

CHINA PETROLEUM & CHEMICAL CORP
Form 6-K
March 29, 2012

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
The Securities Exchange Act of 1934

For the month of March, 2012

CHINA PETROLEUM & CHEMICAL CORPORATION
22 Chaoyangmen North Street,
Chaoyang District, Beijing, 100728
People's Republic of China
Tel: (8610) 59960114

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If "Yes" is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b):
82-_____.)

N/A

This Form 6-K consists of:

The annual report for year ended December 31, 2011 of China Petroleum & Chemical Corporation (the “Registrant”), filed by the Registrant with the Hong Kong Stock Exchange on March 25, 2012.

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This annual report includes forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that the Company expects or anticipates will or may occur in the future (including but not limited to projections, targets, reserves and other estimates and business plans) are forward-looking statements. The Company's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties. The Company makes the forward-looking statements referred to herein as at 23 March 2012 and unless required by regulatory authorities, the Company undertakes no obligation to update these statements.

COMPANY PROFILE

IMPORTANT: THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD OF CHINA PETROLEUM & CHEMICAL CORPORATION (“SINOPEC CORP.”) AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT WARRANT THAT THERE ARE NO MATERIAL OMISSIONS FROM, OR MISREPRESENTATIONS OR MISLEADING STATEMENTS CONTAINED IN THIS ANNUAL REPORT, AND JOINTLY AND SEVERALLY ACCEPT FULL RESPONSIBILITY FOR THE AUTHENTICITY, ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THIS ANNUAL REPORT. THERE IS NO OCCUPANCY OF NON-OPERATING FUNDS BY THE SUBSTANTIAL SHAREHOLDERS OR THEIR AFFILIATED PARTIES, AND NO EXTERNAL GUARANTEE THAT VIOLATES DECISION-MAKING PROCEDURES IS MADE. MR. LI CHUNGUANG, DIRECTOR, MR. LI DESHUI AND MR. WU XIAOGEN, INDEPENDENT NON-EXECUTIVE DIRECTORS OF SINOPEC CORP., COULD NOT ATTEND THE EIGHTEENTH MEETING OF THE FOURTH SESSION OF THE BOARD FOR REASONS OF OFFICIAL DUTIES. MR. LI CHUNGUANG AUTHORISED MR. CHAO YAOFENG, AND MR. LI DESHUI AND MR. WU XIAOGEN AUTHORISED MR. XIE ZHONGYU TO VOTE ON THEIR BEHALF IN RESPECT OF THE RESOLUTIONS PUT FORWARD IN THE MEETING OF THE BOARD. MR. FU CHENGYU, CHAIRMAN OF THE BOARD, MR. WANG TIANPU, VICE CHAIRMAN AND PRESIDENT AND MR. WANG XINHUA, CHIEF FINANCIAL OFFICER AND HEAD OF THE CORPORATE FINANCE DEPARTMENT WARRANT THE AUTHENTICITY AND COMPLETENESS OF THE FINANCIAL STATEMENTS CONTAINED IN THIS ANNUAL REPORT. THE AUDIT COMMITTEE OF SINOPEC CORP. HAS REVIEWED THIS ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011.

THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 OF SINOPEC CORP. AND ITS SUBSIDIARIES (THE “COMPANY”) PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (“ASBE”) AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) HAVE BEEN AUDITED BY KPMG HUAZHEN CERTIFIED PUBLIC ACCOUNTANTS (“KPMG HUAZHEN”) AND KPMG CERTIFIED PUBLIC ACCOUNTANTS (“KPMG”) RESPECTIVELY. KPMG HUAZHEN AND KPMG HAVE ISSUED STANDARD UNQUALIFIED AUDITOR’S REPORT.

Exploration and Production
Distribution

Chemicals

Refining

Marketing and

COMPANY PROFILE

Sinopec Corp. is one of the largest integrated energy and chemical companies with upstream, midstream and downstream operations in China. Its principal operations include: the exploration and production, pipeline transportation and sale of petroleum and natural gas; the sale, storage and transportation of petroleum products, petrochemical products, synthetic fibre, fertiliser and other chemical products; import and export, as well as import and export agency business of oil, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and research, development and application of technologies and information.

Adhering to its corporate mission of “Enterprise development, Contribution to the Country, Shareholder value creation, Social responsibility and Employee wellbeing”, Sinopec Corp. implements strategies for resources, markets, integration, internationalisation, differentiation and green low-carbon development with a view to realise its vision of building a first class, global energy and petrochemical company.

PRINCIPAL FINANCIAL DATA AND INDICATORS

1 FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (“ASBE”)

(1) Principal financial data

Items	For the years ended 31 December			
	2011	2010	Change	2009
	RMB millions	RMB millions	%	RMB millions
Operating income	2,505,683	1,913,182	31.0	1,345,052
Operating profit	100,966	101,352	(0.4)	86,238
Profit before taxation	102,638	102,178	0.5	86,112
Net profit attributable to equity shareholders of the Company	71,697	70,713	1.4	62,677
Net profit attributable to equity shareholders of the Company before extraordinary gain and loss	70,453	68,345	3.1	61,258
Net cash flow from operating activities	151,181	171,262	(11.7)	166,009

Items	At 31 December			
	2011	2010	Change	2009
	RMB millions	RMB millions	%	RMB millions
Total assets	1,130,053	985,389	14.7	886,896
Total liabilities	620,528	532,707	16.5	480,348
Shareholders' equity attributable to equity shareholders of the Company	474,399	421,127	12.6	380,461
Total shares (thousand shares)	86,702,562	86,702,528	0.0	86,702,439

(2) Principal financial indicators

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

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Net cash flow from operating activities per share 1.744 1.975 (11.7) 1.915

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

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

(3) Extraordinary items and corresponding amounts

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

(4) Significant changes of items in the financial statements

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

Items	At 31 December		Increase/(decrease)		Reasons for change
	2011 RMB millions	2010 RMB millions	Amount RMB millions	Percentage (%)	
Cash at bank and on hand	25,197	18,140	7,057	38.9	For the purpose of coping with the tightening of liquidity in the market and pressure of payment before the spring festival, the Company prepared some cash in advance
Bills receivable	27,961	15,950	12,011	75.3	Due to enlarged business scale and less discount activities
Accounts receivable	58,721	43,093	15,628	36.3	Due to enlarged business scale and the increased prices of major products
Inventories	203,417	156,546	46,871	29.9	Due to increased balances of raw materials and finished products as a result of increased prices of crude oil
Fixed assets	565,936	540,700	25,236	4.7	Mainly due to enlarged production scale and the increased capital expenditure
Construction in Progress	111,311	81,934	29,377	35.9	Mainly due to enlarged production scale and the increased capital expenditure
Other non-current assets	12,232	9,392	2,840	30.2	Mainly due to the increased prepayments in connection with construction work and heavy equipment
Bills payable	5,933	3,818	2,115	55.4	Take advantage of the credit period of bills to meet the requirements of liquidity
Accounts payable	177,002	132,528	44,474	33.6	Due to enlarged business scale and the increased prices of crude and other materials and increased purchasing volume
Advances from customers	66,686	57,324	9,362	16.3	Mainly due to increased advances in marketing segment.
Non-current liabilities due	43,388	5,530	37,858	684.6	Mainly due to reclassification of debentures due within one year within one year to this item
Debentures payable	100,137	115,180	(15,043)	(13.1))Due to reclassification of RMB 23 billion convertible bond issued by Sinopec Corp. and

					debentures due within one year under the item of non-current liabilities due within one year
Other non-current liabilities	3,436	2,415	1,021	42.3	Due to increased deferred income from government grants
Specific reserves	3,115	1,325	1,790	135.1	Mainly due to increased safety production fund
Operating income	2,505,683	1,913,182	592,501	31.0	Due to the increased prices of crude oil and oil products as well as enlarged business scale and increased sales volume
Operating cost	2,093,199	1,537,131	556,068	36.2	Due to increased prices of crude oil and other materials and increased purchasing volume
Sales taxes and surcharges	189,949	157,189	32,760	20.8	Due to increased special oil income levy as a result of increased crude oil prices as well as increased consumption tax and surcharges as a result of increase in operating income
Impairment losses	5,811	15,445	(9,634)	(62.4)	Please refer to Note 39 to the financial statements prepared in accordance with ASBE
Gain/(loss) from changes in fair value	1,423	(179)	1,602	—	Due to the market fair value fluctuation of the convertible fair value bonds issued by Sinopec Corp.

2 FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

Unit: RMB millions

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

Unit: RMB millions

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

3 MAJOR DIFFERENCES BETWEEN THE AUDITED FINANCIAL STATEMENTS PREPARED UNDER ASBE AND IFRS PLEASE REFER TO PAGE 195 OF THE REPORT.

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

1 CHANGES IN THE SHARE CAPITAL

Unit: 1,000 Shares

Items	Before change		Increase/(decrease)					After change	
	Number	Percentage %	New share issued	Bonus issued	Conversion from reserve	Others	Sub-total	Number	Percentage %
R M B o r d i n a r y s h a r e s	69,922,040	80.65	—	—	—	35	35	69,922,074	80.65
Domestically listed foreign shares	—	—	—	—	—	—	—	—	—
Overseas listed foreign shares	16,780,488	19.35	—	—	—	—	—	16,780,488	19.35
Others	—	—	—	—	—	—	—	—	—
Total Shares	86,702,528	100	—	—	—	35	35	86,702,562	100

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

2 NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

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

(1) Shareholdings of top ten shareholders

Unit: 1,000 Shares

Name of Shareholders	Nature of shareholders	Percentage of shareholdings %	Total number of shares held	Changes of shareholdings	Number of shares subject to pledges or lock-ups
China Petrochemical Corporation	State-owned share	75.84	65,758,044	0	0
HKSCC Nominees Limited	H share	19.23	16,671,989	13,763	N/A
Guotai Junan Securities Co., Ltd.	A share	0.30	256,751	1,533	0

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China Life Insurance Company Limited-Bonus Personal Bonus-005L-FH002 Shanghai	A share	0.20	170,958	(15,162)	0
PICC Life Insurance Company Limited-Bonus Personal Insurance Bonus	A share	0.17	143,124	25,070	0
Hua An Hongli Stock Securities Investment Fund	A share	0.09	73,700	22,500	0
Harvest Theme New Dynamic Equity Securities Investment Fund	A share	0.05	42,040	(10,060)	0
Shanghai Stock Exchange Traded Open-ended Index 50 Fund	A share	0.05	41,943	3,914	0
Social Security Fund 101 Portfolio	A share	0.04	33,707	33,707	0
Taikang Life Insurance Co., Ltd.-Bonus Personal Bonus-019L-FH002 Shanghai	A share	0.04	30,500	380	0

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

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

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

(2) Information disclosed by the shareholders of H Shares according to the Securities and Futures Ordinance

Name of shareholders	Capacity of share interests held	Number of share interests held or regarded as held	Approximate percentage of Sinopec Corp.'s issued share capital (H Share) (%)
JPMorgan Chase & Co.	Beneficial owner	147,308,205 (L)	0.88(L)
	85,467,827 (S)	0.51(S)	
	Investment manager	486,491,918 (L)	2.90(L)
	Custodian corporation- corporate/ qualified lending agent	804,771,668 (L)	4.80(L)
Blackrock, Inc.	Interest of corporation controlled by the substantial shareholder	1,133,170,115 (L)	6.75(L)
		126,216,564 (S)	0.75(S)
Templeton Asset Management Ltd.	Investment manager	1,004,017,203 (L)	5.98(L)

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

3 ISSUANCE AND LISTING OF SECURITIES

(1) Issuance of securities in last three years

Types of shares and derivative securities	Issuing date	Issuing price (RMB Yuan/Bond)	Issued amount (Bond)	Listing date	Approved amount for listing
RMB23 Billion A share convertible bond ("Sinopec CB")	23 February 2011	100	230,000,000	7 March 2011	230,000,000

(2) Changes in total number of shares and equity structure and the consequent changes in asset-liabilities structure
Up to 31 December 2011, 3,280 Sinopec CBs had been converted into 34,662 A shares of Sinopec Corp. As at the end of report period, there were 229,996,720 Sinopec CBs, accounting for 99.99% of the total number of issued Sinopec CB, which had not been converted into shares yet. Share conversion pursuant to Sinopec CBs had no significant influence on the asset-liabilities structure of the Company.

(3) Existing internal employee shares
Not applicable.

