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中国石油化工股份有限公司

CHINA PETROLEUM & CHEMICAL CORPORATION

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

(Stock Code: 0386)

Results for the Year Ended 31 December 2011

§1. Important Notice

1.1 The Board of Directors (the “Board of Directors”) of China Petroleum & Chemical Corporation (“Sinopec Corp.”) and the Directors, Supervisors and Senior Management warrant that there are no material omissions from, or misrepresentations or misleading statements contained in this announcement, and jointly and severally accept full responsibility for the authenticity, accuracy and completeness of the information contained in this announcement.

This announcement is a summary of the annual report. The entire report can be downloaded from the websites of the Shanghai Stock Exchange (www.sse.com.cn), The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) (www.hkexnews.hk) and Sinopec Corp. (www.sinopec.com.cn). Investors should read the annual report for the year 2011 for more details.

1.2 The annual report for this year has been approved unanimously at the 18th meeting of the Fourth Session of the Board of Directors of Sinopec Corp.. No Director has any doubt as to, or the inability to warrant, the authenticity, accuracy and completeness of the annual report.

1.3 Mr. Li Chunguang, director, and Mr. Li Deshui and Mr. Wu Xiaogen, independent non-executive director, could not attend the 18th meeting for reasons of official duties, and Mr. Li Chunguang authorised Mr. Cao Yaocang, director, and each of Mr. Li Deshui and Mr. Wu Xiaogen authorised Mr. Xie Zhongyu, independent non-executive Director, respectively, to vote on their behalves.

- 1.4** The financial statements for the year ended 31 December 2011 of Sinopec Corp. and its subsidiaries (“the Company”) prepared in accordance with the PRC Accounting Standards for Business Enterprises (“ASBE”) and International Financial Reporting Standards (“IFRS”) have been audited by KPMG Huazhen and KPMG, respectively, and both firms have issued standard unqualified opinions on the financial statements.
- 1.5** There is no occupancy of non-operating funds by the substantial shareholders of Sinopec Corp.
- 1.6** There is no breach of regulations, decisions or procedures in relation to provisions of external guarantees by Sinopec Corp.
- 1.7** Mr. Fu Chengyu (Chairman of the Board), Mr. Wang Tianpu (Vice Chairman and President) and Mr. Wang Xinhua (Chief Financial Officer and Head of the Corporate Finance Department) warrant the authenticity and completeness of the financial statements contained in the annual report for the year 2011.

§2. Basic Information about Sinopec Corp.

2.1 Basic information of Sinopec Corp.

Stock name	SINOPEC CORP	SINOPEC CORP	SINOPEC CORP	SINOPEC CORP
Stock code	0386	SNP	SNP	600028
Place of listing	Hong Kong	New York	London	Shanghai
	Stock Exchange	Stock Exchange	Stock Exchange	Stock Exchange
Registered address and office address	22 Chaoyanmen North Street, Chaoyang District, Beijing, China			
Postcode	100728			
Website	http://www.sinopec.com.cn			
E-mail	ir@sinopec.com.cn / media@sinopec.com.cn			

2.2 Contact persons of Sinopec Corp. and means of communication

	Authorised representatives		Secretary to the Board of Directors	Representative on Securities Matters
Name	Mr. Wang Tianpu	Mr. Chen Ge	Mr. Chen Ge	Mr. Huang Wensheng
Address	22 Chaoyanmen North Street, Chaoyang District, Beijing, China			
Tel	86-10-5996 0028	86-10-5996 0028	86-10-5996 0028	86-10-5996 0028
Fax	86-10-5996 0368	86-10-5996 0368	86-10-5996 0368	86-10-5996 0368
E-mail	ir@sinopec.com.cn / media@sinopec.com.cn			

3 Principal Financial Data and Indicators

3.1 FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

3.1.1 Principal financial data

Items	For the years ended 31 December			
	2011 RMB millions	2010 RMB millions	Change %	2009 RMB millions
Operating income	2,505,683	1,913,182	31.0	1,345,052
Operating profit	100,966	101,352	(0.4)	86,238
Profit before taxation	102,638	102,178	0.5	86,112
Net profit attributable to equity shareholders of the Company	71,697	70,713	1.4	62,677
Net profit attributable to equity shareholders of the Company before extraordinary gain and loss	70,453	68,345	3.1	61,258
Net cash flow from operating activities	151,181	171,262	(11.7)	166,009
Items	At 31 December			
	2011 RMB millions	2010 RMB millions	Change %	2009 RMB millions
Total assets	1,130,053	985,389	14.7	886,896
Total liabilities	620,528	532,707	16.5	480,348
Shareholders' equity attributable to equity shareholders of the Company	474,399	421,127	12.6	380,461
Total shares (thousand)	86,702,562	86,702,528	0.0	86,702,439

3.1.2 Principal financial indicators

Items	For the years ended 31 December			2009 RMB
	2011 RMB	2010 RMB	Change %	
Basic earnings per share	0.827	0.816	1.4	0.723
Diluted earnings per share	0.795	0.808	(1.6)	0.718
Basic earnings per share based on latest equity (note)	0.826	0.816	1.2	0.723
Basic earnings per share (before extraordinary gain and loss)	0.813	0.788	3.1	0.707
Weighted average return on net assets (%)	15.93	17.43	(1.50)	17.52
			percentage points	
Weighted average return (before extraordinary gain and loss) on net assets (%)	15.66	16.94	(1.28)	17.24
			percentage points	
Net cash flow from operating activities per share	1.744	1.975	(11.7)	1.915

Note: Basic earnings per share were based on the total shares on 29 February 2012.

Items	At 31 December			2009 RMB
	2011 RMB	2010 RMB	Change %	
Net assets attributable to equity shareholders of the Company per share	5.472	4.857	12.6	4.388
Liabilities to assets ratio	54.91	54.06	0.85	54.16
			Percentage points	

3.1.3 Extraordinary items and corresponding amounts

Items	For the year ended 31 December		
	2011	2010	2009
	(income)/expenses		
	RMB millions	RMB millions	RMB millions
Gain on disposal of fixed assets	(754)	(253)	(211)
Donations	90	177	174
Gain on holding and disposal of various investments	(48)	(71)	(322)
Net profit of subsidiaries generated from a business combination involving entities under common control before acquisition date	—	(3,043)	(2,583)
Other non-operating income and expenses, net	(1,015)	(734)	190
Subtotal	(1,727)	(3,924)	(2,752)
Tax effect	432	220	42
Total	(1,295)	(3,704)	(2,710)
Attributable to: Equity shareholders of the Company	(1,244)	(2,368)	(1,419)
Minority interests	(51)	(1,336)	(1,291)
	<u> </u>	<u> </u>	<u> </u>

3.2 FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Items	For the years ended 31 December				
	2011	2010	2009	2008	2007
	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions
Turnover, other operating revenues and other income	2,505,683	1,913,182	1,345,052	1,495,148	1,205,860
Operating profit	105,530	104,974	90,669	38,551	87,290
Profit before taxation	104,565	103,663	86,574	33,412	84,216
Profit attributable to equity shareholders of the Company	73,225	71,782	63,129	31,180	56,150
Basic earnings per share (RMB)	0.845	0.828	0.728	0.360	0.648
Diluted earnings per share (RMB)	0.812	0.820	0.723	0.319	0.648
Return on capital employed (%) *	11.49	12.95	11.67	5.92	12.02
Return on net assets (%)	15.50	17.11	16.63	9.44	18.19
Net cash flow generated from operating activities per share (RMB)	1.737	1.965	1.909	0.997	1.431

Items	For the years ended 31 December				
	2011	2010	2009	2008	2007
	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions
Non-current assets	801,773	735,593	697,474	635,533	580,689
Net current liabilities	101,485	76,177	114,442	126,570	88,686
Non-current liabilities	192,944	208,380	177,526	156,263	157,613
Minority interests	35,016	31,432	25,991	22,324	25,645
Total equity attributable to equity shareholders of the Company	472,328	419,604	379,515	330,376	308,745
Net assets per share (RMB)	5.448	4.840	4.377	3.810	3.561
Adjusted net assets per share (RMB)	5.339	4.747	4.299	3.719	3.481

3.3 MAJOR DIFFERENCES BETWEEN THE AUDITED FINANCIAL STATEMENTS PREPARED UNDER ASBE AND IFRS

√ Applicable □ Not applicable

	ASBE	IFRS
Net profits (RMB millions)	76,864	78,445
Difference analysis	Please see 9.2.3	

§4. Changes in Share Capital and Shareholdings of the Principal Shareholders

4.1 Changes in the share capital

√ Applicable □ Not applicable

Unit: 1,000 Shares

Items	Before change		New share		Increase/(decrease)		Sub-total	After change	
	Number	Percentage %	issued	Bonus issued	Conversion from reserve	Others		Number	Percentage %
RMB ordinary shares	69,922,040	80.65	—	—	—	35	35	69,922,074	80.65
Domestically listed foreign shares	—	—	—	—	—	—	—	—	—
Overseas listed foreign shares	16,780,488	19.35	—	—	—	—	—	16,780,488	19.35
Others	—	—	—	—	—	—	—	—	—
Total Shares	86,702,528	100	—	—	—	35	35	86,702,562	100

Note: Due to rounding, the aggregate amount of all items may not sum to the total.

4.2 Number of shareholders and shareholdings of principal shareholders

The total number of shareholders of Sinopec Corp. as at 31 December 2011 was 787,429 including 780,667 holders of domestic A Shares and 6,762 holders of overseas H Shares. As at 29 Feb 2012, the total number of shareholders of Sinopec Corp. was 781,892. Sinopec Corp. has fulfilled the minimum public float requirement of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Hong Kong Listing Rules”). During the reporting period, shares converted from bonds in relation to the RMB 23 billion A share convertible bond (“Sinopec CB”) was 34,662 in total. Up to 29 Feb 2012, shares converted from Sinopec CB totaled 117,058,476.

Top ten shareholders and top ten shareholders without selling restrictions

Unit: 1,000 Shares

Name of Shareholders	Nature of shareholders	Percentage of shareholdings %	Total number of shares held	Changes of shareholdings	Number of shares subject to pledges or lock-ups
China Petrochemical Corporation	State-owned share	75.84	65,758,044	0	0
HKSCC Nominees Limited	H share	19.23	16,671,989	13,763	N/A
Guotai Junan Securities Co., Ltd.	A share	0.30	256,751	1,533	0
China Life Insurance Company Limited- Bonus- Personal Bonus-005L-FH002					
Shanghai	A share	0.20	170,958	(15,162)	0
PICC Life Insurance Company Limited- Bonus- Personal Insurance Bonus	A share	0.17	143,124	25,070	0
Hua An Hongli Stock Securities Investment Fund	A share	0.09	73,700	22,500	0
Harvest Theme New Dynamic Equity Securities Investment Fund	A share	0.05	42,040	(10,060)	0
Shanghai Stock Exchange Traded Open-ended Index 50 Fund	A share	0.05	41,943	3,914	0
Social Security Fund 101 Portfolio	A share	0.04	33,707	33,707	0
Taikang Life Insurance Co., Ltd.-Bonus- Personal Bonus-019L-FH002 Shanghai	A share	0.04	30,500	380	0

Note: Sinopec Century Bright Capital Investment Limited, overseas wholly-owned subsidiary of China Petrochemical Corporation, holds 425,500,000 H shares, accounting for 0.49% of the total share capital of Sinopec Corp., which is included in the total number of the shares held by HKSCC Nominees Limited.

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

We are not aware of any connected party relationship or acting in concert among or between the top ten shareholders.

4.3 Information about the controlling shareholder and the de facto controller

4.3.1 Changes of the controlling shareholder and the de facto controller in the reporting period

☐ Applicable ☒ Not applicable

4.3.2 Changes in the controlling shareholders and the de facto controller

(1) Controlling shareholder

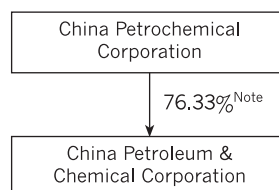
The controlling shareholder of Sinopec Corp. is China Petrochemical Corporation. Established in July 1998, China Petrochemical Corporation is a state authorised investment organisation and a state-owned company. Its registered capital is RMB 182.0 billion, and the legal representative is Mr. Fu Chengyu. Through reorganisation in 2000, China Petrochemical Corporation injected its principal petroleum and petrochemical operations into Sinopec Corp. and retained certain petrochemical facilities and small-scale refineries. It provides well-drilling services, well logging services, downhole operation services, services in connection with manufacturing and maintenance of production equipment, engineering construction, utility services including water and power and social services.

(2) Except for HKSCC (Nominees) Limited, no other legal person shareholders hold 10% or more of the shares of Sinopec Corp.

(3) Basic information of the de facto controller

China Petrochemical Corporation is the actual controller of Sinopec Corp.

4.3.3 Diagram of the equity and controlling relationship between Sinopec Corp. and its actual controller



Note: Inclusive of 425,500,000 H shares held by Sinopec Century Bright Capital Investment Limited (overseas wholly-owned subsidiary of China Petrochemical Corporation) through HKSCC Nominees Limited.

§5. Directors, Supervisors and Senior Management and Employees

Election or Appointment of Directors, Supervisors and Senior Management

On 13 May 2011, Mr. Fu Chengyu was elected as the chairman of the Fourth Session of the Board of Directors of Sinopec Corp. at the 14th meeting of the Fourth Session of the Board of Directors of Sinopec Corp.

§6 Report of the Board of Directors

6.1 Business review in the reporting period

6.1.1 Business review

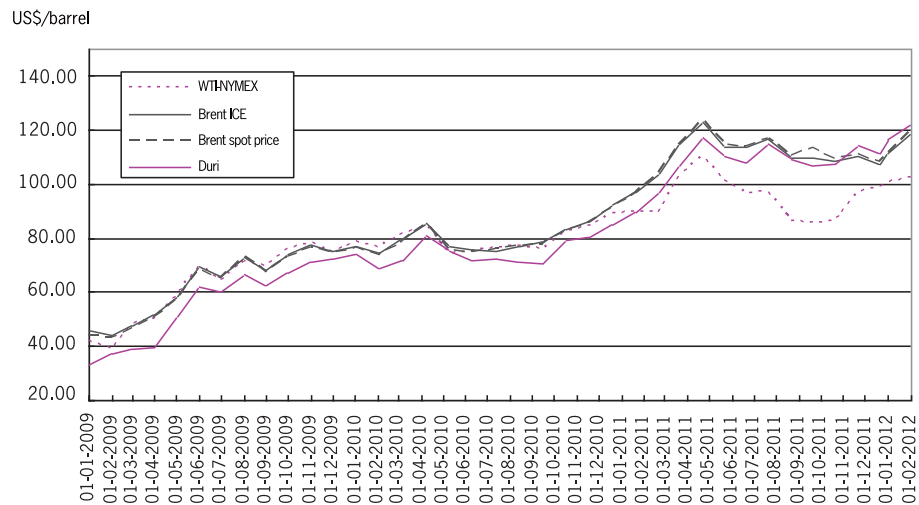
The year 2011 saw a slowdown in global economic growth, intense turbulence in the international financial market and sustained tightening of Chinese monetary policy. With the Chinese Government continuing to improve macro-economic regulations, the Chinese economy saw steady and rapid growth last year, with GDP up by 9.2% year on year. Against this economic backdrop, the company achieved excellent results through market expansion, management improvement and structure adjustment.

