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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: 00386)**

## **Annual Results for the Year Ended 31 December 2016**

### **1. Important Notice**

**1.1** The board of directors, the board of supervisors, directors, supervisors and senior management of China Petroleum & Chemical Corporation (“Sinopec Corp.”) warrant that there are no false representations, misleading statements or material omissions 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 of Sinopec Corp. for the year ended 31 December 2016 (the “Annual Report”). The entire report can be downloaded from the websites of The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) ([www.hkexnews.hk](http://www.hkexnews.hk)) and Sinopec Corp. ([www.sinopec.com.cn](http://www.sinopec.com.cn)). Investors should read the Annual Report for more details.

**1.2** The Annual Report has been approved unanimously at the 12th Meeting of the Sixth Session of the Board of Directors of Sinopec Corp. No Director has any disagreement 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 2016 (the “reporting period”) of Sinopec Corp. and its subsidiaries (together, the “Company”) prepared in accordance with the China Accounting Standards for Business Enterprises (“ASBE”) and International Financial Reporting Standards (“IFRS”) have been audited by Pricewaterhousecoopers Zhong Tian LLP and Pricewaterhousecoopers respectively. Both firms have issued standard unqualified auditor’s reports.

**1.4** Mr. Wang Yupu, Chairman of the Board of directors, Mr. Dai Houliang, Vice Chairman and President, and Mr. Wang Dehua, Chief Financial Officer and Head of the Financial Department warrant the authenticity and completeness of the financial statements contained in the Annual Report.

## 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                               | 00386  | SNP            | SNP            | 600028         |
| Place of listing                         | Hong Kong  | New York       | London         | Shanghai       |
|  | Stock Exchange   | Stock Exchange | Stock Exchange | Stock Exchange |
| Registered address<br>and office address | 22 Chaoyangmen North Street, Chaoyang District, Beijing, China |                |                |                |
| Postcode                                 | 100728   |                |                |                |
| Website                                  | www.sinopec.com  |                |                |                |
| E-mail                                   | ir@sinopec.com   |                |                |                |

### 2.2 Contact persons of Sinopec Corp. and means of communication

|         | Authorised representatives                                     |                    | Secretary to the<br>Board of Directors | Representative on<br>Securities Matters |
|---------|--|--------------------|--|---|
| Name    | Mr. Dai Houliang   | 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 0386  | 86-10-5996 0386    | 86-10-5996 0386                        | 86-10-5996 0386                         |
| E-mail  | ir@sinopec.com   |                    |  |   |

## 3 Principal Financial Data and Indicators

### 3.1 Principal Financial Data and Indicators Prepared in Accordance with China Accounting Standards for Business Enterprises (“ASBE”) for the year ended 31 December 2016 of the Company.

| Items   | As at<br>31 December<br>2016<br>RMB million | As at<br>31 December<br>2015<br>RMB million | Changes from<br>the end of<br>the last year<br>% | As at<br>31 December<br>2014<br>RMB million |
|---|---|---|--|---|
| Total assets  | 1,498,609                                   | 1,447,268                                   | 3.5  | 1,455,594                                   |
| Total equity attributable to<br>shareholders of the Company | 712,232                                     | 677,538                                     | 5.1  | 596,697                                     |

| Items                             | Year ended 31 December |             |   |             |
|-----------------------------------|------------------------|-------------|---|-------------|
|                                   | 2016                   | 2015        | Changes over<br>the same period<br>of last year | 2014        |
|                                   | RMB million            | RMB million | %   | RMB million |
| Net cash flow from                |                        |             |   |             |
| operating activities              | 214,543                | 165,740     | 29.4  | 148,019     |
| Operating income                  | 1,930,911              | 2,020,375   | (4.4)   | 2,827,566   |
| Net profit attributable to equity |                        |             |   |             |
| shareholders of the Company       | 46,416                 | 32,281      | 43.8  | 47,603      |
| Net profit attributable to equity |                        |             |   |             |
| shareholders of the Company after |                        |             |   |             |
| deducting extraordinary           |                        |             |   |             |
| gain/loss items                   | 29,713                 | 28,901      | 2.8   | 43,238      |
| Weighted average return on net    |                        |             | 1.61 Percentage                                 |             |
| assets (%)                        | 6.68                   | 5.07        | points  | 8.14        |
| Basic earnings per share (RMB)    | 0.383                  | 0.267       | 43.4  | 0.407       |
| Diluted earnings per share (RMB)  | 0.383                  | 0.267       | 43.4  | 0.406       |

| Items                             | For the year of 2016 |                   |                  |                   |                |
|-----------------------------------|----------------------|-------------------|------------------|-------------------|----------------|
|                                   | First<br>Quarter     | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter | Total          |
|                                   | RMB<br>million       | RMB<br>million    | RMB<br>million   | RMB<br>million    | RMB<br>million |
| Operating income                  | 414,061              | 465,159           | 484,725          | 566,966           | 1,930,911      |
| Net profit attributable to equity |                      |                   |                  |                   |                |
| shareholders of the Company       | 6,190                | 13,060            | 9,916            | 17,250            | 46,416         |
| Net profit attributable to equity |                      |                   |                  |                   |                |
| shareholders of the Company       |                      |                   |                  |                   |                |
| excluding extraordinary           |                      |                   |                  |                   |                |
| gains and losses                  | 6,403                | 11,887            | 10,047           | 1,376             | 29,713         |
| Net cash flow from                |                      |                   |                  |                   |                |
| operating activities              | 34,285               | 41,827            | 55,588           | 82,843            | 214,543        |

### 3.2 Principal Financial Data and Indicators Prepared in Accordance with International Financial Reporting Standards (“IFRS”) for the year ended 31 December 2016 of the Company

| Items  | Year ended 31 December |                     |                     |                     |                     |
|--|------------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2016<br>RMB million    | 2015<br>RMB million | 2014<br>RMB million | 2013<br>RMB million | 2012<br>RMB million |
| Turnover and other operating revenues                        | 1,930,911              | 2,020,375           | 2,827,566           | 2,881,928           | 2,787,684           |
| Operating profit   | 77,193                 | 56,822              | 73,439              | 96,763              | 98,604              |
| Profit before taxation                                       | 80,151                 | 56,411              | 65,818              | 95,444              | 91,012              |
| Net profit attributable to owners                            |                        |                     |                     |                     |                     |
| of the Company   | 46,672                 | 32,512              | 46,639              | 66,348              | 64,082              |
| Basic earnings per share (RMB)                               | 0.385                  | 0.269               | 0.399               | 0.571               | 0.568               |
| Diluted earnings per share (RMB)                             | 0.385                  | 0.269               | 0.399               | 0.536               | 0.546               |
| Return on capital employed (%)                               | 7.30                   | 5.23                | 6.06                | 8.03                | 9.10                |
| Return on net assets (%)                                     | 6.56                   | 4.81                | 7.84                | 11.62               | 12.48               |
| Net cash generated from operating activities per share (RMB) | 1.772                  | 1.371               | 1.267               | 1.305               | 1.264               |
| Items  | As of 31 December      |                     |                     |                     |                     |
|  | 2016<br>RMB million    | 2015<br>RMB million | 2014<br>RMB million | 2013<br>RMB million | 2012<br>RMB million |
| Non-current assets   | 1,086,348              | 1,113,611           | 1,094,035           | 1,012,703           | 895,761             |
| Net current liabilities                                      | 73,282                 | 129,175             | 242,892             | 197,440             | 146,743             |
| Non-current liabilities                                      | 181,831                | 196,275             | 201,540             | 189,485             | 196,617             |
| Non-controlling interests                                    | 120,241                | 111,964             | 54,348              | 54,691              | 39,086              |
| Total equity attributable to the owners                      |                        |                     |                     |                     |                     |
| of the Company   | 710,994                | 676,197             | 595,255             | 571,087             | 513,315             |
| Net assets per share (RMB)                                   | 5.873                  | 5.585               | 5.033               | 4.899               | 5.912               |
| Adjusted net assets per share (RMB)                          | 5.808                  | 5.517               | 4.969               | 4.860               | 5.846               |

### 3.3 Significant changes of items in the financial statements

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

| Items                       | As of 31 December |             | Increase/(decrease) |            | Reasons for change   |
|-----------------------------|-------------------|-------------|---------------------|------------|--|
|                             | 2016              | 2015        | Amount              | Percentage |  |
|                             | RMB million       | RMB million | RMB million         | (%)        |  |
| Cash at bank and on hand    | 142,497           | 69,666      | 72,831              | 104.5      | Significant Improvement on operating cash flow and decreased investment as compared with 2015, resulted in surplus cash  |
| Long term equity investment | 116,812           | 84,293      | 32,519              | 38.6       | Mainly due to sale of equity in Sichuan-to-East China Pipeline Co., resulted in RMB 22.8 billion increase in long term equity in associates.   |
| Short-term borrowings       | 30,374            | 74,729      | (44,355)            | (59.4)     | Mainly due to increase in profits and decrease in demand for external funds, and the repayment of part of the short-term borrowings  |
| Notes payable               | 5,828             | 3,566       | 2,262               | 63.4       | The Company optimised its operating funds, and based on its trust worthy creditability, increased its credit line in using the notes   |
| Accounts payable            | 174,301           | 130,558     | 43,743              | 33.5       | Mainly due to the increase in trading volume of the trading business, resulted in an increase of RMB 30.5 billion in the accounts payable to the third parties.                            |
| Tax payable                 | 52,886            | 32,492      | 20,394              | 62.8       | Mainly due to significant increase in profit from refineries as well as the impact of timing of the taxes submitted by enterprises   |
| Short term bonds payable    | 6,000             | 30,000      | (24,000)            | (80.0)     | Mainly due to the maturity of RMB 30 billion super short term financing papers, and issuance of RMB 12 billion super short term papers in 2016, with the year-end balance of RMB 6 billion |
| Income of investment        | 30,779            | 8,876       | 21,903              | 246.8      | Mainly due to increased income from reorganisation of pipeline assets  |

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

### 4.1 Changes in the share capital

There is no change on the number and nature of shares of Sinopec Corp. during the reporting period

### 4.2 Number of shareholders and their shareholdings

As of 31 December 2016, the total number of shareholders of Sinopec Corp. was 609,380 including 603,151 holders of domestic A shares and 6,229 holders of overseas H shares. As of 28 February 2017, the total number of shareholders of Sinopec Corp. was 579,998. 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”).

#### (1) Shareholdings of top ten shareholders

The shareholdings of top ten shareholders as of 31 December 2016 are listed as below:

| Name of shareholders                | Nature of Shareholders | Percentage of shareholdings % | Total number of shares held | Changes of shareholding <sup>1</sup> | Unit: Share                          |
|-------------------------------------|------------------------|-------------------------------|-----------------------------|--------------------------------------|--------------------------------------|
|                                     |                        |                               |                             |                                      | shares subject to pledges or lock-up |
| China Petrochemical Corporation     | State-owned Share      | 70.86                         | 85,792,671,101              | 0                                    | 0                                    |
| HKSCC Nominees Limited <sup>2</sup> | H Share                | 20.96                         | 25,379,653,053              | 5,311,433                            | Unknown                              |
| 中國證券金融股份有限公司                        | A Share                | 1.54                          | 1,861,425,318               | 96,593,005                           | 0                                    |
| HKSCC Nominees Limited              | A Share                | 0.30                          | 361,151,404                 | 284,218,172                          | 0                                    |
| 中央匯金資產管理有限責任公司                      | A Share                | 0.27                          | 322,037,900                 | 0                                    | 0                                    |
| 工銀瑞信基金-工商銀行-特定客戶資產管理                | A Share                | 0.12                          | 139,961,578                 | 139,961,578                          | 0                                    |
| 國泰君安證券股份有限公司                        | A Share                | 0.11                          | 131,135,206                 | (3,402,700)                          | 0                                    |
| 交通銀行股份有限公司-滙豐晉信雙核策略<br>混合型券投基金      | A Share                | 0.08                          | 91,545,992                  | 68,870,234                           | 0                                    |
| 中國工商銀行-上證50交易型開放式指數<br>證券投資基金       | A Share                | 0.06                          | 77,858,630                  | 1,220,850                            | 0                                    |
| 長江證券股份有限公司                          | A Share                | 0.06                          | 71,197,295                  | 23,928,471                           | 0                                    |

Note 1: As compared with the number of shares held as of 31 December 2015.

Note 2: Sinopec Century Bright Capital Investment Limited, an overseas wholly-owned subsidiary of China Petrochemical Corporation, holds 553,150,000 H shares, accounting for 0.46% of the total issued share capital of Sinopec Crop. Those shareholdings are included in the total number of the shares held by HKSCC Nominees Limited.

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

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

**(2) Information disclosed by the shareholders of H shares in accordance with the Securities and Futures Ordinance (SFO)**

| Name of shareholders | Status of shareholders  | Number of shares interests held or regarded as held (H Share) | Approximate percentage of Sinopec Corp.'s issued share capital |         |
|----------------------|---|---|--|---------|
|                      |   |   | (H Share) (%)  |         |
| BlackRock, Inc.      | Interest of corporation controlled by the substantial shareholder | 2,278,374,418(L)  | 8.93(L)  |         |
|                      |   | 1,558,000(S)  | 0.01(S)  |         |
| JPMorgan Chase & Co. | Beneficial owner  | 492,573,324(L)  | 1.93(L)  |         |
|                      |   | 158,634,692(S)  | 0.62(S)  |         |
|                      |   | Investment manager  | 31,602,000(L)  | 0.12(L) |
|                      |   | Trustee (exclusive of passive trustee)                        | 20,400(L)  | 0.00(L) |
|                      |   | Custodian corporation/<br>approved lending agent              | 908,006,153(L)   | 3.56(L) |
| Schroders Plc        | Investment manager  | 1,275,857,318(L)  | 5.00(L)  |         |

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

**4.3 Changes in the controlling shareholder and the de facto controller**

There was no change in the controlling shareholder and the de facto controller of Sinopec Corp. during 2016.

**(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 enterprise. The legal representative is Mr. Wang Yupu. Through re-organisation in 2000, China Petrochemical Corporation injected its principal petroleum and petrochemical businesses into Sinopec Corp. and retained certain petrochemical facilities. It provides well-drilling services, well-logging services, downhole operation services, services in connection with manufacturing and maintenance of production equipment, engineering construction, utility services including water and power and social services.

## Shares of other listed companies directly held by China Petrochemical Corporation

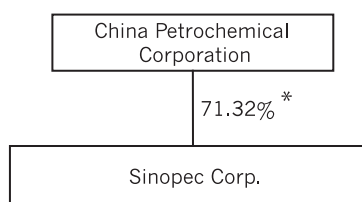
| Name of Company                          | Number of Shares Held | Shareholding Percentage |
|--|-----------------------|-------------------------|
| Sinopec Engineering (Group) Co. Ltd      | 2,907,856,000         | 65.67%                  |
| Sinopec Oilfield Service Corporation     | 9,224,327,662         | 65.22%                  |
| Sinopec Oilfield Equipment Corporation   | 351,351,000           | 58.74%                  |
| China Merchants Energy Shipping Co., Ltd | 912,886,426           | 17.23%                  |

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

(3) **Basic information of the de facto controller**

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

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



\*: Inclusive of 553,150,000 H shares held by Sinopec Century Bright Capital Investment Ltd. (overseas wholly-owned subsidiary of China Petrochemical Corporation) through HKSCC Nominees Limited.