4 CHANGES IN THE CONTROLLING SHAREHOLDERS AND THE ACTUAL CONTROLLER

There was no change in the controlling shareholders or the actual controller of Sinopec Corp. during the reporting period.

- (1) **Controlling shareholder**
The controlling shareholder of Sinopec Corp. is China Petrochemical Corporation. Established in July 1998, China Petrochemical Corporation is a state authorised investment organisation and a state-owned enterprise. Its registered capital is RMB 182.0 billion, and the legal representative is Mr. Fu Chengyu. Through reorganisation in 2000, China Petrochemical Corporation injected its principal petroleum and petrochemical businesses into Sinopec Corp. and retained certain petrochemical facilities and small-scale refineries. It provides well-drilling services, well logging services, downhole operation services, services in connection with manufacturing and maintenance of production equipment, engineering construction, utility services including water and power and social services.
- (2) **Other than HKSCC Nominees Limited, there was no other legal person shareholder holding 10% or more of shares of Sinopec Corp.**
- (3) **Basic information of the effective controller**
China Petrochemical Corporation is the actual controller of Sinopec Corp.
- (4) **Diagram of the equity and controlling relationship between Sinopec Corp. and its actual controller**

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

CHAIRMAN'S STATEMENT

Mr. Fu Chengyu, Chairman

Dear shareholders:

Thanks to your ongoing trust and support, Sinopec achieved remarkable results in 2011. On behalf of the Board of Directors and all of our employees, I would like to express my sincere gratitude to everyone who helped to make this achievement possible.

The complex and turbulent political and economic environment worldwide in 2011 saw global crude oil prices remain high and volatile. Rising domestic inflationary pressure and continuing price controls on oil products in our home market generated immense challenges for our business. The Board of Directors worked diligently to assess and respond to these challenges in pursuing the group's development plans and remaining dedicated to our goal of building a world-class energy and petrochemical company. The Board has this year adjusted and refined the company's business strategies for resources, marketing, integration and internationalisation, and has added new strategic objectives for differentiation and low-carbon development. We will leverage of our competitive advantages and our proficiency in innovation to build a resource-saving and environmentally responsible enterprise, which will sustain the company's growth for many years to come.

In 2011, Sinopec's management, together with its employees, continued to review the company's processes in an effort to increase efficiency, ensure safe production, and improve energy savings and reduce emissions. As a result, we achieved the best performance in our history. Our reserves and production grew steadily throughout the year, and we made an initial breakthrough in the exploration and production of unconventional oil and gas. We also increased both our refining capacity and throughput, leading to major gains in our competitiveness in this area. Our chemical business achieved record profitability, with a significant rise in both production and revenue. Sales of refined oil products once again grew robustly, and we continued to optimise the balance between production and sales, with retail volumes surpassing 100 million tonnes for the first time. Alongside this, our non-fuel business grew at a rapid pace. Enjoying the benefits of our vertically integrated business model, Sinopec made significant advances in scientific and technological innovation, and we supported our production capabilities with excellence in marketing and research. In the course of seeking new paths for growth, we made great strides in optimising our operations in resources, products and services, promoting the production of clean energy and in conducting R&D for alternative and new energy sources.

At the same time, we played a central role in maintaining stable market supply, and fulfilled our corporate social responsibility. We also implemented company-wide management protocols for Health, Safety and Environment (HSE). Furthermore, we showed our commitment to the communities where we have a presence through our active involvement in numerous charitable endeavors. We are also proud that, in addition to championing sustainable development in our business and promoting that in the wider economy and community, we take good care of our employees.

In 2011, the company's total revenues and other operating income amounted to RMB 2,505.7 billion, an increase of 31% from 2010, while profits attributable to shareholders in accordance with International Financial Reporting Standards were RMB 73.225 billion, an increase of 2.0% from the previous year. The company's domestic and overseas share price significantly outperformed the markets and our peers, yielding remarkable returns for our shareholders. The Board of Directors recommended a final dividend of RMB 0.20 per share, which when combined with the interim dividend of RMB 0.10 per share brings the total annual dividend for 2011 to RMB 0.30 per share, an

increase by 43% over the
previous year.

8

The global economy in 2012 continues to face serious challenges, and in light of complex geopolitical tensions, international oil prices are expected to remain high. With domestic economic growth facing downward pressure, the growth in demand for refining and chemical products is expected to ease. We are, however, confident that with the continuing focus of the Chinese government on economic development and stability, along with the effects of ongoing domestic industrialisation and urbanisation, the demand for energy and chemical products will continue to grow. We also believe that our established presence and competitive edge put us in a strong position to maintain our expansion.

In the years ahead, we will continue to integrate cutting-edge developments in science and technology into our operations, and we will implement our strategic focus on resources, marketing, integration, internationalisation, differentiation and low-carbon development. Quality and return will be prioritised in the course of our development, along with the spirit of innovation, a commitment to low-carbon and a focus on people. We seek to gain more access to resources with a global view and take advantage of both domestic and international businesses and markets. At the same time we will increase the reserve and production of crude oil and natural gas and expedite our exploration and production of unconventional oil and gas resources. In addition, we will seek to accelerate the upgrading of refined oil product quality and further promote the development of our chemical business. We are confident that these actions will enhance the company's overall profitability and further minimise the risks related to our business, and in so doing improve returns for our shareholders.

In May 2012, the fourth term of the Board of Directors will come to an end. The Board of Directors, led by its former chairman, Su Shulin, has achieved remarkable success. I would like to thank Mr. Su for his outstanding contribution to Sinopec. Due to regulatory requirements, work adjustments and age limits, the independent directors Mr. Liu Zhongli, Mr. Ye Qing, Mr. Li Deshui, Mr. Xie Zhongyu and Mr. Wu Xiaogen, together with the chairman of the Board of Supervisors, Mr. Wang Zuoran, the vice-chairman of the Board of Supervisors, Mr. Zhang Youcai, and the supervisor, Mr. Li Yonggui, will no longer serve as directors and supervisors of the company. These individuals were diligent in their service and performed their duties in good faith throughout their term of office. Accordingly, they played an important role in the development of Sinopec. I would like to express my sincere gratitude to them for their hard work and extraordinary effort. The Board of Directors has nominated candidates for the new Board of Directors. They are exceptional managers and leading experts spanning the fields of macro-economics, finance and securities, corporate management and petrochemicals. I am confident that these fresh new faces to the Board will help usher in an exciting new era in the company's history.

Sinopec is already on its way to establishing itself as a world-class energy and petrochemical company. I firmly believe that this company will continue to make great strides toward our goals in the months and years ahead. With the unflagging efforts of our staff and the unwavering support of our stakeholders, Sinopec continues to develop and improve, contributing to the country, repaying our shareholders and serving society as well as our employees.

We invite our shareholders and friends from all walks of life to join us as we create a brilliant and exciting future for Sinopec.

Fu Chengyu
Chairman

Beijing, China
March 23, 2012

Resource Strategy

- Gain more access to resources with a global view
- Leverage its advantage of integrated value chain
- Make full use of our resources and markets both at home and abroad
- Diversify our energy portfolio and develop unconventional oil and gas resources
- Develop non-energy resources like jetties, storage facilities and pipelines

BUSINESS REVIEW AND PROSPECTS

Mr. Wang Tianpu, Vice Chairman and President

BUSINESS REVIEW

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

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

1 Market Review

- (1) **Crude oil market**
In 2011, due to geopolitical dynamism developments, the price of international crude oil rose sharply in the first quarter and then fluctuated in an elevated price range. The annual average spot price of Platts Brent crude oil was USD 111.27/barrel, representing an increase of 40.0% from 2010. The trend of the domestic crude oil price was basically in line with the international market.
- (2) **Oil products market**
In 2011, growth in domestic demand for oil products remained steady, and domestic prices for oil products were tightly controlled. The demand for diesel in some regions rose in the fourth quarter due to seasonal factors, causing a shortage of supply. According to statistics, China's apparent consumption of oil products (including gasoline, diesel and kerosene) was 242 million tons in 2011, representing an increase of 4.5% from 2010.
- (3) **Chemicals market**
In 2011, domestic demand for chemical products continued to increase but at a more moderate pace than in the previous years. Prices for chemical products declined from the first quarter highs, and slumped in the fourth quarter. According to statistics, domestic apparent consumption of synthetic resin, synthetic fibre and synthetic rubber increased by 5.4%, 7.5% and 2.0%, respectively, from the previous year. Domestic apparent consumption of ethylene was up by 4.9% year on year.

International Crude Oil Price Trend

2 Production and operations

(1) Exploration and Production

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

Summary of Operations for the Exploration and Production Segment

	2011	2010	2009	Change from 2010 to 2011 (%)
Oil and gas production (mmboe)	407.91	401.42	377.45	1.6
Crude oil production (mmbbls)	321.73	327.85	327.62	(1.9)
Including: China	303.37	302.18	301.15	0.4
Overseas	18.36	25.67	26.47	(28.5)
Natural gas production (bcf)	517.07	441.39	299.01	17.1
				Change from the end of the previous year to the end of the reporting period (%)
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	
Proved reserves of crude oil and natural gas (mmboe)	3,966	3,963	4,043	0.1
Proved reserves of crude oil (mmbbls)	2,848	2,888	2,920	(1.4)
Proved reserves of natural gas (bcf)	6,709	6,447	6,739	4.1

Notes: 1. Includes 100% of production and reserves of SSI.

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

(2) Refining

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

Sources of Crude Oil Processed by the Company

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

Production Summary of the Refining Segment

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

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

(3) Marketing and Distribution

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

Summary of Operations in the Marketing and Distribution Segment

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

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

(4) Chemicals

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

Production of Major Chemical Products

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

Note: Includes 100% of production of joint ventures.

(5) Research and Development

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

(6) Health, safety and environment

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

(7) Capital Expenditures

The Company's capital expenditures reached RMB 130.184 billion in 2011, of which RMB 58.749 billion was used in the exploration and development segment, mainly for the Shengli shallow water oilfield, the Northwest Tahe oil field, the Northeast Sichuan natural gas exploration and production project and the Shandong LNG project, resulting in 5,683 thousand tonnes of newly established annual production capacity for crude oil and 1,476 million cubic meters of newly added annual production capacity for natural gas. RMB 25.767 billion was used in the refining segment, mainly for revamping and the expansion of refining projects and for upgrading the quality of oil products. For example, the Company established and put into operation a series of diesel quality upgrading projects, including the Changling project; made progress in revamping projects for Sinopec Shanghai Petrochemical and Jinling Petrochemical Corp.; and built and put into operation a crude oil pipeline from Rizhao to Yizheng. RMB 28.517 billion was used in the marketing and distribution segment, mainly for construction of service stations, oil depots and oil product pipelines in key areas such as highways, major cities and newly planned regions. RMB 15.015 billion was used in the chemical segment for the construction of such projects as the Wuhan 800 thousand tpa ethylene project, the Zhongyuan MTP project, the Yanshan butyl rubber project and the Yizheng 1,4-butylene glycol project. RMB 2,136 million was used for the corporate and others, mainly for R&D facilities and IT projects construction.

BUSINESS PROSPECTS

(1) Market analysis

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

(2) Production & Operation

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

Exploration and production segment: In exploration, the Company will further explore subtle hydrocarbon reservoirs and vigorously explore new areas in east China. In the west, Sinopec Corp. will increase its efforts to explore key regions and identify alternative large reserves. In natural gas exploration, the Company will focus on key regions and accelerate activities; increase capacity buildup to explore unconventional resources with enhanced evaluation and breakthroughs for shale oil and gas. In crude oil development, the Company will enhance the development of tight oil reserves by applying hydraulic staged fracturing technology in horizontal wells, increase the recovery ratio in mature blocks, maintain production in East China and increase production in West China. In natural gas development, Sinopec Corp. will focus on the buildup of production capacity, improve the organisation of operations and promote continuous and rapid growth of natural gas output. In 2012, the Company plans to produce 326.52 million barrels of crude oil (306.58 million barrels domestically and 19.94 million barrels overseas) and 582.6 billion cubic feet of natural gas.

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

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

Chemical segment: Sinopec Corp. will respond rapidly to market dynamics and strive to create demand and expand the market. The Company will seek to take advantage of its resources to develop high-end products, to raise the proportion of high-value-added products and to promote development of specialty products via various ways such as independent R&D, technology license and joint ventures. Sinopec Corp. will continue to optimise its feedstock supply chain, make optimal allocation of its high-quality naphtha resources and promote the transition to light feed stocks to help maximise resource value. Sinopec Corp. believes that meeting customer demand is its top priority and will improve its marketing network to increase customer satisfaction. The Company expects to produce 9.9 million tonnes of ethylene in 2012.