In the fourth quarter of 2011, the Chinese Government implemented nationwide reforms of oil and gas resource taxes, raising the threshold for special oil income levy to USD 55/barrel, and launched pilot programs to reform the natural gas pricing mechanism in Guangdong and Guangxi.

6.1.1.1 Review of Market Environment

(1) Crude oil market

In 2011, due to geopolitical dynamism developments, the price of international crude oil rose sharply in the first quarter and then fluctuated in an elevated price range. The annual average spot price of Platts Brent crude oil was USD 111.27/barrel, representing an increase of 40.0% from 2010. The trend of the domestic crude oil price was basically in line with the international market.



International Crude Oil Price Trend

(2) Oil products market

In 2011, growth in domestic demand for oil products remained steady, and domestic prices for oil products were tightly controlled. The demand for diesel in some regions rose in the fourth quarter due to seasonal factors, causing a shortage of supply. According to statistics, China's apparent consumption of oil products (including gasoline, diesel and kerosene) was 242 million tons in 2011, representing an increase of 4.5% from 2010.

(3) Chemicals market

In 2011, domestic demand for chemical products continued to increase but at a more moderate pace than in the previous years. Prices for chemical products declined from the first quarter highs, and slumped in the fourth quarter. According to statistics, domestic apparent consumption of synthetic resin, synthetic fibre and synthetic rubber increased by 5.4%, 7.5% and 2.0%, respectively, from the previous year. Domestic apparent consumption of ethylene was up by 4.9% year on year.

6.1.1.2 Production and Operation

(1) Exploration and Production

In 2011, the Company focused on exploration breakthroughs in key regions and on intensive exploration in mature fields, making significant breakthroughs in regions such as the Northern rim of Jungar, the Western Sichuan Depression, the Northern Slope of Tazhong, new areas in Songnan and in Southeast areas offshore Hainan Island. Exploration for unconventional oil and gas has borne initial results. The Company has also identified regions in which to build production capacity for coal bed methane. Sinopec Corp. completed 2D seismic measurements of 18,583 kilometers and 3D seismic measurements of 11,361 square kilometers and drilled exploration wells with a total footage of 2,174.1 kilometers in 2011. Proved reserves of oil and gas increased by 411 million barrels of oil equivalent for the year. In the development of crude oil, the Company focused on steady production in eastern China and growth of production in western China and actively promoted technological breakthroughs and tests on horizontal drilling and staged fracturing. As a result, domestic crude oil production continued to grow, with stable major development indexes, such as the recovery rate. In the development of natural gas, the Company focused on projects in the Sichuan Basin and the Ordos Basin as well as on capacity buildup. As a result, our natural gas business continued to grow rapidly.

Summary of Operations for the Exploration and Production Segment

	2011	2010	2009	Change from 2010 to 2011 (%)
Oil and gas production (mmboe)	407.91	401.42	377.45	1.6
Crude oil production (mmbbbls)	321.73	327.85	327.62	(1.9)
Including: China	303.37	302.18	301.15	0.4
Overseas	18.36	25.67	26.47	(28.5)
Natural gas production (bcf)	517.07	441.39	299.01	17.1

	As at Dec. 31, 2011	As at Dec. 31, 2010	As at Dec. 31, 2009	Change from the end of the previous year to the end of the reporting period (%)
Proved reserves of crude oil and natural gas (mmboe)	3,966	3,963	4,043	0.1
Proved reserves of crude oil (mmbbbls)	2,848	2,888	2,920	(1.4)
Proved reserves of natural gas (bcf)	6,709	6,447	6,739	4.1

Note:

1. Includes 100% of production and reserves of SSI.
2. For domestic production of crude oil, 1 tonne = 7.1 barrels; for production of natural gas, 1 cubic meter = 35.31 cubic feet; for production of crude oil abroad, 1 ton = 7.27 barrels.

(2) Refining

In 2011, facing tight price controls over oil products, the Company optimised its resources, operations and management, intensified efforts to procure crude oil, proceeded with plant overhauls to increase efficiency, tapped all potential capacity, actively adjusted product mix, upgraded the quality of oil products and ran refining operations at full capacity. As a result, the Company not only secured a stable supply of oil products and chemical feedstocks, but also enhanced its refining competitiveness, with major techno-economic indexes reaching historical highs. The advantage of the integrated marketing of lubricants, asphalt, petroleum coke, sulfur and other materials gradually began to bear results. For the whole year, the Company processed 217 million tonnes of crude oil, representing a year-on-year increase of 3.0% , and produced 128 million tonnes of oil products, up by 2.9% over the previous year.

Sources of Crude Oil Processed by the Company (million tonnes)

	2011	2010	2009	Change from 2010 (%)
Company produced crude oil in China	34.84	35.13	35.22	(0.8)
PetroChina Company Ltd	5.72	5.10	7.05	12.2
CNOOC Ltd	6.73	6.91	6.49	(2.6)
Import	171.21	165.00	138.82	3.8
Total	218.50	212.14	187.58	3.0

Production Summary of the Refining Segment

	2011	2010	2009	Change from 2010 to 2011 (%)
Refinery throughput (million tonnes)	217.37	211.13	186.58	3.0
Gasoline, diesel and kerosene production (million tonnes)	128.00	124.38	113.69	2.9
Including: Gasoline (million tonnes)	37.10	35.87	34.43	3.4
Diesel (million tonnes)	77.17	76.09	68.86	1.4
Kerosene (million tonnes)	13.73	12.42	10.39	10.5
Light chemical feedstock (million tonnes)	37.38	35.00	26.87	6.8
Light products yield (%)	76.08	75.79	75.54	0.29 pct. pts.
Refinery yield (%)	95.09	94.83	94.53	0.26 pct. pts.

Note:

1. Refinery throughput is converted at 1 tonne = 7.35 barrels;
2. Includes 100% of production of joint ventures.

(3) Marketing and Distribution

In 2011, by carefully analysing market trends, strengthening resource allocation and planning, and actively responding to changes in market demand, the Company increased the proportion of retail volume in its total sales, resulting in retail sales of more than 100 million tonnes. By securing sufficient market supply, the Company further improved its sales structure, enhanced its operational effectiveness, optimised its storage and transportation facilities and its distribution network. Through its 19,200 convenience stores, Sinopec Corp. promoted sales of specialties and achieved rapid growth in its non-fuel businesses. Revenue from non-fuel businesses reached RMB 8,260 million, representing an increase of 44.2% from the previous year. In addition, the Company improved its quality supervision and the management of external procurement to ensure product quality. The total sales volume of oil products increased to 162 million tonnes in 2011, up by 8.8% from 2010.

Summary of Operations in the Marketing and Distribution Segment

	2011	2010	2009	Change from 2010 to 2011 (%)
Total sales volume of oil products (million tonnes)	162.32	149.23	130.32	8.8
Total domestic sales volume of oil products (million tonnes)	151.16	140.49	124.02	7.6
Including: Retail sales (million tonnes)	100.24	87.63	78.90	14.4
Direct sales (million tonnes)	33.22	32.40	25.61	2.5
Wholesale (million tonnes)	17.70	20.47	19.52	(13.5)
Annual average throughput per station (tonne/station)	3,330	2,960	2,715	12.5

	As at December 31, 2011	As at December 31, 2010	As at December 31, 2009	Change from the end of the previous year to the end of the reporting period (%)
Total number of service stations under the Sinopec brand	30,121	30,116	29,698	0.02
Including: Number of company-operated service stations	30,106	29,601	29,055	1.7
Number of franchised service stations	15	515	643	(97.1)

(4) Chemicals

In 2011, in line with its objective of focusing on market and profitability, the Company strengthened the management of its operations and fully exploited its plant capacity, reinforced the measurement and forecast of profits from its products, achieved closer integration of production, marketing and research operations, accelerated product mix adjustment for more high value-added products, strengthened supply-chain management, increased the proportion of light hydrocarbon and LPG in its feedstocks. By taking full advantage of integrated marketing, expediting the optimisation of its marketing network and adjusting its marketing strategies throughout the year, the Company saw total sales volumes and profits hit all-time highs. Output of ethylene amounted to 9.894 million tonnes in 2011, up by 9.2% from the previous year, and the total sales volume of chemical products reached 50.80 million tonnes.

Production of Major Chemical Products

Unit; thousand tonnes

				Change from 2010 to 2011 (%)
	2011	2010	2009	
Ethylene	9,894	9,059	6,713	9.2
Synthetic resin	13,652	12,949	10,287	5.4
Synthetic rubber	990	967	884	2.4
Synthetic fibre monomer and polymer	9,380	8,864	7,798	5.8
Synthetic fibre	1,388	1,393	1,302	(0.4)

Note: Includes 100% of production of joint ventures.

(5) Research and Development

In 2011, the Company continued to step up efforts in research and development. As a “propeller” for growth, scientific and technological innovation led to obvious achievements. In exploration and production, the company established an assessment system for selecting shale gas blocks in South China; and strengthened research into hydrocarbon accumulation in the periphery of the Tahe and the deep layer of Jiyang, Yuanba, Western Sichuan and other regions, thus providing scientific and technological support for increasing reserves. In refining and chemicals, the company broadened the use of adsorptive desulfurization for FCC gasoline, applying the technology in a number of subsidiaries, and saw an initial industrial application for a fully developed process for liquid phase cyclical diesel hydrogenation. The Company’s one million tpa ethylene complex technology package, 150 thousand tpa ethylene-cracker technology, 650 thousand tpa ethyl- benzene technology package were commercialised and achieved stable and long-term operation. A pilot plant of its aromatics adsorptive separation technology was set up and produced qualified products, making Sinopec Corp. the world’s third company with a proprietary aromatics package technology. In new energy technology, a pilot plant for biojet fuel, with vegetable oils as feedstock, came on stream successfully. The group’s self-developed MTO package technology was also being commercialised. In 2011, Sinopec Corp. applied for 3,732 patents, including 202 foreign patents, with 1,290 granted, including 62 foreign ones. National Scientific Technology Progress and Technological Invention prizes were awarded to 13 projects. Among them, the R&D and industrial application of technologies converting naphthenic heavy oil into high-end products won the first prize for national technological invention. The full-vulcanized controllable particle size powdered rubber and its manufacturing process and application won the Gold Award in the 13th China Patent competition. Six projects won the China Patent Merit Award.

(6) Health, Safety and Environment

In 2011, the company put people first and cared for our employees with an emphasis on improving the monitoring system for maintaining vocational health and preventing workplace injury. We always stick to the HSE principle of “Safety First, Life Foremost”, as well as green, low-carbon development. By focusing on safety and environment protection, energy saving and emission reduction, the company actively implemented modern corporate management and achieved success in carrying out the “I safe” theme activity and implementing measures including energy saving, emission reduction, water conservation and pollution reduction, etc., the Company’s energy intensity dropped by 0.7%, industrial water use decreased by 2.0%, COD in waste water discharge shrank by 16.9% and sulfur dioxide discharge fell by 9.8%, while the industrial water recycling rate held steady at more than 95%. For more detailed information, please refer to the Company’s report on sustainable development.

(7) Capital Expenditure

The Company’s capital expenditures reached RMB 130.184 billion in 2011, of which RMB 58.749 billion was used in the exploration and development segment, mainly for the Shengli shallow water oilfield, the Northwest Tahe oil field, the Northeast Sichuan natural gas exploration and production project and the Shandong LNG project, resulting in 5,683 thousand tonnes of newly established annual production capacity for crude oil and 1,476 million cubic meters of newly added annual production capacity for natural gas. RMB 25.767 billion was used in the refining segment, mainly for revamping and the expansion of refining projects and for upgrading the quality of oil products. For example, the Company established and put into operation a series of diesel quality upgrading projects, including the Changling project; made progress in revamping projects for Sinopec Shanghai Petrochemical and Jinling Petrochemical Corp.; and built and put into operation a crude oil pipeline from Rizhao to Yizheng. RMB 28.517 billion was used in the marketing and distribution segment, mainly for construction of service stations, oil depots and oil product pipelines in key areas such as highways,

major cities and newly planned regions. RMB 15.015 billion was used in the chemical segment for the construction of such projects as the Wuhan 800 thousand tpa ethylene project, the Zhongyuan MTP project, the Yanshan butyl rubber project and the Yizheng 1,4-butylene glycol project. RMB 2,136 million was used for the corporate and others, mainly for R&D facilities and IT projects construction.

6.1.2 Management Discussion and Analysis

Part of the financial information presented in this section is derived from the Company's audited financial statements that have been prepared in accordance with IFRS.

6.1.2.1 Consolidated Results of Operations

In 2011, the Company's turnover and other operating revenues were RMB 2,505.7 billion, an increase of 31.0% compared with that of 2010. The operating profit was RMB 105.5 billion, an increase of 0.5% year on year. This was mainly attributed to the stable growth of the Chinese economy, growing demand for petroleum and petrochemical products, and continuous expansion of the Company's operational scale, as well as the increase in the price of crude oil, oil products and petrochemical products. The Company took advantage of its business scale and vertically integrated model, strove to expand the market and improve marketing and service, which contributed to good operation results.

	Years ended 31 December		
	2011	2010	Change
	RMB millions		(%)
Turnover and other operating revenues	2,505,683	1,913,182	31.0
Of which: Turnover	2,463,767	1,876,758	31.3
Other operating revenues	41,916	36,424	15.1
Operating expenses	(2,400,153)	(1,808,208)	32.7
Of which: Purchased crude oil, products, and operating supplies and expenses	(2,031,545)	(1,482,484)	37.0
Selling, general and administrative expenses	(58,960)	(51,048)	15.5
Depreciation, depletion and amortisation	(63,816)	(59,253)	7.7
Exploration expenses (including dry holes)	(13,341)	(10,955)	21.8
Personnel expenses	(41,529)	(33,672)	23.3
Taxes other than income tax	(189,949)	(157,189)	20.8
Other operating expenses, net	(1,013)	(13,607)	(92.6)
Operating profit	105,530	104,974	0.5
Net finance costs	(5,285)	(6,974)	(24.2)
Investment income and share of profits less losses from associates and jointly controlled entities	4,320	5,663	(23.7)
Profit before taxation	104,565	103,663	0.9
Tax expense	(26,120)	(25,681)	1.7
Profit for the year	78,445	77,982	0.6
Attributable to:			
Equity shareholders of the Company	73,225	71,782	2.0
Non-controlling interests	5,220	6,200	(15.8)

(1) Turnover, other operating revenues and other income

In 2011, the Company's turnover was RMB 2,463.8 billion, representing an increase of 31.3% over 2010. This was mainly attributed to the active expansion of the markets and its increased sales volume, higher prices of crude oil, oil products and chemical products.

The following table sets forth the external sales volume, average realised prices and respective rates of change of the Company's major products in 2011 and 2010:

	Sales volume			Average realised price		
	(thousand tonnes)		Change	(RMB/tonne, RMB/thousand cubic meters)		Change
	Years ended 31 December			Years ended 31 December		
	2011	2010	(%)	2011	2010	(%)
Crude oil	5,581	5,554	0.5	4,621	3,349	38.0
Natural gas (million cubic meters)	12,310	9,951	23.7	1,274	1,155	10.3
Gasoline	47,494	43,467	9.3	8,403	7,297	15.2
Diesel	97,897	90,827	7.8	7,075	5,992	18.1
Kerosene	16,570	14,758	12.3	6,193	4,758	30.2
Basic chemical feedstock	20,944	17,821	17.5	6,915	5,598	23.5
Monomer and polymer for synthetic fibre	6,585	5,772	14.1	9,880	8,211	20.3
Synthetic resin	10,518	9,871	6.6	9,841	9,243	6.5
Synthetic fibre	1,496	1,512	(1.1)	13,301	11,644	14.2
Synthetic rubber	1,220	1,222	(0.2)	22,215	16,436	35.2
Chemical fertiliser	951	1,299	(26.8)	2,186	1,641	33.2

Most of the crude oil and a portion of the natural gas produced by the Company were internally used for refining and chemical production and the remaining were sold to other customers. In 2011, the turnover from crude oil, natural gas and their upstream products sold externally amounted to RMB 47.5 billion, an increase of 35.7% over 2010. The change was mainly due to the increase in sales volume and prices of crude oil and natural gas.

