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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)

Annual Results for the Year Ended 31 December 2012

1. Important Notice

1.1 The Board of Directors (the “Board of Directors”) of China Petroleum & Chemical Corporation (“Sinopec Corp.”), the board of Supervisors, directors, supervisors and Senior Management warrant that there are no misrepresentations, misleading statements contained in or material omission from or 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 for the year ended 31 December 2012 (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 2012 for more details.

1.2 The Annual Report has been approved unanimously at the Sixth Meeting of the Fifth Session of the Board of Directors of Sinopec Corp.. All directors of Sinopec Corp. attended the Sixth Meeting of the Fifth Session of the Board of Directors. No Director has any doubt as to, or the inability to warrant, the authenticity, accuracy and completeness of the annual report.

- 1.3** The annual financial statements for the year ended 31 December 2012 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 (Special General Partnership) and KPMG Certified Public Accountants (“KPMG”), respectively, and both firms have issued standard unqualified auditor’s report.
- 1.4** There is no appropriation of the Company’s funds for non-operational purpose by any controlling shareholders or their connected persons.
- 1.5** There is no violation of decision-making procedures in providing external guarantees by Sinopec Corp..
- 1.6** 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 Financial Department warrant the authenticity and completeness of the financial statements contained in the annual report for the year ended 31 December 2012.

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 Chaoyangmen North Street, Chaoyang District, Beijing, China			
Postcode	100728			
Website	http://www.sinopec.com			
E-mail	ir@sinopec.com / media@sinopec.com			

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. Huang Wensheng	Mr. Huang Wensheng	Mr. Zheng Baomin
Address	22 Chaoyangmen 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 / media@sinopec.com			

3 Principal Financial Data and Indicators

3.1 Financial Data and Indicators Prepared in Accordance with China Accounting Standards for Business Enterprises (“ASBE”)

(1) Principal financial data

Items	For the years ended 31 December			
	2012 RMB millions	2011 RMB millions	Change %	2010 RMB millions
Operating income	2,786,045	2,505,683	11.2	1,913,182
Operating profit	87,926	100,966	(12.9)	101,352
Profit before taxation	90,107	102,638	(12.2)	102,178
Net profit attributable to equity shareholders of the Company	63,496	71,697	(11.4)	70,713
Net profit attributable to equity shareholders of the Company before extraordinary gain and loss	61,922	70,453	(12.1)	68,345
Net cash flow from operating activities	<u>143,462</u>	<u>151,181</u>	<u>(5.1)</u>	<u>171,262</u>

Items	At 31 December			
	2012 RMB millions	2011 RMB millions	Change %	2010 RMB millions
Total assets	1,247,271	1,130,053	10.4	985,389
Total liabilities	696,670	620,528	12.3	532,707
Total equity attributable to equity shareholders of the Company	513,374	474,399	8.2	421,127
Total shares (10,000 shares)	<u>8,682,029</u>	<u>8,670,256</u>	<u>0.1</u>	<u>8,670,253</u>

(2) Principal financial indicators

Items	For the years ended 31 December			
	2012 RMB	2011 RMB	Change %	2010 RMB
Basic earnings per share	0.731	0.827	(11.6)	0.816
Diluted earnings per share	0.704	0.795	(11.4)	0.808
Basic earnings per share based on latest total shares (Note)	0.708	0.826	(14.3)	0.816
Basic earnings per share (before extraordinary gain and loss)	0.713	0.813	(12.3)	0.788
Weighted average return on net assets (%)	12.80	15.93	(3.13) percentage points	17.43
Weighted average return (before extraordinary gain and loss) on net assets (%)	12.48	15.66	(3.18) percentage points	16.94
Net cash flow from operating activities per share	<u>1.653</u>	<u>1.744</u>	<u>(5.2)</u>	<u>1.975</u>

Note: Basic earnings per share based on the total shares in the last trading day before publication of annual results.

Items	At 31 December			
	2012 RMB	2011 RMB	Change %	2010 RMB
Net assets attributable to equity shareholders of the Company per share	5.913	5.472	8.1	4.857
Liabilities to assets ratio (%)			0.95 percentage points	
	<u>55.86</u>	<u>54.91</u>	<u></u>	<u>54.06</u>

(3) Extraordinary items and corresponding amounts

Items	(Income)/expenses for the year ended 31 December		
	2012 RMB millions	2011 RMB millions	2010 RMB millions
Gain on disposal of fixed assets	(133)	(754)	(253)
Donations	231	90	177
Government grants	(2,814)	(1,400)	(1,096)
Gain on holding and disposal of various investments	(69)	(48)	(71)
Net profit of subsidiaries generated from a business combination involving entities under common control before acquisition date	—	—	(3,043)
Other non-operating expenses, net	553	385	362
Subtotal	(2,232)	(1,727)	(3,924)
Tax effect	558	432	220
Total	<u>(1,674)</u>	<u>(1,295)</u>	<u>(3,704)</u>
Attributable to:			
Equity shareholders of the Company	(1,574)	(1,244)	(2,368)
Minority interests	<u>(100)</u>	<u>(51)</u>	<u>(1,336)</u>

(4) Significant changes of items in the financial statements

The table below sets forth reasons for those changes where the fluctuation was more than 30% during the reporting period, or such changes which constituted 5% or more of total assets at the balance sheet date or more than 10% of profit before taxation:

Items	At 31 December		Increase/(decrease)		Reasons for change
	2012	2011	Amount	Percentage	
	RMB millions	RMB millions	RMB millions	(%)	
Cash at bank and on hand	10,864	25,197	(14,333)	(56.88)	Due to centralized management of funds, reduced position of cash
Accounts receivable	81,395	58,721	22,674	38.61	Due to business scale growth
Construction in progress	168,977	111,311	57,666	51.81	Mainly due to production growth and increased capital expenditure
Intangible assets	49,834	34,842	14,992	43.03	Please refer to Financial Statements under ASBE, Note 14
Short-term loans	70,228	36,985	33,243	89.88	Due to adjustment to debt structure, and the increase in low cost borrowings in USD
Taxes payable	21,985	39,622	(17,637)	(44.51)	Please refer to Financial Statements under ASBE, Note 25
Short-term debentures payable	30,000	—	30,000	N/A	Issuance of RMB 30 billion short-term debentures in 2012

Items	At 31 December		Increase/(decrease)		Reasons for change
	2012	2011	Amount	Percentage	
	RMB millions	RMB millions	RMB millions	(%)	
Non-current liabilities due within one year	15,754	43,388	(27,634)	(63.69)	Repayment of bonds due within one year
Financial expenses	9,819	6,544	3,275	50.05	Decrease in exchange gains and increase in debts bearing interests
Impairment losses	7,906	5,811	2,095	36.05	Please refer to Financial Statements under ASBE, Note 39
Gain from changes in fair value	206	1,423	(1,217)	(85.52)	Due to fair value change of the embedded derivatives of convertible bonds issued by the Company
Investment income	1,540	4,186	(2,646)	(63.21)	Please refer to Financial Statements under ASBE, Note 41
Non-operating income	4,573	3,411	1,162	34.07	Please refer to Financial Statements under ASBE, Note 42
Non-operating expense	2,392	1,739	653	37.55	Please refer to Financial Statements under ASBE, Note 43

3.2 Financial Information Extracted from the Financial Statements Prepared in Accordance with International Financial Reporting Standards (“IFRS”)

Items	For the years ended 31 December				
	2012 RMB millions	2011 RMB millions	2010 RMB millions	2009 RMB millions	2008 RMB millions
Turnover ,other operating revenues and other income	2,786,045	2,505,683	1,913,182	1,345,052	1,495,148
Operating profit	98,662	105,530	104,974	90,669	38,551
Profit before taxation	90,642	104,565	103,663	86,574	33,412
Profit attributable to equity shareholders of the Company	63,879	73,225	71,782	63,129	31,180
Basic earnings per share (RMB)	0.736	0.845	0.828	0.728	0.360
Diluted earnings per share (RMB)	0.708	0.812	0.820	0.723	0.319
Return on capital employed (%)	9.09	11.49	12.95	11.67	5.92
Return on net assets (%)	12.50	15.50	17.11	16.63	9.44
Net cash generated from operating activities per share (RMB)	<u>1.640</u>	<u>1.737</u>	<u>1.965</u>	<u>1.909</u>	<u>0.997</u>

Items	At 31 December				
	2012 RMB millions	2011 RMB millions	2010 RMB millions	2009 RMB millions	2008 RMB millions
Non-current assets	901,678	801,773	735,593	697,474	635,533
Net current liabilities	148,358	101,485	76,177	114,442	126,570
Non-current liabilities	205,284	192,944	208,380	177,526	156,263
Non-controlling interests	37,122	35,016	31,432	25,991	22,324
Total equity attributable to equity shareholders of the Company	510,914	472,328	419,604	379,515	330,376
Net assets per share (RMB)	5.885	5.448	4.840	4.377	3.810
Adjusted net assets per share (RMB)	<u>5.764</u>	<u>5.339</u>	<u>4.747</u>	<u>4.299</u>	<u>3.719</u>

3.3 Major Difference between the Audited Financial Statements Prepared Under ASBE and IFRS

√ Applicable □ Not Applicable

	ASBE	IFRS
Profit for the year (RMB millions)	66,411	66,796
Analysis of the difference	Please see 12.2.3	

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

4.1 Changes in the share capital

√ Applicable □ Not Applicable

Unit: Share

Items	Before change		New shares issued	Bonus issued	Increase/(decrease)			Sub-total	After change	
	Numbers	Percentage (%)			Conversion from reserve	Others	Number		Percentage (%)	
RMB ordinary shares	69,922,074,436	80.65	—	—	—	117,724,450	117,724,450	70,039,798,886	80.67	
Domestically listed foreign shares	—	—	—	—	—	—	—	—	—	
Overseas listed foreign shares	16,780,488,000	19.35	—	—	—	—	—	16,780,488,000	19.33	
Others	—	—	—	—	—	—	—	—	—	
Total Shares	86,702,562,436	100	—	—	—	117,724,450	117,724,450	86,820,286,886	100	

4.2 Number of shareholders and shareholdings of principal shareholders

The total number of shareholders of Sinopec Corp. as at 31 December 2012 was 732,218 including 725,663 holders of domestic A Shares and 6,555 holders of overseas H Shares. As at 18 March 2013, the total number of shareholders of Sinopec Corp. was 699,189. Sinopec Corp. has complied with requirement for minimum public float under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Hong Kong Listing Rules”). From the end of the reporting period to 28 February 2013, a total of 4,006 shares was converted from the RMB 23 billion A share convertible bond (“Sinopec CB”).

(1) Shareholdings of top ten shareholders

The shareholdings of top ten shareholders as at 31 December 2012 are listed as below

Name of shareholders	Nature of Shareholders	Percentage of shareholdings %	Total number of shares held	Changes of shareholding ¹	Unit: Share
					Number of shares subject to pledges or lock-up
China Petrochemical Corporation	State-owned share	75.79	65,797,127,692	39,083,199	0
HKSCC Nominees Limited ²	H share	19.21	16,677,244,472	5,255,000	N/A
Guotai Junan Securities Co., Ltd.	A share	0.23	203,708,135	(53,042,722)	0
PICC Life Insurance Company Limited					
-Bonus-Personal					
Insurance Bonus	A share	0.12	100,428,473	(42,695,067)	0
China Securities Finance Co., Ltd.					
- refinancing collateral					
securities account	A share	0.07	58,000,000	58,000,000	0
China Life Insurance Co., Ltd.					
- dividends – personal bonus					
- 005 - I - FH002 Shanghai	A share	0.06	55,612,746	(115,344,770)	0
Bank of Communications					
- e 50 index securities					
investment funds	A share	0.06	54,428,862	24,085,062	0
Taikang Life Insurance Co., Ltd.					
-Bonus-Personal					
Bonus-019L-FH002 Shanghai	A share	0.05	47,358,399	16,858,559	0
Industrial and Commercial Bank of China – investment bank					
core enterprise stock					
securities investment fund	A share	0.05	44,225,356	44,225,356	0
China Pacific Life Insurance Co., Ltd. – traditional – general					
insurance products	A share	0.05	40,387,540	33,889,363	0

Note 1 As compared with the number of shares at 31 December 2011.

Note 2 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 person relationship or acting in concert among the above-mentioned shareholders:

We are not aware of any connected person relationship or acting in concert among or between the above-mentioned top ten shareholders.

4.3 Information about the controlling shareholder and the de facto controller

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

(1) Controlling shareholder

The controlling shareholder of Sinopec Corp. is China Petrochemical Corporation. Established in July 1998, China Petrochemical Corporation is a state-authorized investment organisation and a state-owned company. Its registered capital is RMB 231.6 billion, and the legal representative is Mr. Fu Chengyu. The organization code of China Petrochemical Corporation is 10169286-X. Through re-organisation in 2000, China Petrochemical Corporation injected its principal petroleum and petrochemical businesses 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.

Stock ownership of other listed companies directly held by China Petrochemical Corporation

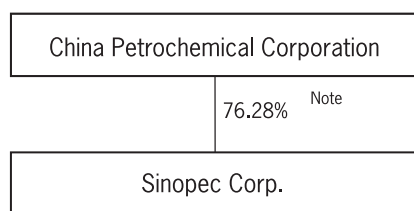
Name of Company	Number of Shares (shares)	Percentage
China Merchants Energy Shipping Co., Ltd	911,886,426	19.32%
People's Daily Online	2,003,367	0.72%

(2) Other than HKSCC Nominees Limited, there was no other legal person or shareholder to hold 10% or more of shareholdings of Sinopec Corp.