## 5. Business Review and Prospects

### Business Review

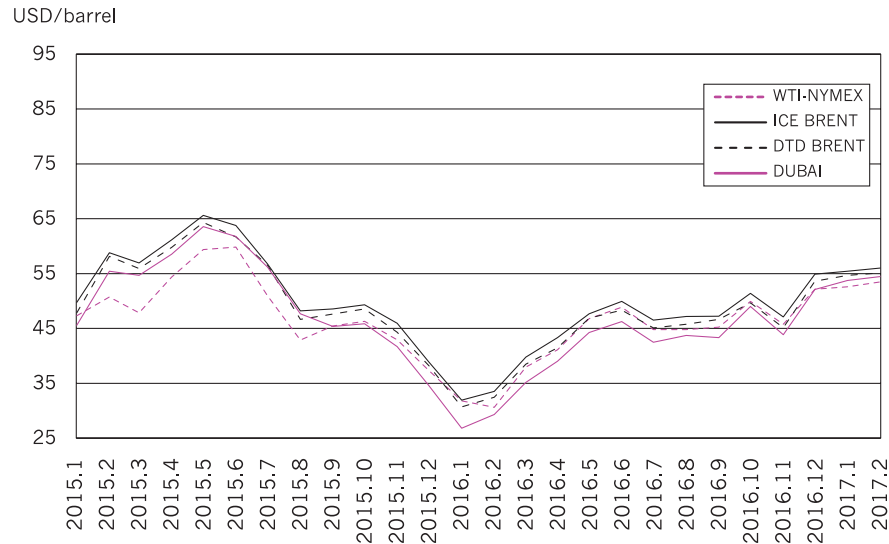
In 2016, global economic recovery continued to be weak, while China's economy maintained its stable growth, with gross domestic product (GDP) up by 6.7%. International oil prices fluctuated above their lowest levels. With abundant supply, domestic oil products market witnessed strong competition. Demand for chemicals grew steadily, and China's environmental regulations became more stringent. The Company actively addressed market changes through a focus on growth quality, profitability and restructuring. We pressed ahead with measures to address market development, optimisation, cost reduction and risk control, coordinating all aspects of our work, which helped deliver operating results that were better than expected.



## 5.1 Market Review

### (1) Crude oil market

In 2016, international crude oil prices bottomed out and fluctuated upwards, yet still remained at a low level. The average spot price of Platt's Brent for the year was USD 43.69 per barrel, down by 16.7% from the previous year.



Trend of International Crude Oil Prices

### (2) Refined Oil Products Market

In 2016, domestic demand for refined oil products maintained its growth while the structure of consumption continued to change, and market supply was in surplus. According to our statistics, apparent consumption of refined oil products (including gasoline, diesel and kerosene) was 288 million tonnes, up by 4.3% from the previous year, with gasoline up by 11.9%, kerosene up by 11.0% and diesel down by 2.2%. The government further improved the pricing mechanism for refined oil products by setting the floor price. In 2016, the government made 15 price adjustments with 10 increases and 5 decreases.

### (3) Chemical Products Market

In 2016, domestic demand for chemicals grew steadily. According to our statistics, domestic apparent consumption of ethylene equivalent was up by 3.0% from the previous year, and consumption of synthetic resin, synthetic fiber and synthetic rubber rose by 5.1%, 2.6% and 7.5%, respectively. Domestic chemical product prices decreased compared with the previous year, but experienced an upward trend, in line with movements of international chemical product prices.

## 5.2 Production & Operations Review

### (1) Exploration and Production

In 2016, faced with low oil prices and coped with harsh conditions in the upstream sector, we strengthened measures to rein in costs and address our weaknesses. At the same time, we gave priority to high-efficiency exploration activities and made a number of important new discoveries in the Xinjiang Tahe Basin, the Beibu Gulf in Guangxi and the Yin-E Basin in Neimongol, along with new shale gas findings in the Yongchuan block in Sichuan. In development, we adopted a profit-oriented approach, adjusting the development structure, enhancing cost discipline, and cutting low-efficiency oil production and high-cost EOR operations. We implemented Phase Two of Fuling Shale Gas development project and increased our production of natural gas. We also completed the mixed ownership reform of Sichuan-to-East China Pipeline Co. and improved our asset profitability. The Company's production of oil and gas declined to 431.29 million barrels of oil equivalent, with domestic crude production down by 14.6% from the previous year and natural gas production up by 4.3%.

### Summary of Operations for the Exploration and Production Segment

|                                | 2016   | 2015   | 2014   | Change from<br>2015 to 2016 (%) |
|--------------------------------|--------|--------|--------|---------------------------------|
| Oil and gas production (mmboe) | 431.29 | 471.91 | 480.22 | (8.6)                           |
| Crude oil production (mmbbls)  | 303.51 | 349.47 | 360.73 | (13.2)                          |
| China                          | 253.15 | 296.34 | 310.87 | (14.6)                          |
| Overseas                       | 50.36  | 53.13  | 49.86  | (5.2)                           |
| Natural gas production (bcf)   | 766.12 | 734.79 | 716.35 | 4.3                             |

## (2) Refining

In 2016, the Company completed GB V automobile gasoline and diesel quality upgrading program ahead of schedule and actively promoting VI automobile gasoline and diesel quality upgrading in Beijing. We advanced the adjustment of our product structure and increased output of gasoline (especially premium gasoline) and kerosene, with the diesel-to-gasoline ratio further declining to 1.19. We actively responded to the challenges of abundant market supply, and succeeded in maintaining the utilisation rate at a high level. Meanwhile, through superior feedstock optimisation by our international trading business, we further cut crude procurement costs and achieved moderate increases in product exports. We brought our centralised marketing advantages fully into play to further improve margins for LPG, asphalt and other products. In 2016, the company processed 236 million tonnes of crude and produced 149 million tonnes of refined oil products, up by 0.53% from the previous year, with gasoline up by 4.4% and kerosene up by 4.6%.

### Summary of Operations for the Refining Segment

|  |        |        | Unit: million tonnes |                                 |
|--|--------|--------|----------------------|---------------------------------|
|  | 2016   | 2015   | 2014                 | Change from<br>2015 to 2016 (%) |
| Refinery throughput                      | 235.53 | 236.49 | 235.38               | (0.4)                           |
| Gasoline, diesel and kerosene production | 149.17 | 148.38 | 146.23               | 0.5                             |
| Gasoline                                 | 56.36  | 53.98  | 51.22                | 4.4                             |
| Diesel                                   | 67.34  | 70.05  | 74.26                | (3.9)                           |
| Kerosene                                 | 25.47  | 24.35  | 20.75                | 4.6                             |
| Light chemical feedstock production      | 38.54  | 38.81  | 39.17                | (0.7)                           |
| Light product yield (%)                  | 76.33  | 76.50  | 76.52                | (0.17) percentage<br>points     |
| Refinery yield (%)                       | 94.70  | 94.75  | 94.66                | (0.05) percentage<br>points     |

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

### (3) Marketing and distribution

In 2016, the company actively responded to changes in the market environment to bring our advantages in integrated business and distribution network into full play, achieving solid operating results. We optimised internal and external resources and achieved growth in both total sales volume and retail scale. We made timely adjustments to our marketing strategies, promoted effective supply and further expanded the retail volume of premium gasoline. We also improved our marketing network by accelerating the planning and construction of service stations and refined oil product pipelines. We expanded natural gas retail business for automobiles by expediting the construction and operation of CNG/LNG stations, achieving 25% growth in sales volume of natural gas for automobiles. In 2016, the total sales volume of oil products was 195 million tonnes, of which domestic sales accounted for 173 million tonnes. Our emerging business maintained its rapid growth with increased scale and profits. Emerging business transaction volume reached RMB 35.1 billion, up by 41.4% from the previous year.

#### Summary of Operations for the Marketing and Distribution Segment

|   | 2016                | 2015                | 2014                | Change from<br>2015 to 2016 (%)  |
|---|---------------------|---------------------|---------------------|--|
| Total sales volume of oil products<br>(million tonnes)          | 194.84              | 189.33              | 189.17              | 2.9  |
| Total domestic sales volume<br>of oil products (million tonnes) | 172.70              | 171.37              | 170.97              | 0.8  |
| Retail sales (million tonnes)                                   | 120.14              | 119.03              | 117.84              | 0.9  |
| Direct sales and distribution<br>(million tonnes)               | 52.56               | 52.34               | 53.13               | 0.4  |
| Annual average throughput per station<br>(tonne/station)        | 3,926               | 3,896               | 3,858               | 0.8  |
|   |                     |                     |                     | Change from<br>the end of the<br>previous year<br>to the end of<br>the reporting<br>period (%) |
|   | 31 December<br>2016 | 31 December<br>2015 | 31 December<br>2014 |  |
| Total number of service stations under<br>the Sinopec brand     | 30,603              | 30,560              | 30,551              | 0.1  |
| Number of company-operated stations                             | 30,597              | 30,547              | 30,538              | 0.2  |

#### (4) Chemicals

In 2016, we accelerated development of basic and high-end chemicals to promote effective supply, and we optimised the operations of our facilities based on their profit margins. The Company fine-tuned its chemical feedstock mix to lower costs, optimised product mix by maximising production of high-value-added products tailored to market demands, and intensified its efforts to enhance research and development, production, marketing and sales of high value added new products, achieving good results. Ethylene output was 11.059 million tonnes, with the differential ratio of synthetic fiber reaching 86.5% and the specialty and new products as a percentage of synthetic resins reaching 61.4%. By implementing low-inventory and differentiated marketing strategies, our full-year chemical sales volume increased by 11.3% from the previous year to 69.96 million tonnes, with all produced chemicals sold.

#### Summary of Operations for the Chemicals Segment

|                                     |        |        | Unit: thousand tonnes |                              |
|-------------------------------------|--------|--------|-----------------------|------------------------------|
|                                     | 2016   | 2015   | 2014                  | Change from 2015 to 2016 (%) |
| Ethylene                            | 11,059 | 11,118 | 10,698                | (0.5)                        |
| Synthetic resin                     | 15,201 | 15,065 | 14,639                | 0.9                          |
| Synthetic rubber                    | 857    | 843    | 939                   | 1.7                          |
| Synthetic fiber monomer and polymer | 9,275  | 8,994  | 8,383                 | 3.1                          |
| Synthetic fiber                     | 1,242  | 1,282  | 1,315                 | (3.1)                        |

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

**(5) Research and Development**

In 2016, the Company pushed ahead with its innovation-driven strategy, continuing to advance its R&D activities with notable results. In our upstream business, our development in shale gas exploration technologies enabled us to make breakthroughs in shale gas exploration in Yongchuan, Chongqing, the breakthrough in Ordovician oil and gas reservoir formation theory and exploration technologies led us to the discovery of the Shunbei field. In refining, we applied technologies such as for production of high-octane gasoline from FCC diesel. In chemicals, we commercialised the production of ethylene glycol from syngas, adopted butadiene tail-gas selective hydrogenation technologies, employed technologies to produce light olefins from coal as well as olefin catalytic cracking technologies, and developed new products including environmentally friendly polypropylene resin with high stiffness and tenacity, and a specialty resin used in high-performance medical spun-bond non-woven fabrics. In 2016, the Company filed 5,612 patent applications at home and abroad, of which 3,942 were granted. The Company also won four second prizes in the National Technology and Innovation Awards and one golden award and nine excellent patent awards in China's Patent Award competition.

**(6) Health, Safety and the Environment**

In 2016, the Company fully followed its safe production and accountability scheme, strengthened the identification and control of risks, completed the rectification of potential hazards from oil and gas pipelines, further push forward management on potential hazards from oil storage tanks, reinforced on-site supervision and management, and achieved overall safe production and operations. We standardised measures to enhance worker protection and improved occupational health safeguards for our employees. By implementing its green, low-carbon strategy, the Company established a more stringent environmental protection management system, completed Clear Water, Blue Sky environmental protection project, and met emission reduction targets for major pollutants. Compared with last year, energy intensity was reduced by 1.59%, industrial water consumption was down by 1.1%, COD in discharged water was down by 3.86%, sulfur dioxide emissions were down by 4.84%, and all hazardous chemicals, discharged water, gas, and solid wastes were properly treated. For more detailed information, please refer to our Communication on Progress for Sustainable Development.

## **(7) Capital Expenditures**

In 2016, focusing on quality and profitability of investment, the Company continuously optimised its investment projects. Total capital expenditures were RMB 76.456 billion. Capital expenditures for the exploration and production segment were RMB 32.187 billion, mainly for Fuling shale gas and Yuanba gas field development projects and LNG terminal projects in Guangxi and Tianjin, as well as overseas projects. Capital expenditures for the refining segment were RMB 14.347 billion, mainly for gasoline and diesel quality upgrading projects, adjustments in the product mix and refinery revamping projects. Capital expenditures for the marketing and distribution segment were RMB 18.493 billion, mainly for constructing and renovating service stations and building refined oil product pipelines, depots and storage facilities, as well as for rectification of safety hazards. Capital expenditures for the chemicals segment were RMB 8.849 billion, mainly for adjustment of the feedstock and product structure, the Ningdong coal chemical project and the Zhongtianhechuang coal to chemical project. Capital expenditures for the corporate and others segment were RMB 2.58 billion, mainly for R&D facilities and information technology application projects.

## **5.3 Business Prospects**

### **(1) Market Outlook**

Looking ahead to 2017, we expect even more uncertainty in the global economy while China's economy maintains its steady growth. International oil prices are expected to fluctuate at a low level, with domestic demand for refined oil products continuing to grow as the consumption structure undergoes further adjustments. Domestic demand for petrochemical products will increase steadily as the consumption structure gradually shifts towards the high end.

### **(2) Operations**

In 2017, bearing in mind structural reforms on the supply side, the Company will focus on enhancing quality and profitability of our assets, cost reduction, market expansion, structural adjustments, reforms, and consolidating the basis for further growth. We will undertake the following work during the year:

**Exploration and Production:** We will maintain exploration activities, optimising our plans to achieve high-efficiency exploration. Our goal will be discovery of low-cost, large-scale reserves to expand our resources. In oil development, we will fine-tune development plans based on oil price trends and promote oilfield development by increasing the volume and profitability of both incremental and existing reserves. In gas development, we will advance key projects for capacity construction, refine the management of developed gas fields and optimise gas production and marketing plans. In 2017, we plan to produce 294 million barrels of crude oil, of which overseas production will account for 46 million barrels. We plan to produce 879.9 billion cubic feet of natural gas.

**Refining:** We will continue with our market-oriented, profitability-driven strategy to optimise crude oil procurement and resource allocation and to lower our purchasing costs. We will comprehensively adjust our production plans to ensure safe and reliable operations. We will enhance our product structure by increasing the production of jet fuel and gasoline (especially premium gasoline) and further lowering the diesel-to-gasoline ratio. We will accelerate the quality and supply of GB VI gasoline and diesel in Beijing and GB V regular diesel in other area. In 2017, we plan to process 240 million tonnes of crude and produce 150 million tonnes of oil products.