In 2011, the Refining segment and Marketing & Distribution segment of the Company sold petroleum products (mainly consisting of refined oil products and other refined petroleum products), achieving external sales revenue of RMB 1,525.1 billion, representing an increase of 27.9% over 2010, accounting for 60.9% of the Company's turnover and other operating revenues. With the increased price of oil products and other refined oil products, the Company actively enlarged their sales volume. The sales revenue from gasoline, diesel and kerosene amounted to RMB 1,194.4 billion, representing an increase of 28.2% over 2010, accounting for 78.3% of total sales revenue of oil products. Sales revenue from other refined products was RMB 330.7 billion, representing an increase of 26.6% over 2010, accounting for 21.7% of total sales revenue of oil products. The Company's external sales revenue of chemical products was RMB368.7 billion, representing an increase of 29.1% over 2010, accounting for 14.7% of its turnover and other operating revenues. This was mainly due to the increase in prices of chemical products, and the Company's efforts in increasing the sales volume of products.

In 2011, the Company's sales revenue from Corporate and Others was RMB 522.5 billion, representing an increase of 43.8% over 2010, accounting for 20.9% of its turnover and other operating revenues. This was mainly due to the increased trading volume of crude and oil products as well as expanded import and export of its trading subsidiaries.

(2) Operating expenses

In 2011, the Company's operating expenses were RMB 2,400.2 billion, representing an increase of 32.7% over 2010. The operating expenses mainly consisted of the following:

Purchased crude oil, products and operating supplies and expenses were RMB 2,031.5 billion, representing an increase of 37.0% over 2010, accounting for 84.6% of the total operating expenses, of which:

Crude oil purchasing expenses was RMB 839.0 billion, representing an increase of 38.4% over 2010. processed volume of crude oil purchased externally in 2011 was 166.85 million tonnes (excluding the amount processed for third parties) , increased by 7.6% over 2010. The average unit processing cost of crude oil purchased externally was RMB5,029 per tonne, increased by 28.7% over 2010.

The Company's other purchasing expenses were RMB1,192.5 billion, representing an increase of 36.1% over 2010. This was mainly due to the higher cost of oil products and other feedstock purchased externally and higher procurement cost by its trading subsidiaries.

Selling, general and administrative expenses of the Company totaled RMB 59.0 billion, representing an increase of 15.5% over 2010. This was mainly due to the increased sales expenses such as the freight and miscellaneous charges from expanded sales volume, and the growth of the operational rental fee.

Depreciation, depletion and amortisation expenses of the Company were RMB 63.8 billion, representing an increase of 7.7% compared with 2010. This was mainly due to the continuously increased investment in property, plant and equipment in recent years.

Exploration expenses, including dry holes were RMB 13.3 billion, representing an increase of 21.8% compared with 2010, mainly owing to the Company's increasing investment of exploration in blocks such as Yuanba and Ordos, as well as unconventional oil and gas resources.

Personnel expenses were RMB 41.5 billion, which accounted for 1.7% of the total operating expenses, representing an increase of RMB 7.9 billion compared with 2010. Excluding the adjustment on salary related surcharges, insurance base, increased number of labor employed as a result of operational scale expansion, as well as housing policy reform for new employees and corporate pension scheme, our personnel expenses increased by 14.5% over 2010, mainly because the Company has improved its remuneration policy and reasonably increased the income of our employees especially the income of our field workers.

Taxes other than income tax totaled RMB 189.9 billion, representing an increase of 20.8% compared with 2010. It was mainly due to the increase of special oil income levy by RMB 17.8 billion caused by rising crude oil price, as compared with 2010. Meanwhile, as a result of increased sales volume, the consumption tax, city construction tax and educational surcharge increased by RMB 12.9 billion over 2010.

Other operation expenses, net were 1.0 billion, a decreased of 92.6% over 2010. This was mainly due to the significant drop of the provisions for impairment loss of long-term assets.

- (3) Operating profit was RMB 105.5 billion, representing an increase of 0.5% over 2010.
- (4) Net finance costs were RMB5.3 billion, representing a decrease of 24.2% compared with 2010. This was mainly due to the following three factors: the Company's gains on its convertible bonds fair value changes increased by RMB1.4 billion; the Company centralised fund management and optimised finance structure by increasing its financing facilities in US dollars with net gain in the exchange of currencies up by RMB0.6 billion; the Company's net interest charge increased by RMB0.3 billion due to its expanded debt scale.
- (5) Profit before taxation was RMB 104.6 billion, representing an increase of 0.9% compared with 2010.
- (6) Tax expense was RMB 26.1 billion, representing an increase of 1.7% over 2010.
- (7) Profit attributable to non-controlling interests of the Company was RMB 5.2 billion, representing a decrease of 15.8% over 2010. This was mainly due to decrease of profits of the controlled subsidiaries of the Company compared with 2010.
- (8) Profit attributable to equity shareholders of the Company was RMB 73.2 billion, representing an increase of 2.0% over 2010.

6.1.2.2 Assets, Liabilities, Equity and Cash Flows

The main fund resources of the Company were operating activities and short and long-term loans, and the fund was primarily used as operating expenditures, capital expenditures and repayment of short and long-term borrowings.

(1) Assets, liabilities and equity

Unit: RMB millions

	At 31 December 2011	At 31 December 2010	Amount of Changes
Total assets	1,144,528	995,822	148,706
Current assets	342,755	260,229	82,526
Non-current assets	801,773	735,593	66,180
Total liabilities	637,184	544,786	92,398
Current liabilities	444,240	336,406	107,834
Non-current liabilities	192,944	208,380	(15,436)
Total equity attributable to equity shareholders of the Company	472,328	419,604	52,724
Share capital	86,702	86,702	0
Reserves	385,626	332,902	52,724
Non-controlling interests	35,016	31,432	3,584
Total equity	507,344	451,036	56,308

As of 31 December 2011, the Company's total assets were RMB 1,144.5 billion, representing an increase of RMB 148.7 billion compared with that at the end of 2010, of which:

Current assets was RMB 342.8 billion, an increased of RMB 82.5 billion from that at the end of 2010, mainly attributable to the fact that the inventory of the Company increased by RMB 46.9 billion as a result of the rise in prices of crude oil and other raw materials, the receivables of the Company increased by RMB15.6 billion as a result of the price rise of products; and the bills payable increased by RMB 12.0 billion.

Non-current assets was RMB 801.8 billion, an increase of RMB 66.2 billion from that at the end of 2010. This was mainly attributable to the fact that because of the performance of the annual plan by the company, the net amount for the property, plant and equipment was increased by RMB 25.2 billion, some constructions in progress within this current year was increased by RMB 21.7 billion and the Company's interests in associates and jointly controlled entities increased by RMB 2.7 billion.

As of 31 December, 2011, the Company's total liabilities were RMB 637.2 billion, representing an increase of RMB 92.4 billion compared with that at the end of 2010, of which:

Current liabilities was RMB 444.2 billion, an increase of RMB 107.8 billion from that at the end of 2010, mainly because of the price-up of raw materials such as crude oil and so on, the Company's trade accounts payables was increased by RMB 44.5 billion; and long-term debt due within one year increased by RMB 37.9 billion.

Non-current liabilities was 192.9 billion, representing a decrease of RMB 15.4 billion from that at the end of 2010, mainly due to the fact that the Company's long-term liabilities due within one year of RMB 37.9 billion was transferred in short-term liabilities and convertible bonds of RMB 23 billion were issued.

As of December 31, 2011, the equity was RMB 507.3 billion, representing an increase of RMB 56.3 billion over the same period of 2010, of which equity attributable to shareholders of the Company was RMB 472.3 billion, increased by RMB 52.7 billion from that at the end of 2010; non-controlling interests was RMB 35 billion, increased by RMB 3.6 billion over the same period of 2010.

(2) Cash flow

In 2011, the Company continuously expanded its sales volume with steady revenue and profit growth. However, its operating cash flow decreased year on year due to crude oil price hike and increased capital employment.

The following table sets forth the major items on the consolidated cash flow statements of 2011 and 2010.

Main items of cash flow	Units: RMB million	
	Years ended 31 December	
	2011	2010
Net cash generated from operating activities	150,622	170,333
Net cash used in investing activities	(140,449)	(105,788)
Net cash used in financing activities	(2,516)	(56,294)
Net increase in cash and cash equivalents	<u>7,657</u>	<u>8,251</u>

In 2011, the net cash generated from operating activities was RMB150.6 billion, representing a decrease of RMB 19.7 billion over 2010. This was mainly attributable to the fact that the Company's capital employed in inventory and accounts receivable surged due to its operation expansion and sharp rise in crude oil price.

In 2011, the net cash used in investing activities was RMB 140.4 billion, representing an increase of RMB 34.7 billion over 2010, which was mainly because of the cashflow of capital expenditure as a result of increased investment slated for the year.

In 2011, net cash outflow used in the company's financing activities was RMB 2.5 billion, representing a decrease of RMB 53.8 billion over the same period of 2010, mainly due to the fact that the Company raised RMB25.5 billion through bond issuance this year while the Company repaid RMB19.0 billion worth of debts including loans the same period last year. There was no significant acquisition occurred this year. The cash outflow in the acquisition segment decreased by RMB 13.2 billion, which was used in the acquisition of overseas oil and gas assets from the China Petrochemical Corporation last year.

(3) Contingent liabilities

Please refer to “material guarantee contracts and performance thereof” under “Significant Events”.

(4) Capital expenditures

Refer to the description on capital expenditures, which is provided in “Business Review and Prospects”.

(5) Research & development and environmental expenses

Research & development expenses refer to the expenses recognised as expenditure when they occur. In 2011, the expenditure for the research & development was RMB 4.862 billion.

In 2011, the Company’s environment protection expenditure was RMB 4.228 billion.

(6) Analysis of financial statements prepared under ASBE

The following table sets forth each of its segments' income and profit from principal operations, costs of sales, taxes and surcharges, as prepared under ASBE.

	Years ended 31 December	
	2011	2010
	RMB millions	RMB millions
Operating income		
Exploration and Production Segment	241,838	187,145
Refining Segment	1,212,072	971,577
Marketing and Distribution Segment	1,347,626	1,040,698
Chemicals Segment	420,490	327,622
Corporation and Others	1,134,182	796,789
Elimination of inter-segment sales	(1,850,525)	(1,410,649)
Consolidated operating income	<u>2,505,683</u>	<u>1,913,182</u>
Operating profit/(loss)		
Exploration and Production Segment	71,221	46,725
Refining Segment	(37,608)	14,873
Marketing and Distribution Segment	45,068	30,622
Chemicals Segment	25,292	14,763
Corporation and Others	(2,963)	(2,821)
Elimination of inter-segment sales	891	(1,455)
Financial expenses, investment income and gain/(loss) from changes in fair value	(935)	(1,355)
Consolidated operating profit	<u>100,966</u>	<u>101,352</u>
Net profit attributable to equity shareholders of the Company	<u>71,697</u>	<u>70,713</u>

Operating profit: In 2011, the operating profit of the Company was RMB 101.0 billion, representing a decrease of 0.4% over 2010.

Net profit: In 2011, the net profit attributed to the equity shareholders of the Company was RMB 71.7 billion, representing an increase of 1.4% over 2010.

	As of 31 December of 2011 RMB millions	As of 31 December of 2010 RMB millions	Changes RMB millions
Total assets	1,130,053	985,389	144,664
Long-term liabilities	191,455	207,080	(15,625)
Shareholders' equity	509,525	452,682	56,843

Analysis of changes:

Total assets: At the end of 2011, the Company's total assets were RMB 1,130.1 billion, representing an increase of RMB 144.7 billion compared with that at the end of 2010, which was mainly attributed to the fact that the Company expanded its operation; crude oil, raw materials and oil products prices were up; current assets including inventory, accounts receivable and bills receivable increased by RMB 78.1 billion compared with that at the end of 2010; non-current assets including fixed assets and projects under way increased by RMB 66.5 billion compared with that at the end of 2010 due to the implementation of its annual investment plan.

Long-term liabilities: At the end of 2011, the Company's long-term liabilities was RMB 191.5 billion, representing a decrease of RMB 15.6 billion compared with that at the end of 2010, mainly due to the fact that long-term liabilities due in 2012 were transferred in short-term liabilities.

Shareholders' equity: At the end of 2011, the shareholders' equity of the Company was RMB 509.5 billion, representing an increase of RMB 56.8 billion compared with that at the end of 2010, mainly because of the increase in the profits of the Company.

6.1.2.3 Measurement of fair value of derivatives and relevant system

The Company established and completed a decision-making mechanism, business flow and internal control relevant to financial instrument accounting and information disclosure.

Items relevant to measurement of fair values

Unit: RMB million

Items	Balance at the beginning of the year	Profits and losses from variation of fair values of the current year	Accumulated variation of fair values recorded into equity	Decrement of withdrawal of the current year	Balance at the end of the year
Financial assets					
Of which: 1. Financial assets at fair value					
through profit and loss	188	146			54
2. Financial assets held for trading	2,450	—	—	—	—
3. Available-for-sale financial assets	52	—	(15)	—	255
4. Cash flow hedging	148	—	142	—	837
Subtotal of financial assets	2,838	146	127	—	1,146
Financial liabilities	(1,803)	1,259	—	—	(3,569)
Investment properties	—	—	—	—	—
Productive biological assets	—	—	—	—	—
Totals	1,035	1,405	127	—	(2,423)

6.1.2.4 Information concerning financial assets and liabilities held in foreign currencies

Unit: RMB million

Items	Balance at the beginning of the year	Profits and losses from variation of fair values of the current year	Accumulated variation of fair values recorded into equity	Decrement of withdrawal of the current year	Balance at the end of the year
Financial assets					
Of which: 1. Financial assets at fair value through profit and loss	188	146	—	—	54
2. Loans and receivables	28,364	—	—	—	111,391
3. Available-for-sale financial assets	34	—	(10)	—	41
4. Held-to-maturity investments	—	—	—	—	—
5. Cash flow hedges	148	—	142	—	837
Subtotal of financial assets	28,734	146	132	—	112,323
Financial liabilities	(102,129)	259	—	—	(151,707)

Note: The financial assets and liabilities held by the Company in foreign currencies were mostly those held by its overseas subsidiaries, which were calculated in their functional currencies.

6.2 The Results of the Principal Operations by Segments

The following data are extracted from the financial statements prepared under ASBE.