(3) Basic information of the de facto controller

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

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



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

5. Directors, Supervisors and Senior Management and Employees

5.1 Appointment or Termination of Directors, Supervisors and Senior Management

In May 2012, Mr. Fu Chengyu, Mr. Wang Tianpu, Mr. Zhang Yaocang, Mr. Zhang Jianhua, Mr. Wang Zhigang, Mr. Cai Xiyong, Mr. Cao Yaofeng, Mr. Li Chunguang, Mr. Dai Houliang, Mr. Liu Yun, Mr. Chen Xiaojin (Independent Non-executive Director), Mr. Ma Weihua (Independent Non-executive Director), Mr. Jiang Xiaoming (Independent Non-executive Director), Mr. Andrew Y. Yan (Independent Non-executive Director) and Ms. Bao Guoming (Independent Non-executive Director) were elected as the Directors of the Fifth Session of Board of Directors in the annual shareholder's meeting of 2011 of Sinopec Corp.. Due to tenure and work adjustment, Mr. Li Deshui, Mr. Xie Zhongyu and Mr. Wu Xiaogen, the Independent Non-executive Directors of the Fourth Session of Board of Directors of Sinopec Corp. resigned from the positions as Board Directors of Sinopec Corp.

Mr. Xu Bin, Mr. Geng Limin, Mr. Li Xinjian, Mr. Zou Huiping and Mr. Kang Mingde were elected as the Supervisors of the Fifth Session of Board of Supervisors in the annual shareholder's meeting. In addition, Mr. Zhou Shiliang, Mr. Chen Mingzheng, Mr. Jiang Zhenying and Mr. Yu Renming were chosen through democratic election of employees as the Employee Representative Supervisors representing the employees of the Fifth Session of Board of Supervisors. Due to age and work adjustment, Mr. Wang Zuoran, the Chairman of the Fourth Session of Board of Supervisors of Sinopec Corp., Mr. Zhang Youcai, the Vice Chairman and Mr. Li Yonggui, the Supervisor, resigned from the positions as supervisors of Sinopec Corp.

At the 1st meeting of the Fifth Session of the Board of Directors of Sinopec Corp., Mr. Fu Chengyu was elected as the Chairman of the Fifth session of the Board of Directors, Mr. Wang Tianpu and Mr. Zhang Yaocang as the Vice Chairmen. Mr. Wang Tianpu was appointed as President by the Board, Mr. Zhang Jianhua, Mr. Wang Zhigang, Mr. Cai Xiyong and Mr. Dai Houliang as Senior Vice Presidents, Mr. Wang Xinhua as CFO, Mr. Zhang Kehua, Mr. Zhang Haichao, Mr. Jiao Fangzheng, Mr. Lei Dianwu and Mr. Ling Yiqun as Vice Presidents. Due to work adjustment, Mr. Chen Ge resigned from the position as Secretary to the Board and Mr. Huang Wensheng was appointed as Secretary to the Board of Directors of Sinopec Corp..

6 Business Review and Prospects

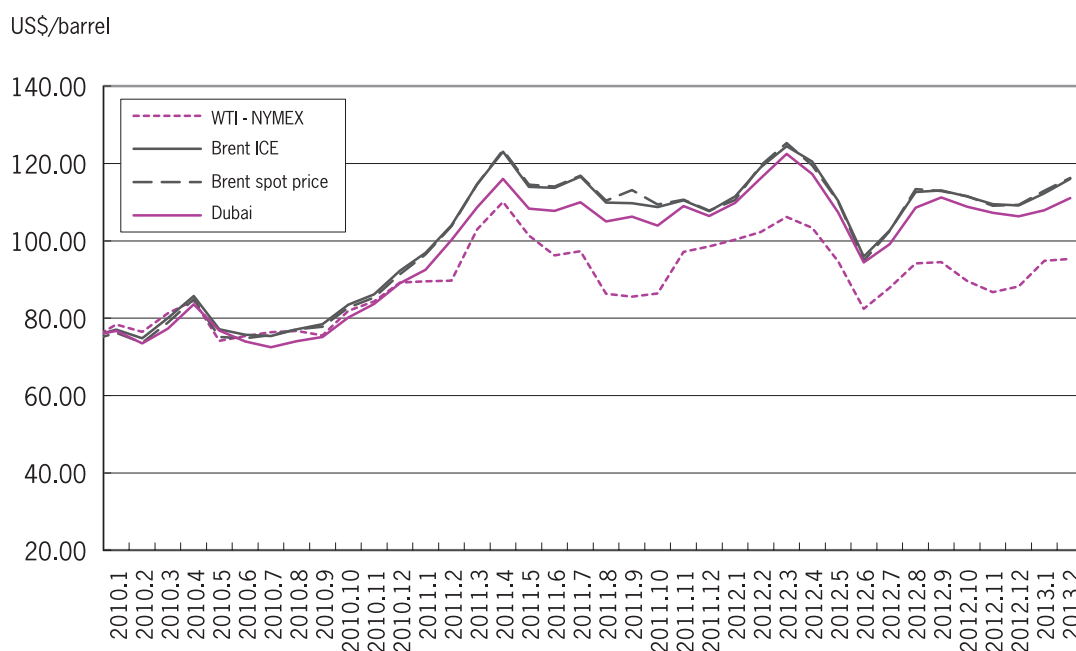
Business review

The year 2012 saw decelerated growth globally, a tepid recovery of the U.S. economy, as well as the outbreak of European sovereign debt crisis and a dramatic slowdown in the growth of the emerging markets. Chinese economy slowed down in the first half of the year characterised by weak market demand. With the Chinese government introducing and strengthening macroeconomic control and expediting structural adjustments, the Chinese economy stabilized and then improved, with a GDP growth of 7.8% for the year. Based on analysis and projection on macro economy and market trends, the Company achieved positive results through proactive response to market changes, expansion of resources and markets, management improvement and cost reductions.

6.1 Market Review

(1) Crude oil market

In 2012, the price of international crude oil fluctuated sharply within a wide range. In the first quarter, the spot price of Platts Brent crude oil rose to USD 128/barrel. The second quarter saw a dramatic slump to USD 90/barrel, after which the price rebounded rapidly and fluctuated in an elevated range. The annual average spot price of Platts Brent crude oil was USD 111.6/barrel, representing an increase of 0.3% from 2011.



Trend of International Crude Oil Prices

(2) Oil products market

In 2012, the Chinese government made eight timely price adjustments for gasoline and diesel, following the international crude oil price trend, and gradually narrowed the gap between realized prices and the prices based on pricing formula, relieving losses in the refining sector. The increase in the number of automobiles led to rapid growth in domestic demand for gasoline. The growth rate for diesel demand declined because of a slowdown in the economy. According to statistics, China's apparent consumption of domestic oil products (including gasoline, diesel and kerosene) was 251 million tonnes in 2012, representing an increase of 3.3% from 2011.

(3) Chemicals market

Demand for chemical products was sluggish globally in 2012. Combined with the impact of low-cost chemical feedstock from the Middle East and North America, the price of chemical products dropped sharply. Domestic chemical products market conditions generally followed that of the international market. According to company statistics, domestic apparent consumption of synthetic resin, synthetic fiber and synthetic rubber increased by 1.9%, 11.7% and 5.3%, respectively, from the previous year. And domestic apparent consumption of ethylene equivalent increased by 2.7% from 2011.

6.2 Production and Operation

(1) Exploration and production

In 2012, the company realized growth in both oil and gas reserve and production, and showed significant results in unconventional oil and gas resource development through exploration activities conducted by the E&P segment in five key domestic regions. In exploration, the Company put more efforts to complete 2D seismic measurements for 23,436 kilometers and 3D seismic measurements for 11,813 square kilometers, representing a growth of 26% and 4%, respectively, year on year, and completed drilling exploration wells with a total footage of 2,545 kilometers, an increase of 17% from the previous year. The Company achieved more than 100% replacement ratio of domestic oil and gas throughout the year. In crude oil development, the Company expedited development activities in new blocks and enhanced recovery rates in old blocks. With respect to natural gas development, the Company sped up construction of production capacity in Sichuan Basin, Ordos Basin and Dawan Block of Puguang Gas Field. In terms of development for unconventional oil and gas resources, the Company met its target of developing and building horizontal wells with a capacity of 1 billion cubic meters in Ordos Basin, which is mainly focusing on tight gas development. Moreover, the Company officially launched its first shale gas pilot project with production capacity in Fuling.

Summary of Operations for the Exploratio and Production Segment

	2012	2011	2010	Change from 2011 to 2012(%)
Oil and gas production (mmboe)	427.95	407.91	401.42	4.9
Crude oil production (mmbbls)	328.28	321.73	327.85	2.0
China	306.60	303.37	302.18	1.1
Overseas	21.68	18.36	25.67	18.1
Natural gas production (bcf)	598.01	517.07	441.39	15.7

	31 December, 2012	31 December, 2011	31 December, 2010	Change from the end of the previous year to the end of the reporting period (%)
Proved reserves of crude oil and natural gas (mmboe)	3,964	3,966	3,963	(0.05)
Proved reserves of crude oil (mmbbls)	2,843	2,848	2,888	(0.2)
Proved reserves of natural gas (bcf)	6,730	6,709	6,447	0.3

Notes:

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 tonne = 7.27 barrels.

(2) Refining

In 2012, in response to changing market conditions, the Company moderately increased its refinery throughput and adjusted its product mix, which resulted in higher production of well-received products, such as gasoline, jet fuel and high-value-added products. The Company expedited upgrading of oil products quality, supplying oil products with Beijing V standard in Beijing and steadily advancing its green and low-carbon developments by improving the efficiency of energy consumption and operations of its refineries, as well as carrying out various measures for energy conservation and emission reduction. Major techno-economic indicators improved significantly. The Company consolidated its sales of LPG and realized sound profits from sales of asphalt and paraffin wax. For the whole year, the company processed 221 million tonnes of crude oil, an increase of 1.8% from 2011, and produced 133 million tonnes of oil products, up by 3.9% from the previous year.

Summary of Operations for the Refining Segment Unit: million tonnes

	2012	2011	Change from	
			2010	2011 to 2012 (%)
Refinery throughput	221.31	217.37	211.13	1.8
Gasoline, diesel and kerosene production	132.96	128.00	124.38	3.9
Gasoline	40.55	37.10	35.87	9.3
Diesel	77.39	77.17	76.09	0.3
Kerosene	15.01	13.73	12.42	9.3
Light chemical feedstock	36.33	37.38	35.00	(2.8)
Light products yield (%)	76.75	76.08	75.79	0.67 percentage points
Refinery yield (%)	95.15	95.09	94.83	0.06 percentage points

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 2012, the Company actively responded to market changes, made adjustments to its operational tactics, and increased market share for its superior service and product quality. Coordinated and optimized logistics system combined with centralized procurement brought a drop in purchasing costs and logistics expenditures. In addition, imposition of enhanced quality supervision and a strict external procurement system guaranteed the quality of oil products. The total sales volume of oil products was 173 million tonnes in 2012, among which, domestic sales volume of oil products was 159 million tonnes, up by 5.2% from 2011, and retail sales volume of oil products increased rapidly by 7.6% from 2011. Meanwhile, the Company actively promoted one-stop service stations and specialty goods, and realized rapid growth in the non-fuel business.

Summary of Operations, Marketing and Distribution Segment

	2012	2011	2010	Change from 2011 to 2012 (%)
Total sales volume of oil products (million tonnes)	173.15	162.32	149.23	6.7
Total domestic sales volume of oil products (million tonnes)	158.99	151.16	140.49	5.2
Including: Retail sales (million tonnes)	107.85	100.24	87.63	7.6
Direct sales (million tonnes)	33.25	33.22	32.40	0.1
Wholesale (million tonnes)	17.89	17.70	20.47	1.1
Annual average throughput per station (tonne/station)	3,498	3,330	2,960	5.0
				Change from the end of the previous year to the end of the reporting period (%)
	31 December 2012	31 December 2011	31 December 2010	
Total number of service stations under Sinopec brand	30,836	30,121	30,116	2.4
Including: Number of company -operated service stations	30,823	30,106	29,601	2.4

(4) Chemicals

In 2012, in response to changing demand in markets, the Company made timely adjustments to facility utilization and production scheme, reduced ethylene production by 4.5% against the previous year. During the year, the Company combined its production with market analysis and advancement in technology, optimized its product mix, actively developed new products and special materials, as well as increased the output of high-value-added products. Through optimizing the feedstock mix, reducing the cost of raw materials, keeping operations with a low-inventory level, and carrying out differentiated marketing, the Company played a leading role in the market, and realized a total sales volume of chemical products of 54.35 million tonnes, up by 7% over 2011.

Summary of Operations, Chemicals Segment

Unit: thousand tonnes

	2012	2011	2010	Change from 2011 to 2012(%)
Ethylene	9,452	9,894	9,059	(4.5)
Synthetic resin	13,343	13,652	12,949	(2.3)
Synthetic rubber	936	990	967	(5.5)
Synthetic fiber monomer and polymer	8,950	9,380	8,864	(4.6)
Synthetic fiber	1,339	1,388	1,393	(3.5)

Note: Includes 100% of production of joint ventures.

(5) Research and Development

In 2012, the Company actively executed innovation-driven development strategies and made continued technological breakthroughs, bringing significant results. In upstream, the Company established its initial assessment standards for block selection with regard to shale gas reserves in South China and continental shale oil in Eastern areas. In refining, we achieved continued success with technical breakthroughs for cleaner oil products. Pilot plants using a number of new technologies, including selective gasoline hydrogenation, liquid phase diesel cyclical hydrogenation and ultra-deep diesel hydrogenation desulfurization, were put into operation. In chemicals, new products such as high-melt-strength PP, Rare Earth-based Cis-1,4-polybutadiene rubber and carbon fiber were successfully developed. In environmental protection,

comprehensive rectification technology for refinery tail gas and integrated desulfurization, denitration and dust removal technology for catalytic cracking stack gas were commercialized. Bio-jet fuel technology based on waste cooking oil was put into trial production. The 600 thousand tonnes/year DMTO pilot project was recognized worldwide with leading technical indicators. The first MTX engineering pilot plant was built and put into operation. For the whole year, Sinopec filed 3,893 domestic and overseas patent applications, with 1,451 granted. The Company garnered The National Scientific Technology Progress Special Award for its safe and efficient exploration technology and industrialized utilization of major ultra-deep sour gas fields, and the Gold Award of China Patent was granted to the company for its ethylbenzene production method from benzene and ethylene by alkylation and for its hydrofining method for caprolactam.