**Marketing and Distribution:** We will intensify our marketing strategy of balancing profits and volume, with the priority on profits. We will undertake measures to fully explore markets, expand our retail volume and increase our market share. We will further improve our marketing network to reinforce our advantages. We will accelerate construction of gas stations to strengthen our presence in the CNG/LNG market. We will step up the promotion of key merchandise and self-branding and boost the growth of our emerging business. We will explore building a new type of customer service center, employ techniques of Big Data analysis to conduct precision marketing and further our transformation into a modern comprehensive services provider. In 2017, we plan to sell 175 million tonnes of oil products in the domestic market.

**Chemicals:** We will continue to adjust our feedstock mix to lower costs, fine-tune our product slate to deliver more popular, profitable and high-value-added products, optimise our facility utilisation rate, shut down facilities which have no marginal contributions. We will deepen the adjustment on sector structure, through advancing the development of fine chemicals and biochemicals, and improving operations of our coal-chemical projects. Meanwhile, we will enhance our strategies of product differentiation and precision marketing, and provide our customers with full process solutions and value-added services. In 2017, we plan to produce 11.66 million tonnes of ethylene.



**Research and Development:** We will continue to implement our strategy of development driven by innovation, improving mechanisms for technological innovation and fast-tracking key technical breakthroughs. In exploration and production, we will focus on increasing reserves and production and pushing ahead with breakthroughs in enhanced oil recovery technologies and development of difficult-to-tap reserves. In refining, R&D initiatives will address processing of heavy crude oil, quality upgrading of oil products and optimisation of product slate. In chemicals we will focus on adjustments in our product mix along with further progress in R&D for basic chemicals, synthetic materials, coal-chemicals, fine chemicals and bio-chemicals. We also expect to make progress in safety, environmental and energy-conserving technologies as well as prospective and basic research to enhance our capabilities for innovation and to achieve new R&D breakthroughs.

**Capital Expenditures:** In 2017, we will devote attention to the quality and profitability of investments, and optimise our investment projects. Capital expenditures for the year are budgeted at RMB 110.2 billion. The exploration and production segment will account for expenditures of RMB 50.5 billion, mainly for Phase II of Fuling shale gas development, Tianjin LNG project, and gas storage project, and overseas oil and gas project development. The refining segment will account for RMB 22.8 billion, mainly for building of refining bases, structural adjustments in the refining business, and revamping of refineries as well as GB VI quality upgrading of oil products. The marketing and distribution segment will account for RMB 18 billion, mainly for revamping service stations, improving pipeline network, building oil tank farms and removing safety hazards. The chemicals segment will account for RMB 15.1 billion, mainly for the integrated refining and chemical project in Zhanjiang of Guangdong Province, the integrated refining and chemical project in Gulei of Fujian Province and the high-efficiency and environmentally friendly aromatics project in Hainan refinery. The corporate and others segment will account for RMB 3.8 billion, mainly for R&D and Information technology projects.

## 6. Management Discussion and Analysis

The following discussion and analysis should be read in conjunction with the Company's audited financial statements in this announcement and the Annual Report and the accompanying notes. Parts of the following concerned financial data were abstracted from the company's audited financial statements that have been prepared according to the IFRS, unless otherwise stated. The prices in the following discussion do not include value-added tax.

### 6.1 Consolidated Results of Operations

In 2016, the Company's turnover and other operating revenues were RMB 1,930.9 billion, decreased by 4.4% compared with that of 2015. The operating profit was RMB 77.2 billion, representing a year on year increase of 35.9%.

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

|  | Year ended 31 December |                    |              |
|--|------------------------|--------------------|--------------|
|  | 2016                   | 2015               | Change (%)   |
|  | RMB million            | RMB million        |              |
| <b>Turnover and other operating revenues</b>   | <b>1,930,911</b>       | <b>2,020,375</b>   | <b>(4.4)</b> |
| Turnover   | 1,880,190              | 1,977,877          | (4.9)        |
| Other operating revenues   | 50,721                 | 42,498             | 19.3         |
| <b>Operating expenses</b>  | <b>(1,853,718)</b>     | <b>(1,963,553)</b> | <b>(5.6)</b> |
| Purchased crude oil, product<br>and operating supplies and expenses                      | (1,379,691)            | (1,494,046)        | (7.7)        |
| Selling, general and administrative expenses   | (64,360)               | (69,491)           | (7.4)        |
| Depreciation, depletion and amortisation   | (108,425)              | (96,460)           | 12.4         |
| Exploration expenses, including dry holes  | (11,035)               | (10,459)           | 5.5          |
| Personnel expenses   | (63,887)               | (56,619)           | 12.8         |
| Taxes other than income tax  | (232,006)              | (236,349)          | (1.8)        |
| Other operating income/(expense), net  | 5,686                  | (129)              | —            |
| <b>Operating profit</b>  | <b>77,193</b>          | <b>56,822</b>      | <b>35.9</b>  |
| Net finance costs  | (6,611)                | (9,239)            | (28.4)       |
| Investment income and share of profits less<br>losses from associates and joint ventures | 9,569                  | 8,828              | 8.4          |
| Profit before taxation   | 80,151                 | 56,411             | 42.1         |
| Tax expense  | (20,707)               | (12,613)           | 64.2         |
| <b>Profit for the year</b>   | <b>59,444</b>          | <b>43,798</b>      | <b>35.7</b>  |
| <b>Attributable to:</b>  |                        |                    |              |
| Owners of the Company  | 46,672                 | 32,512             | 43.6         |
| Non-controlling interests  | 12,772                 | 11,286             | 13.2         |

## (1) Turnover and other operating revenues

In 2016, the Company's turnover was RMB 1,880.2 billion, representing a decrease of 4.9% over 2015. This was mainly attributable to the decline of crude oil and petrochemical products prices.

The following table sets forth the external sales volume, average realised prices and respective rates of change of the Company's major products in 2016 and 2015:

|   | Sales volume (thousand tonnes) |        |            | Average realised price<br>(RMB/tonne, RMB/thousand cubic meters) |       |            |
|---|--------------------------------|--------|------------|--|-------|------------|
|   | Year ended 31 December         |        |            | Year ended 31 December   |       |            |
|   | 2016                           | 2015   | Change (%) | 2016   | 2015  | Change (%) |
| Crude oil                               | 6,808                          | 9,674  | (29.6)     | 1,628  | 2,019 | (19.4)     |
| Natural gas (million cubic meters)      | 19,008                         | 18,440 | 3.1        | 1,258  | 1,519 | (17.2)     |
| Gasoline                                | 77,480                         | 69,749 | 11.1       | 6,386  | 6,749 | (5.4)      |
| Diesel                                  | 91,492                         | 95,472 | (4.2)      | 4,482  | 4,937 | (9.2)      |
| Kerosene                                | 25,164                         | 23,028 | 9.3        | 2,807  | 3,387 | (17.1)     |
| Basic chemical feedstock                | 32,248                         | 29,608 | 8.9        | 4,054  | 4,175 | (2.9)      |
| Monomer and polymer for synthetic fibre | 7,146                          | 6,071  | 17.7       | 5,325  | 5,796 | (8.1)      |
| Synthetic resin                         | 12,223                         | 11,989 | 2.0        | 7,488  | 7,771 | (3.6)      |
| Synthetic fibre                         | 1,369                          | 1,380  | (0.8)      | 7,113  | 7,740 | (8.1)      |
| Synthetic rubber                        | 1,098                          | 1,104  | (0.5)      | 9,608  | 8,778 | 9.5        |
| Chemical fertiliser                     | 714                            | 243    | 193.8      | 1,612  | 1,823 | (11.6)     |

Most crude oil and a small portion of natural gas produced by the Company were internally used for refining and chemical production, with the remaining sold to external customers. In 2016, the turnover from crude oil, natural gas and other upstream products sold externally amounted to RMB 47.4 billion, a decrease of 17.8% over 2015. The change was mainly due to the decrease of crude oil prices and sales volume in 2016.

In 2016, petroleum products (mainly consisting of oil products and other refined petroleum products) sold by Refining Segment and Marketing and Distribution Segment achieved external sales revenues of RMB 1,130.4 billion, accounting for 58.5% of the Company's turnover and other operating revenues, representing a decrease of 6.3% over 2015 mainly due to the decline of various refined oil products prices. The sales revenue of gasoline, diesel and kerosene was RMB 975.6 billion, representing a decrease of 4.4% over 2015, and accounting for 86.3% of the total sales revenue of petroleum products. Turnover of other refined petroleum products was RMB 154.8 billion, representing a decrease of 17.0% compared with 2015, accounting for 13.7% of the total sales revenue of petroleum products.

The Company's external sales revenue of chemical products was RMB 284.3 billion, representing an increase of 2.8% over 2015, accounting for 14.7% of the Company's total turnover and other operating revenues. This was mainly due to the increase of chemical products sales volume.

**(2) Operating expenses**

In 2016, the Company's operating expenses were RMB 1,853.7 billion, decreased by 5.6% compared with 2015. The operating expenses mainly consisted of the following:

**Purchased crude oil, products and operating supplies and expenses** were RMB 1,379.7 billion, representing a decrease of 7.7% over the same period of 2015, accounting for 74.4% of the total operating expenses, of which:

Crude oil purchasing expenses were RMB 373.7 billion, representing a decrease of 20.4% over the same period of 2015. Throughput of crude oil purchased externally in 2016 was 202.40 million tonnes (excluding the volume processed for third parties), representing a decrease of 1.9% over the same period of 2015. The average cost of crude oil purchased externally was RMB 2,084 per tonne, representing a drop of 19.6% over 2015.

The Company's other purchasing expenses were RMB 1,006.0 billion, representing a decrease of 1.8% over the same period of 2015. This was mainly due to the decline in prices of externally purchased raw materials.

**Selling, general and administrative expenses** were RMB 64.4 billion, representing an decrease of 7.4% over 2015. That was mainly due to that the Company promoted the reform of employment system, adjusted the cost and tax accounting, and continuously enhanced cost control.

**Depreciation, depletion and amortisation** were RMB 108.4 billion, representing an increase of 12.4% as compared with 2015. That was mainly due to the significant increase in depreciation and depletion rate as a result of oil and gas reserve revision in the exploration and production segment corresponding to decreased oil price.

**Exploration expenses** were RMB 11.0 billion, representing an increase of 5.5% year on year. That was mainly due to that the Company maintained its exploration intensity in low oil price environment.

**Personnel expenses** were RMB 63.9 billion, representing an increase of 12.8% over 2015. That was mainly due to that that the Company promoted the reform of employment system since 2016.

**Taxes other than income tax** were RMB 232.0 billion, representing a decrease of 1.8% compared with 2015. Mainly due to the decrease in consumption tax by RMB 4.9 billion as a result of decreased production of diesel, and decrease in resource tax by RMB 1.0 billion as a result of drop in crude prices over the same period of 2015.

**Other operating income/(expense), net** were RMB 5.7 billion, decreasing 5.8 billion over the same period of 2015. That was mainly due to the non-operating income from reorganisation and capital injection of Sichuan-to-East China Pipeline Co., and the increase of impairment of assets.

- (3) **Operating profit** was RMB 77.2 billion, representing an increase of 35.9% compared with 2015. This is mainly due to outstanding performance of the Company's downstream business as we fully tapped potential from our integrated business. It effectively offset the negative impact of low oil prices.
- (4) **Net finance costs** were RMB 6.6 billion, representing a decrease of 28.4% over 2015, of which: interest expense increased by RMB 1.1 billion over 2015 as a result of the replacement of debt denominated in US dollars by debt denominated in RMB (inclusive of replacing borrowings in US dollars and decrease exposure to US dollars); net losses from foreign exchange was RMB 600 million, decreased by RMB 3.2 billion as compared with 2015; interest income increased by RMB 200 million as a result of increased interest income compared with the same period of 2015.
- (5) **Profit before taxation** was RMB 80.2 billion, representing an increase of 42.1% year on year.
- (6) **Tax expense** was RMB 20.7 billion, representing an increase of 64.2% year on year. That was mainly due to a substantial increase in profit over the same period of 2015.
- (7) **Profit attributable to non-controlling interests** was RMB 12.8 billion, representing an increase of RMB 1.5 billion comparing with 2015.
- (8) **Profit attributable to owners of the Company** was RMB 46.7 billion, representing an increase of 43.6% year on year.

## 6.2 Assets, Liabilities, Equity and Cash Flows

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

### (1) Assets, liabilities and equity

Unit: RMB million

|                                     | As of<br>31 December<br>2016 | As of<br>31 December<br>2015 | Change   |
|-------------------------------------|------------------------------|------------------------------|----------|
| Total assets                        | 1,498,609                    | 1,447,268                    | 51,341   |
| Current assets                      | 412,261                      | 333,657                      | 78,604   |
| Non-current assets                  | 1,086,348                    | 1,113,611                    | (27,263) |
| Total liabilities                   | 667,374                      | 659,107                      | 8,267    |
| Current liabilities                 | 485,543                      | 462,832                      | 22,711   |
| Non-current liabilities             | 181,831                      | 196,275                      | (14,444) |
| Total equity attributable to owners |                              |                              |          |
| of the Company                      | 710,994                      | 676,197                      | 34,797   |
| Share capital                       | 121,071                      | 121,071                      | —        |
| Reserves                            | 589,923                      | 555,126                      | 34,797   |
| Non-controlling interests           | 120,241                      | 111,964                      | 8,277    |
| Total equity                        | 831,235                      | 788,161                      | 43,074   |

As of 31 December 2016, the Company's total assets were RMB 1,498.6 billion, representing an increase of RMB 51.3 billion compared with that of the end of 2015, of which:

Current assets were RMB 412.3 billion, representing an increase of RMB 78.6 billion compared with that of the end of 2015, of which, cash and cash equivalent, and time deposit in financial institutions increased by RMB 72.8 billion, mainly due to significant increase in cash flow from operating activities, decrease in investment, abundant surplus in cash, as well as increase in inventory by RMB 10.9 billion.

Non-current assets were RMB 1,086.3 billion, representing a decrease of RMB 27.3 billion as compared with that of the end of 2015. This was mainly due to the fact that property, plant and equipment (net) decreased by RMB 42.9 billion, construction in progress decreased by RMB 22.7 billion, equity of associates and joint ventures increased by RMB 32.5 billion (the Company sold 50% equity in Sichuan-to-East China Pipeline Co., with the remaining 50% equity corresponding to RMB 22.8 billion switched to item of interests in associates);

The Company's total liabilities were RMB 667.4 billion, representing an increase of RMB 8.3 billion compared with that of the end of 2015, of which:

Current liabilities were RMB 485.5 billion, representing an increase of RMB 22.7 billion as compared with that of the end of 2015. This was mainly due to increase in accounts payable by RMB 43.7 billion, short-term debts and borrowings from China Petrochemical Corp and its subsidiaries decreased by RMB 40.6 billion, other accounts payable and taxes payable increased by RMB 17.3 billion.

Non-current liabilities were RMB 181.8 billion, representing a decrease of RMB 14.4 billion compared with that of the end of 2015. This was mainly due to long-term debts decreased by RMB 22.8 billion, estimated liabilities increased by RMB 6.1 billion.

Total equity attributable to owners of the Company was RMB 711.0 billion, representing an increase of RMB 34.8 billion compared with that of the end of 2015, which was mainly due to the increase in reserves by RMB 34.8 billion.

## (2) Cash Flow

The following table sets forth the major items in the consolidated cash flow statements for 2016 and 2015.