Segment	Income from principal operations (RMB millions)	Cost of principal operations (RMB millions)	Gross profit margin (%) Note	Increase of income from principal operations compared with the preceding year (%)	Increase of cost of principal operations compared with the preceding year (%)	Increase/ decrease of gross profit margin compared with the preceding year (%)
Exploration and Production	241,838	96,353	42.1	29.2	7.6	2.2
Refining	1,212,072	1,086,565	(1.4)	24.8	35.0	(5.1)
Marketing and Distribution	1,347,626	1,257,298	6.5	29.5	29.5	(0.1)
Chemicals	420,490	374,964	10.4	28.3	29.7	(0.9)
Corporate and others	1,134,182	1,129,435	0.4	42.3	42.6	(0.2)
Elimination of inter-segment sales	(1,850,525)	(1,851,416)	N/A	N/A	N/A	N/A
Total	2,505,683	2,093,199	8.9	31.0	36.2	(2.6)

Note: Gross profit margin= (Income from principal operations - Cost of principal operations, tax and surcharges)/Income from principal operations

6.3 Principal operations in different regions

☐ Applicable ☒ Not applicable

6.4 Major Suppliers and Customers

Unit: RMB million

Total purchase from top five suppliers	Percentage over total purchase	Total sales to top five customers	Percentage over total sales
350,694	41.5%	213,300	9%

6.5 Operations of equity subsidiaries (applicable to the circumstance when the return on investment is more than 10% of the listed company's net profit)

☐ Applicable ☒ Not applicable

6.6 Explain the reason of material changes in the principal operations and their structure

☐ Applicable ☒ Not applicable

6.7 Explain the reason of material changes in the principal operations' earning power (gross profit ratio) as compared to the preceding year

☐ Applicable ☒ Not applicable

6.8 Analyze the reason of material changes in operating result and profit composition as compared to the preceding year

Items	At 31 December		Increase/(decrease)		Reasons for change
	2011	2010	Amount	Percentage	
	RMB millions	RMB millions	RMB millions	(%)	
Cash at bank and on hand	25,197	18,140	7,057	38.9	For the purpose of coping with the tightening of liquidity in the market and pressure of payment before the spring festival, the Company prepared some cash in advance
Bills receivable	27,961	15,950	12,011	75.3	Due to enlarged business scale and less discount activities
Accounts receivable	58,721	43,093	15,628	36.3	Due to enlarged business scale and the increased prices of major products
Inventories	203,417	156,546	46,871	29.9	Due to increased balances of raw materials and finished products as a result of increased prices of crude oil

Items	At 31 December		Increase/(decrease)		Reasons for change
	2011	2010	Amount	Percentage	
	RMB millions	RMB millions	RMB millions	(%)	
Fixed assets	565,936	540,700	25,236	4.7	Mainly due to enlarged production scale and the increased capital expenditure
Construction in Progress	111,311	81,934	29,377	35.9	Mainly due to enlarged production scale and the increased capital expenditure
Other non-current assets	12,232	9,392	2,840	30.2	Mainly due to the increased prepayments in connection with construction work and heavy equipment
Bills payable	5,933	3,818	2,115	55.4	Take advantage of the credit period of bills to meet the requirements of liquidity
Accounts payable	177,002	132,528	44,474	33.6	Due to enlarged business scale and the increased prices of crude and other materials and increased purchasing volume
Advances from customers	66,686	57,324	9,362	16.3	Mainly due to increased advances in marketing segment.
Non-current liabilities due	43,388	5,530	37,858	684.6	Mainly due to reclassification of debentures due within one year to this item
Debentures payable	100,137	115,180	(15,043)	(13.1)	Due to reclassification of RMB 23 billion convertible bond issued by Sinopec Corp. and debentures due within one year under the item of non-current liabilities due within one year
Other non-current liabilities	3,436	2,415	1,021	42.3	Due to increased deferred income from government grants
Specific reserves	3,115	1,325	1,790	135.1	Mainly due to increased safety production fund
Operating income	2,505,683	1,913,182	592,501	31.0	Due to the increased prices of crude oil and oil products as well as enlarged business scale and increased sales volume
Operating cost	2,093,199	1,537,131	556,068	36.2	Due to increased prices of crude oil and other materials and increased purchasing volume

Items	At 31 December		Increase/(decrease)		Reasons for change
	2011	2010	Amount	Percentage	
	RMB millions	RMB millions	RMB millions	(%)	
Sales taxes and surcharges	189,949	157,189	32,760	20.8	Due to increased special oil income levy as a result of increased crude oil prices as well as increased consumption tax and surcharges as a result of increase in operating income
Impairment losses	5,811	15,445	(9,634)	(62.4)	Please refer to Note 39 to the financial statements prepared in accordance with ASBE
Gain/(loss) from changes in fair value	1,423	(179)	1,602	—	Due to the market fair value fluctuation of the convertible bonds issued by Sinopec Corp.

6.9 Explanation of the material changes in operating environment and macro policies and rules and regulations that have produced, are producing or will produce significant influences on the company's financial conditions and operating result

☐ Applicable ☒ Not applicable

6.10 Explanation of whether the Company fulfilled its profits forecast in relation to assets or projects, if any profits forecast in relation to the Company's assets or projects, and the reporting period is within the profits forecast period

☐ Applicable ☒ Not applicable

6.11 Use of the proceeds from share issue

√ Applicable □ Not applicable

RMB million

Total proceeds	22,889.38*	Total proceeds used during this reporting period	17,171
		Total cumulative use of proceeds	17,171

	Planned Investment	Any changes in projects	Actual proceeds used	Returns	On schedule or not	Compliance with expected return
Committeed Projects						
Wuhan 800,000 tpa ethylene project	11,289.38	None	8,412	—	On schedule	—
Anqing Refinery Revamping project	3,000	None	1,945	—	On schedule	—
Shijiazhuang Refinery						
Revamping project	3,200	None	1,414	—	On schedule	—
Yulin-Jinan gas pipeline project	3,300	None	3,300	—	On schedule	—
Rizhao-Yizheng crude oil pipeline and supporting projects	2,100	None	2,100	The construction of the project was completed by the end of 2011. No returns yet	On schedule	—
Total	<u>22,889.38</u>	—	<u>17,171</u>	—	—	—

Statements on the failure to achieve

planned schedule and expected returns N/A

Statements on the reasons and

procedures of changes N/A

* The issuance costs of RMB 110.62 million (including the commissions for underwriters and other costs for the intermediary agencies) were deducted.

6.12 Projects not funded by proceeds from share issue

√ Applicable □ Not applicable

Project name	Capital investment in project (RMB billion)	Project progress	Project profit
Exploration and production segment	58.168	On schedule	Newly added reserves for crude oil of 411 million tonnes; Newly added crude capacity 5.683 million tonnes per year; Newly added gas capacity 1,476 billion cubic meters per year
Refining segment	22.525	On schedule	Newly added crude oil processing capacity of 7.5 million tonnes per year; Newly added hydrogenation processing capacity of 1.7 million tonnes per year; Newly added hydrofining processing capacity of 9.2 tonnes per year
Marketing and distribution segment	28.517	On schedule	Newly developed 1,638 oil (gas) stations
Chemical segment	9.235	On schedule	Newly added ethylene 0.1 million tonnes per year, propylene 0.1 million tonnes per year, ethyl benzene 0.12 million tonnes per year; BPA 0.15 million tonnes per year; Synthetic fibre 40,000 tonnes per year; Syntheric resin 0.235 tonnes per year
Corporate and others	2.136	On schedule	
Total	120.581		

6.13 Explanation of the board of directors about the accounting firm’s “non-standard comments”

☐ Applicable ☒ Not applicable

6.14 Business Prospects

Market Analysis

As a result of the European sovereign-debt crisis, 2012 will be a challenging year for the global economic recovery. The Chinese Government will continue to implement an active fiscal policy and a prudent monetary policy in pursuit of steady economic growth. We estimate that in 2012, the price of international crude oil will generally fluctuate in a high range due to the tight geopolitical situation and other factors. China’s policies to expand domestic demand, adjust economic structure and improve people’s living standard will continue to yield positive results, with domestic demand for petrochemical products continuing to grow, though at a slower pace. Through years of development, the Company has built a strong asset base with an improved ability to withstand risk and enhance competitiveness.

Production & Operation

In 2012, by expanding its resources and markets, reducing its costs and increasing the efficiency of its operations, Sinopec Corp. will promote scientific and technical innovation, strengthen its management, make further adjustments to its structure, optimise production and operations, improve safety production, energy saving and emission reduction. We will focus our efforts on the following work:

Exploration and production segment: In exploration, the Company will further explore subtle hydrocarbon reservoirs and vigorously explore new areas in east China. In the west, Sinopec Corp. will increase its efforts to explore key regions and identify alternative large reserves. In natural gas exploration, the Company will focus on key regions and accelerate activities; increase capacity buildup to explore unconventional resources with enhanced evaluation and breakthroughs for shale oil and gas. In crude oil development, the Company will enhance the development of tight oil reserves by applying hydraulic staged fracturing technology in horizontal wells, increase the recovery ratio in mature blocks, maintain production in East China and increase production in West China. In

natural gas development, Sinopec Corp. will focus on the buildup of production capacity, improve the organisation of operations and promote continuous and rapid growth of natural gas output. In 2012, the Company plans to produce 326.52 million barrels of crude oil (306.58 million barrels domestically and 19.94 million barrels overseas) and 582.6 billion cubic feet of natural gas.

Refining segment: Sinopec Corp. will follow closely the international oil prices and optimise resource procurement and processing with the objective of maximising overall profits. The Company will strive to lower crude procurement cost, and by optimising crude receiving, offload and transportation to reduce storage and transportation costs. The Company will increase the proportion of heavy crude, crude with high acid content and condensates as appropriate and actively process lower-quality crude oil while ensuring safety and quality. Sinopec Corp. will seek to achieve a high utilisation and adjust its plant operations in response to structural and seasonal changes in supply and demand of oil products. The Company will continuously upgrade the quality of its oil products through revamping of its refineries. The Company will also optimise structure and quality of its chemical feedstocks to improve profitability. For 2012, the Company plans to process 225 million tonnes of crude oil and produce 134 million tonnes of oil products.

Marketing segment: Sinopec Corp. will undertake market research and make appropriate adjustments to its marketing strategies, actively develop its retail business, strengthen direct sales and distribution operations and optimise its sales structure. The Company will accelerate construction of its service station network in key areas, further optimise the layout of its storage and transportation facilities, and speed up the construction of logistics hubs, commercial reserve tanks and storage tanks for pipeline transportation. The Company will seek to accelerate innovation of business models, develop its non-fuel business rapidly, strengthen IC card value-added services, explore and develop e-commerce businesses using its marketing platform. At the same time, Sinopec Corp. will emphasize the value of its brand with enhanced brand awareness. This year the Company plans to sell 157 million tonnes of oil products.

Chemical segment: Sinopec Corp. will respond rapidly to market dynamics and strive to create demand and expand the market. The Company will seek to take advantage of its resources to develop high-end products, to raise the proportion of high-value-added products and to promote development of specialty products via various ways such as independent R&D, technology license and joint

ventures. Sinopec Corp. will continue to optimise its feedstock supply chain, make optimal allocation of its high-quality naphtha resources and promote the transition to light feed stocks to help maximise resource value. Sinopec Corp. believes that meeting customer demand is its top priority and will improve its marketing network to increase customer satisfaction. The Company expects to produce 9.9 million tonnes of ethylene in 2012.

Research & development: The Company will seek to take full advantage of R&D's leading role by promoting independent innovation to accelerate the pace of breakthroughs in key areas. Sinopec Corp. will focus on the technical fields of unconventional resources such as shale oil and gas, coal to chemicals, biofuels as well as biochemical and carbon dioxide capture. We will continue to improve our core and proprietary technologies in oil and gas E&P, refining and chemical business. In E&P, our focus will be R&D efforts and applications of key technologies including the know-how to improve reserve utilisation rate, recovery rate and single well productivity. In refining, we will focus on developing new technologies to process inferior and heavy crude oil and improve our technologies to produce cleaner oil product. In chemical, our focus will be ethylene and polyolefin production technologies and high value-added products. In addition, energy saving and emission reduction will be further developed and applied. The Company shall underpin its future technology and business development by intensifying fundamental and forward-looking R&D efforts.

Capital expenditure: In 2012, the Company will allocate capital expenditure with profitability as the foremost objective. Key projects will have priority for funding. Total capital expenditure is expected to be RMB 172.9 billion for the year. Expenditure on exploration and development is estimated at RMB 78.2 billion, mainly for the exploration and production capacity buildup in the crude oil fields of Shengli, Tahe and south of Ordos and the natural gas fields of Yuanba and Ordos. The refining segment capital expenditure is expected to be RMB 36.8 billion, mainly for upgrading oil product quality and revamping lubricants facilities, proceeding with refinery revamping projects in Shanghai and the Jinling Petrochemical, accelerating construction of transportation systems such as the crude oil pipeline project linking Huangdao, Dongjiakou and Lanshan. The marketing and distribution segment expenditure is expected to be RMB 26.5 billion, mainly for construction and acquisition of service stations along highways, in major cities and in newly planned areas, accelerating

construction of oil product pipelines and storage facilities, improving sales network for oil product and promoting non-fuel businesses with IC card value-added services. The chemicals segment expenditure is estimated at RMB 25.9 billion, mainly for mechanical completion of the Wuhan ethylene project and start-up of the Yizheng 1,4-butylene glycol and Anqing acrylonitrile projects, and for continued progress in the Yanshan butyl rubber project, the Hainan aromatics project and the Guangzhou and Maoming polypropylene projects. Corporate and others segment expenditure is expected to be RMB 5.4 billion, mainly for international logistics and storage management, R&D facilities and IT projects.

In the new year, Sinopec Corp. will continue to implement the scientific development, outlook, improve its overall strength, international competitiveness and sustainability for more success in production and operations.

RISK FACTORS

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

Risks with regard to variation in macroeconomic situation: The business results of the Company are closely related to China's economic situation as well as global economic situation. Although global economy is on track of slow recovery after the financial crisis, it is unstable and has not yet entered into a virtuous circle featured by stability and growth. The business of the Company may be adversely affected by such factors as the impact on export due to trade protectionism of some countries, impact on import which is likely caused by regional trade agreements and etc..

Risks with regard to cyclical effects of the industry: The majority of the business income of the Company comes from the sales of petroleum products and petrochemical products, and part of the businesses and their related products are cyclical and sensitive to macro economy, cyclical changes of regional and global economy, the changes of the production capacity and output, demands of consumers, prices and supply of the raw materials, as well as prices and supply of the alternative products etc. Although the Company is an integrated company with upstream, midstream and downstream businesses, it can only mitigate the adverse influences of periodicity of the industry to some extent.

Risks with regard to macroeconomic policies and government regulation: Although the government is gradually relaxing the market entry regulations with regard to petroleum and petrochemicals businesses, the domestic petroleum and petrochemical industries are still subject to entry controls to a certain degree, which include: issuing license of crude oil and natural gas production, issuing license of sales of crude oil and natural gas, determining the maximum retail prices of gasoline, diesel and other petroleum products, the taxation of the special oil income levy, formulation of import and export quotas and procedures, formulation of safety, environmental protection and quality standards, formulation of policies on energy-saving and emission-reduction; meanwhile, there could be potential changes to macroeconomic and industry policies such as: further improvement of pricing mechanism of petroleum products, reforming and improvement of pricing mechanism of natural gas, and reforming in environmental tax, which could impact on the production and operations of the Company. Such regulations may have material effects on the operations and profitability of the Company.