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

Capital expenditure: In 2012, the Company will allocate capital expenditure with profitability as the foremost objective. Key projects will have priority for funding. Total capital expenditure is expected to be RMB 172.9 billion for the year. Expenditure on exploration and development is estimated at RMB 78.2 billion, mainly for the exploration and production capacity buildup in the crude oil fields of Shengli, Tahe and south of Ordos and the natural gas fields of Yuanba and Ordos. The refining segment capital expenditure is expected to be RMB 36.8 billion, mainly for upgrading oil product quality and revamping lubricants facilities, proceeding with refinery revamping projects in Shanghai and the Jinling Petrochemical, accelerating construction of transportation systems such as the crude oil pipeline project linking Huangdao, Dongjiakou and Lanshan. The marketing and distribution segment expenditure is expected to be RMB 26.5 billion, mainly for construction and acquisition of service stations along highways, in major cities and in newly planned areas, accelerating construction of oil product pipelines and storage facilities, improving sales network for oil product and promoting non-fuel businesses with IC card value-added services. The chemicals segment expenditure is estimated at RMB 25.9 billion, mainly for mechanical completion of the Wuhan ethylene project and start-up of the Yizheng 1,4-butylene glycol and Anqing acrylonitrile projects, and for continued progress in the Yanshan butyl rubber project, the Hainan aromatics project and the Guangzhou and Maoming polypropylene projects. Corporate and others segment expenditure is expected to be RMB 5.4 billion, mainly for international logistics and storage management, R&D facilities and IT projects.

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

Market-oriented
Strategy

- Ensure growth and product R&D are truly driven by market demand
- Strengthen R&D and production of differentiated products
- Focus on customers and provide value-added services
- Improve marketing networks and channels by consolidating end-user markets and developing modern logistics
- Actively explore new business models at gas stations.
- Expand the areas and scale of our operations

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S AUDITED FINANCIAL STATEMENTS AND THE ACCOMPANYING NOTES. PARTS OF THE FOLLOWING CONCERNED FINANCIAL DATA WERE ABSTRACTED FROM THE COMPANY'S AUDITED FINANCIAL STATEMENTS THAT HAVE BEEN PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS"), UNLESS OTHERWISE STATED.

1 CONSOLIDATED RESULTS OF OPERATIONS

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

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

(1) Turnover and other operating revenues

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

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

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

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

In 2011, the Refining segment and Marketing & Distribution segment of the Company sold petroleum products (mainly consisting of refined oil products and other refined petroleum products), achieving external sales revenue of RMB 1,525.1 billion, representing an increase of 27.9% over 2010, accounting for 60.9% of the Company's turnover and other operating revenues. With the increased price of oil products and other refined oil products, the Company actively enlarged their sales volume. The sales revenue from gasoline, diesel and kerosene amounted to RMB 1,194.4 billion, representing an increase of 28.2% over 2010, accounting for 78.3% of total sales revenue of oil products. Sales revenue from other refined products was RMB 330.7 billion, representing an increase of 26.6% over 2010, accounting for 21.7% of total sales revenue of oil products. The Company's external sales revenue of chemical products was RMB 368.7 billion, representing an increase of 29.1% over 2010, accounting for 14.7% of its turnover and other operating revenues. This was mainly due to the increase in prices of chemical products, and the Company's efforts in increasing the sales volume of products.

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

(2) Operating expenses

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

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

Crude oil purchasing expenses was RMB 839.0 billion, representing an increase of 38.4% over 2010. processed volume of crude oil purchased externally in 2011 was 166.85 million tonnes (excluding the amount processed for third parties), increased by 7.6% over 2010. The average unit processing cost of crude oil purchased externally was RMB 5,029 per tonne, increased by 28.7% over 2010.

The Company's other purchasing expenses were RMB 1,192.5 billion, representing an increase of 36.1% over 2010. This was mainly due to the higher cost of oil products and other feedstock purchased externally and higher procurement cost by its trading subsidiaries.

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

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

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

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

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

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

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

2 DISCUSSION ON THE RESULTS OF SEGMENT OPERATION

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

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

Operating revenues Years ended 31 December		As a percentage of consolidated operating revenue before elimination of inter-segment sales		As a percentage of consolidated operating revenue after elimination of inter-segment sales	
		Years ended 31 December		Years ended 31 December	
2011	2010	2011	2010	2011	2010
RMB millions		(%)		(%)	

Exploration and Production
Segment

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External sales (note)	68,723	53,454	1.6	1.6	2.7	2.8
Inter-segment sales	173,115	133,691	4.0	4.0		
Operating revenues	241,838	187,145	5.6	5.6		
Refining Segment						
External sales (note)	196,217	165,873	4.5	5.0	7.8	8.7
Inter-segment sales	1,015,855	805,704	23.3	24.2		
Operating revenues	1,212,072	971,577	27.8	29.2		
Marketing and Distribution Segment						
External sales (note)	1,341,859	1,037,440	30.8	31.2	53.6	54.2
Inter-segment sales	5,767	3,258	0.1	0.1		
Operating revenues	1,347,626	1,040,698	30.9	31.3		
Chemicals Segment						
External sales (note)	375,287	292,041	8.6	8.8	15.0	15.3
Inter-segment sales	45,203	35,581	1.0	1.1		
Operating revenues	420,490	327,622	9.6	9.9		
Corporate and Others						
External sales (note)	523,597	364,374	12.0	11.0	20.9	19.0
Inter-segment sales	610,585	432,415	14.1	13.0		
Operating revenues	1,134,182	796,789	26.1	24.0		
Operating revenues before elimination of inter-segment sales	4,356,208	3,323,831	100.0	100.0		
Elimination of inter-segment sales	(1,850,525)	(1,410,649)				
Consolidated operating revenues	2,505,683	1,913,182			100.0	100.0

Note: Other operating revenues are included.

The following table sets forth the operating revenues, operating expenses and operating profit/(loss) by each segment before elimination of the inter-segment transactions for the years indicated, and the change rate of 2011 compared to 2010.

	Years ended 31 December		Change (%)
	2011 RMB millions	2010	
Exploration and Production Segment			
Operating revenues	241,838	187,145	29.2
Operating expenses	170,207	139,996	21.6
Operating profit	71,631	47,149	51.9
Refining Segment			
Operating revenues	1,212,072	971,577	24.8
Operating expenses	1,247,852	955,726	30.6
Operating (loss)/profit	(35,780)	15,851	—
Marketing and Distribution Segment			
Operating revenues	1,347,626	1,040,698	29.5
Operating expenses	1,302,930	1,009,938	29.0
Operating profit	44,696	30,760	45.3
Chemicals Segment			
Operating revenues	420,490	327,622	28.3
Operating expenses	393,758	312,611	26.0
Operating profit	26,732	15,011	78.1
Corporate and others			
Operating revenues	1,134,182	796,789	42.3
Operating expenses	1,136,822	799,131	42.3
Operating loss	(2,640)	(2,342)	12.7
Elimination of inter-segment profit	891	(1,455)	—

(1) Exploration and Production Segment

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

In 2011, the operating revenues of this segment were RMB 241.8 billion, representing an increase of 29.2% over 2010. This was mainly attributable to factors such as the significant increase in crude oil and natural gas price, and the growth of natural gas sales volume.

In 2011, the segment sold 43 million tonnes of crude oil and 12.99 billion cubic meters of natural gas, representing a decrease of 2.0% and increase of 17.5% respectively compared with 2010. The average realized selling price of crude oil and natural gas were RMB 4,526 per tonne and RMB 1,284 per thousand cubic meters respectively, representing an increase of 32.9% and 9.4% respectively over 2010.

In 2011, the operating expenses of the segment were RMB 170.2 billion, representing an increase of 21.6% over 2010. The increase was mainly due to the following:

-

Special oil income levy paid by the Company increased by RMB17.8 billion compared with 2010 due to the significant increase of selling price of crude oil;

- Depreciation, depletion and amortisation increased by RMB 3.9 billion over 2010, mainly caused by growth in depreciation and depletion of crude oil & natural gas assets resulting from investment;
- Personnel expenses increased by RMB 2.9 billion.
- The Company's increasing investment of exploration in blocks such as Yuanba and Ordos, as well as unconventional oil and gas resources. The exploration cost increased by RMB 2.4 billion.
- Sales revenue from materials increased, which led to increased sales cost of materials, and other business expenditure increased by RMB 2.7 billion.

Lifting cost increased by RMB 738 per tonne, increased by 9.5% over 2010. This mainly attributed to the increase in prices of externally purchased materials, fuels, power, labor as well as additional expenses on improving injection & production system in oil fields.

In 2011, the exploration and production segment rose to the occasion of high crude price by achieving an operating income of RMB 71.6 billion, representing an increase of 51.9% over 2010.

(2) Refining Segment

Business activities of the refining segment include purchasing crude oil from the third parties and the exploration and production segment of the Company as well as processing crude oil into refined petroleum products, among which, gasoline, diesel and kerosene are internally sold to the marketing and distribution segment of the Company. Part of the chemical feedstock is sold to the chemicals segment of the Company; and other refined petroleum products are sold to both domestic and overseas customers through refining segment.

In 2011, the operating revenues of this segment totaled RMB 1,212.1 billion, representing an increase of 24.8% over 2010. This was mainly attributable to the increased sales volume and the increase in prices of refined products.

The following table sets forth the sales volumes, average realized prices and the respective changes of the Company's major refined oil products of the segment in 2011 and of 2010.

	Sales volume (thousand tonnes)			Average realised price (RMB/tonne)		
	Years ended 31 December		Change (%)	Years ended 31 December		Change (%)
	2011	2010		2011	2010	
Gasoline	35,173	32,699	7.6	7,629	6,581	15.9
Diesel	74,338	69,535	6.9	6,421	5,554	15.6
Chemical feedstock	35,783	34,260	4.4	5,774	4,574	26.2
Other refined petroleum products	54,725	50,418	8.5	4,624	4,114	12.4

In 2011, the sales revenues of gasoline were RMB 268.4 billion, representing an increase of 24.7% over 2010.

In 2011, the sales revenues of diesel were RMB 477.4 billion, representing an increase of 23.6% over 2010.

In 2011, the sales revenues of chemical feedstock were RMB 206.6 billion, representing an increase of 31.8% over 2010.

In 2011, the sales revenues of refined petroleum products other than gasoline, diesel and chemical feedstock were RMB 253.0 billion, representing an increase of 22.0% over 2010.

In 2011, this segment's operating expenses were RMB 1,247.9 billion, representing an increase of 30.6% over 2010, mainly attributable to the significant increase in crude oil prices and the refining throughput.

In 2011, the average unit cost of crude oil processed was RMB 4,979 per tonne, representing an increase of 28.4% over 2010. Refining throughput totaled 210.26 million tonnes (excluding volume processed for third parties), representing an increase of 5.9% over 2010. In 2011, the total costs of crude oil processed were RMB 1,046.8 billion, representing an increase of 36.0% over 2010.

In 2011, the government exercised a tight control over the price of domestic oil products under the backdrop of significant increases in crude oil price. The refining margin of the Company was RMB 34.7 per tonne, decreased by 88.1% over 2010.

In 2011, the unit refining cash operating cost (defined as operating expenses less the processing cost of crude oil and refining feedstock, depreciation and amortisation, taxes other than income tax and other operating expenses, and divided by the throughput of crude oil and refining feedstock) was RMB 149.5 per tonne, an increase of RMB 9.7 per tonne, representing an increase of 6.9% over 2010. This is mainly attributed to the corresponding processing cost increase caused by the price hike of externally purchased auxiliary materials, power and fuels, oil product quality upgrading and inferior crude oil.

In 2011, the operating loss of the segment totaled RMB 35.8 billion, as compared to the operating profit of the segment of RMB15.9 billion in 2010.

(3) Marketing and Distribution Segment

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

In 2011, the operating revenues of this segment were RMB 1,347.6 billion, increased by 29.5% over 2010.

In 2011, the sales revenues of gasoline totaled RMB 399.5 billion, representing an increase of 25.8% over 2010; and the sales revenues of diesel and kerosene were RMB 696.6 billion and RMB 102.1 billion respectively, representing an increased of and over 2010.