Unit: RMB million

| Major items of cash flows                              | Year ended 31 December |           |
|--|------------------------|-----------|
|  | 2016                   | 2015      |
| Net cash generated from operating activities           | 214,543                | 165,740   |
| Net cash used in investing activities                  | (66,217)               | (116,719) |
| Net cash generated from/(used in) financing activities | (93,047)               | 9,093     |

In 2016, the net cash generated from operating activities of the company was RMB 214.5 billion, representing an increase of RMB 48.8 billion as compared with 2015. This was mainly due to the increase in profit before tax by RMB 23.7 billion, depreciation, depletion and amortization increased by RMB 12.0 billion, and asset impairment increased by RMB 8.3 billion over the same period of 2015. Meanwhile, due to strict control on occupation of funds, occupation of working capital decreased significantly compared with 2015.

In 2016, the net cash used in investing activities was RMB 66.2 billion, representing a decrease of RMB 50.5 billion over 2015. This was mainly due to the decrease of RMB 30.0 billion in capital expenditure over the same period of 2015 as well as RMB 13.2 billion received as proceeds from the sale of equity in Sinopec Sichuan-to-East China Nature Gas Pipeline Co., Ltd.

In 2016, the net cash used in the Company's financing activities was RMB 93.0 billion, representing an increase of RMB 102.1 billion over 2015. This was mainly due to the impact of RMB 105.0 billion from the capital introduction of Sinopec Marketing Co., Ltd. in 2015; the significant reduction in interest bearing debts for two consecutive years, of which, the Company repaid RMB 62.6 billion and RMB 63.0 billion in 2015 and 2016, respectively.

At the end of 2016, the cash and cash equivalents were RMB 124.5 billion.

**(3) Research & development expenses and environmental expenditures**

Research & development expenses refer to the expenses recognised as expenditures when they occur. In 2016, the expenditure for research & development was RMB 5.94 billion.

Environmental expenditures refer to the normal routine pollutant discharge fees paid by the Company, excluding capitalised cost of pollutant treatment properties. In 2016, the Company paid environmental expenditures of RMB 6.36 billion.

**(4) Measurement of fair values of derivatives and relevant system**

The Company has established sound decision-making mechanism, business process and internal control systems relevant to financial instrument accounting and information disclosure.

**Items relevant to measurement of fair values**

Unit: RMB million

| Items                               | Beginning of the year | End of the year | Profits and losses from variation of fair values in the current year | Accumulated variation of fair values recorded as equity | Impairment loss provision of the current year | Funding source  |
|-------------------------------------|-----------------------|-----------------|--|---|---|-----------------|
| Available-for-sale financial assets | 261                   | 262             | —  | 56  | —   | Self-owned fund |
| Stock                               | 261                   | 262             | —  | 56  | —   |                 |
| Derivative financial instruments    | 403                   | 314             | (160)  | —   | —   | Self-owned fund |
| Cash flow hedging instruments       | 4,722                 | (4,024)         | 11   | (3,813)   | —   | Self-owned fund |
| <b>Total</b>                        | <b>5,386</b>          | <b>(3,448)</b>  | <b>(149)</b>   | <b>(3,757)</b>  | <b>—</b>                                      |                 |



### 6.3 Analysis of financial statements prepared under ASBE

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

|  | Year ended 31 December |                  |
|--|------------------------|------------------|
|  | 2016                   | 2015             |
|  | RMB million            | RMB million      |
| <b>Operating income</b>  |                        |                  |
| Exploration and Production Segment   | 115,939                | 138,653          |
| Refining Segment   | 855,786                | 926,616          |
| Marketing and Distribution Segment   | 1,052,857              | 1,106,666        |
| Chemicals Segment  | 335,114                | 328,871          |
| Corporate and Others   | 739,947                | 783,874          |
| Elimination of inter-segment sales   | (1,168,732)            | (1,264,305)      |
|  | <u>1,930,911</u>       | <u>2,020,375</u> |
| <b>Consolidated operating income</b>   | <b>1,930,911</b>       | <b>2,020,375</b> |
| <b>Operating profit/(loss)</b>   |                        |                  |
| Exploration and Production Segment   | (58,531)               | (18,511)         |
| Refining Segment   | 55,808                 | 19,423           |
| Marketing and Distribution Segment   | 32,385                 | 27,299           |
| Chemicals Segment  | 20,769                 | 19,516           |
| Corporate and Others   | 2,912                  | (678)            |
| Elimination of inter-segment sales   | 1,581                  | 4,566            |
| Financial expenses, investment income and loss<br>from changes in fair value | 23,952                 | 631              |
|  | <u>78,876</u>          | <u>52,246</u>    |
| <b>Consolidated operating profit</b>   | <b>78,876</b>          | <b>52,246</b>    |
| <b>Net profit attributable to equity shareholders<br/>of the Company</b>     | <b>46,416</b>          | <b>32,281</b>    |

**Operating profit:** In 2016, the operating profit of the Company was RMB 78.9 billion, representing an increase of RMB 26.6 billion as compared with 2015.

**Net profit:** In 2016, the net profit attributable to the equity shareholders of the Company was RMB 46.4 billion, representing an increase of RMB 14.1 billion or 43.8% comparing with 2015.

**(2) Financial data prepared under ASBE**

|                       | As of 31<br>December 2016<br>RMB million | As of 31<br>December 2015<br>RMB million | Change   |
|-----------------------|--|--|----------|
| Total assets          | 1,498,609                                | 1,447,268                                | 51,341   |
| Long-term liabilities | 180,541                                  | 194,871                                  | (14,330) |
| Shareholders' equity  | 832,525                                  | 789,565                                  | 42,960   |

At the end of 2016, the Company's total assets were RMB 1,498.6 billion, representing an increase of RMB 51.3 billion compared with that of the end of 2015. This was mainly due to the following factors: a) cash and cash equivalents increased by RMB 72.8 billion; b) long term equity investment increased by RMB 32.5 billion; c) intangible assets and other non-current assets increased by RMB 5.9 billion; d) fixed assets and construction in progress decreased by RMB 65.6 billion.

At the end of 2016, the Company's long-term liabilities were RMB 180.5 billion, representing a decrease of RMB 14.3 billion compared with that of the end of 2015. This was mainly due to the following factors: a) bonds payable decreased by RMB 28.3 billion; b) long-term loans increased by RMB 6.0 billion; c) provision increased by RMB 6.1 billion; d) other non-current liabilities increased by RMB 2.5 billion.

At the end of 2016, the shareholders' equity of the Company was RMB 832.5 billion, representing an increase of RMB 43.0 billion compared with that of the end of 2015. This was mainly due to the undistributed profit increased by RMB 29.5 billion, other comprehensive income increased by RMB 7.1 billion, capital reserve decreased by RMB 2.1 billion for this period.

### (3) The results of the principal operations by segments

| Segments                           | Operation        | Operation        | Gross profit<br>margin* (%) | Increase/<br>(decrease) of<br>operation<br>income on<br>a year-on-year<br>basis (%) | Increase/<br>(decrease) of<br>operation<br>cost on<br>a year-on-year<br>basis (%) | Increase/<br>(decrease) of<br>gross profit<br>margin on<br>a year-on-year<br>basis (%) |
|------------------------------------|------------------|------------------|-----------------------------|---|---|--|
|                                    | RMB million      | RMB million      |                             |   |   |  |
| Exploration and Production         | 115,939          | 128,469          | (15.3)                      | (16.4)  | 9.8   | (26.5)   |
| Refining                           | 855,786          | 556,081          | 9.1                         | (7.6)   | (15.5)  | 4.6  |
| Marketing and Distribution         | 1,052,857        | 961,907          | 8.4                         | (4.9)   | (5.9)   | 1.0  |
| Chemicals                          | 335,114          | 289,572          | 13.0                        | 1.9   | (0.2)   | 1.7  |
| Corporate and Others               | 739,947          | 726,449          | 1.8                         | (5.6)   | (6.2)   | 0.7  |
| Elimination of inter-segment sales | (1,168,732)      | (1,170,313)      | N/A                         | N/A   | N/A   | N/A  |
| Total                              | <u>1,930,911</u> | <u>1,492,165</u> | <u>10.7</u>                 | <u>(4.4)</u>  | <u>(6.5)</u>  | <u>1.3</u>   |

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

## 7. Significant Events

### Significant Asset and Equity Sale

On 2 August 2016, the 7th meeting of sixth session of the board of directors of Sinopec Corp. considered and approved the proposal to introduce capital to invest in Sichuan-to-East China natural gas pipeline project, and agreed to take the Sichuan-to-East China Pipeline Co. as the platform to introduce capital publicly. On 12 December 2016, Sinopec Natural Gas Co., Ltd. (“Natural Gas Company”), a wholly-owned subsidiary of Sinopec Corp., entered into the capital injection agreement in relation to Sichuan-to-East China Pipeline Co. with China Life Insurance Company Limited (“China Life”) and SDIC Communications Holding Co., Ltd. (“SDIC Communications”). China life and SDIC Communications subscribed a total of 50% equity interest in Sichuan-to-East China Pipeline Co., a wholly-owned subsidiary of Natural Gas Company, in cash with an aggregate amount of RMB 22.8 billion, among which China Life paid RMB 20 billion and SDIC Communications paid RMB 2.8 billion. Upon the completion of capital injection, the registered capital of Sichuan-to-East China Pipeline Co. increased from RMB 100 million to RMB 200 million, and each of Natural Gas Company, China Life and SDIC Communication will hold 50%, 43.86% and 6.14% equity interest in Sichuan-to-East China Pipeline Co., respectively. For more details, please refer to the announcement published in the China Securities Journal, the Shanghai Securities News and the Securities Times by Sinopec Corp. on 13 December 2016 and the announcement published on the website of the Hong Kong Stock Exchange on 12 December 2016.

## 8. Connected Transactions

### 8.1 Actual Connected Transactions entered into by the Company during the Year

Sinopec Corp. and China Petrochemical Corporation have implemented the relevant framework agreements in relation to the continuing connected transactions, including Mutual Supply Agreement, Cultural, Educational, Hygiene and Community Services Agreement, Land Use Rights Leasing Agreement, Properties Leasing Agreement, Intellectual Property Licence Agreements and SPI Fund Document.

Pursuant to the above-mentioned agreements on continuing connected transactions, the aggregate amount of the continuing connected transactions of the Company during the year was RMB 260.704 billion. Among the transaction amount, purchases expenses amounted to RMB 179.82 billion, representing 9.32% of the total amount of this type of transaction for the reporting period, including purchases of products and services (procurement, storage, exploration and development services, and production-related services) of RMB 161.317 billion, purchases of auxiliary and community services of RMB 6.584 billion. The housing rent paid by the Company amounted to RMB 449 million. The rent for use of land was RMB 10.474 billion. Interest expenses amounted to RMB 996 million. The sales income amounted to RMB 80.884 billion, representing 4.04% of the total amount of this type of transaction for the reporting period, including RMB 80.634 billion for sales of products and services, RMB 41 million for agency commission income, and RMB 209 million for interest income.

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

Principle of pricing for the continuing connected transactions:

- (a) The government-prescribed price will apply;
- (b) when there is no government-prescribed price but there is a government-guidance price, the government-guidance price will apply;
- (c) when there is neither a government-prescribed price nor a government-guidance price, the market price will apply; or
- (d) when none of the above is applicable, the price for the provision of the products or services is to be agreed upon by the relevant parties, and shall be the reasonable cost incurred in providing the products or services plus 6% or less of such cost.

For details of the pricing principle, please refer to relevant announcements published on 27 August 2015 in the China Securities Journal, the Shanghai Securities News and the Securities Times and on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Decision-making procedures:

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

Related party transactions with the Sinopec Group that occurred during the year, as set out in Note 34 to the financial statements prepared under the IFRS in the Annual Report, also fall under the definition of connected transactions under Chapter 14A of the Hong Kong Listing Rules.

The above-mentioned connected transactions between the Company and Sinopec Group in 2016 were approved at the 12th meeting of the sixth session of the Board and has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

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

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

- (a) The transactions have been conducted in the ordinary course of the Company's business.
- (b) The transactions have been entered into based on either of the following terms:
  - i normal commercial terms; or
  - ii terms not less favorable than those available from or to independent third parties, where there is no available comparison to determine whether such terms are on normal commercial terms.

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

## **8.2 Other significant connected transactions occurred this year**

There are no other significant connected transactions during the reporting period.

## **9. Report of the Board of Directors**

### **9.1 Proposals for dividend distribution**

At the 12th meeting of the sixth session of the Board, the Board approved the proposal to distribute a final cash dividend of RMB 0.17 (tax inclusive) per share, combining with an interim distributed dividend of RMB0.079 (tax inclusive) per share, the total dividend for the whole year is RMB 0.249 (tax included) per share.

The dividend will be denominated and declared in RMB, and distributed to the domestic shareholders and investors participating in the Shanghai-Hong Kong Stock Connect Program in RMB and to the overseas shareholders in Hong Kong Dollar. The exchange rate for the dividend calculation in Hong Kong Dollar is based on the average benchmark exchange rate of RMB against Hong Kong Dollar as published by the People's Bank of China one week preceding the date of the declaration of such dividend. The final dividend will be distributed before the end of August 2017. The arrangement of the payment of the final dividend will be published in due course.

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

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

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

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

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

## 9.2 Core competitiveness analysis

The Company is a large scale integrated energy and petrochemical company with upstream, mid-stream and downstream operations. The Company is a large scaled oil and gas producer in China; in respect of refining capacity, it ranks first in China; equipped with a well-developed refined oil products sales network, the Company 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 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 onto potentials in attaining an efficient and comprehensive utilization of its resources, and endowed the Company with strong resistance against risks, as well as remarkable capabilities in sustaining profitability.

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

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

The Company has formulated a well-established technology system and mechanism, and owns competent teams specialised in scientific research covering a wide range of subjects; the four platforms for technology advancement is taking shape, which includes exploration and development of oil and gas, refining, chemicals and strategic emerging 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, and carries out the green and low carbon development strategy to pursue a sustainable development. Moreover, the Company enjoys an outstanding brand name, plays an important role in the economy and is a renowned and reputable company in China.



### **9.3 Major suppliers and customers**

During this reporting period, the total purchases from the top five crude oil suppliers of the Company accounted for 56.6% of the total purchases of crude oil by the Company, of which the purchases from the largest supplier accounted for 18.7% of the total purchases of crude oil by the Company.

The total sales to the five largest customers of the Company accounted for 7.4% of the total sales of the Company, of which sales to the largest customer accounted for 3.0% of the total sales. Sinopec Group, the controlling shareholder of Sinopec Crop., is one of the five largest customers.

During the reporting period, other than disclosed above, all the top five crude oil suppliers and the other largest customers of the Company were independent third parties. There were no supplier, customer, employee and others that have a significant impact on the Company and on which the Company's success depends.