Risks with regard to change of environmental legislation requirements: Our operation and production activities generate waste water, gas and solid. The Company has built up supporting effluent treatment systems to prevent and reduce pollution. The relevant government authorities may promulgate and implement more strict environmental protection laws and regulations, adopt more strict environment protection standards. Under the above-mentioned situation, the Company may incur more expenses in relation to the environment protection accordingly.

Risks with regard to uncertainties with obtaining additional oil and gas resources: The Company's ability to achieve sustainable development depends, to a certain extent, on our ability of discovering or acquiring additional oil and natural gas resources. To obtain additional oil and natural gas resources, the Company faces inherent risks associated with exploration and production and/or with acquiring oil and natural gas resources. The Company will have to invest a large amount of funds with no guarantee of certainty. If the Company fails to acquire additional resources through further exploration and production or acquisition, the oil and natural gas reserves and production of the Company will decline over time which will adversely affect the Company's financial situation and operational performance.

Risks with regard to external purchase of crude oil: A significant amount of crude oil as need by the Company is purchased externally. In recent years, especially influenced by the unstability of international financial market and geopolitics issues, the crude oil prices are subject to significant fluctuations. Additionally, and the supply of crude oil may even be interrupted due to major abrupt incidents. Although the Company has designed a specific emergency response plan, it may not fully avoid risks associated with any significant fluctuation of international crude oil prices and disruption of regional supply of crude oil.

Risks with regard to operational risks and natural disasters: The process of petroleum chemical production is exposed to risks of inflammation, explosion and environmental pollution and is vulnerable to natural disasters. Such contingencies may cause serious impact to the society, major financial losses to the Company and grievous injuries to people. The Company always pay great emphasise on the safety of production and has implemented a strict HSE management system as an effort to avoid such risks as far as possible. Meanwhile, the main assets and inventories of the Company have been insured. However, such measures may not shield the Company from financial losses or adverse impact resulting from such contingencies.

Investment risks: Petroleum and chemical sector is a capital intensive industry. Although the Company adopted a prudent investment strategy and conducted rigorous feasibility study on each investment project, certain investment risks may exist in the sense that expected returns may not be achieved due to major changes in factors such as market environment, prices of equipment and raw materials, and construction period during the implementation of the projects.

Currency risks: At present, China implements an administered floating exchange rate regime based on market supply and demand which is regulated with reference to a basket of currencies in terms of the exchange rate of RMB. In addition, the flexibility of the exchange rate of RMB has a trend of increasing. As the Company purchases a significant portion of crude oil in foreign currency which are based on US dollar-denominated prices, fluctuations in the exchange rate of Renminbi against US dollars and certain other foreign currencies may affect the Company's purchasing costs of crude oil.

Profit forecast for the new financial year

☐ Applicable ☒ Not applicable

6.15 Plan of the board of directors for profit appropriation or dividend dispatch

At the 18th meeting of the Fourth Session of the Board of Directors of Sinopec Corp., the Board approved the proposal to declare a final cash dividend of RMB0.20 per share (including tax). With an interim distributed dividend of RMB0.10 per share (including tax), the total dividend for year 2011 is RMB 0.30 per share (including tax). The distribution proposal will be implemented upon approval by the shareholders at the annual general meeting for 2011. The final dividends will be distributed on or before 7 June 2012, Thursday, to those shareholders whose names appear on the register of members of Sinopec Corp. at the close of business on 25 May 2012, Friday. The register of members for H shares of Sinopec Corp. will be closed from 21 May 2012, Monday, to 25 May 2012, Friday, (both dates are inclusive). In order to qualify for the final dividend, the holders of H shares must lodge all share certificates accompanied by the transfer documents with HKSCC Nominees Limited, at 1712-1716 on 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 18 May 2012, Friday, for registration.

The dividend will be denominated and declared in RMB, and distributed to domestic shareholders in RMB and to foreign shareholders in Hong Kong Dollar. The exchange rate for the dividend calculation in Hong Kong Dollar is based on the average benchmark exchange rate of RMB against Hong Kong Dollar as published by the People's Bank of China one week preceding the date of the declaration of such dividend.

§7. Significant events

7.1 Acquisition of assets

☐ Applicable ☒ Not applicable

7.2 Sales of assets

☐ Applicable ☒ Not applicable

7.3 Material guarantees

☒ Applicable ☐ Not applicable

Unit: RMB millions

Major external guarantees (excluding guarantees for the non-wholly owned controlled subsidiaries)

Guarantor	Relationship with the Company	Name of guaranteed company	Amount	Transaction Date (date of signing)	Period of guarantee	Type	Whether completed or not	Whether overdue or not	Amounts of overdue guarantee	Counter-guaranteed	Whether guaranteed for connected persons (yes or no) ^{Note 1}
Sinopec Corp.	the Company itself	Yueyang Sinopec Corp.	283	10 December 2003	10 December 2003 - 10 December 2017	joint obligations	No	No	No	No	No
Sinopec Corp.	the Company itself	Shanghai Gaoqiao-SK Solvent Co., Ltd.	2	30 March 2007	30 March 2007 - 30 March 2012	joint obligations	No	No	No	No	No
Sinopec Corp.	the Company itself	Shanghai Gaoqiao-SK Solvent Co., Ltd.	2	16 April 2007	16 April 2007 - 16 April 2012	joint obligations	No	No	No	No	No
Sinopec Sales Co., Ltd.	wholly-owned subsidiary	Xiamen Botan Storage Co., Ltd.	75	28 July 2011	28 July 2011 - 28 July 2012	joint obligations	No	No	No	No	No
Sinopec Yangzi Petrochemical Co., Ltd.	wholly-owned subsidiary	Sinopec Corp. Yangzi BP Petrochemical Acetyl Co., Ltd.	420			joint obligations	No	No	No	No	No
SSI ^{Note 3}	controlled subsidiary	Certain jointly controlled entities of China Petrochemical Corporation and certain JVs (other than China Petrochemical Corporation) of these jointly controlled entities	6,700			joint obligations	No	No	No	Yes ^{Note 4}	Yes ^{Note 5}
Total amount of guarantees provided during the reporting period ^{Note 2}											3,685
Total amount of guarantees outstanding at the end of the reporting period ^{Note 2} (A)											4,467
Guarantees by the Company to controlled subsidiaries											
Total amount of guarantee provided to controlled subsidiaries during the reporting period											None
Total amount of guarantee for controlled subsidiaries outstanding at the end of the reporting period (B)											None
Total amount of guarantees of the Company (including those provided for controlled subsidiaries)											
Total amount of guarantees (A+B)											4,467
The proportion of the total amount of guarantees to Sinopec Corp.'s net assets											0.94%
Guarantees provided for shareholders, de facto controller and connected persons (C)											326
Amount of debt guarantees provided directly or indirectly to the companies with liabilities to assets ratio over 70% (D)											2,355
The amount of guarantees in excess of 50% of the net assets (E)											None
Total amount of the above three guarantee items (C+D+E)											2,681
Statement of guarantee undue that might be involved in any joint and several liabilities											None
Statement of guarantee status											None

Note 1: As defined in the Listing Rules of the Shanghai Stock Exchange.

Note 2: The amount of guarantees provided during the reporting period and the amount of guarantees outstanding at the end of the reporting period include the guarantees provided by the controlled subsidiaries to external parties. The amount of the guarantees provided by these subsidiaries is derived by multiplying the guarantees provided by Sinopec Corp.'s subsidiaries by the percentage of shares held by Sinopec Corp. in such subsidiaries.

Note 3: For details, please refer to the section of connected transactions.

Note 4: SSI entered into guarantee agreements with some of the joint ventures to China Petrochemical Corporation. To avoid potential losses incurred by Sinopec Corp., Sinopec Corp. entered into a Payment Agreement with China Petrochemical Corporation, providing that China Petrochemical Corporation shall pay Sinopec Corp. an amount equal to 55% (Sinopec Corp. holds 55% of SSI's shareholding) of the total sum paid by SSI if SSI makes payment on account of the guarantee obligations. For details, refer to the announcements published on the websites of the Shanghai Stock Exchange(<http://www.sse.com.cn>) on 29 March 2010 and Hong Kong Stock Exchanges and Clearing Limited(<http://www.hkex.com.hk>) on 26 March 2010.

Note 5: The guarantee includes the amount of RMB 593 million provided to certain jointly controlled entities of China Petrochemical Corporation, which are recognized as guarantees provided for shareholders, de facto controller and connected persons, as well as guarantees provided directly or indirectly to the companies with liabilities to assets ratio over 70%. To avoid repetition, this amount is not included in item D.

7.4 Material Connected Transactions

7.4.1 Connected Transactions in the course of ordinary business

The aggregate amount of related transactions actually entered into by the Company during the year was RMB 506.588 billion, of which, expenses amounted to RMB 204.956 billion, (including RMB 193.006 billion for purchases of goods and services, RMB 3.856 billion for auxiliary and community services, RMB 7.479 billion of operating lease fee, RMB 615 million for interest expenses). Among which, purchases from China Petrochemical Corporation amounted to RMB148.444 billion (including purchases of products and services, i.e. procurement, storage, exploration and production services and production-related services, amounted to RMB 136.513 billion, representing 5.69% of the Company's operating expenses for the year 2011). The auxiliary and community services provided by China Petrochemical Corporation to the Company were RMB 3.856 billion, representing 0.16% of the operating expenses of the Company for 2011. In 2011, the housing rent paid by the Company was RMB 377 million, the rent for use of land was RMB 6.725 billion, and the expenses for other leases were RMB 358 million. The interest expenses were RMB 615 million. In 2011, the revenue amounted to RMB 301.632 billion (including RMB 301.456 billion for sales of products and services, RMB 151 million of interest income, RMB 25 million for agency commissions receivable), of which the sales to China Petrochemical Corporation amounted to RMB 83.232 billion, including RMB 83.056 billion for sales of products and services, representing 3.31% of operating revenues, RMB 151 million for interest income, and RMB 25 million for agency commission receivable.

In 2011, Sinopec Corp. provided RMB 2 billion of entrustment loan to its subsidiary Zhanjiang Dongxing.

In 2011 Sinopec Corp. provided RMB 1,433 million of loans to certain jointly controlled entities of China Petrochemical Corporation.

None of the amount of each of the above continuing connected transactions between the Company and its controlling shareholder, China Petrochemical Corporation exceeds the maximum limits for the continuing connected transactions approved by the general meeting of shareholders and the board of directors.

Please refer to notes to the financial statements prepared under the IFRS in this annual report for details of the connected transactions actually incurred during this year.

Other material connected transaction occurred in this year

Please refer to section 7.8.5 for details

Purchases/receiving services

Unit: RMB million

		Amount incurred during this year (2011)		Amount incurred during the previous year (2010)	
		Transaction amount	Percentage of the total amount of the type of transaction (%)	Transaction amount	Percentage of the total amount of the type of transaction (%)
Connected party	Connected transaction				
China Petrochemical Corporation	purchases of goods and services from connected persons	147,829	6.16	108,244	5.99
Other related parties	purchases of goods and services from connected persons	56,512	2.36	57,089	3.16
Total		204,341	8.52	165,333	9.15

Sales/provision of services

Unit: RMB million

		Amount incurred during the current period		Amount incurred during the previous period	
		Transaction amount	Percentage of the total amount of the type of transaction (%)	Transaction amount	Percentage of the total amount of the type of transaction (%)
Connected party	Connected transaction				
China Petrochemical Corporation	Sales of goods and provision of services to connected persons	83,081	3.32	61,268	3.20
Other related parties	Sales of goods and provision of services to connected persons	218,400	8.72	169,680	8.87
Total		301,481	12.04	230,948	12.07

Notes: Principle of pricing for connected transactions: (1) Government-prescribed prices and government-guided prices are adopted for products or projects if such prices are available; (2) Where there is no government-prescribed price or government-guided price for products or projects, the market price (inclusive of bidding price) will apply; (3) Where none of the above is applicable, the price will be decided based on the cost incurred plus a reasonable profit of not more than 6% of the price.

Other related parties: as defined under ASBE and IFRS but not under Chapter 14A of the Hong Kong Listing Rules nor under the Shanghai listing rules.

7.4.2 Connected obligatory rights and debts

☒ Applicable ☐ Not applicable

Unit: RMB millions

Connected Parties	Fund to connected parties		Fund from connected parties	
	Amount incurred	Balance	Amount incurred	Balance
China Petrochemical Corporation	1,619	2,139	2,141	10,386
Other related parties	(1,495)	963	0	0
Total	124	3,102	2,141	10,386

7.4.3 Occupation of Funds and relevant settlement

☐ Applicable ☒ Not applicable

7.5 Entrusted Cash Management

☐ Applicable ☒ Not applicable

7.6 Performance of commitments by China Petrochemical Corporation or shareholders holding 5% or more of shares during the reporting period

☒ Applicable ☐ Not applicable

By the end of the reporting period, the major commitments made by China Petrochemical Corporation include:

- i to comply with the connected transaction agreements;
- ii to solve issues regarding legality of the land use rights certificates and property ownership rights certificates within a specified period of time;
- iii to implement the Re-organisation Agreement (for definition, please refer to prospectus for issuing H shares);
- iv to grant licenses for intellectual property rights;
- v to refrain from competition within the industry of the Company;

- vi to withdraw from business competition and conflict of interests with Sinopec Corp.

The details of the above-mentioned commitments were included in the prospectus for the issuance of A shares of Sinopec Corp., which was published in *China Securities Journal*, *Shanghai Securities News* and *Securities Times* on 22 June 2001.

- vii On 27 October 2010, Sinopec Corp. disclosed an announcement, in which China Petrochemical Corporation made commitments, as the major refining business of China Petrochemical Corporation has been injected to Sinopec Corp., it'll dispose of its existing refining business to eliminate competition with Sinopec Corp within five years.

During the reporting period, Sinopec Corp. was not aware of any breach of the above-mentioned major commitments by the aforesaid shareholder.

7.6.2 Profit forecast during the reporting period

☐ Applicable ☒ Not applicable

7.7 Litigation and arbitration of significant importance

☐ Applicable ☒ Not applicable

7.8 Other significant events

7.8.1 MAJOR PROJECTS

(1) Wuhan Ethylene Project

The project mainly includes 800,000 tons per annum (“tpa”) ethylene units and downstream auxiliary utility units. With the construction starting from December 2007, it is expected to be put into operation in 2013.

(2) Shandong Liquefied Natural Gas (LNG) Project

Shandong LNG project mainly includes the constructions of a jetty designated for LNG with a 3-million-tpa terminal, and auxiliary transportation pipeline for natural gas. With the construction starting in September 2010, it is expected to be put into operation in 2014.

(3) Yuanba Gas Field Trial Production of Natural Gas Project (1.7 billion cubic meters per annum)

One purification plant and its auxiliary facilities are under construction. The production capacity of the newly-built plant in terms of the purification of natural gas will be 1.7 billion cubic meters per annum. With the construction starting from September 2011, it is expected to be put into operation in 2013.

7.8.2 ISSURANCE OF RMB23 BILLION A SHARE CONVERTIBLE BOND

A Share convertible bond of RMB23 billion were issued by Sinopec Corp. on 23 February 2011(hereby referred to as “Sinopec CB”, code : 110015). The par value and issuance price of Sinopec CB are both RMB 100. Sinopec CB were issued with a term of six years with annual interest rate of 0.5%, 0.7%,1.0%,1.3%,1.8% and 2.0% respectively. The initial conversion price was RMB 9.73 per share. It was listed on Shanghai Stock Exchange on 7 March 2011. For further details, please refer to the “Announcement of issuance of A Share Convertible Bonds by Sinopec Corp.” and the “Announcement of the Listing of A Share Convertible Bonds by Sinopec Corp.” published on websites of the Shanghai Stock Exchange and Sinopec Corp.. The proceeds are used in the following projects: Wuhan ethylene, Anqing refinery revamping, Shijiazhuang refinery revamping, Yulin-Jinan Gas Pipeline and Rizhao-Yizheng Crude Oil Pipeline. On 1 March 2012, Sinopec Corp. paid in full the interests of Sinopec CB accrued for the first interest payment year.

