cash:				
– Entered into new lease	**–**	**–**	**106,862**	**106,862**
– Interest expenses	**–**	**–**	**6,248**	**6,248**
– Modification	**–**	**–**	**(3,670)**	**(3,670)**
– Exchange difference	**3,886**	**–**	**958**	**4,844**
At 31 December 2023	**80,702**	**21,461**	**152,728**	**254,891**

44. Particulars of Principal Subsidiaries

As at 31 December 2023, the Company has direct and indirect interests in the following principal subsidiaries:

Name	Establishment/Place of incorporation and type of legal entity	Registered and fully paid capital	Effective interest held		Principal activities and place of operation
			Direct held	Indirect held	
		RMB'000			
SEI (中國石化工程建設有限公司)	The PRC/Limited liability company	500,000	100%	–	Engineering contracting, engineering and consulting/The PRC
LPEC (中石化洛陽工程有限公司)	The PRC/Limited liability company	500,000	100%	–	Engineering contracting, engineering and consulting/The PRC
SSEC (中石化上海工程有限公司)	The PRC/Limited liability company	500,000	100%	–	Engineering contracting, engineering and consulting/The PRC
SNEC (中石化寧波工程有限公司)	The PRC/Limited liability company	500,000	100%	–	Engineering contracting, engineering and consulting/The PRC
SNEI (中石化南京工程有限公司)	The PRC/Limited liability company	556,005	100%	–	Engineering contracting, engineering and consulting/The PRC
FCC (中石化第四建設有限公司)	The PRC/Limited liability company	350,000	100%	–	Engineering contracting/The PRC
SFCC (中石化第五建設有限公司)	The PRC/Limited liability company	350,000	100%	–	Engineering contracting/The PRC
TCC (中石化第十建設有限公司)	The PRC/Limited liability company	350,000	100%	–	Engineering contracting/The PRC
Sinopec Guangzhou Engineering Co., Ltd. (中石化廣州工程有限公司)	The PRC/Limited liability company	300,000	100%	–	Engineering contracting, engineering and consulting/The PRC
Ningbo Institute (中石化寧波技術研究院有限公司)	The PRC/Limited liability company	10,000	100%	–	Technical services/The PRC
Sinopec Heavy Lifting and Transportation Co., Ltd. (中石化重型起重運輸工程有限責任公司)	The PRC/Limited liability company	500,000	100%	–	Engineering contracting technical service, equipment selling and leasing/The PRC
Sinopec Engineering Group Saudi Arabia Co., Ltd. (中石化煉化工程(集團)股份有限公司沙特公司)	Saudi Arabia/Limited liability company	33,558 (SAR18,000,000)	100%	–	Engineering contracting/Saudi Arabia
Sinopec Engineering Group America, L.L.C (中石化煉化工程(集團)股份有限公司美國公司)	United States/Limited liability company	3,075 (USD500,000)	100%	–	Engineering contracting, engineering and consulting/United States
Sinopec Energy-Saving Technology Service Co., Ltd (中石化節能技術服務有限公司)	The PRC/Limited liability company	500,000	100%	–	Technical service, contractual energy management and engineering research/The PRC
Sinopec Engineering Group Russia L.L.C. (中石化煉化工程集團俄羅斯子公司)	Russia/Limited liability company	9,804 (USD1,500,000)	100%	–	Engineering contracting, engineering and consulting/Russia
SINOPEC Engineering Group Malaysia SDN BHD (中石化煉化工程(集團)股份有限公司馬來西亞公司)	Malaysia/Limited liability company	5,158 (MYR360,700)	100%	–	Engineering contracting/Malaysia
Sinopec Shanghai Pharmaceutical Industry Designing Institute Co., Ltd. (中石化上海醫藥工業設計研究院有限公司)	The PRC/Limited liability company	8,000	–	100%	Medicine, pesticide, chemical research/The PRC
Shanghai Petrochemical Machine Manufacturing Co., Ltd. (上海石化機械製造有限公司)	The PRC/Limited liability company	133,640	–	100%	Petrochemical equipment manufacturing/The PRC
Ningbo Tianyi Equipment Technology Co., Ltd. (寧波天翼裝備技術有限公司)	The PRC/Limited liability company	60,000	–	100%	Petrochemical equipment design, manufacturing and installation/The PRC
Ningbo Tianyi Petrochemical Heavy Equipment Manufacturing Co., Ltd. (寧波天翼石化重型設備製造有限公司)	The PRC/Limited liability company	60,000	–	97%	Petrochemical equipment manufacturing and installation/The PRC
SINOPEC Engineering Group (Thailand) Co., Ltd. (中石化煉化工程(集團)股份有限公司泰國公司)	Thailand/Limited liability company	356 (THB2,000,000)	–	100%	Engineering contracting/Thailand

44. Particulars of Principal Subsidiaries (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

45. Comparative Figures

Certain comparative figures have been reclassified to conform the current year's presentation of the consolidated financial statements.