The following table sets forth the sales volumes, average realized prices, and respective rate changes of the four product categories in 2011 and 2010, including detailed information about the different sales channels for gasoline and diesel:

	Sales volume (thousand tonnes)			Average realised price (RMB/tonne)		
	Years ended 31		Change (%)	Years ended 31		Change (%)
	December 2011	2010		December 2011	2010	
Gasoline	47,540	43,511	9.3	8,403	7,296	15.2
Of which: Retail	40,380	35,050	15.2	8,509	7,469	13.9
Direct sales	2,514	2,489	1.0	7,636	6,424	18.9
Wholesale	4,647	5,972	(22.2)	7,889	6,649	18.6
Diesel	98,508	91,257	7.9	7,072	5,990	18.1
Of which: Retail	55,521	46,357	19.8	7,247	6,243	16.1
Direct sales	31,998	29,134	9.8	6,853	5,819	17.8
Wholesale	10,988	15,766	(30.3)	6,824	5,560	22.7
Kerosene	16,493	14,770	11.7	6,192	4,759	30.1
Fuel oil	26,560	23,424	13.4	4,486	3,527	27.2

In 2011, the operating expenses of the segment were RMB 1,302.9 billion, representing an increase of 29.0% compared with that of 2010. This was mainly due to the increase of purchasing cost of oil products and increase insales volume.

In 2011, the segment's marketing cash operating cost (defined as the operating expenses minus the purchase costs, taxes other than income tax, depreciation and amortisation, and then divided by the sales volume) was RMB 184.8 per tonne, representing a increase of 8.7% compared with that of 2010. This was mainly attributed to the growth of various daily operational expenses and rental cost caused by the enlargement of operational scale.

In 2011, the operating profit of this segment was RMB 44.7 billion, representing an increase of 45.3% over 2010. This was mainly attributed to improved operational performance as a result of the Company's efforts to expand the market and its sales volume.

(4) Chemicals Segment

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

In 2011, the operating revenues of the chemicals segment were RMB 420.5 billion, representing an increase of 28.3% over 2010. This was primarily due to the increase in prices of chemical products, as well as, the Company, based on market conditions, optimized its operations, tapped the potential of its facilities and adjusted its product mix, as well as the increased the sales prices.

The sales revenue generated from this segment's six major categories of chemical products (namely basic organic chemicals, synthetic resin, synthetic rubber, synthetic fibre monomer and polymer, synthetic fibre and chemical fertilizer) totaled approximately RMB402.5 billion, representing an increase of 30.7% over 2010,

accounting for 95.7% of the operating revenues of the segment.

The following table sets forth the sales volume, average realized price and respective changes of each of the segment's six categories of chemical products in 2011 and 2010.

	Sales volume (thousand tonnes)			Average realised price (RMB/tonne)		
	Years ended 31 December		Change (%)	Years ended 31 December		Change (%)
	2011	2010		2011	2010	
Basic organic chemicals	27,335	23,339	17.1	6,746	5,547	21.6
Synthetic resin	10,524	9,880	6.5	9,841	9,243	6.5
Monomer and polymer for synthetic fibre	6,631	5,820	13.9	9,866	8,194	20.4
Synthetic fibre	1,496	1,512	(1.0)	13,301	11,644	14.2
Synthetic rubber	1,220	1,222	(0.2)	22,215	16,435	35.2
Chemical fertilizer	960	1,329	(27.7)	2,187	1,641	33.3

In 2011, the operating expenses of the chemicals segment were RMB 393.8 billion, representing an increase of 26.0% over 2010. This was mainly attributable to the increase in volume of purchased feedstock and unit cost.

In 2011, the operating profit of this segment was RMB 26.7 billion, representing an increase of 78.1% over 2010 which was achieved by vigorously adjusting its product mix, developing the market, improving the customers' services, and enlarging the total operation volume.

(5) Corporate and Others

The business activities of the corporate and others mainly consisted of import and export business activities of the Company's subsidiaries, research and development activities of the Company, and managerial activities of the headquarters.

In 2011, the operating revenues generated from the corporate and others were RMB 1,134.2 billion, representing an increase of 42.3% over 2010. This mainly resulted from the significant increase in trading volume of China International United Petroleum and Chemical Company Limited (UNIPEC) as well as international trading business. Revenues of RMB 1,131.3 billion of crude oil, product oil and other products were realized from the subsidiaries, representing an increase of 45.3% over 2010.

In 2011, the operating expenses was RMB 1,136.8 billion, representing an increase of 42.3% over 2010. This mainly resulted from the increased operating cost from UNIPEC in line with its increased trading volume. The trading expenses of crude oil and oil products from the subsidiaries was RMB 1,130.6 billion, representing an increase of 45.4% over 2010.

In 2011, the operating loss from the corporate and others was RMB 2.6 billion, representing an increased loss of RMB 0.3 billion over 2010, of which, the company realised the operation income RMB 0.7 billion from some segments such as trading and so on, but the appropriation expenditure from the research, donation and the corporate was RMB 3.3 billion.

3 ASSETS, LIABILITIES, EQUITY AND CASH FLOWS

The major fund source of the Company is the operation activities and short-term & long-term finance, and the major use of funds includes operating expense, capital spending, and repayment of the short-term and long-term debts.

(1) Assets, liabilities and equity

	Units: RMB millions		
	At 31 December 2011	At 31 December 2010	Amount of Changes
Total assets	1,144,528	995,822	148,706
Current assets	342,755	260,229	82,526
Non-current assets	801,773	735,593	66,180
Total liabilities	637,184	544,786	92,398
Current liabilities	444,240	336,406	107,834
Non-current liabilities	192,944	208,380	(15,436)
Total equity attributable to equity shareholders of the Company	472,328	419,604	52,724
Share capital	86,703	86,702	0

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Reserves	385,626	332,902	52,724
Non-controlling interests	35,016	31,432	3,584
Total equity	507,344	451,036	56,308

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

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

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

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

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

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

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

(2) Cash flow

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

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

Main items of cash flow	Units: RMB million	
	Years ended 31	
	December	2010
	2011	2010
Net cash generated from operating activities	150,622	170,333
Net cash used in investing activities	(140,449)	(105,788)
Net cash used in financing activities	(2,516)	(56,294)

Net increase in cash and cash equivalents	7,657	8,251
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In 2011, the net cash generated from operating activities was RMB150.6 billion, representing a decrease of RMB 19.7 billion over 2010. This was mainly attributable to the fact that the Company's capital employed in inventory and accounts receivable surged due to its operation expansion and sharp rise in crude oil price.

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

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

(3) Contingent Liabilities

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

(4) Capital Expenditures

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

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

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

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

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

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

Items relevant to measurement of fair values

Unit: RMB million

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

Information concerning financial assets and liabilities held in foreign currencies

Unit: RMB million

Items	Balance at the beginning of the year	Profits and losses from variation of fair values of the current year	Accumulated variation of fair values recorded into equity	Decrement of withdrawal of the current year	Balance at the end of the year
Financial assets					
Of which: 1. Financial assets at fair value through profit and loss	188	146	—	—	54
2. Loans and receivables	28,364	—	—	—	111,391
3. Available-for-sale financial assets	34	—	(10)	—	41

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4.	Held-to-maturity investments	—	—	—	—	—
5.	Cash flow hedges	148	—	142	—	837
	Subtotal of financial assets	28,734	146	132	—	112,323
	Financial liabilities	(102,129)	259	—	—	(151,707)

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

4 ANALYSIS OF FINANCIAL STATEMENTS PREPARED UNDER ASBE

The major differences between the Company's financial statements prepared under ASBE and IFRS are set out in Section C of the financial statements of the Company from Page 195 of this report.

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

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

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

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

(2) Financial data prepared under ASBE:

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

Analysis of changes:

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

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

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

(3) The results of the principal operations by segments

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

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

Integrated Business
Strategy

- Carry on the integrated development of upstream, midstream and downstream operations
- Accelerate the optimization of resources among segments, regions and subsidiaries
- Further optimize the Synergy along the value chain of coal, oil, electricity, water and gas

SIGNIFICANT EVENTS

1 MAJOR PROJECTS

- (1) **Wuhan Ethylene Project**
The project mainly includes 800,000 tons per annum (“tpa”) ethylene units and downstream auxiliary utility units. With the construction starting from December 2007, it is expected to be put into operation in 2013.
- (2) **Shandong Liquefied Natural Gas (LNG) Project**
Shandong LNG project mainly includes the constructions of a jetty designated for LNG with a 3-million-tpa terminal, and auxiliary transportation pipeline for natural gas. With the construction starting in September 2010, it is expected to be put into operation in 2014.
- (3) **Yuanba Gas Field Trial Production of Natural Gas Project (1.7 billion cubic meters per annum)**
One purification plant and its auxiliary facilities are under construction. The production capacity of the newly-built plant in terms of the purification of natural gas will be 1.7 billion cubic meters per annum. With the construction starting from September 2011, it is expected to be put into operation in 2013.

2 ISSUANCE OF CONVERTIBLE BONDS

Material changes of the Company’s profitability, financial position and creditability

None

Information on the Company’s liability, credit changes and the cash arrangements for the future annual debt repayment

At the end of December 2011, Sinopec Corp.’s liability to asset ratio was 54.91%, the ratio was kept stable and there was no material change to the structure. The domestic long-term credit rating of Sinopec Corp. remained as AAA. Sinopec Corp. has adequate capability of refinancing and repayment, additionally it has been granted sufficient facilities by domestic commercial banks. Sinopec Corp. will mostly use its own funds to repay the due debts and the accrued interests, in the event of any shortfalls, the Sinopec Corp. will avail itself of new bank loans or direct financing in the capital market to finance the repayment of the principal and interests in a timely manner.

- (1) **ISSUANCE OF RMB23 BILLION A SHARE CONVERTIBLE BOND**
A Share convertible bond of RMB23 billion were issued by Sinopec Corp. on 23 February 2011(hereby referred to as “Sinopec CB”, code : 110015). The par value and issuance price of Sinopec CB are both RMB 100. Sinopec CB were issued with a term of six years with annual interest rate of 0.5%, 0.7%,1.0%,1.3%,1.8% and 2.0% respectively. The initial conversion price was RMB 9.73 per share. It was listed on Shanghai Stock Exchange on 7 March 2011. For further details, please refer to the “Announcement of issuance of A Share Convertible Bonds by Sinopec Corp.” and the “Announcement of the Listing of A Share Convertible Bonds by Sinopec Corp.” published on websites of the Shanghai Stock Exchange and Sinopec Corp.. The proceeds are used in

the following projects: Wuhan ethylene, Anqing refinery revamping, Shijiazhuang refinery revamping, Yulin-Jinan Gas Pipeline and Rizhao-Yizheng Crude Oil Pipeline. On 1 March 2012, Sinopec Corp. paid in full the interests of Sinopec CB accrued for the first interest payment year.

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

Top ten convertible bond holders and number of bonds held

Name of bond holders	Number of bonds held
Aegon-Industrial Convertible Bond Hybrid Securities Investment Fund	11,494,290
China Life Insurance Company Ltd. -Dividend-individual dividend-005L-FH002 Shanghai	6,351,180
Dacheng Jingfeng Classification Bond Fund	4,016,960
Aegon-Industrial Secured Principal Hybrid Securities Investment Fund	3,552,430
ICBC Credit Suisse Increasing Income Bond Fund	3,497,920
China Merchants Anrui enterprising bond-based securities investment fund	3,213,620
Jiahe Life Insurance Co., Ltd.– Conventional Insurance Products	3,146,290
Morgan Stanley & Co. International PLC.	2,980,150
Baoying Enhance Income Bond Fund	2,800,000
China Universal Convertible Bond Securities Investment Fund	2,543,750

Use of proceeds RMB million

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

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

Total	22,889.38	—	17,171	—	—	—
Statements on the failure to achieve planned schedule and expected returns		N/A				
Statements on the reasons and procedures of changes		N/A				

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

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

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

(3) HOLDERS OF HKD 11.7 BILLION H SHARE CONVERTIBLE BONDS ISSUED BY THE COMPANY AND NUMBER OF BONDS HELD

Name of holder	As at 31 December 2011	
		Number of bonds held
Euroclear		6,933,190
Clearstream		4,728,290

3 CORPORATE BONDS ISSUED & INTEREST PAYMENTS

On 24 February 2004, Sinopec Corp. issued corporate bonds of RMB 3.5 billion with a term of 10 years in mainland China. The credit rating of the bonds was AAA with fixed annual interest rate at 4.61%. On 28 September 2004, the bonds were listed on Shanghai Stock Exchange. For further details, please refer to the relevant announcements on the websites of Shanghai Stock Exchange and Sinopec Corp. By 31 December 2011, the balance of principals for the bonds was RMB 3.5 billion. On 24 February 2012, Sinopec Corp. paid in full the interest accrued for the eighth interest payment year.