(6) Health, Safety and Environment

In 2012, the Company complied fully with HSE accountability standards, improved its rectification of potential hazards, enhanced its capabilities to respond to emergency, and realized safe and clean production. The Company paid more efforts to implement a green, low-carbon development strategy, actively exploited renewable energy such as bio-mass, further developed its electric vehicle charging business, optimized the structure of its oil and gas resources, strengthened measures for environmental protection and treatment, implemented accountability measures for pollutants and CO₂ emission reduction, improved and adjusted its industrial structure, actively promoted the new green, low-carbon technology, expedited key energy saving and emission reduction projects, fully implemented its energy management contract, sped up construction of its energy management information system and continued to perfect and implement a human-centered system for employees' welfare and health examinations. Compared with 2011, the Company's energy intensity dropped by 2.2%, industrial water demand increased by 0.37%, COD in waste water discharge dropped by 3.67% and sulfur dioxide discharge fell by 3.75%, while the industrial water recycling rate held steady at about 95% and the treatment rate on dangerous chemicals and gaseous, liquid and solid wastes reached 100%. For more detailed information, please refer to the Company's report on sustainable development.

(7) Capital Expenditures

Capital expenditures of the Company was RMB 168.968 billion in 2012, of which RMB 79.071 billion was spent on the exploration and development segment, mainly for Shengli shallow water oilfield, Northwest Tahe oil fields, Ordos oil and gas field, Northeast Sichuan natural gas exploration and production project and Shandong LNG project, resulting in 6,183 thousand tonnes of newly built annual production capacity for crude oil and 4,663 million cubic meters of newly added annual production capacity for natural gas. RMB 32.161 billion was used in the refining segment, mainly for revamping and expansion of refining projects, as well as producing clean energy products. The Company built and put into production a number of projects for oil products quality upgrading, including Sinopec Shanghai Petrochemical and Jinling Petrochemical Corp.; and successfully renovated a number of refinery projects in Anqing and Maoming. Capital expenditure for the marketing and distribution segment was RMB 31.723 billion, mainly for construction and acquisition of high quality service stations along highway, in the centre of cities and newly planned urban areas. The Company accelerated construction of oil product pipelines and warehouses, improved its oil product sales network and promoted its non-fuel business and value-added services such as IC card. RMB 23.616 billion was used in the chemical segment for mechanical completion of the Wuhan ethylene project; to prepare for the production of the Yizheng 1,4-butylene glycol, Anqing acrylonitrile and Luoyang polypropylene projects; and to continue with the construction of the Hainan aromatics, Yanshan butyl rubber and Guangzhou propylene projects. The corporate and others spent RMB 2,397 million on purchasing R&D equipment and construction of information-technology projects.

6.3 Business Prospects

(1) Market Analysis

Looking into 2013, the world economy is expected to recover slowly, with a trend of tepid growth persists under the complex and precarious environment. While the Chinese economy is showing signs of stability and improvements, its domestic petroleum and petrochemical product markets are still under pressure from both domestic and overseas macroeconomic conditions. Crude oil price is expected to fluctuate within an elevated level during 2013. China's policies to

implement and expedite adjustments in its industrial structure and to promote industrialization, urbanization, informatization, modernization in agriculture and growth in domestic consumer demand, as well as optimize the pricing mechanism for oil products and natural gas will combined to create favorable conditions for the Company's reform and development.

(2) **Production and Operation**

In 2013, through safe and stable operations and its market-oriented strategy, the Company will emphasize the quality and efficiency of its development activities. Driven by improvements in management and technical innovations, the Company will strive to fully exploit its markets, optimize production and operations, take full advantage of its existing assets, actively reduce its costs and expenses and achieve the following targets:

Exploration and Production Segment: In exploration, aiming at findings of oil and gas resources, the Company will make more efforts in exploring new blocks and fields, focus on major oil and gas blocks with potentials of additional reserve, and accelerate exploration activities for breakthroughs. In development, with southern Hubei and western Junggar as major targets, the Company is going to increase production in West China. Meanwhile, Efforts in East China and Northeast China will be expedited to create new areas with potential growth. The Company will conduct enhanced recovery in mature blocks; apply new technologies to increase recovery rates; strive for rapid growth in production and reserve of crude oil; building up production capacity in a number of blocks, such as Yuanba Gas Field; streamline logistic facilities, including pipelines, LNG terminals and gas storage reservoirs; extend the value chain of natural gas; increase market share; building up production capacities for the pilot project of Fuling shale gas; conduct in-depth fundamental research in shale oil and pursue major breakthroughs. In 2013, the Company plans to produce 46.43 million tonnes of crude oil and 18.1 billion cubic meters of natural gas.

Refining Segment: The Company will closely track and analyze oil price trend, optimize the procurement and allocation of crude oil and reduce the purchasing cost of crude oil; utilize newly added refinery capacity and increase refinery throughput; actively upgrade the quality of oil products and supply cleaner oil products to the market; coordinate production with sales, making timely

adjustments to product mix and refinery utilization to increase the production of well received products and high-value-added products; take the advantage of its consolidated sales function and optimize the marketing at for LPG, asphalt and paraffin wax. In 2013, the targets for refinery throughput and oil products output are slated at 238 million tonnes and 145 million tonnes respectively.

Marketing Segment: The Company will seek to optimize its market monitoring system and enhance market analysis and forecasts to achieve maximum results. Besides increasing its total sales volume, the Company will focus on the retail market and introduce special services to expand retail operations; promote standardized services to enhance customer loyalty; implement strict quality controls over outsourced oil products; and actively promote its non-oil product business, expand the brand name of Easyjoy online service, increase sales volume and improve profitability. The target for total domestic sales of oil products is 165 million tonnes for 2013.

Chemicals Segment: the Company will further optimize the structure of raw materials, with a larger proportion of light chemical feedstock to reduce costs; produce more well received, profitable and competitive products with the tactics of “sales – oriented productions target, production – oriented supply volume and market promotion based on production”; integrate production, sales and research; make adjustments to product mix and promote the R&D, production and sales of new products; emphasize market analysis, optimize marketing strategy and enhance customer service; and improve management of the supply chain and carry out a low inventory level tactics with the aim of achieving 100% sales to production ratio. The company plans to produce 9.83 million tonnes of ethylene in 2013.

Research and Development: The Company will continue implementing a development strategy driven by innovation with the aim of making breakthroughs in unconventional oil and gas exploration and development, including shale oil and gas, and in new strategic technologies, including clean and high-efficiency utilization of coal, bio-fuel and bio-chemicals, high-performance synthetic materials and high-value-added fine chemicals. It will also conduct research on green, low-carbon, energy-conserving technology to enhance environmental protection and provide scientific and technological support for structural adjustments to enhance sustainability. Sinopec will enhance and improve the exploration and development of oil and gas resources;

increase the recovery rate; utilize core technology and specialized technology for lower grade and heavy crude oil processing, cleaner oil product production, large-scale aromatics and high-performance synthetic material projects; fully enhance supportive technologies; satisfy the requirements from its core business for development; and play a leading role in technology and business development in the future through constant improvements in its capabilities for basic research and original innovation.

Capital Expenditures: In 2013, the Company will continue to focus on quality and efficiency of development, enforce strict controls of its procedures for investment management and meticulously organize engineering construction. Total capital expenditure for the year is budgeted at RMB 181.7 billion. Among which, E&P segment will account for RMB 89.1 billion, mainly for exploration of oil and gas in Jiyang, Tarim, Junggar, Ordos and Sichuan Basins; for growth in proved reserves; and for building production capacities in key oil and gas fields. Capital expediting for the refining segment is RMB 33.8 billion, mainly for upgrading quality of oil products; revamping refineries such as Anqing, Maoming and Jiujiang; and building Guangdong Refinery & Chemical Project. Capital expediting for the marketing and distribution segment is RMB 27 billion, mainly for building and revamping service stations and for accelerating construction of oil product pipelines, as well as streamline storage and transportation facilities. Capital expediting for the chemicals segment is RMB 25.9 billion, mainly for commencement of Wuhan ethylene project and Hainan aromatics project; for accelerating the revamping of Fujian ethylene project; and for construction of Maoming PP project. Corporate and others capital expenditures is expected to be RMB 5.9 billion, mainly for scientific research and information-technology projects.

In the new year, Sinopec Corp. will continue to enhance its overall strength, international competitiveness, and sustainability and strive to achieve greater results in production and operation.

6.4 Major Suppliers and Customers

Applicable Not applicable

During this reporting period, the total purchases from the top five crude oil suppliers of Sinopec Corp. accounted for 42.3 % of the total purchases of crude oil by Sinopec Corp., of which the purchases from the largest supplier accounted for 23.9% of the total purchases of crude oil by Sinopec Corp..

The total sales to the five largest customers of Sinopec Corp. accounted for 10 % of the total sales of Sinopec Corp., of which sales to the largest customer accounted for 4% of the total sales.

7. 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. The price in the following discussion do not include value-added tax.

7.1 Consolidated Results of Operations

In 2012, the Company's turnover and other operating revenues were RMB 2,786 billion, an increase of 11.2% compared with that of 2011. The operating profit was RMB 98.7 billion, representing a year on year decrease of 6.5%.

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

	Years ended 31 December		Change (%)
	2012 (RMB millions)	2011	
Turnover and other operating revenues	2,786,045	2,505,683	11.2
Of which: Turnover	2,733,618	2,463,767	11.0
Other operating revenues	52,427	41,916	25.1
Operating expenses	(2,687,383)	(2,400,153)	12.0
Of which: Purchased crude oil, products, and operating supplies and expenses	(2,301,199)	(2,027,646)	13.5
Selling, general and administrative expenses	(61,174)	(58,960)	3.8
Depreciation, depletion and amortization	(70,456)	(63,816)	10.4
Exploration expenses (including dry holes)	(15,533)	(13,341)	16.4
Personnel expenses	(51,767)	(45,428)	14.0
Taxes other than income tax	(188,483)	(189,949)	(0.8)
Other operating income/(expenses), net	1,229	(1,013)	—
Operating profit	98,662	105,530	(6.5)
Net finance costs	(9,881)	(5,285)	87.0
Investment income and share of profits less losses from associates and jointly controlled entities	1,861	4,320	(56.9)
Profit before taxation	90,642	104,565	(13.3)
Tax expense	(23,846)	(26,120)	(8.7)
Profit for the year	66,796	78,445	(14.8)
Attributable to:			
Equity shareholders of the Company	63,879	73,225	(12.8)
Non-controlling interests	2,917	5,220	(44.1)

(1) Turnover and other operating revenues

In 2012, the Company's turnover was RMB 2,733.6 billion, representing an increase of 11.0% over 2011. This was mainly attributable to the active expansion of the markets and its increased sales volume and higher prices of oil products.

The following table sets forth the external sales volume, average realized prices and respective rates of change of the Company's major products in 2012 and 2011:

	Sales volume (thousand tonnes)			Average realized price (RMB/tonne, RMB/thousand cubic meters)		
	Years ended 31 December		Change (%)	Years ended 31 December		Change (%)
	2012	2011		2012	2011	
Crude oil	6,221	5,581	11.5	4,579	4,621	(0.9)
Natural gas (million cubic meters)	14,431	12,310	17.2	1,281	1,274	0.5
Gasoline	53,488	47,494	12.6	8,615	8,403	2.5
Diesel	99,864	97,897	2.0	7,219	7,075	2.0
Kerosene	18,760	16,570	13.2	6,416	6,193	3.6
Basic chemical feedstock	23,387	20,944	11.7	6,740	6,915	(2.5)
Monomer and polymer for synthetic fiber	6,943	6,585	5.4	8,238	9,880	(16.6)
Synthetic resin	10,503	10,518	(0.1)	9,181	9,841	(6.7)
Synthetic fiber	1,458	1,496	(2.5)	10,790	13,301	(18.9)
Synthetic rubber	1,287	1,220	5.5	17,564	22,215	(20.9)
Chemical fertilizer	1,193	951	25.4	2,052	2,186	(6.1)

Most of crude oil and a portion of natural gas produced by the Company were internally used for refining and chemical production, with the remaining sold to other customers. In 2012, the turnover from crude oil, natural gas and other upstream products sold externally amounted to RMB 53.7 billion, an increase of 13.1% over 2011. The change was mainly due to the increase in sales volume of crude oil, natural gas and other upstream products compared with that of 2011.

In 2012, the Refining segment and Marketing and Distribution segment of the Company sold petroleum products (mainly consisting of oil products and other refined petroleum products), and achieved external sales revenue of RMB 1,647 billion. This represented an increase of 8.0% over 2011, and accounted for 59.1% of the Company's turnover and other operating revenues. This was mainly due to the increase of sales volume and prices of petroleum products. The sales revenue of gasoline, diesel and kerosene was RMB 1,302 billion, representing an increase of 9.0% over 2011, and accounting for 79.1% of the total sales revenue of petroleum products. Turnover of other refined petroleum products was RMB 345 billion, representing an increase of 4.3% compared with 2011, accounting for 20.9% of the total sales revenue of petroleum products.

The Company's external sales revenue of chemical products was RMB 356.2 billion, representing a drop of 3.4% over 2011, accounting for 12.8% of its turnover and other operating revenues. This was mainly due to the continuing low demand for chemical products as a result of macroeconomic downturn, which led to a major drop in chemical product prices.