## **10 Financial statements**

### **10.1 Auditors' opinion**

|                      |  |   |
|----------------------|--|---|
| Financial statements | <input type="checkbox"/> Unaudited                               | <input checked="" type="checkbox"/> Audited   |
| Auditors' opinion    | <input checked="" type="checkbox"/> Standard unqualified opinion | <input type="checkbox"/> Not standard opinion |

## 10.2 Financial Statements

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

### Consolidated and Parent Balance Sheets

Unit:RMB million

| Items                               | At 31 December 2016     |                       | At 31 December 2015     |                       |
|-------------------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
|                                     | Consolidated            | Parent                | Consolidated            | Parent                |
| <b>Assets</b>                       |                         |                       |                         |                       |
| <b>Current assets</b>               |                         |                       |                         |                       |
| Cash at bank and on hand            | 142,497                 | 98,250                | 69,666                  | 46,453                |
| Bills receivable                    | 13,197                  | 471                   | 10,964                  | 540                   |
| Accounts receivable                 | 50,289                  | 38,332                | 56,142                  | 29,512                |
| Other receivables                   | 25,596                  | 45,643                | 21,453                  | 64,620                |
| Prepayments                         | 3,749                   | 3,454                 | 2,920                   | 1,296                 |
| Inventories                         | 156,511                 | 46,942                | 145,608                 | 46,029                |
| Other current assets                | 20,422                  | 32,743                | 26,904                  | 36,559                |
| <b>Total current assets</b>         | <u>412,261</u>          | <u>265,835</u>        | <u>333,657</u>          | <u>225,009</u>        |
| <b>Non-current assets</b>           |                         |                       |                         |                       |
| Available-for-sale financial assets | 11,408                  | 297                   | 10,964                  | 297                   |
| Long-term equity investments        | 116,812                 | 268,451               | 84,293                  | 219,230               |
| Fixed assets                        | 690,594                 | 373,020               | 733,449                 | 439,477               |
| Construction in progress            | 129,581                 | 49,277                | 152,325                 | 72,763                |
| Intangible assets                   | 85,023                  | 7,913                 | 81,086                  | 8,397                 |
| Goodwill                            | 6,353                   | —                     | 6,271                   | —                     |
| Long-term deferred expenses         | 13,537                  | 1,980                 | 13,919                  | 2,154                 |
| Deferred tax assets                 | 7,214                   | —                     | 7,469                   | —                     |
| Other non-current assets            | 25,826                  | 10,952                | 23,835                  | 11,959                |
| <b>Total non-current assets</b>     | <u>1,086,348</u>        | <u>711,890</u>        | <u>1,113,611</u>        | <u>754,277</u>        |
| <b>Total assets</b>                 | <u><u>1,498,609</u></u> | <u><u>977,725</u></u> | <u><u>1,447,268</u></u> | <u><u>979,286</u></u> |

| Items  | At 31 December 2016 |                | At 31 December 2015 |                |
|--|---------------------|----------------|---------------------|----------------|
|  | Consolidated        | Parent         | Consolidated        | Parent         |
| <b>Liabilities and shareholders' equity</b>    |                     |                |                     |                |
| <b>Current liabilities</b>                     |                     |                |                     |                |
| Short-term loans                               | 30,374              | 9,256          | 74,729              | 32,517         |
| Bills payable                                  | 5,828               | 2,761          | 3,566               | 1,852          |
| Accounts payable                               | 174,301             | 75,787         | 130,558             | 85,182         |
| Advances from customers                        | 95,928              | 2,360          | 92,688              | 3,151          |
| Employee benefits payable                      | 1,618               | 312            | 1,185               | 290            |
| Taxes payable                                  | 52,886              | 32,423         | 32,492              | 20,832         |
| Other payables                                 | 79,636              | 113,841        | 86,337              | 86,427         |
| Short-term debentures payable                  | 6,000               | 6,000          | 30,000              | 30,000         |
| Non-current liabilities due<br>within one year | 38,972              | 38,082         | 11,277              | 5,352          |
| <b>Total current liabilities</b>               | <b>485,543</b>      | <b>280,822</b> | <b>462,832</b>      | <b>265,603</b> |
| <b>Non-current liabilities</b>                 |                     |                |                     |                |
| Long-term loans                                | 62,461              | 58,448         | 56,493              | 54,526         |
| Debentures payable                             | 54,985              | 36,000         | 83,253              | 65,500         |
| Provisions                                     | 39,298              | 29,767         | 33,186              | 28,968         |
| Deferred tax liabilities                       | 7,661               | 505            | 8,259               | 177            |
| Other non-current liabilities                  | 16,136              | 2,607          | 13,680              | 2,238          |
| <b>Total non-current liabilities</b>           | <b>180,541</b>      | <b>127,327</b> | <b>194,871</b>      | <b>151,409</b> |
| <b>Total liabilities</b>                       | <b>666,084</b>      | <b>408,149</b> | <b>657,703</b>      | <b>417,012</b> |

| Items   | At 31 December 2016 |                   | At 31 December 2015 |                   |
|---|---------------------|-------------------|---------------------|-------------------|
|   | Consolidated        | Parent            | Consolidated        | Parent            |
| <b>Liabilities and shareholders' equity</b>                     |                     |                   |                     |                   |
| <b>Shareholders' equity</b>                                     |                     |                   |                     |                   |
| Share capital   | 121,071             | 121,071           | 121,071             | 121,071           |
| Capital reserve   | 119,525             | 68,769            | 121,576             | 68,716            |
| Other comprehensive income                                      | (932)               | 263               | (7,984)             | (145)             |
| Specific reserve  | 765                 | 393               | 612                 | 313               |
| Surplus reserves  | 196,640             | 196,640           | 196,640             | 196,640           |
| Retained earnings   | 275,163             | 182,440           | 245,623             | 175,679           |
|   | <u>          </u>   | <u>          </u> | <u>          </u>   | <u>          </u> |
| <b>Total equity attributable to shareholders of the Company</b> | <u>712,232</u>      | <u>569,576</u>    | <u>677,538</u>      | <u>562,274</u>    |
| <b>Minority interests</b>                                       | <u>120,293</u>      | <u>—</u>          | <u>112,027</u>      | <u>—</u>          |
| <b>Total shareholders' equity</b>                               | <u>832,525</u>      | <u>569,576</u>    | <u>789,565</u>      | <u>562,274</u>    |
| <b>Total liabilities and shareholders' equity</b>               | <u>1,498,609</u>    | <u>977,725</u>    | <u>1,447,268</u>    | <u>979,286</u>    |

## Consolidated and Parent Income Statement

Unit:RMB million

| Items   | Year ended 31 December |                      |                      |                      |
|---|------------------------|----------------------|----------------------|----------------------|
|   | 2016                   |                      | 2015                 |                      |
|   | Consolidated           | Parent               | Consolidated         | Parent               |
| Operating income  | 1,930,911              | 726,178              | 2,020,375            | 845,285              |
| Less: Operating costs   | 1,492,165              | 513,514              | 1,594,070            | 609,596              |
| Sales taxes and surcharges  | 232,006                | 158,373              | 236,349              | 172,568              |
| Selling and distribution expenses   | 49,550                 | 2,365                | 46,921               | 2,628                |
| General and administrative expenses   | 74,155                 | 41,724               | 72,194               | 41,327               |
| Financial expenses  | 6,611                  | 3,851                | 8,980                | 6,152                |
| Exploration expenses, including dry holes                                       | 11,035                 | 11,012               | 10,459               | 10,430               |
| Impairment losses   | 17,076                 | 14,044               | 8,767                | 5,052                |
| Add: (Loss)/Gain from changes in fair value                                     | (216)                  | 33                   | 735                  | (292)                |
| Investment income   | 30,779                 | 43,519               | 8,876                | 30,582               |
| <b>Operating profit</b>   | <u>78,876</u>          | <u>24,847</u>        | <u>52,246</u>        | <u>27,822</u>        |
| Add: Non-operating income   | 4,964                  | 3,095                | 6,947                | 4,361                |
| Less: Non-operating expenses  | 3,963                  | 1,813                | 3,100                | 1,482                |
| <b>Profit before taxation</b>   | <u>79,877</u>          | <u>26,129</u>        | <u>56,093</u>        | <u>30,701</u>        |
| Less: Income tax expense  | 20,707                 | 2,539                | 12,613               | (179)                |
| <b>Net profit</b>   | <u><u>59,170</u></u>   | <u><u>23,590</u></u> | <u><u>43,480</u></u> | <u><u>30,880</u></u> |
| Including: net profit of acquiree before the consolidation under common control | 86                     | —                    | 134                  | —                    |

| Items  | Year ended 31 December |                   |                   |                   |
|--|------------------------|-------------------|-------------------|-------------------|
|  | 2016                   |                   | 2015              |                   |
|  | Consolidated           | Parent            | Consolidated      | Parent            |
| <b>Attributable to:</b>  |                        |                   |                   |                   |
| Equity shareholders of the Company   | 46,416                 | 23,590            | 32,281            | 30,880            |
| Minority interests   | 12,754                 | —                 | 11,199            | —                 |
|  | <u>          </u>      | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Basic earnings per share</b>  | 0.383                  | N/A               | 0.267             | N/A               |
| <b>Diluted earnings per share</b>  | 0.383                  | N/A               | 0.267             | N/A               |
|  | <u>          </u>      | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Net profit</b>  | <u>59,170</u>          | <u>23,590</u>     | <u>43,480</u>     | <u>30,880</u>     |
| <b>Other comprehensive income</b>  |                        |                   |                   |                   |
| <i>Items that may be reclassified subsequently to profit or loss(net of tax and after reclassification adjustments):</i> |                        |                   |                   |                   |
| Cash flow hedges   | 2,014                  | 557               | 3,163             | 47                |
| Changes in fair value of available-for-sale financial assets   | (24)                   | —                 | 62                | —                 |
| Share of other comprehensive income/(loss) of associates and joint ventures entities                                     | 45                     | (149)             | (5,356)           | 14                |
| Foreign currency translation differences   | 4,298                  | —                 | 2,268             | —                 |
|  | <u>          </u>      | <u>          </u> | <u>          </u> | <u>          </u> |
| Total other comprehensive income   | <u>6,333</u>           | <u>408</u>        | <u>137</u>        | <u>61</u>         |
| Total comprehensive income   | <u>65,503</u>          | <u>23,998</u>     | <u>43,617</u>     | <u>30,941</u>     |
| <b>Attributable to:</b>  |                        |                   |                   |                   |
| Equity shareholders of the Company   | 53,468                 | 23,998            | 31,558            | 30,941            |
| Minority interests   | 12,035                 | —                 | 12,059            | —                 |
|  | <u>          </u>      | <u>          </u> | <u>          </u> | <u>          </u> |

## Consolidated and Parent Cash Flow Statement

Unit:RMB million

| Items  | Year ended 31 December |                  |                    |                    |
|--|------------------------|------------------|--------------------|--------------------|
|  | 2016                   |                  | 2015               |                    |
|  | Consolidated           | Parent           | Consolidated       | Parent             |
| <b>Cash flows from operating activities:</b>               |                        |                  |                    |                    |
| Cash received from sale of goods and rendering of services | 2,163,695              | 831,578          | 2,306,162          | 975,387            |
| Refund of taxes and levies                                 | 2,434                  | 1,323            | 3,507              | 2,954              |
| Other cash received relating to operating activities       | <u>77,436</u>          | <u>85,932</u>    | <u>85,692</u>      | <u>69,615</u>      |
| <b>Sub-total of cash inflows</b>                           | <u>2,243,565</u>       | <u>918,833</u>   | <u>2,395,361</u>   | <u>1,047,956</u>   |
| Cash paid for goods and services                           | (1,547,868)            | (504,152)        | (1,731,441)        | (643,612)          |
| Cash paid to and for employees                             | (62,602)               | (35,190)         | (55,472)           | (35,061)           |
| Payments of taxes and levies                               | (316,062)              | (189,577)        | (327,421)          | (213,949)          |
| Other cash paid relating to operating activities           | <u>(102,490)</u>       | <u>(50,638)</u>  | <u>(115,287)</u>   | <u>(165,867)</u>   |
| <b>Sub-total of cash outflows</b>                          | <u>(2,029,022)</u>     | <u>(779,537)</u> | <u>(2,229,621)</u> | <u>(1,058,489)</u> |
| <b>Net cash flow from operating activities</b>             | <u>214,543</u>         | <u>139,296</u>   | <u>165,740</u>     | <u>(10,533)</u>    |

| Items  | Year ended 31 December |                 |                  |                  |
|--|------------------------|-----------------|------------------|------------------|
|  | 2016                   |                 | 2015             |                  |
|  | Consolidated           | Parent          | Consolidated     | Parent           |
| Cash flows from investing activities:  |                        |                 |                  |                  |
| Cash received from disposal of investments   | 31,489                 | 29,002          | 3,353            | 146,685          |
| Cash received from returns on investments  | 4,028                  | 22,233          | 3,399            | 22,822           |
| Net cash received from disposal of fixed assets,<br>intangible assets and other long-term assets | 440                    | 1,885           | 427              | 4,390            |
| Other cash received relating to<br>investing activities  | 2,914                  | 1,488           | 6,158            | 967              |
| Net cash received from disposal of<br>subsidiaries and other business entities                   | 2,027                  | 2,027           | —                | —                |
| <b>Sub-total of cash inflows</b>   | <u>40,898</u>          | <u>56,635</u>   | <u>13,337</u>    | <u>174,864</u>   |
| Cash paid for acquisition of fixed assets,<br>intangible assets and other long-term assets       |                        |                 |                  |                  |
| Cash paid for acquisition of investments   | (72,847)               | (43,765)        | (102,698)        | (77,403)         |
| Other cash paid relating to investing activities   | (16,389)               | (39,505)        | (23,351)         | (29,246)         |
| Net cash paid for the acquisition of<br>subsidiaries and other business entities                 | (17,879)               | (10,130)        | (3,918)          | —                |
|  | —                      | —               | (89)             | —                |
| <b>Sub-total of cash outflows</b>  | <u>(107,115)</u>       | <u>(93,400)</u> | <u>(130,056)</u> | <u>(106,649)</u> |
| <b>Net cash flow from investing activities</b>   | <u>(66,217)</u>        | <u>(36,765)</u> | <u>(116,719)</u> | <u>68,215</u>    |



| Items  | Year ended 31 December |                  |                    |                  |
|--|------------------------|------------------|--------------------|------------------|
|  | 2016                   |                  | 2015               |                  |
|  | Consolidated           | Parent           | Consolidated       | Parent           |
| <b>Cash flows from financing activities:</b>   |                        |                  |                    |                  |
| Cash received from capital contributions   | 343                    | —                | 105,529            | —                |
| Including: Cash received from minority shareholders' capital contributions to subsidiaries               | 343                    | —                | 105,529            | —                |
| Cash received from borrowings  | 506,097                | 153,790          | 1,090,241          | 285,281          |
| <b>Sub-total of cash inflows</b>   | <u>506,440</u>         | <u>153,790</u>   | <u>1,195,770</u>   | <u>285,281</u>   |
| Cash repayments of borrowings  | (569,091)              | (192,828)        | (1,152,837)        | (267,932)        |
| Cash paid for dividends, profits distribution or interest  | (30,396)               | (21,826)         | (33,840)           | (30,382)         |
| Including: Subsidiaries' cash payments for distribution of dividends or profits to minority shareholders | (6,553)                | —                | (1,481)            | —                |
| <b>Sub-total of cash outflows</b>  | <u>(599,487)</u>       | <u>(214,654)</u> | <u>(1,186,677)</u> | <u>(298,314)</u> |
| <b>Net cash flow from financings activities</b>  | <u>(93,047)</u>        | <u>(60,864)</u>  | <u>9,093</u>       | <u>(13,033)</u>  |
| <b>Effects of changes in foreign exchange rate</b>   | <u>256</u>             | <u>—</u>         | <u>293</u>         | <u>—</u>         |
| <b>Net increase in cash and cash equivalents</b>   | <u>55,535</u>          | <u>41,667</u>    | <u>58,407</u>      | <u>44,649</u>    |