On 20 February 2008, Sinopec Corp. issued bonds with warrants of RMB 30 billion in domestic capital market. The term of bonds was six years with fixed annual interest rate at 0.8%. On 4 March 2008, the bonds were listed on the Shanghai Stock Exchange. For further details, please refer to the relevant announcements on the websites of Shanghai Stock Exchange and Sinopec Corp.. The proceeds have been fully used in the projects in accordance with the prospectus. On 20 February 2012, Sinopec Corp. paid in full the interest accrued for the fourth interest payment year.

On 21 May 2010, Sinopec Corp. issued 5-year term and 10-year term domestic corporate bonds which amounted to RMB 11 billion and RMB 9 billion with a fixed annual interest rate of 3.75% and 4.05% respectively. On 9 June 2010, the above-mentioned corporate bonds were listed on the Shanghai Stock Exchange. For further details, please refer to the relevant announcements on the websites of Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and Sinopec Corp.. By 23 May 2011, Sinopec Corp. had paid in full the interest accrued for the first interest payment year.

4 PERFORMANCE OF THE COMMITMENTS BY CHINA PETROCHEMICAL CORPORATION, WHICH HOLDS OVER 5% SHAREHOLDING OF SINOPEC CORP.

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

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

- vii On 27 October 2010, Sinopec Corp. disclosed through a public announcement that, considering the major refining business of China Petrochemical Corporation has been injected into Sinopec Corp., China Petrochemical Corporation committed to dispose of its minor existing refining business within 5 years to eliminate the competition with Sinopec Corp. in terms of the refining business.

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

- (2) As at the date of this annual report, Sinopec Corp. made no commitments with regard to results, assets injection or assets restructuring which have not been performed yet, nor did Sinopec Corp. make any assets or projects earnings prediction.

5 SHARES AND SECURITIES INVESTMENTS OF THE COMPANY IN OTHER LISTED COMPANIES, COMMERCIAL BANKS, SECURITIES COMPANIES, INSURANCE COMPANIES, TRUST COMPANIES AND FUTURES COMPANIES ETC.

(1) Status of shareholding in other listed companies

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

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

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

6 MATERIAL GUARANTEE CONTRACTS AND THE RELATED PERFORMANCE

Unit: RMB millions

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

Guarantor	Relationship with the Company	Name of guaranteed company	Amount	Transaction Date (date of signing)	Period of guarantee	Type	Whether completed or not	Whether overdue or not	Amounts of overdue guarantee
Sinopec Corp.	the Company itself	Yueyang Sinopec Corp. Shell Coal Gasification Corporation	283	10 December 2003	10 December 2003 - 10 December 2017	joint obligations	No	No	No
Sinopec Corp.	the Company itself	Shanghai Gaoqiao-SK Solvent Co., Ltd.	2	30 March 2007	30 March 2007 - 30 March 2012	joint obligations	No	No	No
Sinopec Corp.	the Company itself	Shanghai Gaoqiao-SK Solvent Co., Ltd	2	16 April 2007	16 April 2007 - 16 April 2012	joint obligations	No	No	No
Sinopec Sales Co., Ltd.	wholly-owned subsidiary	Xiamen Botan Storage Co., Ltd	75	28 July 2011	28 July, 2011 - 28 July 2012	joint obligations	No	No	No
Sinopec Yangzi Petrochemical Co., Ltd.	wholly-owned subsidiary	Sinopec Corp. Yangzi BP Petrochemical Acetyl Co., Ltd	420			joint obligations	No	No	No
SSI Note 3	controlled subsidiary	Certain jointly controlled entities of China Petrochemical Corporation and certain JVs (other than China Petrochemical Corporation) of these jointly controlled	6,700			joint obligations	No	No	Yes Note 4

entities

Total amount of guarantees provided during the reporting period Note 2	3,685
Total amount of guarantees outstanding at the end of the reporting period Note 2 (A)	4,467
Guarantees by the Company to controlled subsidiaries	
Total amount of guarantee provided to controlled subsidiaries during the reporting period	None
Total amount of guarantee for controlled subsidiaries outstanding at the end of the reporting period (B)	None
Total amount of guarantees of the Company (including those provided for controlled subsidiaries)	
Total amount of guarantees (A+B)	4,467
The proportion of the total amount of guarantees to Sinopec Corp.'s net assets	0.94%
Guarantees provided for shareholders, de facto controller and connected persons (C)	326
Amount of debt guarantees provided directly or indirectly to the companies with liabilities to assets ratio over 70% (D)	2,355
The amount of guarantees in excess of 50% of the net assets (E)	None
Total amount of the above three guarantee items (C+D+E)	2,681
Statement of guarantee undue that might be involved in any joint and several liabilities	None
Statement of guarantee status	None

NoteAs defined in the Listing Rules of the Shanghai Stock Exchange.

1:

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

NoteFor details, please refer to the section of connected transactions.

3:

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

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

Specific statements and independent opinions of independent non-executive directors regarding external guarantees provided by Sinopec Corp. accumulated up to and during 2011:

We, as independent non-executive directors of Sinopec Corp., hereby make the following statements after conducting a thorough check of external guarantees provided by Sinopec Corp. accumulated up to and during 2011 in accordance with the requirements of the domestic regulatory authorities:

The external guarantees prior to 2011 had been disclosed in past announcements of Sinopec corp.. The balances of external guarantees provided by the Company accumulated up to the year of 2011 were RMB 4.467 billion, accounting for approximately 0.94% of the Company's net assets.

We hereby present the following opinions:

Sinopec Corp. shall continue to strengthen its management, actively monitor guarantee risks, and strictly follow the approval and disclosure procedures in relation to guarantee businesses for any new external guarantees provided thereafter.

7 GENERAL MEETINGS OF SHAREHOLDERS

During the reporting period, Sinopec Corp. held three general meeting of shareholders in strict compliance with the procedures of notification, convening, holding of shareholders' meetings as stipulated by relevant laws, rules and regulations and the Articles of Association of Sinopec Corp. namely the 2010 annual general meeting, the First extraordinary general meeting and the Second extraordinary general meeting held in Beijing respectively on 13 May 2011, 12 October 2011 and 15 December 2011. For details, please refer to announcements on resolutions published in China Securities Journal, Shanghai Securities News, Securities Times on the next day of the relevant annual general meeting and extraordinary general meetings, and on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and Sinopec Corp. on the same day of annual general Meeting and extraordinary general meetings.

8 ASSETS TRANSACTIONS

During the reporting period, the Company was not involved in any assets transactions.

9 MATERIAL LITIGATIONS AND ARBITRATIONS

During the reporting period, the Company was not involved in any material litigations or arbitrations.

10 INSOLVENCY AND RESTRUCTURING

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

11 OTHER MATERIAL CONTRACTS

During the reporting period, the Sinopec Corp. did not enter into any material contacts which would require disclosure.

12 TRUSTEESHIP, CONTRACTING AND LEASE

During the reporting period, Sinopec Corp. was not involved in any events regarding significant trusteeship, contracting or lease of any other company's assets, nor placing its assets to or under any other companies' trusteeship, contracting or lease which would require disclosure.

13 ENTRUSTED CASH MANAGEMENT AND ENTRUSTED LOAN

- (1) **ENTRUSTED CASH MANAGEMENT**
During the reporting period, Sinopec Corp. did not entrust any others to carry out cash assets management on its behalf.
- (2) **ENTRUSTED LOAN**
To optimize the internal utilization of available funds and lower overall cost of capital, Sinopec Corp. provided entrusted loans to a number of subsidiaries during the reporting period. Among which, the entrusted loans provided to Zhanjiang Dongxing Petrochemical Company Limited constituted continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. The 12th meeting of the Fourth Session of the Board approved the Company's entrusted loan to the above mentioned subsidiaries not exceeding RMB 10 billion for each calendar year. According to the Intra-Group Loan Framework Agreement, interest rates under specific agreements shall be decided via negotiations between Sinopec Corp. and its subsidiaries based on prevailing interest rate announced by PBOC. The rates shall be no less than the commercial bank deposit rate during the same period.

The details of entrusted loan during this reporting period are as follows:

Borrower	Amount (RMB billion)	Term		Interest rate
		from	to	
Zhanjiang Dongxing Petrochemical Company Limited	2	28 March 2011	28 March 2012	4.20 %

14 DEPOSITS IN SINOPEC FINANCE CO., LTD.

To regulate the connected transactions between Sinopec Corp. and Sinopec Finance Co., Ltd. (hereby referred to as "Sinopec Finance") and secure the safety and liquidity of Sinopec Corp.'s deposits in Sinopec Finance, Sinopec Corp. and Sinopec Finance jointly formulated the "Rules Concerning Risk Control on Connected Transactions of China Petroleum & Chemical Corporation and Sinopec Finance Co., Ltd.", incorporating the Company's risk control system and the risk handling provisional procedures, which provides prevention against assets risk and ensures Sinopec Corp.'s discretion in dealing with its deposits in Sinopec Finance. In the meantime, China Petrochemical Corporation, as the controlling shareholder of Sinopec Finance, undertook that it would, in the event of emergency whereby Sinopec Finance has difficulties to make payments, according to the actual needs to resolve the payment problem that Sinopec Finance may face with, help to increase the capital of Sinopec Finance. The deposit cap is strictly in line with the maximum limit of the deposits with regard to the continuing connected transactions, which was adopted at the general meeting of shareholders. In routine operations, Sinopec Corp. can withdraw the total amount of the savings deposited in Sinopec Finance.

15 ASSETS MORTGAGE

During the reporting period, Sinopec Corp. did not mortgage any material assets which should be disclosed.

16 THE APPROPRIATION OF NON-OPERATIONAL FUNDS BY THE SUBSTANTIAL SHAREHOLDER AND ITS AFFILIATED PARTIES

Not applicable

17 THE DETAILED IMPLEMENTATION OF THE SHARE INCENTIVE SCHEME DURING THE REPORTING PERIOD

Sinopec Corp. did not implement any share incentive scheme during the reporting period.

18 WHETHER THE COMPANY OR ITS SUBSIDIARIES ARE INCLUDED IN THE LIST OF ENTERPRISES CAUSING SERIOUS POLLUTION ISSUED BY ENVIRONMENTAL PROTECTION AUTHORITY

No

36

International
Strategy

- Bring Sinopec's management concepts, systems and mechanisms in line with leading international standards
- Press ahead with international business growth via projects all along the value chain around the globe

CONNECTED TRANSACTIONS

1 CONTINUING CONNECTED TRANSACTIONS

(1) AGREEMENTS CONCERNING CONTINUING CONNECTED TRANSACTIONS BETWEEN THE COMPANY AND CHINA PETROCHEMICAL CORPORATION

Prior to overseas listing, in order to ensure the smooth continuation of production and business conducted by the Company and China Petrochemical Corporation, the two parties entered into a number of agreements on continuing connected transactions, details of which are as follows:

	Agreement for the mutual supply of ancillary services for products, production and construction services (“Mutual Supply Agreement”).
,	China Petrochemical Corporation provides trademarks, patents and computer softwares to the Company for use free of charge.
f	China Petrochemical Corporation provides cultural and educational, hygienic and community services to the Company.
„	China Petrochemical Corporation provides leasing service of lands and certain properties to the Company.
...	China Petrochemical Corporation provides comprehensive insurance to the Company.
†	China Petrochemical Corporation provides shareholders’ loans to the Company.
‡	The Company provides franchise licenses for service stations to China Petrochemical Corporation.

On 31 March 2006, Sinopec Corp. and China Petrochemical Corporation entered into Supplementary Agreement of Connected Transactions, whereby the terms of Mutual Supply Agreement and Cultural and Educational, Hygienic and Community Services Agreement were extended to 31 December 2009.

On 21 August 2009, Sinopec Corp. and China Petrochemical Corporation entered into new Supplementary Agreement of Connected Transactions, whereby the terms of Mutual Supply Agreement and Cultural and Educational, Hygienic and Community Services Agreement were extended to 31 December 2012, and the term of each of the Intellectual Property Right License Agreement was extended to 31 December 2019.