(2) Operating expenses

In 2012, the Company's operating expenses were RMB 2,687.4 billion, representing a growth of 12.0%. The operating expenses mainly consisted of the following:

Purchased crude oil, products and operating supplies and expenses were RMB 2,301.2 billion, representing an increase of 13.5% over the same period of 2011, accounting for 85.6% of the total operating expenses, of which:

Crude oil purchasing expenses were RMB 880.7 billion, representing an increase of 5.0% over the same period of 2011. Throughput of crude oil purchased externally in 2012 was 168.61 million tonnes (excluding the volume processed for third parties), representing an increase of 1.1% over the same period of 2011. The average cost of crude oil purchased externally was RMB 5,223 per tonne, representing an increase of 3.9% over the same period of 2011.

The Company's other purchasing expenses were RMB 1,420.5 billion, representing an increase of 19.5% over the same period of 2011. This was mainly due to the expansion of trading business, higher price of refined oil products and higher CPI comparing to the same period of 2011.

Selling, general and administrative expenses of the Company totaled RMB 61.2 billion, representing an increase of 3.8 % over the same period of 2011. This was mainly due to the increase in sales volume, labor cost and the increase in sales expenses such as agent commission, freight and miscellaneous charges.

Depreciation, depletion and amortization expenses of the Company were RMB 70.5 billion, representing an increase of 10.4 % as compared with 2011. This was mainly due to the increased depreciation expense as a result of continuous investment in property, plant and equipment in recent years.

Exploration expenses were RMB 15.5 billion, representing an increase of 16.4 % compared with 2011, mainly due to the Company's increasing investment in exploration of blocks such as Ordos, Sichuan Basin, Junggar as well as unconventional oil and gas resources.

Personnel expenses were RMB 51.8 billion. Excluding the adjustment for salary related surcharges and insurance, as well as the implementation of employee annual leave and recuperation policy, housing policy reform and pension system, our personnel expenses increased by 5 % over 2011, as the Company improved its remuneration policy and reasonably increased employees' income, especially those of field workers.

Taxes other than income tax were RMB 188.5 billion, representing a decrease of 0.8 % comparing with 2011. It was mainly due to the decrease of special oil income levy by RMB 8.3 billion as compared with 2011 as the threshold of special oil income levy was raised from 1 November 2011. Meanwhile, price-based resource taxation has been fully carried out since 1 November 2011 and as a result, resource tax increased by RMB 4.4 billion comparing with the same period of 2011.

Other operating expenses (net amount) decreased by RMB 2.2 billion on a year-on-year basis.

- (3) **Operating profit** was RMB 98.7 billion, representing a decrease of 6.5 % comparing with the same period of 2011.

- (4) **Net finance** costs were RMB 9.9 billion, representing an increase of 87.0 % over 2011. Of which: the interest expense of the Company was RMB 11.2 billion, representing an increase of RMB 2.0 billion over 2011; the gain of exchange decreased by RMB 1.0 billion as compared with 2011; for the convertible bonds issued by the Company, loss from fair value change at the end of the period increased by RMB 1.3 billion over the same period of 2011.
- (5) **Profit before taxation** was RMB 90.6 billion, representing a decrease of 13.3% as compared with the same period of 2011.
- (6) **Tax expense** was RMB 23.8 billion, representing a decrease of RMB 2.3 billion as compared with the same period of 2011.
- (7) **Profit attributable to non-controlling** interests of the Company was RMB 2.9 billion, representing a decrease of RMB 2.3 billion comparing with the same period of 2011.
- (8) **Profit attributable to equity shareholders** of the Company was RMB 63.9 billion, representing a decrease of 12.8% comparing with the same period of 2011.

7.2 Assets, Liabilities, Equity and Cash Flows

The major funding source of the Company is the operating activities and short-term & long-term loans, and the major use of funds includes operating expense, capital expenditures, and repayment of the short-term and long-term debts.

(1) Assets, liabilities and equity

Unit: RMB millions

	At 31 December 2012	At 31 December 2011	Amount of Change
Total assets	1,266,693	1,144,528	122,165
Current assets	365,015	342,755	22,260
Non-current assets	901,678	801,773	99,905
Total liabilities	718,657	637,184	81,473
Current liabilities	513,373	444,240	69,133
Non-current liabilities	205,284	192,944	12,340
Total equity attributable to equity shareholders of the Company	510,914	472,328	38,586
Share capital	86,820	86,702	118
Reserves	424,094	385,626	38,468
Non-controlling interests	37,122	35,016	2,106
Total equity	548,036	507,344	40,692

As at 31 December 2012, the Company's total assets were RMB 1,266.7 billion, representing an increase of RMB 122.2 billion compared with that at the end of last year:

Current assets were RMB 365.0 billion, representing an increase of RMB 22.3 billion compared with that at the end of 2011. This was mainly attributable to the facts that the inventory increased by RMB 14.8 billion as a result of the rise in prices of crude oil and other raw materials and, the net account receivable increased by RMB 22.7 billion due to enlarged operation scale and increased product price.

Non-current assets were RMB 901.7 billion, representing an increase of RMB 99.9 billion as compared with that at the end of 2011. This was mainly due to the implementation of each planned investment; of which, property, plant and equipment (net) increased by RMB 23.0 billion, construction in progress increased by RMB 57.7 billion and the Company's interests in associates and jointly controlled entities increased by RMB 4.5 billion.

The Company's total liabilities were RMB 718.7 billion, representing an increase of RMB 81.5 billion compared with that at the end of 2011, of which:

Current liabilities were RMB 513.4 billion, which representing an increase of RMB 69.1 billion as compared with that at the end of 2011. This was mainly due to two reasons: firstly, accounts payable were increased by RMB 38.6 billion as a result of increase in the prices of the raw materials such as crude oil and the enlarged scale of production; secondly, in order to reduce financing cost, the company borrowed low-cost short-term loans in US dollar and increased its borrowings from China Petrochemical Corporation and its subsidiaries by RMB 30.8 billion.

Non-current liabilities were 205.3 billion, representing an increase of RMB 12.3 billion compared with that at the end of last year. This was also mainly due to two reasons: the long-term debts increased by RMB 7.6 billion; while the provisions increased by RMB 3.2 billion because of the future dismantlement cost of oil and gas properties provided during the year.

Total equity attributable to equity shareholders of the Company was RMB 510.9 billion, representing an increase of RMB 38.6 billion compared with that at the end of 2011, which was mainly due to the increase of reserves.

(2) Cash Flow

The following table sets forth the major items on the consolidated cash flow statements for the 2012 and 2011.

Unit: RMB millions

Major items of cash flows	Year ended 31 December	
	2012	2011
Net cash generated from operating activities	142,380	150,622
Net cash used in investing activities	(162,197)	(140,449)
Net cash generated from/(used in) financing activities	5,628	(2,516)
(Decrease)/increase of cash and cash equivalents	(14,189)	7,657

In 2012, the net cash generated from operating activities of the company was 142.4 billion, representing a decrease of RMB 8.2 billion as compared with 2011. This was mainly attributable to the fact that the pre-tax profit in current period decreased as compared with the same period of 2011.

In 2012, the net cash used in investing activities was RMB 162.2 billion, representing an increase of RMB 21.7 billion over 2011, which was mainly because of an investment increase as planned to accelerate the development of the Company.

In 2012, the net cash inflow generated from the Company's financing activities was RMB 5.6 billion, representing an increase of RMB 8.1 billion over the same period of 2011. This was mainly from: a) the issuance of bonds in the current period, new bank loans and etc. were RMB 41.8 billion, representing an increase of RMB 16.2 billion in cash inflow as compared with 2011; b) the dividends, interests, etc paid in the current period were RMB 36.2 billion, representing an increase of RMB 8.1 billion in cash outflow as compared with 2011.

(3) Contingent Liabilities

Please refer to "key guarantee and its performance" under "Significant Events".

(4) Capital Expenditures

Please refer to “Capital Expenditure” in the section of “Business Review and Prospects” in annual report.

(5) Research & development expenses and expenditures on environmental protection

Research & development expenses refer to the expenses recognized as expenditures when they occur. In 2012, the expenditure for the research & development was RMB 5.84 billion.

The environmental protection expenditures refer to the standard sewage and sundries clearing expenses paid by the Company, exclusive of capitalization expenses on pollution discharge equipment. In 2012, the Company’s environmental protection expenditures were RMB 4.81 billion.

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

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

Items relevant to measurement of fair values

Unit: RMB millions

Items	Beginning of the year	Profits and losses from variation of fair values in the current year	Accumulated variation of fair values recorded as equity	Decrement of withdrawal of the current year	End of the year
Financial assets					
Of which: 1. Derivative financial assets	54	246	—	—	187
2. Available-for-sale financial assets	255	—	26	—	83
3. Cash flow hedging	837	—	—	—	1,006
Subtotal of financial assets	1,146	246	26	—	1,276
Financial liabilities	(3,569)	(62)	(151)	—	(3,684)
Totals	(2,423)	184	(125)	—	(2,408)

Information concerning financial assets and liabilities held in foreign currencies

Unit: RMB millions

Items	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	End of the year
Financial assets					
Of which: 1. Derivative financial assets	54	246	—	—	187
2. Loans and receivables	111,391	—	—	—	50,022
3. Available-for-sale financial assets	41	—	26	—	70
4. Held-to-maturity investments	—	—	—	—	—
5. Cash flow hedging	837	—	—	—	1,006
Subtotal of financial assets	112,323	246	26	—	51,285
Financial liabilities	(151,707)	(43)	(151)	—	(201,745)

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

(7) Core Competitiveness

Sinopec Corp. is a large scale vertically integrated energy & petro-chemical company with upstream, mid stream and downstream operations. The Company ranks first among all enterprises in China in terms of revenue; It is the second largest supplier of oil and gas in China; In respect of refining capacity, it ranks first in China and second globally; Equipped with a well developed refined oils products sales network, Sinopec Corp. is the largest supplier of refined oil products in China; and in terms of ethylene production capacity, the Company takes the first position in China and the 4th in the world, and has a well established marketing network for chemical products.

The integrated business structure of the Company carries strong advantages in synergy among its various business segments, enabling the Company to continuously tap potentials in attaining an efficient and comprehensive utilization of its resources, and endowed the Company strong resistance against risks, as well as remarkable capabilities in delivering stable profitability.

The Company enjoys a favorable location which is close to the consumer markets. Along with the steady growth in the Chinese economy, sales volume of both oil products and chemical products by the Company has been increasing steadily over the years; through continuous and specialized marketing efforts, its capability in international operations and market expansion has been further enhanced.

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

The Company has formulated a well established technology system and mechanism, and owns competent teams specialized in technology covering a wide range of subjects; the four platforms for technology advancement is taking shape, which includes exploration and development of oil & gas, refining, chemicals and commonly applied technology. With its overall technologies reaching state of the art level in the global arena, and some of them taking the lead globally, the Company enjoys strong capability for technical innovations.

The Company always attaches great importance to fulfilling social responsibilities as an enterprise, and carries out the green & low carbon development strategy to pursue a sustainable pattern of development. Moreover, Sinopec Corp. enjoys an outstanding brand name, plays an important role in the economy and is a renowned and reputable company in China.

7.3 Analysis of financial statements prepared under ASBE

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

	Year ended 31 December	
	2012	2011
	RMB millions	RMB millions
Operating income		
Exploration and Production Segment	257,185	241,838
Refining Segment	1,270,912	1,212,072
Marketing and Distribution Segment	1,471,882	1,347,626
Chemicals Segment	411,964	420,490
Others	1,312,970	1,134,182
Elimination of inter-segment sales	(1,938,868)	(1,850,525)
	<u>2,786,045</u>	<u>2,505,683</u>
Consolidated operating income	<u>2,786,045</u>	<u>2,505,683</u>
Operating profit/(loss)		
Exploration and Production Segment	69,466	71,221
Refining Segment	(11,947)	(37,608)
Marketing and Distribution Segment	41,950	45,068
Chemicals Segment	367	25,292
Others	(2,502)	(2,963)
Elimination of inter-segment sales	(1,335)	891
Financial expenses, gain/(loss) from changes in fair value and investment income	(8,073)	(935)
	<u>87,926</u>	<u>100,966</u>
Consolidated operating profit	<u>87,926</u>	<u>100,966</u>
Net profit attributable to equity shareholders of the Company	<u>63,496</u>	<u>71,697</u>

Operating profit: In 2012, the operating profit of the Company was RMB 87.9 billion, representing a decrease of RMB 13.0 billion as compared with 2011. This was mainly due to the decrease in product prices as demand for chemical products continued to be weak.

Net profit: In 2012, the net profit attributed to the equity shareholders of the Company was RMB 63.5 billion, representing a decrease of RMB 8.2 billion or 11.4% comparing with the same period of 2011.

(2) Financial data prepared under ASBE

	As at 31 December of 2012 RMB millions	As at 31 December of 2011 RMB millions	Changes
Total assets	1,247,271	1,130,053	117,218
Long-term liabilities	203,561	191,455	12,106
Shareholders' equity	550,601	509,525	41,076

Analysis of changes:

Total assets: at the end of 2012, the Company's total assets were RMB 1,247.3 billion, representing an increase of RMB 117.2 billion compared with that at the end of 2011. This was mainly due to the facts that : a) inventory increased by RMB 14.8 billion because of the increase in the prices of crude oil and other raw materials; b) net accounts receivable increased by RMB 22.7 billion resulting from the expansion of operation scale and increased product prices; c) as a result of the implementation of each planned investment, fixed asset increased by RMB 23.0 billion, construction in progress increased by RMB 57.7 billion and long term equity investment increased by RMB 4.6 billion.

Long-term liabilities: at the end of 2012, the Company's long-term liabilities were RMB 203.6 billion, representing an increase of RMB 12.1 billion compared with that at the end of 2011. This was mainly attributable the facts that: a) the long-term debts and debentures payable were increased by 7.7 billion as the issuance of corporate bonds and the transferred amount due within one year were less as compared with that of 2011; b) the provisions increased by RMB 3.2 billion due to the future dismantlement cost of oil and gas properties provided during the year.