On 20 June 2011 and 19 September 2011, the conversion price of Sinopec CB was adjusted to RMB9.60 per share and consequently to RMB9.50 per share due to the dividend declaration and payment. On 15 December 2011, Sinopec Corp. held the second extraordinary general meeting for the year 2011, during the meeting, the proposal to adjust the conversion price of Sinopec CB downwards was approved. Starting from 27 December 2011, the conversion price of Sinopec CB was adjusted from RMB 9.50 per share to RMB 7.28 per share. As of December 31, 2011, our A shares increased by 34,662 shares as a result of the exercise of conversion by some convertible bonds holders. As at 31 December 2011, 34,662 A Shares had been converted, and the remaining bonds value was RMB 22,999,672,000.

7.8.3 CORPORATE BONDS OF NO MORE THAN RMB 20 BILLION AND A SHARE CONVERTIBLE BONDS OF NO MORE THAN RMB 30 BILLION ARE SET TO BE ISSUED.

On 12 October 2011, Sinopec Corp. held the first extraordinary general meeting of Sinopec Corp. for the year 2011, During the meeting, the “Proposals Regarding Issuance of Domestic Corporate Bonds and Other Related Matters” as well as the “Proposals Regarding Issuance of A Share Convertible Bonds and Other Related Matters” were considered and approved. The total value of the proposed issuance of domestic corporate bonds will not exceed RMB 20 billion, and the proceeds will be used to supplement the working capital and repayment of due debts. The total value of A share convertible bonds will not exceed RMB 30 billion and the proceeds will be used in the Shandong LNG project, Jinling oil products quality upgrading project, Yangzi oil products quality upgrading, revamping and expansion project, Yangzi oil products quality upgrading and revamping project, Changling oil products quality upgrading and revamping project, Jiujiang oil products quality upgrading and revamping project, Anqing refinery revamping and oil products quality upgrading project and Shijiazhuang Refinery Branch oil quality upgrading and revamping project.

7.8.4(1) Status of shareholding in other listed companies

Stock Code	Abbreviation	Initial investment (RMB)	Number of shares held at the end of period (10,000 shares)	Shareholding (%)	Source of shares	Book value at the end of period (RMB)	Gain/loss during the reporting period	Change in shareholders' interests during the reporting period	Accounting item
384	China Gas Holding	RMB136,426,500	21,000	4.79	acquired	136,426,500	—	—	Long-term equity investment

(2) Status of sharesholding interests in non-listed financial institutions, companies contemplated to be listed and dealings of shares in other listed companies

No.	Entities	Initial investment (RMB 10,000)	Number of shares held (10,000 shares)	Shareholding (%)	Book value at the end of the period (RMB 10,000)	Gain/loss during the reporting period	Change of shareholders' interests during the reporting period	Accounting items	Shares origin
1	Beijing International Trust Co., Ltd	20,000	20,000	14.29%	20,000	3,000	0	Long-term equity investment	Investment
2	Bank of Zhengzhou	1,000	1,000	0.5%	1,000	0	0	Long-term equity investment	Debt to shares
Total		21,000	—	—	21,000	3,000	0	—	—

7.8.5 MATERIAL CONNECTED TRANSACTION

Nil

7.8.6 The Board of Director issued Management Report of Internal Control, which was opined by the audit institution

7.8.7 Whether the Company disclosed report on performance of social responsibilities. Yes

§8. Report of the Board of Supervisors

Through process supervision on significant decision-makings and routine supervision on the operations, the Board of Supervisors hold the following opinions: Facing the complex domestic and international environment, the Company took the opportunities of rapid and steady economic growth in China, adhered to its principles in operation of “standardisation, professionalism and integrity”, actively expanded the resources, reinforced the strength of market development, and optimised the operation which resulting in steady increase in productions and improvement in operations with good operating results.

Firstly, the Board of Directors diligently fulfilled its obligations and exercised its rights under the PRC Company Law and the Articles of Association, and made scientific decisions on major issues concerning production and operation, reforms and development, etc; and the senior management diligently implemented the resolutions adopted by the Board of Directors, optimised the internal control, reinforced precision management, strived to lower the costs and enhance efficiency and strengthened the technological innovation. As a result, all work received remarkable effects. The Board of Supervisors did not discover any behaviors of any directors or senior management which constituted violations of laws, regulations, the Articles of Association, or were detrimental to the interests of Sinopec Corp. or the shareholders.

Secondly, the annual financial statement of 2011, issued by the Company, was prepared in accordance with ASBE and IFRS respectively, and met with relative requirements of domestic and international securities authorities and truly and fairly reflected the Company’s financial status and operational performance.

Thirdly, all connected transactions between Sinopec Corp. and China Petrochemical Corporation were in compliance with the relevant rules and regulations of listing places. All the connected transactions were conducted on the basis of fair and reasonable price and in line with the principle of “fairness, justice and transparency”. Nothing in these transactions was found to be detrimental to the interests of Sinopec Corp. or the non-connected shareholders.

Fourthly, the Board of Supervisors reviewed the Company’s Report on Internal Control and Self-Assessment and came to a conclusion that such report was objective, comprehensive and accurate, therefore there was no objection to such report by the Board of Supervisors.

Fifthly, Sinopec Corp. strictly implemented the special banking account for proceeds and all the application of proceeds have been matched with their disclosure. The Board of Supervisors have found no difference on the report.

Sixthly, the Company timely disclosed the material information according to the regulations of securities supervisory authorities, and the information disclosed was authentic, accurate and complete.

§9 Financial Statements

9.1 Auditors' opinion

Financial Statements ☐ Unaudited ☒ Audited

Auditors' opinion ☒ Standard unqualified opinion ☐ Not standard opinion

9.2 Financial Statements

9.2.1 Financial statements prepared in accordance with the Accounting Standards for Business Enterprises

Balance Sheet

Amounts in RMB millions

Items	31 December 2011		31 December 2010	
	The Group	The Company	The Group	The Company
Current assets:				
Cash at bank and on hand	25,197	20,953	18,140	11,882
Bills receivable	27,961	17,802	15,950	11,093
Accounts receivable	58,721	16,829	43,093	16,660
Other receivables	7,360	28,127	9,880	27,433
Prepayments	4,096	5,410	5,247	6,394
Inventories	203,417	144,148	156,546	103,170
Other current assets	836	502	594	507
Total current assets	327,588	233,771	249,450	177,139
Non-current assets:				
Long-term equity investments	47,458	102,101	45,037	111,354
Fixed assets	565,936	470,825	540,700	436,870
Construction in progress	111,311	101,641	81,934	70,688
Intangible assets	34,842	28,458	27,440	20,080
Goodwill	8,212	–	8,298	–
Long-term deferred expenses	9,076	8,018	7,560	6,058
Deferred tax assets	13,398	10,249	15,578	11,832
Other non-current assets	12,232	7,479	9,392	6,315
Total non-current assets	802,465	728,771	735,939	663,197
Total assets	1,130,053	962,542	985,389	840,336

Items	31 December 2011		31 December 2010	
	The Group	The Company	The Group	The Company
Current liabilities:				
Short-term loans	36,985	3,842	29,298	7,229
Bills payable	5,933	3,052	3,818	2,670
Accounts payable	177,002	128,138	132,528	87,244
Advances from customers	66,686	63,561	57,324	51,190
Employee benefits	1,795	1,341	7,444	7,037
Taxes payable	39,622	32,053	33,814	24,598
Other payables	57,662	74,525	54,871	73,825
Short-term debentures payable	—	—	1,000	—
Non-current liabilities due within one year	43,388	43,281	5,530	4,109
Total current liabilities	429,073	349,793	325,627	257,902
Non-current liabilities:				
Long-term loans	54,320	53,783	58,895	58,377
Debentures payable	100,137	100,137	115,180	115,180
Provision	18,381	17,114	15,573	14,462
Deferred tax liabilities	15,181	7,350	15,017	7,951
Other non-current liabilities	3,436	1,759	2,415	1,045
Total non-current liabilities	191,455	180,143	207,080	197,015
Total liabilities	620,528	529,936	532,707	454,917

Items	31 December 2011		31 December 2010	
	The Group	The Company	The Group	The Company
Shareholders' equity:				
Share capital	86,702	86,702	86,702	86,702
Capital reserve	29,583	37,983	29,414	37,922
Specific reserve	3,115	2,571	1,325	1,025
Surplus reserves	178,263	178,263	141,711	141,711
Retained profits	178,336	127,087	163,132	118,059
Foreign currency translation differences	(1,600)	—	(1,157)	—
Total equity attributable to shareholders of the Company	474,399	432,606	421,127	385,419
Minority interests	35,126	—	31,555	—
Total shareholders' equity	<u>509,525</u>	<u>432,606</u>	<u>452,682</u>	<u>385,419</u>
Total liabilities and shareholders' equity	<u>1,130,053</u>	<u>962,542</u>	<u>985,389</u>	<u>840,336</u>

Income statement

Amounts in RMB millions

Items	2011		2010	
	The Group	The Company	The Group	The Company
Operating income	2,505,683	1,541,765	1,913,182	1,188,495
Less: Operating costs	2,093,199	1,221,616	1,537,131	900,404
Sales taxes and surcharges	189,949	151,600	157,189	124,586
Selling and distribution expenses	38,399	33,489	31,981	26,291
General and administrative expenses	63,083	53,137	57,774	48,336
Financial expenses	6,544	6,622	6,847	6,096
Exploration expenses, including dry holes	13,341	13,341	10,955	10,955
Impairment losses	5,811	5,045	15,445	14,410
Add: Gain/ (loss) from changes in fair value	1,423	1,328	(179)	(222)
Investment income	4,186	19,210	5,671	23,073
Operating profit	100,966	77,453	101,352	80,268
Add: Non-operating income	3,411	3,029	2,108	1,803
Less: Non-operating expenses	1,739	1,546	1,282	1,016
Profit before taxation	102,638	78,936	102,178	81,055
Less: Income tax expense	25,774	13,415	25,335	14,257
Net profit	76,864	65,521	76,843	66,798

Items	2011		2010	
	The Group	The Company	The Group	The Company
Including: Net profit made by acquirees before the consolidation	—	—	3,043	—
Attributable to:				
Equity shareholders of the Company	71,697	65,521	70,713	66,798
Minority interests	5,167	—	6,130	—
	<u>76,864</u>	<u>65,521</u>	<u>76,843</u>	<u>66,798</u>
Basic earnings per share	0.827	—	0.816	—
Diluted earnings per share	0.795	—	0.808	—
	<u>0.795</u>	<u>—</u>	<u>0.808</u>	<u>—</u>
Net profit	76,864	65,521	76,843	66,798
Other comprehensive income:				
Cash flow hedges	142	—	(221)	—
Available-for-sale financial assets	(15)	(4)	(9)	(9)
Share of other comprehensive income of associates	(179)	(182)	(533)	(533)
Foreign currency translation differences	(676)	—	(1,360)	—
	<u>(728)</u>	<u>(186)</u>	<u>(2,123)</u>	<u>(542)</u>
Total other comprehensive income	(728)	(186)	(2,123)	(542)
Total comprehensive income	<u>76,136</u>	<u>65,335</u>	<u>74,720</u>	<u>66,256</u>
Attributable to:				
Equity shareholders of the Company	71,207	65,335	68,706	66,256
Minority interests	4,929	—	6,014	—
	<u>76,136</u>	<u>65,335</u>	<u>74,720</u>	<u>66,256</u>

Cash Flow Statement

Amounts in RMB millions

Items	2011		2010	
	The Group	The Company	The Group	The Company
Cash flows from operating activities:				
Cash received from sale of goods and rendering of services	2,889,482	1,792,430	2,215,212	1,383,041
Rentals received	437	404	392	163
Other cash received relating to operating activities	12,316	13,898	8,279	12,635
Sub-total of cash inflows	2,902,235	1,806,732	2,223,883	1,395,839
Cash paid for goods and services	(2,398,623)	(1,404,217)	(1,758,556)	(1,034,940)
Cash paid for operating leases	(12,611)	(10,038)	(12,414)	(9,948)
Cash paid to and for employees	(41,718)	(35,105)	(30,754)	(24,742)
Value added tax paid	(71,311)	(56,536)	(63,125)	(48,521)
Income tax paid	(29,798)	(17,149)	(14,158)	(8,420)
Taxes paid other than value added tax and income tax	(176,474)	(137,849)	(154,716)	(123,684)
Other cash paid relating to operating activities	(20,519)	(21,348)	(18,898)	(19,399)
Sub-total of cash outflows	(2,751,054)	(1,682,242)	(2,052,621)	(1,269,654)
Net cash flow from operating activities	151,181	124,490	171,262	126,185

Items	2011		2010	
	The Group	The Company	The Group	The Company
Cash flows from investing activities:				
Cash received from disposal of investments	3,039	2,337	1,687	146
Dividends received	2,961	17,638	1,335	19,815
Net cash received from disposal of fixed assets and intangible assets	1,216	1,157	16,145	16,137
Cash received on maturity of time deposits with financial institutions	6,383	3,840	3,626	73
Cash received from derivative financial instruments	3,679	—	4,646	—
Other cash received relating to investing activities	1,584	1,603	660	290
Sub-total of cash inflows	18,862	26,575	28,099	36,461
Cash paid for acquisition of fixed assets and intangible assets	(142,813)	(122,261)	(114,711)	(104,495)
Cash paid for acquisition of investments	(7,488)	(5,687)	(11,310)	(26,539)
Cash paid for acquisition of time deposits with financial institutions	(5,801)	(3,940)	(3,522)	(50)
Cash paid for derivative financial instruments	(3,768)	—	(5,273)	—
Sub-total of cash outflows	(159,870)	(131,888)	(134,816)	(131,084)
Net cash flow from investing activities	(141,008)	(105,313)	(106,717)	(94,623)

Items	2011		2010	
	The Group	The Company	The Group	The Company
Cash flows from financing activities:				
Cash received from borrowings	536,397	58,528	663,491	292,370
Cash received from issuance of 2011 Convertible Bonds, net of issuing expenses	22,889	22,889	—	—
Cash received from issuance of shares	—	—	2	2
Cash received from issuance of corporate bonds	5,000	5,000	21,000	20,000
Cash received from contribution from minority shareholders of subsidiaries	117	—	408	—
Sub-total of cash inflows	<u>564,403</u>	<u>86,417</u>	<u>684,901</u>	<u>312,372</u>
Cash repayments of borrowings	(532,667)	(65,837)	(672,804)	(284,918)
Repayments of corporate bonds and redemption of 2007 Convertible Bonds	(6,036)	(5,036)	(31,000)	(30,000)
Cash paid for acquisition of minority interests from subsidiaries, net	(36)	—	—	—
Cash paid for dividends, profits distribution or interest	(26,368)	(25,750)	(23,130)	(21,802)
Dividends paid to minority shareholders of subsidiaries	(1,812)	—	(1,051)	—
Distributions to Sinopec Group Company	—	—	(13,210)	(33)
Sub-total of cash outflows	<u>(566,919)</u>	<u>(96,623)</u>	<u>(741,195)</u>	<u>(336,753)</u>
Net cash flow from financing activities	<u>(2,516)</u>	<u>(10,206)</u>	<u>(56,294)</u>	<u>(24,381)</u>
Effects of changes in foreign exchange rate	<u>(18)</u>	<u>—</u>	<u>(25)</u>	<u>—</u>
Net increase in cash and cash equivalents	<u>7,639</u>	<u>8,971</u>	<u>8,226</u>	<u>7,181</u>