The resolution related to continuing connected transactions for the three years from 2010 to 2012 was approved at the first extraordinary general meeting for 2009 held on 15 October 2009. For details of the above continuing connected transactions, please refer to relevant announcements published on 24 August 2009 on the websites of Shanghai Stock Exchange (<http://www.sse.com.cn>) and Hong Kong Stock Exchanges and Clearing Limited

(<http://www.hkexnews.hk>).

- (2) To optimise the internal utilisation of available funds and lower the overall cost of capital, the 12th meeting of the Fourth Session of the Board approved Sinopec Corp of providing entrusted loan to Zhenjiang Dongxing and Hainan Refineries. For details of the continuing connected transactions, please refer to relevant announcements published on 28 March 2011 on the websites of Shanghai Stock Exchange (<http://www.sse.com.cn>) and Hong Kong Stock Exchanges (<http://www.hkexnews.hk>) dated 25 March 2011.
- (3) On 26 March 2010, the Fifth Meeting of the Fourth Session of Board approved the “Proposal on Acquiring Partial Equity and Liabilities of Sonangol Sinopec International Limited (SSI) held by Sinopec International Petroleum Exploration and Production Corporation (SIPC)”. This proposal was approved by the general meeting of shareholders on 18 May 2010. Sinopec Corp., through the wholly-owned subsidiary, acquired 55% of SSI equity held by SIPC at a consideration of USD 1,678 million, and took over the loan provided to SSI which was formerly provided by China Petrochemical Corporation with a consideration on liabilities at RMB 779 million. Prior to the transaction, SSI signed agreements of guarantees and loans with a number of joint ventures under China Petrochemical Corporation, SSI15, SSI17, SSI18, and joint investors other than China Petrochemical Corporation, Sonangol E.P. and New Bright. To avoid the potential loss incurred by Sinopec Corp., Sinopec Corp. entered into a Payment Agreement with China Petrochemical Corporation, in which China Petrochemical Corporation undertakes that it shall compensate the actual economic loss suffered by Sinopec Corp. if the connected person fails to fulfill their relevant obligations completely. For details of the continuing connected transactions, please refer to the relevant announcements published on the websites of Shanghai Stock Exchange(<http://www.sse.com.cn>)on 29 March 2010 and Hong Kong Stock Exchanges and Clearing Limited (<http://www.hkex.com.hk>) on 26 March 2010. Guarantees and loans provided to the above mentioned jointly controlled entities of China Petrochemical Corporation and Sonangol E.P. under the above agreements constituted the continuing connected transactions of Sinopec Corp.

2 DISCLOSURES AND APPROVALS OF CONTINUING CONNECTED TRANSACTIONS BETWEEN THE COMPANY AND CHINA PETROCHEMICAL CORPORATION COMPLY WITH THE LISTING RULES OF THE HONG KONG AND SHANGHAI STOCK EXCHANGES

Pursuant to the Hong Kong Listing Rules and the Shanghai Listing Rules, the continuing connected transactions between the Company and China Petrochemical Corporation are generally subject to full disclosure in accordance with their nature and the value of the transactions, and also subject to approvals from independent non-executive directors and/or independent shareholders. The Shanghai Stock Exchanges exempted Sinopec Corp. from full compliance with the Shanghai Listing rules regarding the above continuing connected transactions and conditionally exempted Sinopec Corp. from complying with the obligations of continuous disclosure.

There is no substantial change to the above agreements on continuing connected transactions during the reporting period. The accumulated connected transactions for the year 2011 of Sinopec Corp. are in compliance with the relevant requirements of the Hong Kong Listing Rules and the Shanghai Listing Rules. For detailed performance of connected transaction agreements, please refer to Item 3 below.

3 ACTUAL RELATED TRANSACTIONS ENTERED INTO BY THE COMPANY DURING THE YEAR

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

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

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

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

Purchases/receiving services

Unit: RMB million

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

Sales/provision of services

Unit: RMB million

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

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

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

Decision-making procedures: In the course of business, main agreements on continuing connected transactions of the Company will be concluded based on general commercial terms with reference to the principle of fairness and reasonableness to the Company and shareholders. The Company, according to internal control procedures, adjusts the scope and amount of continuing connected transactions and maximum limit for the amount exempted from disclosure every three years, and upon the approval of the Board of Directors and independent non-executive directors, makes announcements to the public and brings them into force. For the temporary connected transactions, the Company, in a strict compliance with domestic and foreign regulatory rules, makes announcements to the public and brings them in force only after submitting the related matters of connected transactions to the Board of Directors or general meeting of shareholders for review according to internal control procedures.

Please refer to Note 36 to the financial statements prepared under the IFRS in this annual report for details of the connected transactions actually incurred during this year.

The abovementioned connected transactions between Sinopec Corp. and China Petrochemical Corporation in 2011 have been approved at the 18th meeting of the Four Session of the Board of Directors of Sinopec Corp. and have complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules.

The auditors of Sinopec Corp. was engaged to report on the Company's continuing connected transactions in accordance with 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 Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his conclusions in respect of the above-mentioned continuing connected transactions in accordance with the Hong Kong Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong Limited.

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

- (a) The transactions have been conducted during the Company's ordinary course of business;
- (b) The transactions have been entered into based on either of the following terms:
 - i on normal commercial terms;
 - ii on terms not less favorable than those available from/to independent third parties, where there is no available comparison to determine whether such terms are on normal commercial term; and
- (c) The transactions were in accordance with the relevant agreements governing them on terms that are fair and reasonable and consist with the interests of the shareholders of Sinopec Corp. as a whole.

4 OTHER SIGNIFICANT CONNECTED TRANSACTIONS OCCURRED DURING THIS YEAR

None

5 FUNDS PROVIDED BETWEEN CONNECTED PARTIES

Unit: RMB millions

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

Differentiation
Strategy

- Sharpen and take advantage of our unique competitive edge in resources, technology and business value chain
- Maintain our lead in the variety, quality and cost of services and constantly improve core competitiveness.
- Expand the global influence of the Sinopec brand.

CORPORATE GOVERNANCE

1 Improvement on corporate governance during the reporting period

During this reporting period, Sinopec Corp. continued to enhance the standardised operation and improved the corporate governance. In May 2011, Mr. Fu Chengyu was elected as the director and the chairman of the Board of Directors of Sinopec Corp., successfully completing adjustment to the board members. Directors, supervisors and the relevant senior managers attended the induction training session and the subsequent training sessions. Independent non-executive directors enhanced communications with the chairman of the Board of Directors, management, external auditors and internal auditing department, actively participated in the survey and investigation with regard to the subsidiaries of Sinopec Corp. with a view to contribute advices and suggestions to the development of the Company. In accordance with the regulatory requirements, the Company formulated and implemented “Working Rules for the Board Secretary” and “Insiders’ Registration System for the Inside Information of China Petroleum & Chemical Corporation”, clarifying the issues such as the registration of insiders, the accountability and written reminder of external information users. The Company also studied and conducted a self-inspection with regard to how to prevent and control insider dealings. During this reporting period, there was no fact discovered whereby the shares of Sinopec Corp. were purchased or sold by taking advantage of the inside information which has a potential influence on the share price prior to the disclosure of such substantial price sensitive information, nor was the Company investigated or punished by the regulatory authorities. The Company further strengthened the construction of internal control. The Company continued to enhance information disclosure and investor relations and constantly improved information transparency, which has been recognised by the capital market and the Company has earned several prominent awards including China Securities Golden Bauhinia Awards “the Most Respected Listed Company by Domestic China as well as Hong Kong and “the Most Powerful Chinese Listed Company in Foreign Countries”.

During this reporting period, none of Sinopec Corp., its Board of Directors, its directors, supervisors, senior managers, shareholders and actual controllers were inspected by China Security Regulatory Commission (CSRC), or punished or criticized through circulars by CSRC, Hong Kong Securities and Futures Commission or Securities and Exchange Commission of the United State or publicly condemned by Shanghai Stock Exchange, Hong Kong Stock Exchange, New York Stock Exchange or London Stock Exchange.

2 Equity interests of directors, supervisors and other senior management

As at 31 December 2011, other than the 10,000 A shares of Sinopec Corp. held by vice president Ling Yiqun, none of the directors, supervisors and other senior managers of Sinopec Corp. has held any shares of Sinopec Corp..

During the reporting period, save as the above mentioned, the directors, supervisors and other senior management of Sinopec Corp. and their associates did not hold shares, bonds or any interest or short position (including any interest or short position in shares that is regarded or treated as being held in accordance with the “Securities and Futures Ordinance” (the “Ordinance”)) in the shares of Sinopec Corp. or any associated corporation (Please refer to the Interpretation of Part XV of the Ordinance), which, according to Divisions 7 and 8 of Part XV of the Ordinance, shall be informed to Sinopec Corp. and Hong Kong Stock Exchange, or pursuant to Section 352 of the Ordinance, shall be registered on the indicated register as required by the Ordinance, or the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) in the Hong Kong Listing Rules, shall be informed to Sinopec Corp. or Hong Kong Stock Exchange.

3 Confirmation of independence of the independent non-executive directors and overview of their performance

As required by the Hong Kong Stock Exchange, with regard to the independence of its independent non-executive directors, Sinopec Corp. confirms that: Sinopec Corp. has received the annual confirmation letters from all the independent non-executive directors acknowledging full compliance with the relevant requirements in respect of their independence pursuant to Rule 3.13 of the Hong Kong Listing Rules. Sinopec Corp. considers that all

independent non-executive directors are independent.

During this reporting period, independent non-executive directors of Sinopec Corp. strictly implemented the working rules for independent non-executive directors, fulfilled their duties, acted honestly, diligently and in good faith as required by laws and regulations and the Articles of Association, and kept a close watch on the production, operation and development of the Company. They conducted on-site inspection on the subsidiaries of Sinopec Corp.; reviewed the relevant documents with due care; actively attended the meetings of the Board of Directors and the meetings of the board committees (please refer to the Report of the Board of Directors in this annual report for the attendance of meetings); enhanced communications with the chairman of the Board of Directors, management, external auditors and internal auditing department; gave independent opinions on the matters of Sinopec Corp. including connected transactions, guarantees and the appointments and removals of directors; and contributed constructive advices and suggestions in relation to the corporate governance, reform and development, and production and operation of the Company. The independent non-executive directors independently and objectively protect the legitimate interests of shareholders, especially the minority shareholders when performing their duties. The independent non-executive directors consider, Mr. Wang Tianpu, president of Sinopec Corp., has diligently fulfilled his duties, leading the management to complete tasks assigned by the board of directors, and proactively protecting the interests of Sinopec Corp. and its minority shareholders.

4 The independence of the Company from its controlling shareholders

The Company possesses independent and complete businesses and has the ability of operating the businesses independently. The Company is independent from its controlling shareholders in terms of, amongst other things, businesses, assets and finance.

5 Improvement and implementation of internal control system

<p>Overall scheme of internal control construction</p>	<p>Sinopec Corp. comprehensively implements the “Basic Standard for Enterprise Internal Control”, “Guidelines for Application of Enterprise Internal Control and Guidelines for Evaluation of Enterprise Internal Control” (the “Internal Control Standards”) issued by five ministries including the Ministry of Finance to achieve the overall internal control. After conducting a clause-by-clause comparison between the “Internal Control Manual (2010)” and the Internal Control Standards, the Company supplemented and improved its “Internal Control Manual” (2011) (the “Internal Control Manual”), which has been in force since January 1, 2011 after being reviewed and approved at the 11th meeting of the Fourth Session of the Board of Directors.</p>
<p>Working plans for establishment and improvement of internal control system and their implementation</p>	<p>Each year, Sinopec Corp. prepares the goals and working plans with regard to internal control, and conducts comprehensive trainings, and daily management and evaluation. Sinopec Corp. held the video conference regarding implementing the propagation of Internal Control Manual in January, 2011, expressly requiring the implementation of the new version of Internal Control Manual and the overall control and supervision covering all businesses and economic activities. Sinopec Corp. organised four continuous training courses for internal control staffs. Each branch (subsidiary), under the unified arrangement of the headquarters, further revised and refined its detailed rules for the implementation of its internal control, for the purpose of improving the two-level internal control system of Sinopec Corp. To further promote the efficiency of internal control, the Company assigned responsibilities of internal control to each level, and established three defensive mechanisms, namely the periodic testing of responsible departments (units), daily management of internal control department and constant supervision of audit and supervision department over internal control. The Company established information systems with regard to the internal control management, intensified the daily management of internal control and created a long-term mechanism of internal control.</p>
<p>Setup of internal control examination and supervision department</p>	<p>The Business Reform Administration Department, which is assigned to administer overall supervision of internal control, is responsible for daily supervision of internal control and the organisation of individual inspection. The Audit Department is in charge of internal control evaluation, conducting independent, comprehensive inspection and evaluation of internal control. The Company has established a two-level (i.e., headquarters and Branches (subsidiaries) internal control inspection and evaluation system. Branches (subsidiaries) conduct a self-inspection and evaluation of internal control every year and the Audit Department comprehensively inspects the evaluation of internal control every year.</p>
<p>Implementation of self-evaluation relating to internal supervision and internal control</p>	<p>The Company revised and improved the internal control inspection and evaluation templates based on amendments in 2011 Internal Control Manual. It conducted an overall inspection and evaluation on the</p>

effectiveness of internal control design and operation. For details, please refer to the "Company's Report on Internal Control and Self-Assessment for the year 2011". The Business Reform Administration Department carried out the individual examination of the improvement of detailed rules for the implementation of internal control.