Shareholders' equity: At the end of 2012, the shareholders' equity of the Company was RMB 550.6 billion, representing an increase of RMB 41.1 billion as compared with that at the end of 2011. This was mainly attributable to the income achieved by the Company.

(3) The results of the principal operations by segments

Segment	Operation		Gross profit margin (%) (Note)	Increase/ (decrease) of operation income on a year-on-year basis (%)	Increase of operation cost on a year-on-year basis (%)	Increase/ (decrease) of gross profit margin on a year-on-year basis (%)
	income (RMB millions)	Operation cost (RMB millions)				
Exploration and Production	257,185	115,178	39.7	6.3	19.5	(2.4)
Refining	1,270,912	1,113,327	1.0	4.9	2.5	2.4
Marketing and Distribution	1,471,882	1,380,666	6.0	9.2	9.8	(0.5)
Chemicals	411,964	394,037	4.1	(2.0)	5.1	(6.3)
Others	1,312,970	1,306,560	0.5	15.8	15.7	0.1
Elimination of inter-segment sales	(1,938,868)	(1,937,533)	Not applicable	Not applicable	Not applicable	Not applicable
Total	<u>2,786,045</u>	<u>2,372,235</u>	8.1	11.2	13.3	(0.8)

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

(4) Principal operations in different regions

Applicable Not applicable

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

Applicable Not applicable

(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

(8) 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

(9) 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

8. Significant Events

8.1 Acquisition of assets

Applicable Not applicable

8.2 Sales of assets

Applicable Not applicable

8.3 Material guarantees contracts and the related performance

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 ^{Note 1} (yes or no)
Sinopec Corp.	the Company itself	Yueyang Sinopec Corp. Shell Coal Gasification Corporation	245	10 December 2003	December 10 2003 – December 10 2017	joint obligations	No	No	0	No	No
Sinopec Sales Co., Ltd.	wholly-owned subsidiary	Xiamen Botan Storage Co., Ltd	75		July 26 2012 – July 26 2013	joint obligations	No	No	0	No	No
Sinopec Yangzi Petrochemical Co., Ltd.	wholly-owned subsidiary	Sinopec Corp. Yangzi BP Petrochemical Acetyl Co., Ltd	329			joint obligations	No	No	0	No	No
SSI	controlled subsidiary	New Bright International Development Limited/ Sonangol E.P.	5,496			joint obligations	No	No	0	Yes	No
Total amount of guarantees provided during the reporting period ^{Note 2}											0
Total amount of guarantees outstanding at the end of the reporting period Note 2 (A)											3,672
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)											3,672
The proportion of the total amount of guarantees to Sinopec Corp.'s net assets											0.72%
Guarantees provided for shareholders, de facto controller and connected persons (C)											None
Amount of debt guarantees provided directly or indirectly to the companies with liabilities to assets ratio over 70% (D)											2,116
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)											2,116
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.

8.4 Use of the proceeds

√ Applicable □ Not applicable

RMB million

Total proceeds	22,889.38 ^{Note 1}	Total proceeds used during this reporting period	5,432.38
		Total cumulative proceeds used	22,603.36

Projects Committed	Planned Investment	Any changes in projects	Actual proceeds used	Returns	On schedule or not	In line with Expected return or not
Wuhan 800,000 tpa ethylene project	11,289.38	No	11,289.38	—	Yes	N/A
Anqing Refinery Revamping project	3,000	No	2,999.73	—	No	N/A
Shijiazhuang Refinery Revamping project	3,200	No	2,914.25	—	Yes	N/A
Yulin-Jinan natural gas pipeline project	3,300	No	3,300	Note 2	Yes	Note 2
Rizhao-Yizheng crude oil pipeline projects	2,100	No	2,100	Note 3	Yes	Note 3
Total	22,889.38	—	22,603.36	—	—	—

Statements on the failure to achieve planned schedule and expected returns Anqing Refinery Revamping project was originally expected to be put into operation in the end of 2012. Due to the detailed design lagged behind the schedule, and the influence of rain and snow in the first half year of 2012 on the construction site of civil works, it's expected to be put into operation in the first half of 2013.

Statements on the reasons and procedures of changes Not applicable

Note 1: The issuance costs of RMB 110.62 million (including the commissions for underwriters and other costs for the intermediary agencies) were deducted.

Note 2: The Company's committed financial benefits are estimated after-tax financial internal rate of return. The business life of Yulin-Jinan natural gas pipeline project is 20 years. This project has been put into operation since the first half of 2012, and the operating period is too short to determine whether this project achieved the estimated after-tax financial internal rate of return as committed for the entire operating period of the project. The net cash flow generated during current period met the estimated net cash flow target as stated in the project budget.

Note 3: The Company's committed financial benefits are estimated after-tax internal rate of return. The business life of Rizhao-Yizheng crude oil pipeline project is 20 years. This project was put into operation at the end of 2011, and the operating period is too short to determine whether this committed project achieved the estimated after-tax financial internal rate of return as committed for the entire operating period of the project. The net cash flow generated during current period did not meet the estimated net cash flow target as stated in the project budget.

8.5 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	77.967	On schedule	Newly added crude capacity 6.183 million tonnes per year; Newly added gas capacity 4.663 billion cubic meters per year
Refining segment	27.36	On schedule	Newly added crude oil processing capacity of 16 million tonnes per year; Newly added hydrogenation processing capacity of 5.7 million tonnes per year; Newly added hydrofining processing capacity of 16.8 million tonnes per year
Marketing and distribution segment	27.232	On schedule	Newly developed 1,233 oil (gas) stations
Chemical segment	12.795	On schedule	Newly added propylene 0.35 million tonnes per year, benzene 0.45 million tonnes per year; Synthetic fibre 60,000 tonnes per year
Corporate and others	2.061	On schedule	
Joint venture project construction		On schedule	
Total	<u>147.415</u>		

8.6 Explanation of the board of directors about the accounting firm's "non-standard opinion"

Applicable Not applicable

8.7 Performance of the commitments by China Petrochemical Corporation which holds over 5% shareholdings of Sinopec Corp. during the reporting period

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

- i compliance with the connected transaction agreements;
- ii solving the issues regarding legality of the certificates for the land use rights and certificates for the property ownership rights within a specified period of time;
- iii implementation of the Re-organization Agreement (for definition, please refer to prospectus in relation to the offering of H shares);
- iv granting licenses for intellectual property rights;
- v avoiding the competition with the Company;
- vi abandonment of business competition and conflict of interests with Sinopec Corp.

The details of the above-mentioned commitments were included in the prospectus in relation to the offering 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 through a public announcement that, considering the major refining business of China Petrochemical Corporation has been injected into Sinopec Corp., China Petrochemical Corporation undertook to dispose of its minor remaining refining business within 5 years to eliminate the competition with Sinopec Corp. in terms of the refining business.

viii On 15 March 2012, Sinopec Corp. disclosed in an announcement, that: China Petrochemical Corporation undertakes to take Sinopec Corp. as the sole platform of its ultimate integration among the businesses such as exploration and production of oil and gas, oil refining, chemicals and sale of petroleum products. China Petrochemical Corporation will dispose its minor remaining chemicals business within the next five years in order to avoid the competition with Sinopec Corp. in this respect. Given that China Petrochemical Corporation engages in the same or similar businesses as Sinopec Corp. with regard to the exploration and production of oil and natural gas overseas, after a thorough analysis from political and economic perspectives, Sinopec Corp. may propose to acquire the overseas oil and gas assets owned by China Petrochemical Corporation (the “Assets”) when appropriate (the “Proposed Acquisitions”). China Petrochemical Corporation undertakes to transfer the Assets to Sinopec Corp., provided that the Proposed Acquisitions comply with the applicable laws and regulations, contractual obligations and other procedural requirements at the time of the respective Proposed Acquisitions.

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

8.8 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, and the reporting period is within the profits forecast period

Applicable Not applicable

8.9 Profit forecast during the reporting period

Applicable Not applicable

8.10 Litigation and arbitration of significant importance

Applicable Not applicable

8.11 (1) Wuhan Ethylene Project

The project mainly includes 800,000 tonnes per annum (“tpa”) ethylene units and downstream auxiliary utility units. It is expected to be put into operation in the first half of 2013.

(2) Shandong Liquefied Natural Gas (LNG) Project

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

(3) Pilot Natural Gas Project (1.7 billion cubic meters per annum), Yuanba Gas Field

A purification plant and its auxiliary facilities are to be built. The production capacity of the newly-built natural gas purification plant will be 1.7 billion cubic meters per annum. The construction is expected to be completed in 2014.

(4) Guangdong Refining and Petrochemical Integration Project

The project mainly includes the constructions of a 15,000,000 tpa refinery, 1,000,000 tpa ethylene unit, and 300,000-tonne jetty. It is expected to be put into operation in 2016.

8.12 The proposed issuance of A share convertible bonds of no more than RMB 30 billion

On 12 October 2011, Sinopec Corp. held the first extraordinary general meeting of Sinopec Corp. for the year 2011. During the meeting, “Proposal Regarding Issuance of A Share Convertible Bonds and Other Related Matters” (the “CB Proposal”) was considered and approved. For further details, please refer to the announcement of Sinopec Corp. dated 16 August 2011, published in China Securities Journal, Shanghai Securities News and Securities Times. The proposed issuance was conditionally approved by the China Securities Regulatory Commission (the “SRC”) in 23 March 2012. On 11 October 2012, the Third Meeting of the Fifth Session of Board of Directors of Sinopec Corp. resolved to submit a proposal to the general meeting to extend the validity of the CB Proposal, from the date of expiration to 11 October 2013.

8.13 Corporate bonds issued & interest payments

On 1 June 2012, Sinopec Corp. issued 5-year term and 10-year term domestic corporate bonds which amounted to RMB 13 billion and RMB 7 billion with a fixed annual interest rate of 4.26% and 4.90% respectively. On 13 June 2012, the above-mentioned corporate bonds were listed on the Shanghai Stock Exchange. For further details, please refer to the relevant announcements published in China mainland newspapers, namely China Securities Journal, Shanghai Securities News, and Securities Times on 30 May 2012.

8.14 Shareholdings and Securities Investments of Sinopec corp. In Other Listed Companies, Commercial Banks, Securities Companies, Insurance Companies, Trust Companies and Futures Companies, etc.

(1) Status of direct shareholding in other listed companies

Stock Code	Abbreviation	Initial investment (RMB)	Number of shares		Source of shares	Book value at the end of period (RMB)	Gain/loss during the reporting period (RMB)	Change in shareholders' interests during the reporting period	Accounting item
			held at the end of period (10,000 shares)	Shareholding %					
00384	China Gas Holding	136,426,500	21,000	4.60	Investment	136,426,500	10,943,848	—	Long-term equity investment

(2) Status of direct shareholding 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		Shareholding (%)	Book value at the end of the period (RMB 10,000)	Gain/loss during the reporting period (RMB 10,000)	Change of shareholders' interests during the reporting period	Accounting items	Shares origin
			held (10,000 shares)							
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 Co. Ltd.	1,000	1,000	0.25%	1,000	0	0	Long-term equity investment	Shares converted from debts	
Total		<u>21,000</u>	<u>—</u>	<u>—</u>	<u>21,000</u>	<u>3,000</u>	<u>0</u>	—	—	

Sinopec Corp. did not buy or sell the shares of other listed companies in 2012.

9. Connected Transactions

9.1 Actual connected transactions entered into by the Company during the year

The aggregate amount of connected transactions actually entered into by the Company during the year was RMB 518.206 billion, of which, expenses amounted to RMB 204.017 billion, (including RMB 191.319 billion for purchases of goods and services, RMB 4.062 billion for auxiliary and community services, RMB 7.408 billion of operating lease fee, RMB 1.228 billion for interest expenses). Among which, purchases from China Petrochemical Corporation amounted to RMB 133,432 billion (including purchases of products and services, i.e. procurement, storage, exploration and production services and production-related services, amounted to RMB 120.736 billion, representing 4.49% of the Company's operating expenses for the year 2012). The auxiliary and community services provided by China Petrochemical Corporation to the Company were RMB 4.062 billion, representing 0.15% of the operating expenses of the Company for 2012. In 2012, the housing rent paid by the Company was RMB 507 million, the rent for use of land was RMB 6.742 billion, and the expenses for other leases were RMB 157 million. The interest expenses were RMB 1.228 billion. In 2012, the revenue amounted to RMB 314.189 billion (including RMB 313.919 billion for sales of products and services, RMB 116 million of interest income, RMB 154 million for agency commissions receivable), of which the sales to China Petrochemical Corporation amounted to RMB 84.115 billion, including RMB 83.98 billion for sales of products and services, representing 3.01% of operating revenues, RMB 96 million for interest income, and RMB 39 million for agency commission receivable.

In 2011, Sinopec Corp. provided RMB 2 billion of entrusted loan to its subsidiary Zhanjiang Dongxing Petrochemical Co., Ltd. The loan had been repaid in the reporting period.

In 2012, Sinopec Corp. provided RMB 2,359 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 disclosed maximum aggregate annual value (“cap”) for the continuing connected transactions approved by the general meeting of shareholders and the Board of Directors.