Consolidated Statement of Changes In Equity

Amounts in RMB millions

	2011								
	Share capital	Capital reserve	Specific reserve	Surplus reserves	Retained profits	Translation difference in foreign currency statements	Total shareholders' equity attributable to equity shareholders of the Company	Minority shareholders' interests	Total shareholders' equity
Balance at 1 January 2011	86,702	29,414	1,325	141,711	163,132	(1,157)	421,127	31,555	452,682
Change for the year									
1. Net profit	—	—	—	—	71,697	—	71,697	5,167	76,864
2. Other comprehensive income	—	(47)	—	—	—	(443)	(490)	(238)	(728)
Total comprehensive income	—	(47)	—	—	71,697	(443)	71,207	4,929	76,136
Transactions with owners, recorded directly in shareholders' equity:									
3. Appropriations of profits:									
- Appropriation for surplus reserves	—	—	—	36,552	(36,552)	—	—	—	—
- Distributions to shareholders	—	—	—	—	(19,941)	—	(19,941)	—	(19,941)
4. Acquisition of minority interests	—	(43)	—	—	—	—	(43)	(24)	(67)
5. Distributions to minority interests, net of contributions	—	—	—	—	—	—	—	(1,374)	(1,374)
6. Net increase in specific reserve for the year	—	—	1,790	—	—	—	1,790	40	1,830
7. Government grants	—	286	—	—	—	—	286	—	286
8. Others	—	(27)	—	—	—	—	(27)	—	(27)
Balance at 31 December 2011	86,702	29,583	3,115	178,263	178,336	(1,600)	474,399	35,126	509,525

Amounts in RMB millions

2010

	Total shareholders' equity attributable to equity foreign shareholders of the Company							Minority shareholders' interests	Total equity
Items	Share capital	Capital reserve	Specific reserves	Surplus reserves	Retained profits	Translation difference in currency statemnts	of the Company		
Balance at 1 January 2010	86,702	38,202	—	115,031	140,596	(70)	380,461	26,087	406,548
Change for the year									
1. Net profit	—	—	—	—	70,713	—	70,713	6,130	76,843
2. Other comprehensive income	—	(763)	—	—	—	(1,244)	(2,007)	(116)	(2,123)
Total comprehensive income	—	(763)	—	—	70,713	(1,244)	68,706	6,014	74,720
Transactions with owners, recorded directly in shareholders' equity:									
3. Appropriations of profits:									
- Appropriation for surplus reserves	—	—	—	26,680	(26,680)	—	—	—	—
- Distributions to shareholders	—	—	—	—	(16,473)	—	(16,473)	—	(16,473)
4. Warrants exercised	—	2	—	—	—	—	2	—	2
5. Consideration for the combination of entities under common control	—	(13,177)	—	—	—	—	(13,177)	—	(13,177)
6 Acquisition of minotity interests	—	(9)	—	—	—	—	(9)	—	(9)
7. Distributions to minority interests, net of contributions	—	—	—	—	—	—	—	(643)	(643)
8. Net increase in specific reserve for the year	—	—	1,325	—	—	—	1,325	60	1,385
9. Government grants	—	321	—	—	—	—	321	37	358
10. Reclassification	—	4,867	—	—	(5,024)	157	—	—	—
11. Others	—	(29)	—	—	—	—	(29)	—	(29)
Balance at 31 December 2010	86,702	29,414	1,325	141,711	163,132	(1,157)	421,127	31,555	452,682

Statement of Changes In Equity

Amounts in RMB millions

Items	2011					Total
	Share capital	Capital reserve	Specific reserve	Surplus reserves	Retained shareholders' profits	equity
Balance at 1 January 2011	86,702	37,922	1,025	141,711	118,059	385,419
Change for the year						
1. Net profit	—	—	—	—	65,521	65,521
2. Other comprehensive income	—	(186)	—	—	—	(186)
Total comprehensive income	—	(186)	—	—	65,521	65,335
Transactions with owners, recorded directly in shareholders' equity:						
3. Appropriations of profits:						
- Appropriation for surplus reserves	—	—	—	36,552	(36,552)	-
- Distributions to shareholders	—	—	—	—	(19,941)	(19,941)
4. Net increase in specific reserve for the year	—	—	1,546	—	—	1,546
5. Government grants	—	274	—	—	—	274
6. Others	—	(27)	—	—	—	(27)
Balance at 31 December 2011	86,702	37,983	2,571	178,263	127,087	432,606

Amounts in RMB millions

Items	2010					Total
	Share capital	Capital reserve	Specific reserve	Surplus reserves	Retained shareholders' profits	equity
Balance at 1 January 2010	86,702	38,234	—	115,031	94,414	334,381
Change for the year						
1. Net profit	—	—	—	—	66,798	66,798
2. Other comprehensive income	—	(542)	—	—	—	(542)
Total comprehensive income	—	(542)	—	—	66,798	66,256
Transactions with owners, recorded directly in shareholders' equity:						
3. Appropriations of profits:						
- Appropriation for surplus reserves	—	—	—	26,680	(26,680)	-
- Distributions to shareholders	—	—	—	—	(16,473)	(16,473)
4. Warrants exercised	—	2	—	—	—	2
5. Net increase in specific reserve for the year	—	—	1,025	—	—	1,025
6. Government grants	—	257	—	—	—	257
7. Others	—	(29)	—	—	—	(29)
Balance at 31 December 2010	86,702	37,922	1,025	141,711	118,059	385,419

9.2.2 Financial statements prepared in accordance with IFRS

Consolidated Income Statement

Amounts in RMB millions

Items	2011	2010
Turnover and other operating revenues		
Turnover	2,463,767	1,876,758
Other operating revenues	41,916	36,424
	<u>2,505,683</u>	<u>1,913,182</u>
Operating expenses		
Purchased crude oil, products and operating supplies and expenses	(2,031,545)	(1,482,484)
Selling, general and administrative expenses	(58,960)	(51,048)
Depreciation, depletion and amortisation	(63,816)	(59,253)
Exploration expenses, including dry holes	(13,341)	(10,955)
Personnel expenses	(41,529)	(33,672)
Taxes other than income tax	(189,949)	(157,189)
Other operating expenses, net	(1,013)	(13,607)
	<u>(2,400,153)</u>	<u>(1,808,208)</u>
Total operating expenses		
	<u>(2,400,153)</u>	<u>(1,808,208)</u>
Operating profit	<u>105,530</u>	<u>104,974</u>

Items	2011	2010
Finance costs		
Interest expense	(9,241)	(7,972)
Interest income	1,584	660
Unrealized gain/ (loss) on embedded derivative component of convertible bonds	1,259	(127)
Net foreign currency exchange gains	1,113	465
	<u> </u>	<u> </u>
Net finance costs	<u>(5,285)</u>	<u>(6,974)</u>
Investment income	<u>168</u>	<u>273</u>
Share of profits less losses from associates and jointly controlled entities	<u>4,152</u>	<u>5,390</u>
Profit before taxation	104,565	103,663
Tax expense	<u>(26,120)</u>	<u>(25,681)</u>
Profit for the year	<u>78,445</u>	<u>77,982</u>
Attributable to:		
Equity shareholders of the Company	73,225	71,782
Non-controlling interests	<u>5,220</u>	<u>6,200</u>
Profit for the year	<u>78,445</u>	<u>77,982</u>
Earnings per share		
Basic	<u>0.845</u>	<u>0.828</u>
Diluted	<u>0.812</u>	<u>0.820</u>

Items	2011	2010
Profit for the year:	<u>78,445</u>	<u>77,982</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
Cash flow hedge	142	(221)
Available-for-sale securities	(15)	(9)
Share of other comprehensive income of associates	(179)	(533)
Foreign currency translation differences	<u>(676)</u>	<u>(1,360)</u>
Total other comprehensive income	<u>(728)</u>	<u>(2,123)</u>
Total comprehensive income for the year	<u>77,717</u>	<u>75,859</u>
Attributable to:		
Equity shareholders of the Company	72,735	69,775
Non-controlling interests	<u>4,982</u>	<u>6,084</u>
Total comprehensive income for the year	<u>77,717</u>	<u>75,859</u>

Balance Sheet

Amounts in RMB millions

Items	31 December 2011		31 December 2010	
	The Group	The Company	The Group	The Company
Non-current assets				
Property, plant and equipment, net	565,936	470,825	540,700	436,870
Construction in progress	111,311	101,641	89,599	76,830
Goodwill	8,212	—	8,298	—
Investments in subsidiaries	—	70,364	—	81,777
Interest in associates	25,692	13,686	22,815	12,160
Interest in jointly controlled entities	19,992	10,094	20,199	9,330
Investments	1,829	937	2,075	895
Deferred tax assets	12,706	9,614	15,232	11,576
Lease prepayments	26,101	19,598	20,325	12,989
Long-term prepayments and other assets	29,994	24,344	16,350	13,304
Total non-current assets	<u>801,773</u>	<u>721,103</u>	<u>735,593</u>	<u>655,731</u>
Current assets				
Cash and cash equivalents	24,647	20,852	17,008	11,881
Time deposits with financial institutions	550	101	1,132	1
Trade accounts receivable, net	58,721	16,829	43,093	16,660
Bills receivable	27,961	17,802	15,950	11,093
Inventories	203,417	144,148	156,546	103,170
Prepaid expenses and other current assets	27,459	48,456	26,500	44,205
Total current assets	<u>342,755</u>	<u>248,188</u>	<u>260,229</u>	<u>187,010</u>

Items	31 December 2011		31 December 2010	
	The Group	The Company	The Group	The Company
Current liabilities				
Short-term debts	68,224	46,482	17,019	6,359
Loans from Sinopec Group Company and fellow subsidiaries	12,149	641	18,809	4,979
Trade accounts payable	177,002	128,138	132,528	87,244
Bills payable	5,933	3,052	3,818	2,670
Accrued expenses and other payables	176,878	182,996	153,478	158,901
Income tax payable	4,054	2,901	10,754	7,620
Total current liabilities	<u>444,240</u>	<u>364,210</u>	<u>336,406</u>	<u>267,773</u>
Net current liabilities	<u>(101,485)</u>	<u>(116,602)</u>	<u>(76,177)</u>	<u>(80,763)</u>
Total assets less current liabilities	<u>700,288</u>	<u>605,081</u>	<u>659,416</u>	<u>574,968</u>
Non-current liabilities				
Long-term debts	116,894	116,602	136,465	136,090
Loans from Sinopec Group Company and fellow subsidiaries	37,563	37,318	37,610	37,467
Deferred tax liabilities	15,181	7,350	15,017	7,951
Provisions	18,381	17,114	15,573	14,462
Other liabilities	4,925	2,846	3,715	1,909
Total non-current liabilities	<u>192,944</u>	<u>181,230</u>	<u>208,380</u>	<u>197,879</u>
	<u>507,344</u>	<u>423,851</u>	<u>451,036</u>	<u>377,089</u>
Equity				
Share capital	86,702	86,702	86,702	86,702
Reserves	385,626	337,149	332,902	290,387
Total equity attributable to equity shareholders of the Company	<u>472,328</u>	<u>423,851</u>	<u>419,604</u>	<u>377,089</u>
Non-controlling interests	<u>35,016</u>	<u>—</u>	<u>31,432</u>	<u>—</u>
Total equity	<u>507,344</u>	<u>423,851</u>	<u>451,036</u>	<u>377,089</u>

9.2.3 Differences between financial statements prepared in accordance with the accounting policies complying with ASBE and IFRS (unaudited)

- (1) Effects of major differences between the net profit under ASBE and the profit for the year under IFRS are analysed as follows:

Items	2011	2010
	RMB millions	RMB millions
Net profit under the ASBE	76,864	76,843
Adjustments:		
Government grants	97	100
Safety production fund	1,484	1,039
	<u> </u>	<u> </u>
Profit for the year under IFRS*	<u>78,445</u>	<u>77,982</u>

- (2) Effects of major differences between the shareholders' equity under the ASBE and the total equity under IFRS are analysed as follows:

Items	As at 31 December	
	2011	2010
	RMB millions	RMB millions
Shareholders' equity under the ASBE	509,525	452,682
Adjustments:		
Government grants	(1,489)	(1,300)
Safety production fund	(692)	(346)
	<u> </u>	<u> </u>
Total equity under IFRS*	<u>507,344</u>	<u>451,036</u>

- * The above figures are extracted from the financial statements prepared in accordance with the accounting policies complying with IFRS which have been audited by KPMG.

9.3 Provide explanation for any changes in accounting policy, accounting estimate or recognition policy as compared with for last annual report.

☒ applicable ☐ inapplicable

The IASB has issued a number of amendments to IFRS and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group's financial statements:

- IAS 24 (revised 2009), "Related party disclosures"
- Improvements to IFRS (2010)

IAS 24 (revised 2009) "Related party disclosures" simplifies the definition of "related party" and removes inconsistencies, which emphasises a symmetrical view of related party transactions. The revised standard also provides limited relief from disclosure of information by government-related entities in respect of transactions with the government to which the Group is related, or transactions with other entities related to the same government. The amendments to IAS 24 have had no material impact on the Group's financial statements.

In the Improvements to IFRS (2010) omnibus standard, the IASB extended the scope of paragraph D8 of IFRS 1, First time adoption of IFRS, for the use of the deemed cost exemption for an event-driven fair value. Under the amended standard, an entity is permitted to take as deemed cost the fair value of some or all of its assets and liabilities, when these fair values were determined under previous GAAP at one particular date because of a specific event which occurred during the period covered by its first financial statements prepared under IFRS. Previously, IFRS 1 only permitted such valuations to be used as deemed cost if the event occurred before the date of the entity's transition to IFRS (being the start of the earliest comparative period included in the first set of IFRS financial statements).

The Group's first financial statements prepared under IFRS were for the three year ended 31 December 1999 and for the six-month period ended 30 June 2000, with the start of the earliest comparative period being 1 January 1997. During that period and pursuant to applicable laws and regulations of the PRC, the Group's financial statements prepared under ASBE and other relevant rules and regulations (collectively "PRC GAAP") included leasehold land use rights at deemed cost based on the valuation performed by independent valuers as at 30 September 1999. As these valuations were performed as of a date later than the date of transition to IFRS, the Group was not permitted to adopt these valuations as deemed cost for the purposes of its IFRS financial statements and instead adopted the IFRS policy that leasehold land use rights be measured at historical cost and therefore, the related revaluation gains arising from the revaluation in 1999 as mentioned above were not recognised. The Group has chosen to adopt the amendments to IFRS 1 by making retrospective adjustments in order to eliminate the aforementioned differences between the Group's financial statements under IFRS and those under PRC GAAP. Specifically, the Group has retrospectively adjusted the amounts reported for previous periods in its IFRS financial statements to reflect the recognition of the leasehold land use rights at their deemed cost based on the valuation performed by the independent valuers as at 30 September 1999, with consequential adjustments for amortisation charged in subsequent periods.