Arrangement for internal control made by the Board of Directors

The Board of Directors will review amended Internal Control Manual and annual report on Internal Control and Self-Assessment submitted by the management team, take charge of the communication, supervision and inspection of internal and external auditors, as well as the inspection and supervision of effective implementation self-assessment with regard to internal control through its audit committee on a yearly basis.

Establishment and operation of internal control system related to financial statements

The Internal Control Manual specifies the internal control requirements with regard to the financial statements and establishes connection with the professional management system. Fund and assets management, costs and expenses accounting and management, invoice management, financial analysis and budget, connected transactions and the preparation of financial statements are respectively included in the related work flow, control procedures and control points. At the same time, the financial statement planning matrix has been prepared to connect items and matters in accounting statements with control measures, so that internal control can reasonably ensure the financial statements disclosed are authentic and reliable.

Defects existing in the internal control and their correction

No significant defects had been discovered in 2011. For other defects in respect of internal control discovered in the inspection, the Company has adopted corresponding corrective measures or formulated corrective plans.

6 Evaluation of and incentive schemes for senior managers

Sinopec Corp. has established and is continuously improving the fairness and transparency of its performance review standard and incentive and constraint schemes for the directors, supervisors and other senior managers. Sinopec Corp. implements various incentive policies such as “Sinopec Corp. Implementation Measures of Remuneration for Senior Managers” and “Sinopec Corp. Interim Measures for the Management of Annual Appraisal”.

7 Corporate governance report (in accordance with the Hong Kong Listing Rules)

(1) Compliance with “Code on Corporate Governance Practices”

For the year ended 31 December 2011, Sinopec Corp. has complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules.

A Board of Directors

A.1 Board of Directors

- a. Board meetings shall be held at least once a quarter. The Board will generally communicate on time and subject of the relevant meeting 14 days before the relevant board meeting. The documents and materials for the meeting will generally be delivered to each director 10 days before the relevant board meeting. In 2011, the Company held six Board meetings. For information about attendance, please refer to the Report of the Board of Directors of this annual report.
- b. Each Board member may submit proposals to be included in the agenda for Board meetings, and each director is entitled to request other related information.
- c. The secretary to the Board shall assist the directors in dealing with the routine tasks of the Board, continuously provide the directors with any regulation, policy and other requirements concerning corporate governance as required by domestic and overseas supervisory bodies, and ensure that the directors observe domestic and overseas laws and regulations as well as the Articles of Association etc. when performing their duties and responsibilities.

A.2 Chairman and Chief Executive Officer (President)

Mr. Fu Chengyu serves as the chairman of the Board and Mr. Wang Tianpu serves as the president. The chairman of the Board of Directors is elected by a majority vote, whilst the president is nominated and appointed by the Board of Directors. The duties and responsibilities of the chairman and the president are distinguished from each other and the scope of their respective duties and responsibilities are set out in the Articles of Association.

A.3 Board composition

- a. The Board of Directors of Sinopec Corp. consists of fifteen members with extensive professional and management experience (Please refer to the Section headed “Directors, Supervisors, Other Senior Manager and Employees” in this annual

report for detailed information). Among the fifteen members, there are five executive directors and ten are non-executive directors (among which, five are independent non-executive directors, which constitute one-third of the total Board members). The non-executive directors constitute more than half of the Board members.

- b. Sinopec Corp. has received and accepted from each independent non-executive director a letter of confirmation for the year 2011 thereby confirming that they had complied with the relevant independence requirements set out in rule 3.13 of the Hong Kong Listing Rules. Sinopec Corp. considers that each of the independent non-executive directors is independent.

A.4 Appointment, re-election and dismissal

- a. Tenure of each session of the directors (including non-executive directors) is 3 years, and the consecutive term of office of an independent non-executive director shall not exceed 6 years.
- b. All directors should be elected by the shareholders at the general meeting, the Board of Directors has no right to appoint temporary directors.

- c. For each newly-appointed director, the Company engages professional consultants to prepare detailed materials, notify such director of regulatory rules in listing places and remind such director of rights, obligations and liabilities as directors.

A.5 Responsibility of Directors

- a. All the non-executive directors have the same duties and authorities as the executive directors. In addition, the non-executive directors, especially the independent non-executive directors are entitled to certain specific authorities. The Articles of Association and the “Rules and Procedures of Board of Directors’ Meetings” clearly specify the authorities of directors and non-executive directors including independent non-executive directors, which are published on the website of Sinopec Corp. at <http://www.sinopec.com>.
- b. Each of the directors of Sinopec Corp. was able to devote enough time and efforts to handling the matters of the Company.
- c. Each of the directors confirmed that he has complied with the Model Code during the reporting period. In addition, the Company formulated the “Rules Governing Shares Held by Company Directors, Supervisors and Senior Manager and Changes in Shares” and the “Model Code of Securities Transactions by Company Employees” to regulate the activities of Company personnel in purchase and sale of the securities of Sinopec Corp.

A.6 Provision for and Access to Information

- a. The meeting agenda as well as other reference documents of the Board and each Board committee will be distributed prior to the meeting, which enables each member to have sufficient time to review and discuss them comprehensively at meetings. Each director can obtain all related information in a comprehensive and timely manner, and may seek advices from professional consultants if necessary.
- b. The secretary to the Board is responsible for organizing and preparing materials for the Board meetings, including preparation of explanations for each proposal to enable thorough understanding of each director. The president shall provide the directors with necessary information and materials. The director may request the president, or request, via the president, relevant departments to provide necessary information and explanation of Sinopec Corp.

B Remuneration of directors and senior management

- a. A Remuneration and Appraisal Committee has been set up and the relevant rules have been formulated. Members of the Committee include chairman of the committee Li Deshui,

directors Chen Xiaojin, Ma Weihua and Li Chunguang, who are mainly responsible for making proposals to the Board with regard to the remuneration of directors, supervisors and other senior managers.

- b. The Remuneration and Appraisal Committee should consult the chairman of the Board of Directors and the president regarding the proposed remuneration for other executive directors.
- c. Committee members may engage independent professionals while performing their duties. Reasonable costs arising from or in connection with such consultation are borne by Sinopec Corp.. Meanwhile, the committee appoints consultants to provide suggestions to the committee. The working expenses of the committee are included in the budget of Sinopec Corp.. In addition, according to the policies of Sinopec Corp., the senior management and relevant departments of Sinopec Corp. shall actively cooperate with the work of the Remuneration and Appraisal Committee.

- d. During this reporting period, the committee held one meeting. For details about the committee's meeting and attendance, please refer to the Report of the Board of Directors in this annual report.

C Accountability and auditing

C.1 Financial reporting

- a. Directors are responsible for supervising the accounts preparation for each fiscal period, to ensure such amounts truly and fairly reflect the condition of business, performance and cash flow of Sinopec Corp. during such period. The Board approved the Financial Report for the Year 2011 and warranted that there were no misrepresentations, misleading statements or material omissions contained in this annual report, and jointly and severally accepted full responsibility for the authenticity, accuracy and integrity of the content.
- b. Sinopec Corp. has adopted an internal control mechanism to ensure that the management and relevant departments have provided sufficient financial data and related explanation and materials to the Board and its Audit Committee.
- c. The external auditors of Sinopec Corp. made a statement about their reporting responsibilities in the auditor's report contained in the financial statements.

C.2 Internal control

- a. In accordance with regulatory requirements of internal control at the listing place, the company, based on the Articles of Association and the current management systems and in combination with applicable regulatory rules in China or abroad, adopted the internal control framework prescribed in the internationally approved COSO (Committee of Sponsoring Organizations of the Treadway Commission) report to prepare the "Internal Control Manual", carry out flow control by business and formulate the guidance of authorization and enforcement regulations in 2003. The Board of Directors has reviewed the "Report on Internal Control and Self-Assessment" together with annual reports each year since 2006.
- b. The management team should carry out the internal control responsibilities. Sinopec Corp. has adequate resources in the accounting and financing reporting functions, with properly qualified and experienced staff and adequate budget for trainings. For details of the Sinopec Corp. internal control of Sinopec Corp., please refer to its Report on Internal Control and Self-assessment.
- c. Sinopec Corp. has established its internal audit department and has arranged adequate professional personnel, thus Sinopec

Corp. has relatively sound internal auditing functions.

C.3 Audit Committee

- a. Members of the Audit Committee include chairman of the committee Xie Zhongyu, directors Li Deshui and Wu Xiaogen. As verified, none of the members had served as a partner or former partner to the current auditors of Sinopec Corp..
- b. Sinopec Corp. has promulgated the working rules of the Audit Committee. The written terms of reference are available for inspection at the website of Sinopec Corp..
- c. At every meeting of the Audit Committee, reviewing opinions shall be prepared and signed by the members of the Audit Committee. The signed reviewing opinions shall be submitted to the Board. . During the reporting period, the Board and the Audit Committee did not have any different opinion from each other.
- d. Committee members may engage independent professionals. Reasonable costs arising from or in connection with such consultation are borne by Sinopec Corp.. The committee appoints consultants to provide suggestions to the committee. The working expenses of the committee are included in the budget of Sinopec Corp.. Meanwhile, according to the policies of Sinopec Corp., the senior managers and relevant departments of the company shall actively cooperate with the work of the Audit Committee.
- e. The Audit Committee has communicated with auditors twice to discuss the auditing of the financial reports and the auditing fee without the presence of the management. The Committee considered the adequacy of the resources in accounting and financial reporting and the qualification and experience of the employees as well as the sufficiency of the training courses provided to employees and the relevant budget. The Audit Committee holds the view that the management team of Sinopec Corp. has established an effective internal control system during the reporting period.
- f. During this reporting period, the Audit Committee held four meetings. For details about the committee's meetings and attendance, please refer to the Report of the Board of Directors in this annual report.

D Delegation of power by the Board

- a. The Board, the management and each of the committees under the Board have clear terms of reference. The Articles of Association and the “Rules and Procedures for the General Meetings of Shareholders” and the “Rules and Procedures for the Meetings of Board of Directors” set forth the scope of duties, authorities and delegation of power of the Board and the management, which are published on the website of Sinopec Corp. at <http://www.sinopec.com>.
- b. The Board committees have clear written terms of reference. The rules of the Board committees require such committees to report to the Board on their decisions or recommendations.

E Communication with shareholders

- a. During the reporting period, a separate resolution has been proposed for each substantially separate issue at the general meetings. All resolutions were adopted by ways of voting to ensure the interests of all the shareholders. A notice of meeting was delivered to each shareholder 45 days (the day of the general meeting was excluded from calculation) prior to the general meeting of shareholders.
- b. Sinopec Corp. established a special department staffed with personnel to take charge of the investors relations. Sinopec Corp. strengthens the communication with investors by holding meet-and-greet event with institutional investors, inviting investors for on-site investigation, conducting a reverse roadshow and setting up the hotlines for investors etc, which are allowed by regulatory requirements. Sinopec Corp. also provides the directors with securities regulatory provisions and suggestions from investors in a timely manner. The circular to shareholders clearly specifies shareholders entitlement to attend the general meeting of shareholders and their rights, the meeting agenda and voting procedure, etc.
- c. The chairman of the Board of the Directors attended and hosted the general meeting as the chairman of such meeting, and arranged the members of Board and senior managers to attend the general meeting of shareholders and to answer the questions of the shareholders.