Purchases/receiving services

Unit: RMB millions

Connected party	Connected transaction	Amount incurred during the current year		Amount incurred during the previous year	
		Amount	Percentage of the total amount of the type of transaction (%)	Amount	Percentage of the total amount of the type of transaction (%)
China Petrochemical Corporation	Purchases of goods and services from connected parties	132,204	4.92	147,829	6.16
Other related parties	Purchases of goods and services from related parties	70,585	2.63	56,512	2.36
Total		202,789	7.55	204,341	8.52

Sales/provision of services

Unit: RMB millions

Connected party	Connected transaction	Amount incurred during the current year		Amount incurred during the previous year	
		Amount	Percentage of the total amount of the type of transaction (%)	Amount	Percentage of the total amount of the type of transaction (%)
China Petrochemical Corporation	Sales of goods and provision of services to connected parties	84,019	3.02	83,081	3.32
Other related parties	Sales of goods and provision of services to related parties	230,054	8.26	218,400	8.72
Total		314,073	11.28	301,481	12.04

Notes Principle of pricing for connected transactions : (a) government-prescribed price; (b) where there is no government-prescribed price but where there is government-guidance price, the government-guidance price will apply; (c) where there is neither a government-prescribed price nor a government-guidance price, the market price will apply; or (d) where none of the above is applicable, the price is to be agreed between the relevant parties for the provision of the above products or service, which shall be the reasonable cost incurred in providing the same plus 6% or less of such cost.

Other related parties : as defined under ASBE and IFRS, but neither under Chapter 14A of the Hong Kong Listing Rules nor under the Shanghai Listing Rules.

9.2 Fund provided between connected parties

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	797	2,936	(270)	10,116
Other connected parties	390	1,353	—	—
Total	<u>1,187</u>	<u>4,289</u>	<u>(270)</u>	<u>10,116</u>

9.3 Occupation of Funds and relevant settlement

Applicable Not applicable

9.4 Entrusted Cash Management

Applicable Not applicable

9.5 Other Significant Connected Transactions Occurred During this year

None

10. Report of the Board of Directors

10.1 Risk Factors

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

Risks with regard to the variations from macroeconomic situation: The business results of the Company are closely related to China's economic situation as well as global economic situation. Although the various countries have adopted different kinds of macroeconomic policies to eliminate negative effects caused by lower economic growth, European debt crisis and other factors, the timing of economic recovery still remains uncertain. 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 the cyclical effects from the industry: The majority of the operational income of the Company comes from the sales of refined oil products and petrochemical products, and part of the business and their related products are cyclic and are sensitive to macro-economy, cyclic changes of regional and global economy, the changes of the production capacity and output, demand of consumers, prices and supply of the raw materials, as well as prices and supply of the alternative products etc. Although the Company is an integrated company with the integration of upstream, midstream and downstream businesses, it can only counteract the adverse influences of periodicity of the industry to some extent.

Risks from the macroeconomic policies and government regulation: Although the government of China is gradually liberalizing the market entry regulations on petroleum and petrochemicals sector, the petroleum and petrochemical industries in China are still subject to entry regulations to a certain degree, which include: issuing crude oil and natural gas production license, setting the upper limit for retail prices of gasoline, diesel and other oil products, the imposing of the special oil income levy, formulation of import and export quotas and procedures, formulation of safety, quality and environmental protection standards; meanwhile, the changes in macroeconomic and industry policies such as: further improvement in pricing mechanism of refined oil products, reforming and improvement in pricing mechanism of natural gas, and reforming in resource tax and environmental tax. Such regulations may have material effect on the operations and profitability of the Company.

Risks with regard to the changes from environmental legislation requirements: Our production activities generate waste water, gases and solids. But the Company has built up the supporting effluent treatment systems to prevent and reduce the pollution to the environment. And the relevant government authorities may issue and implement much stricter environmental protection laws and regulations, adopt much stricter environment protection standards. For this reason, the Company may increase more expenses in relation to the environment protection accordingly.

Risks from the uncertainties of obtaining additional oil and gas resources: The future sustainable development of the Company is partly dependent to a certain extent on our abilities in continuously discovering or acquiring additional oil and natural gas resources. To obtain additional oil and natural gas resources, the Company faces some inherent risks associated with exploration and development and/or with acquiring activities, and the Company has to invest a large amount of money with no guarantee of certainty. If the Company fails to acquire additional resources though further exploration and development 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 operation performance.

Risks with regard to the external purchase of crude oil: A significant amount of crude oil as need by the Company is satisfied through the external purchases. In recent years, especially influenced by the mismatch between supply and demand of crude oil, geopolitics, global economic growth and other factors, the crude oil prices are subject to a significant fluctuation. Additionally, the supply of crude oil may even be interrupted due to some extreme major incidents. Although the Company has taken flexible counter measures, it may not fully avoid risks associated with any significant fluctuation of international crude oil prices and disruption of supply of crude oil.

Risks with regard to the operation and natural disasters: The process of petroleum chemical production is exposed to the risks of inflammation, explosion and environmental pollution and is vulnerable to natural disasters. Such contingencies may cause serious impacts to the society, major financial losses to the Company and grievous injuries to people. The Company always pay great emphasis 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, some 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. As the Company purchases a significant portion of crude oil in foreign currency which is 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.

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

At the 6th meeting of the Fifth Session of the Board of Directors of Sinopec Corp., the Board approved the proposal to declare a final cash dividend of RMB 0.20 per share (tax included) with an interim distributed dividend of RMB 0.10 per share (tax included), the total dividend for the whole year is RMB 0.30 per share (tax included); and based on the total equity on relevant record date, issue 2 bonus shares converted from retained earnings and 1 bonus share converted from capital reserve for every 10 existing shares held by the shareholders on relevant record date.

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

Yes

10.4 Whether the Company disclosed report on performance of social responsibilities.

Yes

11. Report of the Board of Supervisors

During this reporting period, the Board of supervisors organized supervisors to visit and inspect Sinopec Pipeline Storage and Transportation Company for better understanding of the operations. All supervisors attended professional trainings organized by CSRC so as to further improve their capabilities in performing supervisory duties.

Through the supervision process on significant decision-makings and routine supervision on the operations, the Board of Supervisors held the following opinions: Facing the complex domestic and international market environment in 2012, Sinopec had realized a steady increase in productions and obtained a better operation result by early planning, actively, responding and greatly focusing on the improvement of the Company, deepening the reform, tapping the potential synergies, actively expanding the resources and markets, and optimizing the operation, so the Board of supervisors had no objection to the supervised issues during this reporting period.

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 made by the Board of Directors; optimized the internal control, reinforced precision management, strived to lower the costs and enhance efficiency, strengthened the technological innovation; paid more attention to risk prevention and control, put emphasis on safety and environmental protection and energy saving and emission reduction. 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 reports prepared by the Company in 2012 conformed with the relevant regulation of domestic and overseas securities regulators, and the annual financial statement issued by the Company, was prepared in accordance with ASBE and IFRS respectively, 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 listed 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 openness". 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.

Fifthly, the Company strictly implemented relevant fund-raising regulations. The actual utilization of fund-raising conformed to the disclosures.

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.

12 Financial Statements

12.1 Auditors' opinion

Financial Statements Unaudited Audited

Auditors' opinion Standard unqualified opinion Not standard opinion

12.2 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 2012		31 December 2011	
	The Group	The Company	The Group	The Company
Current assets:				
Cash at bank and on hand	10,864	5,468	25,197	20,953
Bills receivable	20,045	1,333	27,961	17,802
Accounts receivable	81,395	21,041	58,721	16,829
Other receivables	8,807	42,055	7,360	28,127
Prepayments	4,370	5,003	4,096	5,410
Inventories	218,262	148,844	203,417	144,148
Other current assets	1,008	707	836	502
Total current assets	<u>344,751</u>	<u>224,451</u>	<u>327,588</u>	<u>233,771</u>
Non-current assets:				
Long-term equity investments	52,061	111,467	47,458	102,101
Fixed assets	588,969	475,417	565,936	470,825
Construction in progress	168,977	152,199	111,311	101,641
Intangible assets	49,834	43,114	34,842	28,458
Goodwill	6,257	—	8,212	—
Long-term deferred expenses	10,246	8,617	9,076	8,018
Deferred tax assets	15,130	10,146	13,398	10,249
Other non-current assets	11,046	5,290	12,232	7,479
Total non-current assets	<u>902,520</u>	<u>806,250</u>	<u>802,465</u>	<u>728,771</u>
Total assets	<u><u>1,247,271</u></u>	<u><u>1,030,701</u></u>	<u><u>1,130,053</u></u>	<u><u>962,542</u></u>

Items	31 December 2012		31 December 2011	
	The Group	The Company	The Group	The Company
Current liabilities:				
Short-term loans	70,228	1,692	36,985	3,842
Bills payable	6,656	4,000	5,933	3,052
Accounts payable	215,628	121,184	177,002	128,138
Advances from customers	69,299	58,570	66,686	63,561
Employee benefits payable	1,838	1,315	1,795	1,341
Taxes payable	21,985	17,854	39,622	32,053
Other payables	61,721	118,311	57,662	74,525
Short-term debentures payable	30,000	30,000	—	—
Non-current liabilities due within one year	15,754	15,644	43,388	43,281
Total current liabilities	493,109	368,570	429,073	349,793
Non-current liabilities:				
Long-term loans	40,267	38,560	54,320	53,783
Debentures payable	121,849	121,849	100,137	100,137
Provision	21,591	19,598	18,381	17,114
Deferred tax liabilities	16,043	8,749	15,181	7,350
Other non-current liabilities	3,811	1,688	3,436	1,759
Total non-current liabilities	203,561	190,444	191,455	180,143
Total liabilities	696,670	559,014	620,528	529,936

Items	31 December 2012		31 December 2011	
	The Group	The Company	The Group	The Company
Shareholders' equity:				
Share capital	86,820	86,820	86,702	86,702
Capital reserve	30,574	39,146	29,583	37,983
Specific reserve	3,550	3,017	3,115	2,571
Surplus reserves	184,603	184,603	178,263	178,263
Retained profits	209,446	158,101	178,336	127,087
Foreign currency translation differences	(1,619)	—	(1,600)	—
Total equity attributable to shareholders of the Company	513,374	N/A	474,399	N/A
Minority interests	37,227	N/A	35,126	N/A
Total shareholders' equity	<u>550,601</u>	<u>471,687</u>	<u>509,525</u>	<u>432,606</u>
Total liabilities and shareholders' equity	<u>1,247,271</u>	<u>1,030,701</u>	<u>1,130,053</u>	<u>962,542</u>

Income statement

Amounts in RMB millions

Items	2012		2011	
	The Group	The Company	The Group	The Company
Operating income	2,786,045	1,626,398	2,505,683	1,541,765
Less: Operating costs	2,372,235	1,294,326	2,093,199	1,221,616
Sales taxes and surcharges	188,483	152,014	189,949	151,600
Selling and distribution expenses	40,299	33,554	38,399	33,489
General and administrative expenses	65,590	55,152	63,083	53,137
Financial expenses	9,819	9,000	6,544	6,622
Exploration expenses, including dry holes	15,533	15,533	13,341	13,341
Impairment losses	7,906	7,002	5,811	5,045
Add: Gain from changes in fair value	206	90	1,423	1,328
Investment income	1,540	16,826	4,186	19,210
Operating profit	87,926	76,733	100,966	77,453
Add: Non-operating income	4,573	3,945	3,411	3,029
Less: Non-operating expenses	2,392	2,198	1,739	1,546
Profit before taxation	90,107	78,480	102,638	78,936
Less: Income tax expense	23,696	15,080	25,774	13,415
Net profit	66,411	63,400	76,864	65,521

Items	2012		2011	
	The Group	The Company	The Group	The Company
Attributable to:				
Equity shareholders of the Company	63,496	N/A	71,697	N/A
Minority interests	<u>2,915</u>	<u>N/A</u>	<u>5,167</u>	<u>N/A</u>
Basic earnings per share	0.731	N/A	0.827	N/A
Diluted earnings per share	<u>0.704</u>	<u>N/A</u>	<u>0.795</u>	<u>N/A</u>
Net profit	<u>66,411</u>	<u>63,400</u>	<u>76,864</u>	<u>65,521</u>
Other comprehensive income:				
Cash flow hedges	(151)	—	142	—
Available-for-sale financial assets	26	—	(15)	(4)
Share of other comprehensive income of associates	80	79	(179)	(182)
Foreign currency translation differences	<u>(44)</u>	<u>—</u>	<u>(676)</u>	<u>—</u>
Total other comprehensive income	<u>(89)</u>	<u>79</u>	<u>(728)</u>	<u>(186)</u>
Total comprehensive income	<u>66,322</u>	<u>63,479</u>	<u>76,136</u>	<u>65,335</u>
Attributable to:				
Equity shareholders of the Company	63,431	N/A	71,207	N/A
Minority interests	<u>2,891</u>	<u>N/A</u>	<u>4,929</u>	<u>N/A</u>

Cash Flow Statement

Amounts in RMB millions

Items	2012		2011	
	The Group	The Company	The Group	The Company
Cash flows from operating activities:				
Cash received from sale of goods and rendering of services	3,220,178	1,888,876	2,889,482	1,792,430
Rentals received	509	352	437	404
Other cash received relating to operating activities	<u>17,864</u>	<u>55,770</u>	<u>12,316</u>	<u>13,898</u>
Sub-total of cash inflows	<u>3,238,551</u>	<u>1,944,998</u>	<u>2,902,235</u>	<u>1,806,732</u>
Cash paid for goods and services	(2,725,034)	(1,504,911)	(2,398,623)	(1,404,217)
Cash paid for operating leases	(12,361)	(9,299)	(12,611)	(10,038)
Cash paid to and for employees	(51,724)	(41,801)	(45,617)	(39,004)
Value added tax paid	(65,528)	(52,699)	(71,311)	(56,536)
Income tax paid	(22,678)	(11,744)	(29,798)	(17,149)
Taxes paid other than value added tax and income tax	(204,274)	(166,284)	(176,474)	(137,849)
Other cash paid relating to operating activities	<u>(13,490)</u>	<u>(14,503)</u>	<u>(16,620)</u>	<u>(17,449)</u>
Sub-total of cash outflows	<u>(3,095,089)</u>	<u>(1,801,241)</u>	<u>(2,751,054)</u>	<u>(1,682,242)</u>
Net cash flow from operating activities	<u>143,462</u>	<u>143,757</u>	<u>151,181</u>	<u>124,490</u>