The results of operation and financial condition previously reported by the Group as at and for the year ended 31 December 2010 have been restated to include the adoption of Improvements to IFRS (2010) as set out below.

	The Group, as previously reported RMB millions	Adoption of Improvements to IFRS (2010) RMB millions	The Group, as restated RMB millions
Results of operation:			
Profit attributable to the equity shareholders of the Company	71,800	(18)	71,782
Basic earnings per share (RMB)	0.828	—	0.828
Diluted earnings per share (RMB)	0.820	—	0.820
Financial condition:			
Goodwill	8,207	91	8,298
Deferred tax assets	15,516	(284)	15,232
Lease prepayments	19,464	861	20,325
Total non-current assets	734,925	668	735,593
Total equity	450,368	668	451,036

9.4 Details, adjusted amount, reason and impact of material accounting error.

There is no material error in the current report period.

9.5 Notes on the financial statements prepared under IFRS

9.5.1 Turnover

Turnover represents revenue from the sales of crude oil, natural gas, petroleum and chemical products, net of value-added tax.

9.5.2 Taxation

Taxation in the consolidated income statement represents:

	2011	2010
	RMB millions	RMB millions
Current tax		
- Provision for the year	22,731	22,177
- Under/ (over) provision in prior years	367	(299)
Deferred taxation	3,022	3,803
	<u>26,120</u>	<u>25,681</u>

Reconciliation between actual tax expense and the expected income tax at applicable tax rates is as follows:

	2011	2010
	RMB millions	RMB millions
Profit before taxation	<u>104,565</u>	<u>103,663</u>
Expected PRC income tax expense at a statutory tax rate of 25%	26,141	25,915
Tax effect of differential tax rate (Note)	(1,825)	(1,525)
Effect of income taxes from foreign operations in excess of taxes at the PRC statutory tax rate (Note)	1,587	2,639
Tax effect of non-deductible expenses	542	2,361
Tax effect of non-taxable income	(1,565)	(1,839)
Tax effect of utilisation of previously unrecognised tax losses and temporary differences	(394)	(1,663)
Tax effect of tax losses not recognised	734	92
Write-down of deferred tax assets	533	—
Under/(over) provision in prior years	<u>367</u>	<u>(299)</u>
Actual income tax expense	<u>26,120</u>	<u>25,681</u>

Notes:

The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain entities of the Group in the PRC that are taxed at preferential rates, and the foreign operation in the Republic of Angola (“Angola”) that is taxed at 50% of the assessable income as determined in accordance with the relevant income tax rules and regulations of Angola.

9.5.3 Basic and diluted earnings per share

The calculation of basic earnings per share for the year ended 31 December 2011 is based on the profit attributable to ordinary equity shareholders of the Company of RMB 73,225 million (2010: RMB 71,782 million) and the weighted average number of shares of 86,702,538,041 (2010: 86,702,513,472) during the year.

The calculation of diluted earnings per share for the year ended 31 December 2011 is based on the profit attributable to ordinary equity shareholders of the Company of RMB 72,938 million (2010: RMB 72,003 million) and the weighted average number of the shares of 89,795,334,781 (2010: 87,789,874,067) calculated as follows:

- (i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2011	2010
	RMB millions	RMB millions
Profit attributable to ordinary equity shareholders of the Company	73,225	71,782
After tax effect of interest expense (net of exchange gain) of the 2007 Convertible Bonds and the 2011 Convertible Bonds	657	126
After tax effect of unrealised (gain)/ loss on embedded derivative component of the 2007 Convertible Bonds and the 2011 Convertible Bonds	(944)	95
Profit attributable to ordinary equity shareholders of the Company (diluted)	<u>72,938</u>	<u>72,003</u>

(ii) Weighted average number of shares (diluted)

	2011	2010
	Number of shares	Number of shares
Weighted average number of shares at 31 December	86,702,538,041	86,702,513,472
Effect of conversion of the 2007 Convertible Bonds	1,084,859,551	1,087,360,595
Effect of conversion of the 2011 Convertible Bonds	<u>2,007,937,189</u>	<u>—</u>
Weighted average number of shares (diluted) at 31 December	<u><u>89,795,334,781</u></u>	<u><u>87,789,874,067</u></u>

9.5.4 Dividends

Dividends payable to equity shareholders of the Company attributable to the year represent:

	2011	2010
	RMB millions	RMB millions
Dividends declared and paid during the year of RMB 0.10 per share (2010: RMB 0.08 per share)	8,670	6,936
Dividends declared after the balance sheet date of RMB 0.20 per share (2010: RMB 0.13 per share)	<u>17,340</u>	<u>11,271</u>
	<u><u>26,010</u></u>	<u><u>18,207</u></u>

Pursuant to the Company's Articles of Association and a resolution passed at the Directors' meeting on 26 August 2011, the directors declared an interim dividend for the year ended 31 December 2011 of RMB 0.10 (2010: RMB 0.08) per share totalling RMB 8,670 million (2010: RMB 6,936 million) and the dividends were paid on 28 September 2011.

Pursuant to a resolution passed at the director's meeting on 23 March 2012, a final dividend in respect of the year ended 31 December 2011 of RMB 0.20 (2010: RMB 0.13) per share totalling RMB 17,340 million (2010: RMB 11,271 million) was proposed for shareholders' approval at the Annual General Meeting. Final dividend of RMB 17,340 million (2010: RMB 11,271 million) proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year represent:

	2011	2010
	RMB millions	RMB millions
Final dividends in respect of the previous financial year, approved and paid during the year of RMB 0.13 per share (2010: RMB 0.11 per share)	<u>11,271</u>	<u>9,537</u>

Pursuant to the shareholders' approval at the Annual General Meeting on 13 May 2011, a final dividend of RMB 0.13 per share totalling RMB 11,271 million in respect of the year ended 31 December 2010 was declared and paid on 30 June 2011.

Pursuant to the shareholders' approval at the Annual General Meeting on 18 May 2010, a final dividend of RMB 0.11 per share totalling RMB 9,537 million in respect of the year ended 31 December 2009 was declared and paid on 30 June 2010.

9.5.5 Trade accounts receivable, net and bills receivable

	The Group		The Company	
	2011	2010	2011	2010
	RMB millions	RMB millions	RMB millions	RMB millions
Amounts due from third parties	44,344	33,681	2,943	2,293
Amounts due from subsidiaries	—	—	11,168	9,930
Amounts due from Sinopec Group Company and fellow subsidiaries	6,185	1,848	474	1,180
Amounts due from associates and jointly controlled entities	9,204	8,886	3,101	4,344
	59,733	44,415	17,686	17,747
Less: Impairment losses for bad and doubtful debts	(1,012)	(1,322)	(857)	(1,087)
Trade accounts receivable, net	58,721	43,093	16,829	16,660
Bills receivable	27,961	15,950	17,802	11,093
	86,682	59,043	34,631	27,753

The ageing analysis of trade accounts and bills receivables (net of impairment losses for bad and doubtful debts) is as follows:

	The Group		The Company	
	2011	2010	2011	2010
	RMB millions	RMB millions	RMB millions	RMB millions
Within one year	86,580	58,987	34,572	27,713
Between one and two years	66	36	46	15
Between two and three years	16	11	5	17
Over three years	20	9	8	8
	86,682	59,043	34,631	27,753

Impairment losses for bad and doubtful debts are analysed as follows:

	The Group		The Company	
	2011	2010	2011	2010
	RMB millions	RMB millions	RMB millions	RMB millions
Balance at 1 January	1,322	1,921	1,087	1,526
Impairment losses recognised for the year	51	48	47	42
Reversal of impairment losses	(124)	(130)	(110)	(118)
Written off	(237)	(517)	(167)	(363)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December	<u>1,012</u>	<u>1,322</u>	<u>857</u>	<u>1,087</u>

Sales are generally on a cash term. Credit is generally only available for major customers with well-established trading records. Amounts due from Sinopec Group Company and fellow subsidiaries are repayable under the same terms.

Trade accounts and bills receivables (net of impairment losses for bad and doubtful debts) primarily represent receivables that are neither past due nor impaired. These receivables relate to a wide range of customers for whom there is no recent history of default.

9.5.6 Trade accounts and bills payable

	The Group		The Company	
	2011	2010	2011	2010
	RMB millions	RMB millions	RMB millions	RMB millions
Amounts due to third parties	167,207	120,224	50,622	37,998
Amounts due to Sinopec				
Group Company and fellow subsidiaries	6,429	6,613	4,266	3,465
Amounts due to associates and jointly controlled entities	3,366	5,691	1,597	1,341
Amounts due to subsidiaries	—	—	71,653	44,440
	177,002	132,528	128,138	87,244
Bills payable	5,933	3,818	3,052	2,670
Trade accounts and bills payable measured at amortised cost	182,935	136,346	131,190	89,914

The maturities of trade accounts and bills payables are as follows:

	The Group		The Company	
	2011	2010	2011	2010
	RMB millions	RMB millions	RMB millions	RMB millions
Due within 1 month or on demand	150,949	97,358	98,469	52,719
Due after 1 month but within 6 months	31,820	38,864	32,622	37,099
Due after 6 months	166	124	99	96
	182,935	136,346	131,190	89,914

9.5.7 Segment reporting

Information on the Group's reportable segments is as follows:

	2011	2010
	RMB millions	RMB millions
Turnover		
Exploration and production		
External sales	47,519	35,024
Inter-segment sales	173,115	133,691
	<u>220,634</u>	<u>168,715</u>
Refining		
External sales	189,504	159,858
Inter-segment sales	1,015,855	805,704
	<u>1,205,359</u>	<u>965,562</u>
Marketing and distribution		
External sales	1,335,569	1,032,900
Inter-segment sales	5,767	3,258
	<u>1,341,336</u>	<u>1,036,158</u>
Chemicals		
External sales	368,658	285,596
Inter-segment sales	45,203	35,581
	<u>413,861</u>	<u>321,177</u>
Corporate and others		
External sales	522,517	363,380
Inter-segment sales	610,585	432,415
	<u>1,133,102</u>	<u>795,795</u>
Elimination of inter-segment sales	<u>(1,850,525)</u>	<u>(1,410,649)</u>
Turnover	<u>2,463,767</u>	<u>1,876,758</u>
Other operating revenues		
Exploration and production	21,204	18,430
Refining	6,713	6,015
Marketing and distribution	6,290	4,540
Chemicals	6,629	6,445
Corporate and others	1,080	994
	<u>41,916</u>	<u>36,424</u>
Other operating revenues	<u>41,916</u>	<u>36,424</u>
Turnover and other operating revenues	<u><u>2,505,683</u></u>	<u><u>1,913,182</u></u>

	2011	2010
	RMB millions	RMB millions
Result		
Operating profit/(loss)		
By segment		
- Exploration and production	71,631	47,149
- Refining	(35,780)	15,851
- Marketing and distribution	44,696	30,760
- Chemicals	26,732	15,011
- Corporate and others	(2,640)	(2,342)
- Elimination	891	(1,455)
Total segment operating profit	105,530	104,974
Share of profits less losses from associates and jointly controlled entities		
- Exploration and production	248	158
- Refining	(421)	557
- Marketing and distribution	1,103	864
- Chemicals	2,560	3,211
- Corporate and others	662	600
Aggregate share of profits less losses from associates and jointly controlled entities	4,152	5,390
Investment income		
- Exploration and production	—	21
- Refining	4	26
- Marketing and distribution	143	169
- Chemicals	17	20
- Corporate and others	4	37
Aggregate investment income	168	273
Net finance costs	(5,285)	(6,974)
Profit before taxation	104,565	103,663

	2011	2010
	RMB millions	RMB millions
Assets		
Segment assets		
- Exploration and production	329,968	305,413
- Refining	274,507	231,106
- Marketing and distribution	231,664	190,368
- Chemicals	143,215	126,357
- Corporate and others	77,489	60,897
Total segment assets	<u>1,056,843</u>	<u>914,141</u>
Interest in associates and jointly controlled entities	45,684	43,014
Investments	1,829	2,075
Deferred tax assets	12,706	15,232
Cash and cash equivalents and time deposits with financial institutions	25,197	18,140
Other unallocated assets	2,269	3,220
Total assets	<u><u>1,144,528</u></u>	<u><u>995,822</u></u>
Liabilities		
Segment liabilities		
- Exploration and production	86,538	65,067
- Refining	63,753	51,554
- Marketing and distribution	83,625	76,981
- Chemicals	30,459	33,836
- Corporate and others	111,680	75,832
Total segment liabilities	<u>376,055</u>	<u>303,270</u>
Short-term debts	68,224	17,019
Income tax payable	4,054	10,754
Long-term debts	116,894	136,465
Loans from Sinopec Group Company and fellow subsidiaries	49,712	56,419
Deferred tax liabilities	15,181	15,017
Other unallocated liabilities	7,064	5,842
Total liabilities	<u><u>637,184</u></u>	<u><u>544,786</u></u>

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

	2011	2010
	RMB millions	RMB millions
Capital expenditure		
- Exploration and production	58,749	52,680
- Refining	25,767	20,015
- Marketing and distribution	28,517	26,168
- Chemicals	15,015	12,894
- Corporate and others	2,136	1,894
	<u>130,184</u>	<u>113,651</u>
Depreciation, depletion and amortisation		
- Exploration and production	35,455	31,515
- Refining	11,519	11,355
- Marketing and distribution	7,202	6,489
- Chemicals	8,457	8,864
- Corporate and others	1,183	1,030
	<u>63,816</u>	<u>59,253</u>
Impairment losses on long-lived assets		
- Exploration and production	2,153	3,250
- Refining	78	4,902
- Marketing and distribution	269	1,183
- Chemicals	308	5,121
- Corporate and others	1	21
	<u>2,809</u>	<u>14,477</u>

9.6 Changes in the scope of consolidation.

☐ applicable ☒ inapplicable

§10. Repurchase, Sales and Redemption of Shares

Save for disclosed in this announcement, during the reporting period, neither Sinopec Corp. nor any of its subsidiaries repurchased, sold or redeemed any securities of Sinopec Corp. or its subsidiaries.

§11. Application of the Model Code

During this reporting period, none of the directors had breached the requirements set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules.

§12. Code on Corporate Governance Practice

Sinopec Corp. has complied with the code provisions of the Code on Corporate Governance Practice as set out in Appendix 14 to the Hong Kong Listing Rules.

§13. Review of Financial Results

The financial results for the year ended 31 December 2011 have been reviewed with no disagreement by the Audit Committee of Sinopec Corp.

§14. A detailed results announcement containing all the information required by Paragraphs 45 of Appendix 16 to the Hong Kong Listing Rules will be published on the website of the Hong Kong Stock Exchange in due course.

This announcement is published in both English and Chinese languages. The Chinese version shall prevail.

By order of the Board

Fu Chengyu

Chairman

Beijing, China, 23 March 2012

As of the date of this announcement, directors of Sinopec Corp. are: Fu Chengyu, Wang Tianpu#, Zhang Yaocang*, Zhang Jianhua#, Wang Zhigang#, Cai Xiyu#, Cao Yaofeng*, Li Chunguang*, Dai Houliang#, Liu Yun*, Li Deshui+, Xie Zhongyu+, Chen Xiaojin+, Ma Weihua+ and Wu Xiaogen+.*

Executive Director

** Non-executive Director*

+ Independent Non-executive Director