## Consolidated Statement of Changes in Equity

|   | Share<br>capital<br>RMB million | Capital<br>reserve<br>RMB | Other<br>comprehensive<br>income<br>million | Specific<br>reserve<br>RMBmillion | Surplus<br>reserves<br>RMB million | Retained<br>earnings<br>RMB million | Total<br>shareholders'<br>equity<br>attributable<br>to equity<br>shareholders of<br>the Company<br>RMB million | Minority<br>interests<br>RMB million | Total<br>shareholders'<br>equity<br>RMB million |
|---|---------------------------------|---------------------------|---|-----------------------------------|------------------------------------|-------------------------------------|--|--------------------------------------|---|
| Balance at 31 December 2014   | 118,280                         | 48,703                    | (7,261)                                     | 491                               | 193,552                            | 240,718                             | 594,483  | 52,612                               | 647,095   |
| Adjustment for the combination of<br>entities under common control                                      | —                               | 2,214                     | —   | —                                 | —                                  | —                                   | 2,214  | 1,811                                | 4,025   |
| Balance at 1 January 2015   | 118,280                         | 50,917                    | (7,261)                                     | 491                               | 193,552                            | 240,718                             | 596,697  | 54,423                               | 651,120   |
| Change for the year   |                                 |                           |   |                                   |                                    |                                     |  |                                      |   |
| 1. Net profit   | —                               | —                         | —   | —                                 | —                                  | 32,281                              | 32,281   | 11,199                               | 43,480  |
| 2. Other comprehensive income   | —                               | —                         | (1,169)                                     | —                                 | —                                  | —                                   | (1,169)  | 1,306                                | 137   |
| Total comprehensive income  | —                               | —                         | (1,169)                                     | —                                 | —                                  | 32,281                              | 31,112   | 12,505                               | 43,617  |
| Transactions with owners, recorded<br>directly in shareholders' equity:                                 |                                 |                           |   |                                   |                                    |                                     |  |                                      |   |
| 3. Appropriations of profits:   |                                 |                           |   |                                   |                                    |                                     |  |                                      |   |
| – Appropriation for surplus reserves  | —                               | —                         | —   | —                                 | 3,088                              | (3,088)                             | —  | —                                    | —   |
| – Distributions to shareholders   | —                               | —                         | —   | —                                 | —                                  | (24,214)                            | (24,214)   | —                                    | (24,214)  |
| 4. Conversion of the 2011<br>Convertible Bonds  | 2,791                           | 14,026                    | —   | —                                 | —                                  | —                                   | 16,817   | —                                    | 16,817  |
| 5. Transaction with minority interests  | —                               | 326                       | —   | —                                 | —                                  | —                                   | 326  | (326)                                | —   |
| 6. Contributions to subsidiaries<br>from minority interests   | —                               | 56,224                    | 446   | —                                 | —                                  | —                                   | 56,670   | 48,807                               | 105,477   |
| 7. Distributions to the original<br>shareholders in the combination<br>of entities under common control | —                               | —                         | —   | —                                 | —                                  | (74)                                | (74)   | (60)                                 | (134)   |
| 8. Distributions to minority interests  | —                               | —                         | —   | —                                 | —                                  | —                                   | —  | (3,389)                              | (3,389)   |
| Total transactions with owners,<br>recorded directly in shareholders' equity                            | 2,791                           | 70,576                    | 446   | —                                 | 3,088                              | (27,376)                            | 49,525   | 45,032                               | 94,557  |
| 9. Net decrease in specific reserve<br>for the year   | —                               | —                         | —   | 121                               | —                                  | —                                   | 121  | 70                                   | 191   |
| 10. Other movement  | —                               | 83                        | —   | —                                 | —                                  | —                                   | 83   | (3)                                  | 80  |
| Balance at 31 December 2015   | <u>121,071</u>                  | <u>121,576</u>            | <u>(7,984)</u>                              | <u>612</u>                        | <u>196,640</u>                     | <u>245,623</u>                      | <u>677,538</u>   | <u>112,027</u>                       | <u>789,565</u>                                  |

|   | Share capital  | Capital reserve | Other comprehensive income | Specific reserve | Surplus reserves | Retained earnings | Total shareholders' equity attributable to the Company | Minority interests | Total shareholders' equity |
|---|----------------|-----------------|----------------------------|------------------|------------------|-------------------|--|--------------------|----------------------------|
|   | RMB million    | RMB million     | RMB million                | RMB million      | RMB million      | RMB million       | RMB million  | RMB million        | RMB million                |
| Balance at 1 January 2016   | 121,071        | 121,576         | (7,984)                    | 612              | 196,640          | 245,623           | 677,538  | 112,027            | 789,565                    |
| Change for the year   |                |                 |                            |                  |                  |                   |  |                    |                            |
| 1. Net profit   | —              | —               | —                          | —                | —                | 46,416            | 46,416   | 12,754             | 59,170                     |
| 2. Other comprehensive income   | —              | —               | 7,052                      | —                | —                | —                 | 7,052  | (719)              | 6,333                      |
| Total comprehensive income  | —              | —               | 7,052                      | —                | —                | 46,416            | 53,468   | 12,035             | 65,503                     |
| Transactions with owners, recorded directly in shareholders' equity:                              |                |                 |                            |                  |                  |                   |  |                    |                            |
| 3. Appropriation of profits:  |                |                 |                            |                  |                  |                   |  |                    |                            |
| – Appropriation for surplus reserves  | —              | —               | —                          | —                | —                | —                 | —  | —                  | —                          |
| – Distributions to shareholders   | —              | —               | —                          | —                | —                | (16,829)          | (16,829)   | —                  | (16,829)                   |
| 4. Transaction with minority interests  | —              | (30)            | —                          | —                | —                | —                 | (30)   | 263                | 233                        |
| 5. Distributions to the original shareholders in the combination of entities under common control | —              | —               | —                          | —                | —                | (47)              | (47)   | (39)               | (86)                       |
| 6. Distributions to minority interests  | —              | —               | —                          | —                | —                | —                 | —  | (6,146)            | (6,146)                    |
| 7. Adjustment for the combination of entities under common control                                | —              | (2,137)         | —                          | —                | —                | —                 | (2,137)  | 2,137              | —                          |
| Total transactions with owners, recorded directly in shareholders' equity                         | —              | (2,167)         | —                          | —                | —                | (16,876)          | (19,043)   | (3,785)            | (22,828)                   |
| 8. Net increase in specific reserve for the year  | —              | —               | —                          | 153              | —                | —                 | 153  | 7                  | 160                        |
| 9. Other movement   | —              | 116             | —                          | —                | —                | —                 | 116  | 9                  | 125                        |
| Balance at 31 December 2016   | <u>121,071</u> | <u>119,525</u>  | <u>(932)</u>               | <u>765</u>       | <u>196,640</u>   | <u>275,163</u>    | <u>712,232</u>   | <u>120,293</u>     | <u>832,525</u>             |

## Statement of Changes in Equity

|   | Share<br>capital | Capital<br>reserve | Other<br>comprehensive<br>income | Specific<br>reserve | Surplus<br>reserves | Retained<br>earnings | Total<br>shareholders'<br>equity |
|---|------------------|--------------------|----------------------------------|---------------------|---------------------|----------------------|----------------------------------|
|   | RMB million      | RMB million        | RMB million                      | RMB million         | RMB million         | RMB million          | RMB million                      |
| Balance at 1 January 2015   | 118,280          | 54,690             | (206)                            | 232                 | 193,552             | 172,101              | 538,649                          |
| Change for the year   |                  |                    |                                  |                     |                     |                      |                                  |
| 1. Net profit   | —                | —                  | —                                | —                   | —                   | 30,880               | 30,880                           |
| 2. Other comprehensive income   | —                | —                  | 61                               | —                   | —                   | —                    | 61                               |
| Total comprehensive income  | —                | —                  | 61                               | —                   | —                   | 30,880               | 30,941                           |
| Transactions with owners,<br>recorded directly in<br>shareholders' equity:      |                  |                    |                                  |                     |                     |                      |                                  |
| 3. Appropriations of profits:   |                  |                    |                                  |                     |                     |                      |                                  |
| – Appropriation for<br>surplus reserves   | —                | —                  | —                                | —                   | 3,088               | (3,088)              | —                                |
| – Distributions to shareholders   | —                | —                  | —                                | —                   | —                   | (24,214)             | (24,214)                         |
| 4. Conversion of the<br>2011 Convertible Bonds                                  | 2,791            | 14,026             | —                                | —                   | —                   | —                    | 16,817                           |
| Total transactions with owners,<br>recorded directly in<br>shareholders' equity | 2,791            | 14,026             | —                                | —                   | 3,088               | (27,302)             | (7,397)                          |
| 5. Net increase in specific<br>reserve for the year                             | —                | —                  | —                                | 81                  | —                   | —                    | 81                               |
| <b>Balance at 31 December 2015</b>  | <b>121,071</b>   | <b>68,716</b>      | <b>(145)</b>                     | <b>313</b>          | <b>196,640</b>      | <b>175,679</b>       | <b>562,274</b>                   |

|   | Share<br>capital | Capital<br>reserve | Other<br>comprehensive<br>income | Specific<br>reserve | Surplus<br>reserves | Retained<br>earnings | Total<br>shareholders'<br>equity |
|---|------------------|--------------------|----------------------------------|---------------------|---------------------|----------------------|----------------------------------|
|   | RMB million      | RMB million        | RMB million                      | RMB million         | RMB million         | RMB million          | RMB million                      |
| Balance at 1 January 2016   | 121,071          | 68,716             | (145)                            | 313                 | 196,640             | 175,679              | 562,274                          |
| Change for the year   |                  |                    |                                  |                     |                     |                      |                                  |
| 1. Net profit   | —                | —                  | —                                | —                   | —                   | 23,590               | 23,590                           |
| 2. Other comprehensive income   | —                | —                  | 408                              | —                   | —                   | —                    | 408                              |
| Total comprehensive income  | —                | —                  | 408                              | —                   | —                   | 23,590               | 23,998                           |
| Transactions with owners,<br>recorded directly in<br>shareholders' equity:      |                  |                    |                                  |                     |                     |                      |                                  |
| 3. Appropriations of profits:   |                  |                    |                                  |                     |                     |                      |                                  |
| – Appropriation for<br>surplus reserves   | —                | —                  | —                                | —                   | —                   | —                    | —                                |
| – Distributions to<br>shareholders  | —                | —                  | —                                | —                   | —                   | (16,829)             | (16,829)                         |
| Total transactions with owners,<br>recorded directly in<br>shareholders' equity | —                | —                  | —                                | —                   | —                   | (16,829)             | (16,829)                         |
| 4. Net increase in specific<br>reserve for the year                             | —                | —                  | —                                | 80                  | —                   | —                    | 80                               |
| 5. Others   | —                | 53                 | —                                | —                   | —                   | —                    | 53                               |
| <b>Balance at 31 December 2016</b>  | <u>121,071</u>   | <u>68,769</u>      | <u>263</u>                       | <u>393</u>          | <u>196,640</u>      | <u>182,440</u>       | <u>569,576</u>                   |

## 10.2.2 Statements prepared under International Financial Reporting Standards

**Consolidated Income Statement**

Unit:RMB million

|   | <b>Year ended 31 December</b> |                    |
|---|-------------------------------|--------------------|
|   | <b>2016</b>                   | <b>2015</b>        |
| <b>Turnover and other operating revenues</b>                      |                               |                    |
| Turnover  | 1,880,190                     | 1,977,877          |
| Other operating revenues  | 50,721                        | 42,498             |
|   | <u>1,930,911</u>              | <u>2,020,375</u>   |
| <b>Operating expenses</b>   |                               |                    |
| Purchased crude oil, products and operating supplies and expenses | (1,379,691)                   | (1,494,046)        |
| Selling, general and administrative expenses                      | (64,360)                      | (69,491)           |
| Depreciation, depletion and amortisation                          | (108,425)                     | (96,460)           |
| Exploration expenses, including dry holes                         | (11,035)                      | (10,459)           |
| Personnel expenses  | (63,887)                      | (56,619)           |
| Taxes other than income tax                                       | (232,006)                     | (236,349)          |
| Other operating income/(expense), net                             | 5,686                         | (129)              |
| <b>Total operating expenses</b>                                   | <u>(1,853,718)</u>            | <u>(1,963,553)</u> |
| <b>Operating profit</b>   | <u>77,193</u>                 | <u>56,822</u>      |

|  | <b>Year ended 31 December</b> |                 |
|--|-------------------------------|-----------------|
|  | <b>2016</b>                   | <b>2015</b>     |
| <b>Finance costs</b>   |                               |                 |
| Interest expense   | (9,219)                       | (8,133)         |
| Interest income  | 3,218                         | 3,010           |
| Loss on embedded derivative component<br>of the convertible bonds  | —                             | (259)           |
| Foreign currency exchange losses, net                              | (610)                         | (3,857)         |
|  | <u>(6,611)</u>                | <u>(9,239)</u>  |
| <b>Net finance costs</b>   |                               |                 |
| Investment income  | 263                           | 466             |
| Share of profits less losses from<br>associates and joint ventures | 9,306                         | 8,362           |
|  | <u>9,306</u>                  | <u>8,362</u>    |
| <b>Profit before taxation</b>                                      | 80,151                        | 56,411          |
| Tax expense  | (20,707)                      | (12,613)        |
|  | <u>(20,707)</u>               | <u>(12,613)</u> |
| <b>Profit for the year</b>   | <u>59,444</u>                 | <u>43,798</u>   |
| <b>Attributable to:</b>  |                               |                 |
| Owners of the Company  | 46,672                        | 32,512          |
| Non-controlling interests  | 12,772                        | 11,286          |
|  | <u>12,772</u>                 | <u>11,286</u>   |
| <b>Profit for the year</b>   | <u>59,444</u>                 | <u>43,798</u>   |
| <b>Earnings per share:</b>   |                               |                 |
| Basic  | 0.385                         | 0.269           |
| Diluted  | 0.385                         | 0.269           |
|  | <u>0.385</u>                  | <u>0.269</u>    |

## Consolidated Statement of Comprehensive Income

Unit:RMB million

|  | Year ended 31 December |               |
|--|------------------------|---------------|
|  | 2016                   | 2015          |
| <b>Profit for the year</b>   | 59,444                 | 43,798        |
| <b>Other comprehensive income:</b>   |                        |               |
| <i>Items that may be reclassified subsequently to profit or loss(net of tax and after reclassification adjustments):</i> |                        |               |
| Cash flow hedges   | 2,014                  | 3,163         |
| Available-for-sale securities  | (24)                   | 62            |
| Share of other comprehensive income/(loss) of associates and joint ventures  | 45                     | (5,356)       |
| Foreign currency translation differences   | 4,298                  | 2,268         |
| <b>Total items that may be reclassified subsequently to profit or loss</b>   | 6,333                  | 137           |
| <b>Total other comprehensive income</b>  | 6,333                  | 137           |
| <b>Total comprehensive income for the year</b>   | <u>65,777</u>          | <u>43,935</u> |
| <b>Attributable to:</b>  |                        |               |
| Owners of the Company  | 53,724                 | 31,789        |
| Non-controlling interests  | 12,053                 | 12,146        |
| <b>Total comprehensive income for the year</b>   | <u>65,777</u>          | <u>43,935</u> |