Items	2012		2011	
	The Group	The Company	The Group	The Company
Cash flows from investing activities:				
Cash received from disposal of investments	1,384	2,249	3,039	2,337
Dividends received	2,429	14,722	2,961	17,638
Net cash received from disposal of fixed assets and intangible assets	325	274	1,216	1,157
Cash received on maturity of time deposits with financial institutions	2,381	1,885	6,383	3,840
Cash received from derivative financial instruments	2,489	—	3,679	—
Other cash received relating to investing activities	1,254	1,188	1,584	1,603
Sub-total of cash inflows	<u>10,262</u>	<u>20,318</u>	<u>18,862</u>	<u>26,575</u>
Cash paid for acquisition of fixed assets and intangible assets	(158,148)	(131,874)	(142,813)	(122,261)
Cash paid for acquisition of investments	(10,246)	(17,196)	(7,488)	(5,687)
Cash paid for acquisition of time deposits with financial institutions	(2,239)	(1,785)	(5,801)	(3,940)
Cash paid for derivative financial instruments	(2,908)	—	(3,768)	—
Sub-total of cash outflows	<u>(173,541)</u>	<u>(150,855)</u>	<u>(159,870)</u>	<u>(131,888)</u>
Net cash flow from investing activities	<u>(163,279)</u>	<u>(130,537)</u>	<u>(141,008)</u>	<u>(105,313)</u>

Items	2012		2011	
	The Group	The Company	The Group	The Company
Cash flows from financing activities:				
Cash received from borrowings	850,317	174,825	536,397	58,528
Cash received from issuance of 2011 Convertible Bonds, net of issuing expenses	—	—	22,889	22,889
Cash received from issuance of corporate bonds	80,000	80,000	5,000	5,000
Cash received from contribution from minority shareholders of subsidiaries	1,474	—	117	—
Sub-total of cash inflows	<u>931,791</u>	<u>254,825</u>	<u>564,403</u>	<u>86,417</u>
Cash repayments of borrowings	(820,067)	(181,335)	(532,667)	(65,837)
Cash repayments of corporate bonds and partial redemption of 2007 Convertible Bonds	(68,500)	(68,500)	(6,036)	(5,036)
Cash paid for dividends, profits distribution or interest	(34,637)	(33,595)	(26,368)	(25,750)
Dividends paid to minority shareholders of subsidiaries	(2,807)	—	(1,812)	—
Cash paid for acquisition of minority interests from subsidiaries, net	(152)	—	(36)	—
Sub-total of cash outflows	<u>(926,163)</u>	<u>(283,430)</u>	<u>(566,919)</u>	<u>(96,623)</u>
Net cash flow from financing activities	<u>5,628</u>	<u>(28,605)</u>	<u>(2,516)</u>	<u>(10,206)</u>
Effects of changes in foreign exchange rate	<u>(2)</u>	<u>—</u>	<u>(18)</u>	<u>—</u>
Net (decrease)/ increase in cash and cash equivalents	<u>(14,191)</u>	<u>(15,385)</u>	<u>7,639</u>	<u>8,971</u>

Consolidated Statement of Changes In Equity

Amounts in RMB millions

Items	2012								
	Share capital	Capital reserve	Specific reserve	Surplus reserves	Retained profits	Translation difference in foreign currency statements	Total equity attributable to shareholders of the Company	Minority interests	Total shareholders' equity
Balance at 1 January 2012	86,702	29,583	3,115	178,263	178,336	(1,600)	474,399	35,126	509,525
Change for the year									
1. Net profit	—	—	—	—	63,496	—	63,496	2,915	66,411
2. Other comprehensive income	—	(46)	—	—	—	(19)	(65)	(24)	(89)
Total comprehensive income	—	(46)	—	—	63,496	(19)	63,431	2,891	66,322
Transactions with owners, recorded directly in shareholders' equity:									
3. Appropriations of profits:									
– Appropriation for surplus reserves	—	—	—	6,340	(6,340)	—	—	—	—
– Distributions to shareholders	—	—	—	—	(26,046)	—	(26,046)	—	(26,046)
4. Exercise of conversion of the 2011 Convertible Bonds	118	799	—	—	—	—	917	—	917
5. Rights issue of shares by a subsidiary	—	(18)	—	—	—	—	(18)	781	763
6. Acquisition of minority interests	—	(79)	—	—	—	—	(79)	(106)	(185)
7. Distributions to minority interests, net of contributions	—	—	—	—	—	—	—	(1,462)	(1,462)
8. Net increase in specific reserve for the year	—	—	435	—	—	—	435	(12)	423
9. Government grants	—	337	—	—	—	—	337	9	346
10. Others	—	(2)	—	—	—	—	(2)	—	(2)
	118	1,037	435	6,340	(32,386)	—	(24,456)	(790)	(25,246)
Balance at 31 December 2012	<u>86,820</u>	<u>30,574</u>	<u>3,550</u>	<u>184,603</u>	<u>209,446</u>	<u>(1,619)</u>	<u>513,374</u>	<u>37,227</u>	<u>550,601</u>

Amounts in RMB millions

Items	2011								
	Share capital	Capital reserve	Specific reserve	Surplus reserves	Retained profits	Translation difference in foreign currency statements	Total equity attributable to shareholders of the Company	Minority 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)
	—	216	1,790	36,552	(56,493)	—	(17,935)	(1,358)	(19,293)
Balance at 31 December 2011	<u>86,702</u>	<u>29,583</u>	<u>3,115</u>	<u>178,263</u>	<u>178,336</u>	<u>(1,600)</u>	<u>474,399</u>	<u>35,126</u>	<u>509,525</u>

Statement of Changes In Equity

Amounts in RMB millions

Items	2012					Total shareholders' equity
	Share capital	Capital reserve	Specific reserve	Surplus reserves	Retained profits	
Balance at 1 January 2012	86,702	37,983	2,571	178,263	127,087	432,606
Change for the year						
1. Net profit	—	—	—	—	63,400	63,400
2. Other comprehensive income	—	79	—	—	—	79
Total comprehensive income	—	79	—	—	63,400	63,479
Transactions with owners, recorded directly in shareholders' equity:						
3. Appropriations of profits:						
– Appropriation for surplus reserves	—	—	—	6,340	(6,340)	—
– Distributions to shareholders	—	—	—	—	(26,046)	(26,046)
4. Exercise of conversion of the 2011 Convertible Bonds	118	799	—	—	—	917
5. Net increase in specific reserve for the year	—	—	446	—	—	446
6. Government Grants	—	287	—	—	—	287
7. Others	—	(2)	—	—	—	(2)
	118	1,084	446	6,340	(32,386)	(24,398)
Balance at 31 December 2012	86,820	39,146	3,017	184,603	158,101	471,687

Amounts in RMB millions

Items	2011					
	Share capital	Capital reserve	Specific reserve	Surplus reserves	Retained profits	Total shareholders' 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)
	—	247	1,546	36,552	(56,493)	(18,148)
Balance at 31 December 2011	86,702	37,983	2,571	178,263	127,087	432,606

12.2.2 Financial statements prepared in accordance with IFRS

Consolidated Income Statement

	Amounts in RMB millions	
Items	2012	2011
Turnover and other operating revenues		
Turnover	2,733,618	2,463,767
Other operating revenues	52,427	41,916
	<u>2,786,045</u>	<u>2,505,683</u>
Operating expenses		
Purchased crude oil, products and operating supplies and expenses	(2,301,199)	(2,027,646)
Selling, general and administrative expenses	(61,174)	(58,960)
Depreciation, depletion and amortisation	(70,456)	(63,816)
Exploration expenses, including dry holes	(15,533)	(13,341)
Personnel expenses	(51,767)	(45,428)
Taxes other than income tax	(188,483)	(189,949)
Other operating income/ (expenses), net	1,229	(1,013)
	<u>(2,687,383)</u>	<u>(2,400,153)</u>
Total operating expenses	(2,687,383)	(2,400,153)
Operating profit	98,662	105,530

Items	2012	2011
Finance costs		
Interest expense	(11,217)	(9,241)
Interest income	1,254	1,584
Unrealized (loss)/ gain on embedded derivative component of the convertible bonds	(62)	1,259
Foreign currency exchange gains, net	144	1,113
Net finance costs	(9,881)	(5,285)
Investment income	235	168
Share of profits less losses from associates and jointly controlled entities	1,626	4,152
Profit before taxation	90,642	104,565
Tax expense	(23,846)	(26,120)
Profit for the year	<u>66,796</u>	<u>78,445</u>
Attributable to:		
Equity shareholders of the Company	63,879	73,225
Non-controlling interests	2,917	5,220
Profit for the year	<u>66,796</u>	<u>78,445</u>
Earnings per share		
Basic	<u>0.736</u>	<u>0.845</u>
Diluted	<u>0.708</u>	<u>0.812</u>

Items	2012	2011
Profit for the year:	66,796	78,445
	-----	-----
Other comprehensive income for the year (after tax and reclassification adjustments)		
Cash flow hedges	(151)	142
Available-for-sale securities	26	(15)
Share of other comprehensive income of associates	80	(179)
Foreign currency translation differences	(44)	(676)
	-----	-----
Total other comprehensive income	(89)	(728)
	-----	-----
Total comprehensive income for the year	66,707	77,717
	=====	=====
Attributable to:		
Equity shareholders of the Company	63,814	72,735
Non-controlling interests	2,893	4,982
	-----	-----
Total comprehensive income for the year	66,707	77,717
	=====	=====

Balance Sheet

Amounts in RMB millions

Items	31 December 2012		31 December 2011	
	The Group	The Company	The Group	The Company
Non-current assets				
Property, plant and equipment, net	588,969	475,417	565,936	470,825
Construction in progress	168,977	152,199	111,311	101,641
Goodwill	6,257	—	8,212	—
Investments in subsidiaries	—	82,164	—	70,364
Interest in associates	28,812	10,933	25,692	13,686
Interest in jointly controlled entities	21,388	10,410	19,992	10,094
Investments	2,001	1,396	1,829	937
Deferred tax assets	14,288	9,406	12,706	9,614
Lease prepayments	36,240	30,524	26,101	19,598
Long-term prepayments and other assets	34,746	26,427	29,994	24,344
Total non-current assets	901,678	798,876	801,773	721,103
Current assets				
Cash and cash equivalents	10,456	5,467	24,647	20,852
Time deposits with financial institutions	408	1	550	101
Trade accounts receivable, net	81,395	21,041	58,721	16,829
Bills receivable	20,045	1,333	27,961	17,802
Inventories	218,262	148,844	203,417	144,148
Prepaid expenses and other current assets	34,449	65,865	27,459	48,456
Total current assets	365,015	242,551	342,755	248,188

Items	31 December 2012		31 December 2011	
	The Group	The Company	The Group	The Company
Current liabilities				
Short-term debts	73,063	46,426	68,224	46,482
Loans from Sinopec Group				
Company and fellow subsidiaries	42,919	910	12,149	641
Trade accounts payable	215,628	121,184	177,002	128,138
Bills payable	6,656	4,000	5,933	3,052
Accrued expenses and other payables	169,062	209,226	176,878	182,996
Income tax payable	6,045	4,924	4,054	2,901
Total current liabilities	<u>513,373</u>	<u>386,670</u>	<u>444,240</u>	<u>364,210</u>
Net current liabilities	<u>(148,358)</u>	<u>(144,119)</u>	<u>(101,485)</u>	<u>(116,022)</u>
Total assets less current liabilities	<u>753,320</u>	<u>654,757</u>	<u>700,288</u>	<u>605,081</u>
Non-current liabilities				
Long-term debts	124,518	123,064	116,894	116,602
Loans from Sinopec Group				
Company and fellow subsidiaries	37,598	37,345	37,563	37,318
Deferred tax liabilities	16,043	8,749	15,181	7,350
Provisions	21,591	19,598	18,381	17,114
Other liabilities	5,534	3,000	4,925	2,846
Total non-current liabilities	<u>205,284</u>	<u>191,756</u>	<u>192,944</u>	<u>181,230</u>
	<u>548,036</u>	<u>463,001</u>	<u>507,344</u>	<u>423,851</u>
Equity				
Share capital	86,820	86,820	86,702	86,702
Reserves	424,094	376,181	385,626	337,149
Total equity attributable to equity shareholders of the Company	<u>510,914</u>	<u>N/A</u>	<u>472,328</u>	<u>N/A</u>
Non-controlling interests	<u>37,122</u>	<u>N/A</u>	<u>35,016</u>	<u>N/A</u>
Total equity	<u>548,036</u>	<u>463,001</u>	<u>507,344</u>	<u>423,851</u>

12.2.3 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	2012	2011
	RMB millions	RMB millions
Net profit under ASBE	66,411	76,864
Adjustments:		
Government grants	112	97
Safety production fund	273	1,484
Profit for the year under IFRS*	<u>66,796</u>	<u>78,445</u>

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

Items	At 31 December	
	2012	2011
	RMB millions	RMB millions
Shareholders' equity under ASBE	550,601	509,525
Adjustments:		
Government grants	(1,723)	(1,489)
Safety production fund	(842)	(692)
Total equity under IFRS*	<u>548,036</u>	<u>507,344</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.

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

applicable inapplicable

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

There is no material error in the current report period.