## Consolidated and Parent Balance Sheets

Unit:RMB million

|   | At 31 December 2016 |                | At 31 December 2015 |                |
|---|---------------------|----------------|---------------------|----------------|
|   | Consolidated        | Parent         | Consolidated        | Parent         |
| <b>Non-current assets</b>                 |                     |                |                     |                |
| Property, plant and equipment, net        | 690,594             | 373,020        | 733,449             | 439,477        |
| Construction in progress                  | 129,581             | 49,277         | 152,325             | 72,763         |
| Goodwill                                  | 6,353               | —              | 6,271               | —              |
| Investment in subsidiaries                | —                   | 238,264        | —                   | 191,403        |
| Interest in associates                    | 66,116              | 14,691         | 40,712              | 13,987         |
| Interest in joint ventures                | 50,696              | 15,496         | 43,581              | 13,840         |
| Available-for-sale financial assets       | 11,408              | 297            | 10,964              | 297            |
| Deferred tax assets                       | 7,214               | —              | 7,469               | —              |
| Lease prepayments                         | 54,241              | 6,114          | 51,049              | 6,492          |
| Long-term prepayments and other assets    | 70,145              | 14,731         | 67,791              | 16,018         |
| <b>Total non-current assets</b>           | <u>1,086,348</u>    | <u>711,890</u> | <u>1,113,611</u>    | <u>754,277</u> |
| <b>Current assets</b>                     |                     |                |                     |                |
| Cash and cash equivalents                 | 124,468             | 88,120         | 68,933              | 46,453         |
| Time deposits with financial institutions | 18,029              | 10,130         | 733                 | —              |
| Trade accounts receivable                 | 50,289              | 38,332         | 56,142              | 29,512         |
| Bills receivable                          | 13,197              | 471            | 10,964              | 540            |
| Inventories                               | 156,511             | 46,942         | 145,608             | 46,029         |
| Prepaid expenses and other current assets | 49,767              | 81,840         | 51,277              | 104,726        |
| <b>Total current assets</b>               | <u>412,261</u>      | <u>265,835</u> | <u>333,657</u>      | <u>227,260</u> |

|   | At 31 December 2016 |                | At 31 December 2015 |                |
|---|---------------------|----------------|---------------------|----------------|
|   | Consolidated        | Parent         | Consolidated        | Parent         |
| <b>Current liabilities</b>                                |                     |                |                     |                |
| Short-term debts  | 56,239              | 50,574         | 71,517              | 49,131         |
| Loans from Sinopec Group Company and fellow subsidiaries  | 18,580              | 2,703          | 43,929              | 18,690         |
| Trade accounts payable                                    | 174,301             | 75,787         | 130,558             | 85,182         |
| Bills payable   | 5,828               | 2,761          | 3,566               | 1,852          |
| Accrued expenses and other payables                       | 224,544             | 148,997        | 212,214             | 112,999        |
| Income tax payable  | 6,051               | —              | 1,048               | —              |
| <b>Total current liabilities</b>                          | <u>485,543</u>      | <u>280,822</u> | <u>462,832</u>      | <u>267,854</u> |
| <b>Net current liabilities</b>                            | <u>73,282</u>       | <u>14,987</u>  | <u>129,175</u>      | <u>40,594</u>  |
| <b>Total assets less current liabilities</b>              | <u>1,013,066</u>    | <u>696,903</u> | <u>984,436</u>      | <u>713,683</u> |
| <b>Non-current liabilities</b>                            |                     |                |                     |                |
| Long-term debts   | 72,674              | 49,676         | 95,446              | 75,926         |
| Loans from Sinopec Group Company and fellow subsidiaries  | 44,772              | 44,772         | 44,300              | 44,100         |
| Deferred tax liabilities                                  | 7,661               | 505            | 8,259               | 177            |
| Provisions  | 39,298              | 29,767         | 33,186              | 28,968         |
| Other long-term liabilities                               | 17,426              | 3,688          | 15,084              | 3,382          |
| <b>Total non-current liabilities</b>                      | <u>181,831</u>      | <u>128,408</u> | <u>196,275</u>      | <u>152,553</u> |
|   | <u>831,235</u>      | <u>568,495</u> | <u>788,161</u>      | <u>561,130</u> |
| <b>Equity</b>   |                     |                |                     |                |
| Share capital   | 121,071             | 121,071        | 121,071             | 121,071        |
| Reserves  | 589,923             | 447,424        | 555,126             | 440,059        |
| <b>Total equity attributable to owners of the Company</b> | <u>710,994</u>      | <u>N/A</u>     | <u>676,197</u>      | <u>N/A</u>     |
| <b>Non-controlling interests</b>                          | <u>120,241</u>      | <u>N/A</u>     | <u>111,964</u>      | <u>N/A</u>     |
| <b>Total equity</b>                                       | <u>831,235</u>      | <u>568,495</u> | <u>788,161</u>      | <u>561,130</u> |

10.2.3 Differences between consolidated 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 period under IFRS are analysed as follows:

|                                 | <b>Year ended 31 December</b> |                      |
|---------------------------------|-------------------------------|----------------------|
|                                 | <b>2016</b>                   | <b>2015</b>          |
|                                 | <b>RMB million</b>            | <b>RMB million</b>   |
| Net profit under ASBE           | 59,170                        | 43,480               |
| Adjustments:                    |                               |                      |
| Government grants               | 114                           | 127                  |
| Safety production fund          | 160                           | 191                  |
|                                 | <u>59,444</u>                 | <u>43,798</u>        |
| Profit for the year under IFRS* | <u><u>59,444</u></u>          | <u><u>43,798</u></u> |

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

|                                 | <b>2016</b>           | <b>2015</b>           |
|---------------------------------|-----------------------|-----------------------|
|                                 | <b>31 December</b>    | <b>31 December</b>    |
|                                 | <b>RMB million</b>    | <b>RMB million</b>    |
| Shareholders' equity under ASBE | 832,525               | 789,565               |
| Adjustments:                    |                       |                       |
| Government grants               | (1,290)               | (1,404)               |
|                                 | <u>831,235</u>        | <u>788,161</u>        |
| Total equity under IFRS*        | <u><u>831,235</u></u> | <u><u>788,161</u></u> |

\* The figures are extracted from the consolidated financial statements prepared in accordance with the accounting policies complying with IFRS during the year ended 31 December 2015 and 2016 which have been audited by PricewaterhouseCoopers.

### **10.3 Changes in accounting policies**

Applicable    Not applicable

On 26 August 2016, the 8th meeting of the sixth session of the Board was convened, during which the “Proposal on Changes in Accounting Policy of Sinopec Corp.” (the “Changes in Accounting Policy”) was considered and approved unanimously by the Board.

In 2014, the International Accounting Standards Board published Amendments to International Accounting Standard 27 (IAS 27) — Separate Financial Statements. These amendments allowed entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities wishing to change to the equity method must do so retrospectively. The amendment is effective from 1 January 2016.

In order to eliminate the difference regarding subsequent measurements on investments in joint ventures and associates between separate financial statements prepared in accordance with ASBE and IFRS, Sinopec Corp. changed its subsequent measurements on investments in associates and joint ventures from cost method to equity method in its separate financial statements prepared in accordance with IFRS from 1 January 2016.

By adopting the amendments to IAS 27 — Separate Financial Statements, the balance of investments in associates, investments in joint ventures, retained earnings and other reserves as at 31 December 2015 would be increased by RMB 8,056 million, RMB 644 million, RMB 8,672 million and RMB 28 million in the separated financial statements prepared in accordance with IFRS due to the retrospective adjustment.

The Changes in Accounting Policy has no impact on financial statements prepared in accordance with ASBE or consolidated financial statements prepared in accordance with IFRS.

### **10.4 The Group has no material accounting errors during the reporting period.**

### **10.5 Changes in the scope of consolidation as compared with those for last annual**

Applicable    Not applicable

10.5.1 Sinopec Corp. and Sinopec Assets Management Corporation (“SAMC”) jointly set up Gaoqiao Petrochemical Co. Ltd. For RMB 100 million in cash in 2016. Subsequently, Sinopec Corp. subscribed capital contribution with the net assets of Gaoqiao Branch of SAMC. The capital contribution was completed on 1 June 2016, after which Sinopec Corp. held 55% of Gaoqiao Petrochemical Co. Ltd.’s voting rights and become the parent company of Gaoqiao Petrochemical Co. Ltd.

As China Petrochemical Corporation controls both the Company and SAMC, the transaction described above between Sinopec Corp. and SAMC has been accounted as business combination under common control. Accordingly, the assets and liabilities of Gaoqiao Branch of SAMC have been accounted for at historical cost, and the consolidated financial statements of the Company prior to these acquisitions have been restated to include the results of operation and the assets and liabilities of Gaoqiao Branch of SAMC on a combined basis.

10.5.2 On 12 December 2016, the Company entered into the Capital Injection Agreement in relation to Sinopec Sichuan To East China Gas Pipeline Co., Ltd. (“Pipeline Ltd”), a wholly-owned subsidiary of the Company, with China Life Insurance Company Limited (“China Life”) and SDIC Communications Holding Co., Ltd. (“SDIC Holding”) (the “Capital Injection Agreement”). According to the provisions of the Capital Injection Agreement, China Life and SDIC Holding made cash contribution to the Pipeline Ltd amounting to RMB 20 billion and RMB 2.8 billion, respectively, in exchange for 43.86% and 6.14% equity interest, respectively, in the Pipeline Ltd. Thereafter, the Company’s equity interest in the Pipeline Ltd was diluted from 100% to 50%. Consequently, the Company has deconsolidated the Pipeline Ltd and started accounting for its 50% equity interest in the Pipeline Ltd as an investment in associate company.

## 10.6 Notes on the financial statements prepared under IFRS

### 10.6.1 Turnover

Turnover primarily represents revenue from the sales of crude oil, natural gas, petroleum and chemical products.

### 10.6.2 Tax expense

Tax expense in the consolidated income statement represents:

|                           | Year ended 31 December |                |
|---------------------------|------------------------|----------------|
|                           | 2016                   | 2015           |
|                           | RMB million            | RMB million    |
| Current tax               | 21,313                 | 13,677         |
| Provision for the year    | 228                    | 279            |
| Adjustment of prior years | (834)                  | (1,343)        |
|                           | <u>20,707</u>          | <u>(1,343)</u> |
| Deferred taxation         | <u>20,707</u>          | <u>12,613</u>  |

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

|  | <b>Year ended 31 December</b> |                    |
|--|-------------------------------|--------------------|
|  | <b>2016</b>                   | <b>2015</b>        |
|  | <b>RMB million</b>            | <b>RMB million</b> |
| <b>Profit before taxation</b>  | <u>80,151</u>                 | <u>56,411</u>      |
| Expected PRC income tax expense at a<br>statutory tax rate of 25%  | 20,038                        | 14,103             |
| Tax effect of non-deductible expenses  | 1,529                         | 788                |
| Tax effect of non-taxable income   | (2,786)                       | (2,583)            |
| Tax effect of preferential tax rate (i)  | 83                            | (1,033)            |
| Effect of difference between income taxes at foreign<br>operations tax rate and the PRC statutory tax rate | 299                           | 391                |
| Tax effect of utilisation of previously unrecognised<br>tax losses and temporary differences               | (453)                         | (235)              |
| Tax effect of tax losses not recognised  | 958                           | 828                |
| Write-down of deferred tax assets  | 811                           | 75                 |
| Adjustment of prior years  | <u>228</u>                    | <u>279</u>         |
| <b>Actual income tax expense</b>   | <u>20,707</u>                 | <u>12,613</u>      |

Note:

- (i) The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain entities of the Group in western regions in the PRC are taxed at preferential income tax rate of 15% through the year 2020.

### 10.6.3 Basic and Diluted Earnings per Share

The calculation of basic earnings per share for the year ended 31 December 2016 is based on the profit attributable to ordinary owners of the Company of RMB 46,672 million (2015: RMB 32,512 million) and the weighted average number of shares of 121,071,209,646 (2015: 120,852,547,200) during the year.

The calculation of diluted earnings per share for the year ended 31 December 2016 is based on the profit attributable to ordinary owners of the Company (diluted) of RMB 46,669 million (2015: RMB 32,510million) and the weighted average number of shares of 121,071,209,646 (2015: 120,852,547,200) calculated as follows:

(i) Profit attributable to ordinary owners of the Company (diluted)

|  | <b>Year ended 31 December</b> |                    |
|--|-------------------------------|--------------------|
|  | <b>2016</b>                   | <b>2015</b>        |
|  | <b>RMB million</b>            | <b>RMB million</b> |
| Profit attributable to ordinary owners of the Company                      | 46,672                        | 32,512             |
| After tax effect of employee share option scheme of Shanghai Petrochemical | (3)                           | (2)                |
|  | <u>46,669</u>                 | <u>32,510</u>      |
| Profit attributable to ordinary owners of the Company (diluted)            | <u>46,669</u>                 | <u>32,510</u>      |

(ii) Weighted average number of shares (diluted)

|  | <b>Year ended 31 December</b> |                         |
|--|-------------------------------|-------------------------|
|  | <b>2016</b>                   | <b>2015</b>             |
|  | <b>Number of shares</b>       | <b>Number of shares</b> |
| Weighted average number of shares at 31 December           | 121,071,209,646               | 120,852,547,200         |
| Weighted average number of shares (diluted) at 31 December | <u>121,071,209,646</u>        | <u>120,852,547,200</u>  |

#### 10.6.4 Dividends

Dividends payable to owners of the Company attributable to the year represent:

|  | Year ended 31 December |               |
|--|------------------------|---------------|
|  | 2016                   | 2015          |
|  | RMB million            | RMB million   |
| Dividends declared and paid during the year of RMB 0.079 per share (2015: RMB 0.09 per share)    | 9,565                  | 10,896        |
| Dividends declared after the balance sheet date of RMB 0.17 per share (2015: RMB 0.06 per share) | 20,582                 | 7,264         |
|  | <u>30,147</u>          | <u>18,160</u> |

Pursuant to the Company's Articles of Association and a resolution passed at the Directors' meeting on 26 August 2016, the directors authorised to declare the interim dividends for the year ending 31 December 2016 of RMB 0.079 (2015: RMB 0.09) per share totaling RMB 9,565 million (2015: RMB 10,896 million). Dividends were paid on 21 September 2016.

Pursuant to a resolution passed at the director's meeting on 24 March 2017, final dividends in respect of the year ended 31 December 2016 of RMB 0.17 (2015: RMB 0.06) per share totaling RMB 20,582 million (2015: RMB 7,264 million) were proposed for shareholders' approval at the Annual General Meeting. Final cash dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.