12.5 Notes on the financial statements prepared under IFRS

12.5.1 Turnover

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

12.5.2 Taxation

Taxation in the consolidated income statement represents:

	2012	2011
	RMB millions	RMB millions
Current tax		
– Provision for the year	23,950	22,731
– Under provision in prior years	572	367
Deferred taxation	(676)	3,022
	<u>23,846</u>	<u>26,120</u>

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

	2012	2011
	RMB millions	RMB millions
Profit before taxation	<u>90,642</u>	<u>104,565</u>
Expected PRC income tax expense at a statutory tax rate of 25%	22,661	26,141
Tax effect of preferential tax rate (Note)	(2,080)	(1,825)
Effect of income taxes from foreign operations in excess of taxes at the PRC statutory tax rate (Note)	1,911	1,587
Tax effect of non-deductible expenses	536	542
Tax effect of non-taxable income	(707)	(1,565)
Tax effect of utilisation of previously unrecognised tax losses and temporary differences	(190)	(394)
Tax effect of tax losses not recognised	963	734
Write-down of deferred tax assets	180	533
Under provision in prior years	<u>572</u>	<u>367</u>
Actual income tax expense	<u>23,846</u>	<u>26,120</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.

12.5.3 Basic and diluted earnings per share

The calculation of basic earnings per share for the year ended 31 December 2012 is based on the profit attributable to ordinary equity shareholders of the Company of RMB 63,879 million (2011: RMB 73,225 million) and the weighted average number of shares of 86,810,557,493 (2011: 86,702,538,041) during the year.

The calculation of diluted earnings per share for the year ended 31 December 2012 is based on the profit attributable to ordinary equity shareholders of the Company of RMB 64,482 million (2011: RMB 72,938 million) and the weighted average number of the shares of 91,086,256,256 (2011: 89,795,334,781) calculated as follows:

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

	2012	2011
	RMB millions	RMB millions
Profit attributable to ordinary equity shareholders of the Company	63,879	73,225
After tax effect of interest expense (net of exchange gain) of the convertible bonds	556	657
After tax effect of unrealised loss/(gain) on embedded derivative components of the convertible bonds	47	(944)
Profit attributable to ordinary equity shareholders of the Company (diluted)	<u>64,482</u>	<u>72,938</u>

(ii) Weighted average number of shares (diluted)

	2012	2011
	Number of	Number of
	shares	shares
Weighted average number of shares at 31 December	86,810,557,493	86,702,538,041
Effect of conversion of the 2007 Convertible Bonds	1,093,640,860	1,084,859,551
Effect of conversion of the 2011 Convertible Bonds	<u>3,182,057,903</u>	<u>2,007,937,189</u>
Weighted average number of shares (diluted) at 31 December	<u><u>91,086,256,256</u></u>	<u><u>89,795,334,781</u></u>

12.5.4 Dividends

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

	2012	2011
	RMB millions	RMB millions
Dividends declared and paid during the year of RMB 0.10 per share (2011: RMB 0.1 per share)	8,682	8,670
Dividends declared after the balance sheet date of RMB 0.20 per share (2011: RMB 0.20 per share)	<u>17,933</u>	<u>17,364</u>
	<u><u>26,615</u></u>	<u><u>26,034</u></u>

Pursuant to the Company's Articles of Association and a resolution passed at the Directors' meeting on 24 August 2012, the directors declared an interim dividend for the year ended 31 December 2012 of RMB 0.10 (2011: RMB 0.10) per share totalling RMB 8,682 million (2011: RMB 8,670 million) and the dividends were paid on 26 September 2012.

Pursuant to a resolution passed at the director's meeting on 22 March 2013, final dividends in respect of the year ended 31 December 2012 were proposed for shareholders' approval at the Annual General Meeting, including a cash dividend of RMB 0.20 (2011: RMB 0.20) per share totaling RMB 17,933 million (2011: RMB 17,364 million); and a bonus shares dividend in the proportion of 2 for every 10 shares (2011: nil). Final cash dividend 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:

	2012	2011
	RMB millions	RMB millions
Final dividends in respect of the previous financial year, approved and paid during the year of RMB 0.20 per share (2011: RMB 0.13 per share)	<u>17,364</u>	<u>11,271</u>

Pursuant to the shareholders' approval at the Annual General Meeting on 11 May 2012, a final dividend of RMB 0.20 per share totalling RMB 17,364 million in respect of the year ended 31 December 2011 was declared and paid on 30 June 2012.

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.

12.5.5 Trade accounts receivable, net and bills receivable

	The Group		The Company	
	2012	2011	2012	2011
	RMB millions	RMB millions	RMB millions	RMB millions
Amounts due from third parties	63,311	44,344	2,634	2,943
Amounts due from subsidiaries	—	—	14,885	11,168
Amounts due from Sinopec Group Company and fellow subsidiaries	7,207	6,185	668	474
Amounts due from associates and jointly controlled entities	11,576	9,204	3,400	3,101
	82,094	59,733	21,587	17,686
Less: Impairment losses for bad and doubtful debts	(699)	(1,012)	(546)	(857)
Trade accounts receivable, net	81,395	58,721	21,041	16,829
Bills receivable	20,045	27,961	1,333	17,802
	<u>101,440</u>	<u>86,682</u>	<u>22,374</u>	<u>34,631</u>

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	
	2012	2011	2012	2011
	RMB millions	RMB millions	RMB millions	RMB millions
Within one year	101,295	86,580	22,315	34,572
Between one and two years	85	66	45	46
Between two and three years	52	16	10	5
Over three years	8	20	4	8
	<u>101,440</u>	<u>86,682</u>	<u>22,374</u>	<u>34,631</u>

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

	The Group		The Company	
	2012	2011	2012	2011
	RMB millions	RMB millions	RMB millions	RMB millions
Balance at 1 January	1,012	1,322	857	1,087
Impairment losses recognised				
for the year	44	51	31	47
Reversal of impairment losses	(155)	(124)	(152)	(110)
Written off	(202)	(237)	(190)	(167)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December	<u> 699 </u>	<u> 1,012 </u>	<u> 546 </u>	<u> 857 </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.

12.5.6 Trade accounts and bills payables

	The Group		The Company	
	2012	2011	2012	2011
	RMB millions	RMB millions	RMB millions	RMB millions
Amounts due to third parties	204,535	167,207	54,209	50,622
Amounts due to Sinopec Group Company and fellow subsidiaries	6,870	6,429	2,514	4,266
Amounts due to associates and jointly controlled entities	4,223	3,366	1,004	1,597
Amounts due to subsidiaries	—	—	63,457	71,653
	215,628	177,002	121,184	128,138
Bills payable	6,656	5,933	4,000	3,052
Trade accounts and bills payables measured at amortised cost	<u>222,284</u>	<u>182,935</u>	<u>125,184</u>	<u>131,190</u>

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

	The Group		The Company	
	2012	2011	2012	2011
	RMB millions	RMB millions	RMB millions	RMB millions
Due within 1 month or on demand	188,822	150,949	92,241	98,469
Due after 1 month but within 6 months	33,315	31,820	32,836	32,622
Due after 6 months	147	166	107	99
	<u>222,284</u>	<u>182,935</u>	<u>125,184</u>	<u>131,190</u>

12.5.7 Segment reporting

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

	2012	2011
	RMB millions	RMB millions
Turnover		
Exploration and production		
External sales	53,738	47,519
Inter-segment sales	174,571	173,115
	<u>228,309</u>	<u>220,634</u>
	-----	-----
Refining		
External sales	193,464	189,504
Inter-segment sales	1,071,387	1,015,855
	<u>1,264,851</u>	<u>1,205,359</u>
	-----	-----
Marketing and distribution		
External sales	1,453,541	1,335,569
Inter-segment sales	9,638	5,767
	<u>1,463,179</u>	<u>1,341,336</u>
	-----	-----
Chemicals		
External sales	356,150	368,658
Inter-segment sales	48,226	45,203
	<u>404,376</u>	<u>413,861</u>
	-----	-----
Corporate and others		
External sales	676,725	522,517
Inter-segment sales	635,046	610,585
	<u>1,311,771</u>	<u>1,133,102</u>
	-----	-----
Elimination of inter-segment sales	<u>(1,938,868)</u>	<u>(1,850,525)</u>
	-----	-----
Turnover	<u>2,733,618</u>	<u>2,463,767</u>
	-----	-----
Other operating revenues		
Exploration and production	28,876	21,204
Refining	6,061	6,713
Marketing and distribution	8,703	6,290
Chemicals	7,588	6,629
Corporate and others	1,199	1,080
	<u>52,427</u>	<u>41,916</u>
	-----	-----
Turnover and other operating revenues	<u>2,786,045</u>	<u>2,505,683</u>
	-----	-----

	2012	2011
	RMB millions	RMB millions
Result		
Operating profit/(loss)		
By segment		
– Exploration and production	70,054	71,631
– Refining	(11,444)	(35,780)
– Marketing and distribution	42,652	44,696
– Chemicals	1,178	26,732
– Corporate and others	(2,443)	(2,640)
– Elimination	(1,335)	891
	<hr/>	<hr/>
Total segment operating profit	98,662	105,530
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Share of profits less losses from associates and jointly controlled entities		
– Exploration and production	301	248
– Refining	(934)	(421)
– Marketing and distribution	1,034	1,103
– Chemicals	408	2,560
– Corporate and others	817	662
	<hr/>	<hr/>
Aggregate share of profits less losses from associates and jointly controlled entities	1,626	4,152
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Investment income		
– Exploration and production	1	—
– Refining	75	4
– Marketing and distribution	131	143
– Chemicals	14	17
– Corporate and others	14	4
	<hr/>	<hr/>
Aggregate investment income	235	168
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net finance costs	(9,881)	(5,285)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Profit before taxation	90,642	104,565
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	2012	2011
	RMB millions	RMB millions
Assets		
Segment assets		
– Exploration and production	368,587	329,968
– Refining	309,204	274,507
– Marketing and distribution	261,724	231,664
– Chemicals	145,867	143,215
– Corporate and others	100,517	77,489
	<hr/>	<hr/>
Total segment assets	1,185,899	1,056,843
Interest in associates and jointly controlled entities	50,200	45,684
Investments	2,001	1,829
Deferred tax assets	14,288	12,706
Cash and cash equivalents and time deposits with financial institutions	10,864	25,197
Other unallocated assets	3,441	2,269
	<hr/>	<hr/>
Total assets	<u>1,266,693</u>	<u>1,144,528</u>
Liabilities		
Segment liabilities		
– Exploration and production	90,430	86,538
– Refining	62,271	63,753
– Marketing and distribution	87,785	83,625
– Chemicals	30,100	30,459
– Corporate and others	139,811	111,680
	<hr/>	<hr/>
Total segment liabilities	410,397	376,055
Short-term debts	73,063	68,224
Income tax payable	6,045	4,054
Long-term debts	124,518	116,894
Loans from Sinopec Group Company and fellow subsidiaries	80,517	49,712
Deferred tax liabilities	16,043	15,181
Other unallocated liabilities	8,074	7,064
	<hr/>	<hr/>
Total liabilities	<u>718,657</u>	<u>637,184</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.

	2012	2011
	RMB millions	RMB millions
Capital expenditure		
– Exploration and production	78,272	58,749
– Refining	32,161	25,767
– Marketing and distribution	27,232	28,517
– Chemicals	18,996	15,015
– Corporate and others	2,061	2,136
	<u>158,722</u>	<u>130,184</u>
Depreciation, depletion and amortisation		
– Exploration and production	39,283	35,455
– Refining	12,270	11,519
– Marketing and distribution	8,792	7,202
– Chemicals	8,883	8,457
– Corporate and others	1,228	1,183
	<u>70,456</u>	<u>63,816</u>
Impairment losses on long-lived assets		
– Exploration and production	1,006	2,153
– Refining	—	78
– Marketing and distribution	8	269
– Chemicals	—	308
– Corporate and others	—	1
	<u>1,014</u>	<u>2,809</u>

(2) Geographical information

The following tables set out information about the geographical information of (i) the Group's external sales and (ii) the Group's non-current assets, excluding financial instruments and deferred tax assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

	2012	2011
	RMB millions	RMB millions
External sales		
Mainland China	2,088,043	1,947,749
Others	698,002	557,934
	<u>2,786,045</u>	<u>2,505,683</u>
Non-current assets		
Mainland China	862,044	762,805
Others	22,123	24,375
	<u>884,167</u>	<u>787,180</u>

12.6 Changes in the scope of consolidation.

applicable inapplicable

13. Repurchase, Sales and Redemption of Shares

During this reporting period, neither Sinopec Corp. nor any of its subsidiaries repurchased, sold or redeemed any listed shares of Sinopec Corp. or its subsidiaries.

14. 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.

15. Compliance with Corporate Governance Code

Based on its actual situation, Sinopec Corp. has not set up the Nomination Committee of the Board of Directors according to A.5 of the Corporate Governance Code and Corporate Governance Report (“Corporate Governance Code”) set out in Appendix 14 of the Hong Kong Listing Rules. Sinopec Corp. believed that the nomination and election of director candidates by all members of the Board of Directors would be better suited to its operation. The duties of the Nomination Committee prescribed in the Corporate Governance Code would be performed by the Board of Directors. Besides, the chairman and members of the Audit Committee and Remuneration and Appraisal Committee, due to other business duties, did not attend the annual general meeting of shareholders for the year 2011 as required under E1.2 of the Corporate Governance Code. None of the shareholder raised questions to the Audit Committee and the Remuneration and Appraisal Committee at such meeting.

Save as disclosed above, Sinopec Corp. complied with code provisions set out in the Corporate Governance Code.

16. Review of Financial Results

The financial results for the year ended 31 December 2012 have been reviewed with no disagreement by the Audit Committee of Sinopec Corp.

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

By Order of the Board
China Petroleum & Chemical Corporation
Fu Chengyu
Chairman

Beijing, China, 22 March 2013

As of the date of this announcement, directors of Sinopec Corp. are: Fu Chengyu, Wang Tianpu#, Zhang Yaocang*, Zhang Jianhua#, Wang Zhigang#, Cai Xiyou#, Cao Yaofeng*, Li Chunguang*, Dai Houliang#, Liu Yun*, Chen Xiaojin+, Ma Weihua+, Jiang Xiaoming+, Andrew Y. Yan+ and Bao Guoming+.*

Executive Director

** Non-executive Director*

+ Independent Non-executive Director