Dividends payable to owners of the Company attributable to the previous financial year, approved during the year represent:

|   | <b>Year ended 31 December</b> |                    |
|---|-------------------------------|--------------------|
|   | <b>2016</b>                   | <b>2015</b>        |
|   | <b>RMB million</b>            | <b>RMB million</b> |
| Final cash dividends in respect of<br>the previous financial year, approved<br>and paid during the year of RMB 0.06<br>per share (2015: RMB 0.11 per share) | 7,264                         | 13,318             |

Pursuant to the shareholders' approval at the Annual General Meeting on 18 May 2016, a final dividend of RMB 0.06 per share totaling RMB 7,264 million according to total shares of 23 June 2016 was approved. All dividends have been paid in the year ended 31 December 2016.

Pursuant to the shareholders' approval at the Annual General Meeting on 27 May 2015, a final dividend of RMB 0.11 per share totaling RMB 13,318 million according to total shares of 18 June 2015 was approved. Cash dividends have been paid on 19 June 2015.

#### 10.6.5 Trade Accounts Receivable and Bills Receivable

|   | <b>2016</b>        | <b>2015</b>        |
|---|--------------------|--------------------|
|   | <b>31 December</b> | <b>31 December</b> |
|   | <b>RMB million</b> | <b>RMB million</b> |
| Amounts due from third parties                                    | 39,994             | 34,261             |
| Amounts due from Sinopec Group Company<br>and fellow subsidiaries | 6,398              | 18,672             |
| Amounts due from associates and joint ventures                    | 4,580              | 3,734              |
|   | 50,972             | 56,667             |
| Less: Impairment losses for bad and doubtful debts                | (683)              | (525)              |
| Trade accounts receivable, net                                    | 50,289             | 56,142             |
| Bills receivable  | 13,197             | 10,964             |
|   | 63,486             | 67,106             |

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

|                             | <b>2016</b>        | <b>2015</b>        |
|-----------------------------|--------------------|--------------------|
|                             | <b>31 December</b> | <b>31 December</b> |
|                             | <b>RMB million</b> | <b>RMB million</b> |
| Within one year             | 63,051             | 66,342             |
| Between one and two years   | 233                | 715                |
| Between two and three years | 177                | 36                 |
| Over three years            | 25                 | 13                 |
|                             | <u>63,486</u>      | <u>67,106</u>      |

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

|                           | <b>2016</b>        | <b>2015</b>        |
|---------------------------|--------------------|--------------------|
|                           | <b>RMB million</b> | <b>RMB million</b> |
| Balance at 1 January      | 525                | 530                |
| Provision for the year    | 238                | 40                 |
| Written back for the year | (8)                | (13)               |
| Written off for the year  | (72)               | (38)               |
| Others                    | —                  | 6                  |
|                           | <u>683</u>         | <u>525</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 receivable 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.

## 10.6.6 Trade Accounts and Bills Payables

|   | <b>2016</b>        | <b>2015</b>        |
|---|--------------------|--------------------|
|   | <b>31 December</b> | <b>31 December</b> |
|   | <b>RMB million</b> | <b>RMB million</b> |
| Amounts due to third parties  | 154,882            | 117,342            |
| Amounts due to Sinopec Group Company and fellow subsidiaries        | 13,168             | 10,348             |
| Amounts due to associates and joint ventures                        | 6,251              | 2,868              |
|   | <hr/>              | <hr/>              |
|   | 174,301            | 130,558            |
| Bills payable   | 5,828              | 3,566              |
|   | <hr/>              | <hr/>              |
| <b>Trade accounts and bills payables measured at amortised cost</b> | <b>180,129</b>     | <b>134,124</b>     |
|   | <hr/> <hr/>        | <hr/> <hr/>        |

The ageing analysis of trade accounts and bills payables are as follows:

|                              | <b>2016</b>        | <b>2015</b>        |
|------------------------------|--------------------|--------------------|
|                              | <b>31 December</b> | <b>31 December</b> |
|                              | <b>RMB million</b> | <b>RMB million</b> |
| Within 1 month or on demand  | 159,953            | 115,412            |
| Between 1 month and 6 months | 12,693             | 13,682             |
| Over 6 months                | 7,483              | 5,030              |
|                              | <hr/>              | <hr/>              |
|                              | 180,129            | 134,124            |
|                              | <hr/> <hr/>        | <hr/> <hr/>        |

## 10.6.7 Segment Reporting

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

|                                    | <b>2016</b>        | <b>2015</b>        |
|------------------------------------|--------------------|--------------------|
|                                    | <b>RMB million</b> | <b>RMB million</b> |
| Turnover                           |                    |                    |
| Exploration and production         |                    |                    |
| External sales                     | 47,443             | 57,740             |
| Inter-segment sales                | 58,954             | 71,019             |
|                                    | <u>106,397</u>     | <u>128,759</u>     |
| Refining                           |                    |                    |
| External sales                     | 102,983            | 120,650            |
| Inter-segment sales                | 747,317            | 800,962            |
|                                    | <u>850,300</u>     | <u>921,612</u>     |
| Marketing and distribution         |                    |                    |
| External sales                     | 1,027,373          | 1,086,098          |
| Inter-segment sales                | 3,480              | 3,056              |
|                                    | <u>1,030,853</u>   | <u>1,089,154</u>   |
| Chemicals                          |                    |                    |
| External sales                     | 284,289            | 276,640            |
| Inter-segment sales                | 38,614             | 43,814             |
|                                    | <u>322,903</u>     | <u>320,454</u>     |
| Corporate and others               |                    |                    |
| External sales                     | 418,102            | 436,749            |
| Inter-segment sales                | 320,367            | 345,454            |
|                                    | <u>738,469</u>     | <u>782,203</u>     |
| Elimination of inter-segment sales | <u>(1,168,732)</u> | <u>(1,264,305)</u> |

|  | <b>2016</b>        | <b>2015</b>        |
|--|--------------------|--------------------|
|  | <b>RMB million</b> | <b>RMB million</b> |
| <b>Turnover</b>  | <u>1,880,190</u>   | <u>1,977,877</u>   |
| <b>Other operating revenues</b>                                      |                    |                    |
| Exploration and production   | 9,542              | 9,894              |
| Refining   | 5,486              | 5,004              |
| Marketing and distribution   | 22,004             | 17,512             |
| Chemicals  | 12,211             | 8,417              |
| Corporate and others   | <u>1,478</u>       | <u>1,671</u>       |
| <b>Other operating revenues</b>                                      | <u>50,721</u>      | <u>42,498</u>      |
| <b>Turnover and other operating revenues</b>                         | <u>1,930,911</u>   | <u>2,020,375</u>   |
| <b>Result</b>  |                    |                    |
| <b>Operating profit/(loss)</b>                                       |                    |                    |
| By segment   |                    |                    |
| – Exploration and production   | (36,641)           | (17,418)           |
| – Refining   | 56,265             | 20,959             |
| – Marketing and distribution   | 32,153             | 28,855             |
| – Chemicals  | 20,623             | 19,476             |
| – Corporate and others   | 3,212              | 384                |
| – Elimination  | <u>1,581</u>       | <u>4,566</u>       |
| <b>Total segment operating profit</b>                                | <u>77,193</u>      | <u>56,822</u>      |
| <b>Share of profits/(losses) from associates and joint ventures</b>  |                    |                    |
| – Exploration and production   | (1,203)            | 633                |
| – Refining   | 1,075              | 725                |
| – Marketing and distribution   | 2,362              | 1,379              |
| – Chemicals  | 5,696              | 3,343              |
| – Corporate and others   | <u>1,376</u>       | <u>2,282</u>       |
| <b>Aggregate share of profits from associates and joint ventures</b> | <u>9,306</u>       | <u>8,362</u>       |

|                                    | <b>2016</b>        | <b>2015</b>        |
|------------------------------------|--------------------|--------------------|
|                                    | <b>RMB million</b> | <b>RMB million</b> |
| <b>Investment income</b>           |                    |                    |
| – Exploration and production       | 24                 | 835                |
| – Refining                         | (4)                | (8)                |
| – Marketing and distribution       | 90                 | 70                 |
| – Chemicals                        | 119                | 41                 |
| – Corporate and others             | 34                 | 350                |
| – Elimination                      | –                  | (822)              |
|                                    | <hr/>              | <hr/>              |
| <b>Aggregate investment income</b> | 263                | 466                |
|                                    | <hr/>              | <hr/>              |
| <b>Net finance costs</b>           | (6,611)            | (9,239)            |
|                                    | <hr/>              | <hr/>              |
| <b>Profit before taxation</b>      | <u>80,151</u>      | <u>56,411</u>      |

|  | At 31 December<br>2016<br>RMB million | At 31 December<br>2015<br>RMB million |
|--|---------------------------------------|---------------------------------------|
| <b>Assets</b>  |                                       |                                       |
| <b>Segment assets</b>  |                                       |                                       |
| – Exploration and production   | 402,476                               | 447,307                               |
| – Refining   | 260,903                               | 264,573                               |
| – Marketing and distribution   | 292,328                               | 283,416                               |
| – Chemicals  | 144,371                               | 151,646                               |
| – Corporate and others   | 95,263                                | 108,921                               |
|  | <hr/>                                 | <hr/>                                 |
| <b>Total segment assets</b>  | 1,195,341                             | 1,255,863                             |
|  | <hr/>                                 | <hr/>                                 |
| Interest in associates and joint ventures                                  | 116,812                               | 84,293                                |
| Available-for-sale financial assets  | 11,408                                | 10,964                                |
| Deferred tax assets  | 7,214                                 | 7,469                                 |
| Cash and cash equivalents and time deposits<br>with financial institutions | 142,497                               | 69,666                                |
| Other unallocated assets   | 25,337                                | 19,013                                |
|  | <hr/>                                 | <hr/>                                 |
| <b>Total assets</b>  | 1,498,609                             | 1,447,268                             |
|  | <hr/> <hr/>                           | <hr/> <hr/>                           |
| <b>Liabilities</b>   |                                       |                                       |
| <b>Segment liabilities</b>   |                                       |                                       |
| – Exploration and production   | 95,944                                | 96,773                                |
| – Refining   | 82,170                                | 58,578                                |
| – Marketing and distribution   | 133,303                               | 118,897                               |
| – Chemicals  | 32,072                                | 27,243                                |
| – Corporate and others   | 97,080                                | 104,194                               |
|  | <hr/>                                 | <hr/>                                 |
| <b>Total segment liabilities</b>   | 440,569                               | 405,685                               |
|  | <hr/>                                 | <hr/>                                 |
| Short-term debts   | 56,239                                | 41,517                                |
| Income tax payable   | 6,051                                 | 1,048                                 |
| Long-term debts  | 72,674                                | 95,446                                |
| Loans from Sinopec Group Company and<br>fellow subsidiaries                | 63,352                                | 88,229                                |
| Deferred tax liabilities   | 7,661                                 | 8,259                                 |
| Other unallocated liabilities  | 20,828                                | 18,923                                |
|  | <hr/>                                 | <hr/>                                 |
| <b>Total liabilities</b>   | 667,374                               | 659,107                               |
|  | <hr/> <hr/>                           | <hr/> <hr/>                           |

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.

|   | <b>Year ended 31 December</b> |                    |
|---|-------------------------------|--------------------|
|   | <b>2016</b>                   | <b>2015</b>        |
|   | <b>RMB million</b>            | <b>RMB million</b> |
| <b>Capital expenditure</b>                      |                               |                    |
| – Exploration and production                    | 32,187                        | 54,710             |
| – Refining                                      | 14,347                        | 15,132             |
| – Marketing and distribution                    | 18,493                        | 22,115             |
| – Chemicals                                     | 8,849                         | 17,634             |
| – Corporate and others                          | 2,580                         | 2,821              |
|   | <u>76,456</u>                 | <u>112,412</u>     |
| <b>Depreciation, depletion and amortisation</b> |                               |                    |
| – Exploration and production                    | 61,929                        | 52,155             |
| – Refining                                      | 17,209                        | 16,557             |
| – Marketing and distribution                    | 14,540                        | 14,075             |
| – Chemicals                                     | 12,654                        | 12,088             |
| – Corporate and others                          | 2,093                         | 1,585              |
|   | <u>108,425</u>                | <u>96,460</u>      |
| <b>Impairment losses on long-lived assets</b>   |                               |                    |
| – Exploration and production                    | 11,605                        | 4,864              |
| – Refining                                      | 1,655                         | 9                  |
| – Marketing and Distribution                    | 267                           | 19                 |
| – Chemicals                                     | 2,898                         | 142                |
| – Corporate and others                          | —                             | 112                |
|   | <u>16,425</u>                 | <u>5,146</u>       |



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

|                           | Year ended 31 December |                  |
|---------------------------|------------------------|------------------|
|                           | 2016                   | 2015             |
|                           | RMB million            | RMB million      |
| <b>External sales</b>     |                        |                  |
| Mainland China            | 1,488,117              | 1,580,856        |
| Others                    | 442,794                | 439,519          |
|                           | <u>1,930,911</u>       | <u>2,020,375</u> |
|                           |                        |                  |
|                           | 2016                   | 2015             |
|                           | 31 December            | 31 December      |
|                           | RMB million            | RMB million      |
| <b>Non-current assets</b> |                        |                  |
| Mainland China            | 1,000,209              | 1,029,318        |
| Others                    | 45,887                 | 56,081           |
|                           | <u>1,046,096</u>       | <u>1,085,399</u> |

## 11. 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.

## 12. Model Code for Securities Transactions by Directors

Each of the directors confirmed that he has complied with the Model Code for Securities and Transactions by Directors of Listed Companies as set out in Appendix 10 of the Hong Kong Listing Rules during the year ended 31 December 2016. In addition, Sinopec Corp. formulated the "Rules Governing Shares Held by Company Directors, Supervisors and Senior Managers and Changes in Shares" and the "Model Code of Securities Transactions by Company Employees" to regulate the purchase and sale of Sinopec Corp.'s securities by Sinopec personnel.

### **13. Compliance with Corporate Governance Code**

Based on its actual circumstances, Sinopec Corp. did not establish a Nomination Committee of the Board according to section A.5 of the Corporate Governance Code and Corporate Governance Report (“Corporate Governance Code”) as set out in Appendix 14 of the Hong Kong Listing Rules. Sinopec Corp. is of the view that the nomination of director candidates by all members of the Board would be better suited in view of its actual situation. The Board would perform the duties of the Nomination Committee prescribed in the Corporate Governance Code.

Saved as disclosed above, Sinopec Corp. complied with all code provisions set out in the Corporate Governance Code during the reporting period.

### **14. Review of Annual Results**

The annual results for the year ended 31 December 2016 have been reviewed with no disagreement by the Audit Committee of Sinopec Corp.

This announcement is published in both English and Chinese languages. In the event of any inconsistency between the two versions, the Chinese version shall prevail.

By Order of the Board  
**China Petroleum & Chemical Corporation**  
**Huang Wensheng**  
*Vice President and Secretary to the Board of Directors*

Beijing, the PRC, 24 March 2017

*As of the date of this announcement, directors of Sinopec Corp. are: Wang Yupu\*, Dai Houliang#, Wang Zhigang#, Zhang Haichao#, Jiao Fangzheng#, Ma Yongsheng#, Jiang Xiaoming+, Andrew Y. Yan+, Tang Min+ and Fan Gang+.*

*# Executive Director*

*\* Non-executive Director*

*+ Independent Non-executive Director*