(2) Nomination of directors

The Board of Sinopec Corp. has not established a Nomination Committee, but the nomination of directors has been expressly stated in detail in the Articles of Association and “the Rules and Procedures for the General Meeting of Shareholders” respectively. The nomination of director may be proposed to the general meeting for approval of the shareholders by shareholders individually or collectively holding shares representing over 3% (1% for nomination of independent non-executive director candidates) of the total voting rights of Sinopec Corp..

(3)

Auditors

At the annual general meeting of Sinopec Corp. for the year 2010 held on May 13, 2011, KPMG Huazhen Certified Public Accountants (“KPMG Huazhen”) and KPMG Certified Public Accountants (“KPMG”) were re-appointed as the domestic and overseas auditors of Sinopec Corp. for the year 2011 respectively, and the Board of Directors was authorized to determine their remunerations. As approved at the 18th Meeting of the Fourth Session of the Board of Directors of Sinopec Corp., the audit fee for 2011 was HK\$66 million. The financial statements for the year 2011 have been audited by KPMG Huazhen and KPMG. Hu Jianfei and Zhang Yansheng are China Registered Certified Public Accountants of KPMG Huazhen.

During the reporting period, neither KPMG Huazhen nor KPMG provided any non-audit service to Sinopec Corp..

KPMG Huazhen and KPMG have provided audit services to Sinopec Corp. since the second half of 2000, and the first audit engagement letter was entered into in March 2001.

- (4) Other information with regard to the corporate governance of Sinopec Corp. Other than their working relationships with Sinopec Corp., none of the directors, supervisors or other senior management has any financial, business or family relationships or any relationships in other material aspects with each other. For information regarding changes in share capital and shareholdings of substantial shareholders, please refer to pages 6 to 7; for information regarding meetings of the Board of Directors, please refer to page 45; for information regarding equity interests of directors, supervisors and other senior managers, please refer to page 43; for information regarding resume and annual remuneration of directors, supervisors and other senior managers, please refer to pages 58 to 71.

8 Competition and connected transaction

According to the applicable domestic regulatory requirements, explanations for competition and connected transactions between the Company and its controlling shareholder, China Petrochemical Corporation are shown as follows:

- (1) **Competition**
In accordance with the Reorganisation Agreement entered into between Sinopec Corp. and China Petrochemical Corporation, the petroleum and petrochemical core businesses owned by China Petrochemical Corporation were injected into Sinopec Corp. After the restructuring, the Company is mainly engaged in oil and gas exploration and production, refining, chemicals and sale of petroleum products. Sinopec Corp. and China Petrochemical Corporation entered into a Non-Competition Agreement, which clearly specifies the avoidance of competition between each other, including the option and right of first refusal granted by China Petrochemical Corporation to Sinopec Corp. in the acquisition of potential competitive businesses owned by China Petrochemical Corporation. Since its listing, the Company has, as far as possible, acquired oil exploration and production, refining, chemical businesses owned by China Petrochemical Corporation which meet the acquisition conditions, in order to constantly reduce competition.

Due to the fact that the quality of a small amount of refining and chemical assets is low and part of chemical assets is allocated by the local government to China Petrochemical Corporation in its subsequent operation, China Petrochemical Corporation currently retains minor existing refining and chemical businesses, including refining business of China Petrochemical Corporation Asset Company, Baling Branch (In October 2010, China Petrochemical Corporation made commitments to incorporating such business into the Company within five years) and chemical business of Yanshan Petrochemical Dongfang Petrochemical Co., Ltd. Currently, such assets are still small in size and poor in returns. Thus, the acquisition of such assets will have negative impact on the profits of the Company, which fails to meet the interests of shareholders. Besides, due to such reasons as overseas risk control, China Petrochemical Corporation also has the same or similar businesses as those of Company with regard to such areas as overseas oil and gas exploration and production.

There was no breach of the Non-Competition Agreement by China Petrochemical Corporation in the reporting period. In the future, Sinopec Corp. will exercise relevant rights under the Non-Competition Agreement and acquire mature assets of China Petrochemical Corporation when appropriate to gradually resolve the competition.

(2) Connected transaction

Please refer to Section “connection transaction” for details.

9 Comparison of New York Stock Exchange corporate governance rules and China corporate governance rules for listed companies

For details, please refer to the content on the website of Sinopec Corp. at

http://english.sinopec.com/investor_center/corporate_governance/fact_sheet/20120316/download/2012031601.pdf

Low-Carbon
Development
Strategy

- Honour our commitment to help tackle climate change through green and low-carbon production
- Actively conserve energy, reduce emissions and improve energy efficiency
- Build a resource-efficient and environment-friendly enterprise and promote sustainable development

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Sinopec Corp. is pleased to present their report for the year ended 31 December 2011 for review.

1 Meetings of the Board of Directors

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

- (1) The 12th meeting of the Fourth Session of the Board of Directors was held in the headquarters of Sinopec Corp. on 25 March 2011, whereby the matters including the Company's annual results of 2010, sustainable development report, internal control self-assessment report was considered and approved.
- (2) The 13th meeting of the Fourth Session of the Board of Directors was held by way of written resolution on 28 April 2011, whereby the first quarterly results of 2011 was considered and approved.
- (3) The 14th meeting of the Fourth Session of the Board of Directors was held in Beijing on 13 May 2011. At this meeting, Mr. Fu Chengyu was appointed as the Chairman of the Fourth session of the Board of directors, and "the Working Rules for the Board Secretary" was considered and approved.
- (4) The 15th meeting of the Fourth Session of the Board of Directors was held in the headquarters of Sinopec Corp. on 26 August 2011, whereby the optimised and adjusted development target and strategies of Sinopec Corp. was discussed and decided, and the matters including the Company interim results of 2011, the "Special report of Company's Fund Raising and Actual Use with regard to the Convertible Bonds of RMB23 billion", the issuance of the domestic bonds as well as the issuance of convertible bonds of A shares were considered and approved.
- (5) The 16th meeting of the Fourth Session of the Board of Directors was held by way of written resolution on 27 October 2011, whereby the third quarterly results and the proposal regarding lowering the conversion price of Convertible Bonds of Sinopec. Corp. were considered and approved.
- (6) The 17th meeting of the Fourth Session of the Board of Directors was held by way of written resolution on 15 December 2011, whereby the matters regarding determining the downwards modified conversion price of the Sinopec CB and amendments to "the Insiders' Registration System for the Inside Information of China Petroleum & Chemical Corporation" were considered and approved.

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

2 Implementation of resolutions passed at shareholders' meeting by the Board of Directors

During the reporting period, all members of the Board of Directors of Sinopec Corp. performed their duties diligently in accordance with relevant laws and regulations and the Articles of Association, duly implemented the resolutions passed at the shareholders' meetings, and achieved the various tasks delegated to them by the shareholders' meetings.

3 Attendance of the Board meetings

During this reporting period, Sinopec Corp. held six Board meetings in total, the attendance of the current directors are as follows:

Statistics of the attendance of the Fourth Session of the Board of Directors:

Name	Attendance in person (times)	Attendance by proxy (times)
Fu Chengyu	4	0
Wang Tianpu	6	0
Zhang Yaocang	6	0
Zhang Jianhua	6	0
Wang Zhigang	6	0
Cai Xiyou	6	0
Cao Yaofeng	5	1
Li Chunguang	6	0
Dai Houliang	6	0
Liu Yun	6	0
Li Deshui	5	1
Xie Zhongyu	6	0
Chen Xiaojin	6	0
Ma Weihua	6	0
Wu Xiaogen	5	1

Note: Due to the adjustment of Mr. Su Shulin's work, he resigned as the chairman of the Board of Directors and director on 20 April 2011 and Mr. Fu Chengyu was elected as the chairman of the Board of Directors and director on 13 May 2011.

No directors were absent from the meeting of the Board of Directors in successive sessions.

4 Meetings of Board committees

During the reporting period, the Audit Committee held four meetings, the Remuneration and Appraisal Committee held one meeting and the Strategy Committee held one meeting. All the members of these committees had attended the relevant meetings. Details of those meetings are as follows:

(1) Meetings of the Audit Committee

- a. The 7th meeting of the Fourth Session of the Audit Committee was held in Beijing, China on 23 March 2011, whereby “Explanation for the Business Performance and Financial Situations for the year 2010”, the financial statements for 2010 as audited by KPMG Huazhen and KPMG respectively in accordance with Accounting Standards for Business Enterprises (“ASBE”) and International Financial Reporting Standards (“IFRS”), the “Internal Control Self-Assessment Report”, the “Proposal on the Auditing Fee of KPMG Huazhen and KPMG for 2010”, the “Proposal on the Engagement of Domestic and Overseas Auditors for 2011 and Submitting to Annual General Meeting of Shareholders for Approval and Authorizing Board of Directors to Determine their Remunerations”, the “Reports on Auditing Work for 2010 and Plan of Auditing Work for 2011” were considered; and the report on auditing of financial report for 2010 by KPMG Huazhen and KPMG was heard and the “Opinions on Reviewing the Financial Statements for 2010 and Relevant Issues” was issued.
- b. The 8th meeting of the Fourth Session of the Audit Committee was held by way of written resolution on 28 April 2011, whereby “the First Quarterly Report of 2011” was reviewed and the “Opinions on Reviewing the Financial Statements for the First Quarter of 2011” was issued.
- c. The 9th meeting of the Fourth Session of the Audit Committee was held in Beijing, China on 24 August 2011, whereby the “Explanation for the Business Performance and Financial Situations for the First Half of 2011”, the interim results of 2011 as audited by KPMG Huazhen and KPMG respectively in accordance with ASBE and IFRS, the “Report on Auditing Work for the First Half Year of 2011 and Auditing Work Arrangement for the Second Half Year of 2011” were considered; and the report on auditing of financial report for the first half year of 2011 by KPMG Huazhen and KPMG was heard and the “Opinions on Reviewing the Financial Statements for the First Half of 2011” was issued.
- d. The 10th meeting of the Fourth Session of the Audit Committee was held by way of written resolution on 26 October 2011, whereby “the Third Quarterly Report of 2011” was reviewed and the “Opinions on Reviewing the Third Quarterly Report of 2011” was issued.

(2) Meeting of the Remuneration and Appraisal Committee

The 2nd meeting of the Fourth Session of the Remuneration and Appraisal Committee was held in Beijing, China on 23 March 2011, whereby the “Report on Implementation of the Rules of the Remuneration of Directors, Supervisors and Other Senior Management for 2010” was considered, and the “Opinions on Reviewing the Implementation of the Rules of the Remuneration of Directors, Supervisors and Senior Management” was issued.

(3) Meeting of Strategy Committee

The 2nd meeting of the Fourth Session of Strategy Committee was held in Beijing, China on 23 March 2011, whereby the “Outline on Twelfth Five-Year Development Plan of Sinopec Corp.” was considered and the “Opinions on Reviewing the Outline on Twelfth Five-Year Development Plan of Sinopec Corp.” was issued.

5 Performance

The financial results of the Company for the year ended 31 December 2011 prepared in accordance with IFRS and its financial position as at that date and the accompanying analysis are set out from page 138 to page 194 in this annual report.

6 Dividend

Formulation and performance of Cash dividend policy:

The Board of Directors will determine the payment of dividends, if any, on a per share basis. Any final dividend for a financial year shall be subject to shareholders’ approval. The Board of Directors may declare interim and special dividends at any time under general authorisation by a shareholders’ ordinary resolution. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on the Company’s results of operations, cash flows, financial condition, the cash dividends paid by the subsidiaries of Sinopec Corp., future prospects and other factors which the Board of Directors may determine are important.

In addition to cash, dividends may be distributed in the form of shares. Any distribution of shares, however, must be approved by special resolution of the shareholders.

The distributable profits consist of the distributable profits of the relevant year and the undistributed profits carried forward from the previous year. The distributable profits shall be made based on the distributable profits in the financial statements prepared under ASBE or IFRS whichever is lower, with ten percent of the profits transferred to the statutory common reserve fund and any surplus reserve fund deducted thereof. The amount of the dividend distribution will be up to 40% of the distributable profits.

Proposals for dividend distribution

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

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

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, Sinopec Corp. is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of Sinopec Corp. when distributing final dividends to them. Any H shares of the Sinopec Corp. registered not under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organisations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, 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 and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares of Sinopec Corp. as at 25 May 2012.

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 dividend 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 (the "Extra Amount") due to the application of 10% tax rate, Sinopec Corp. can 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. within the timeline set out below. 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%.

Sinopec Corp. shall take the registered address (hereby referred to as "registered address") as recorded in the register of members before the close of business on 18 May 2012 (i.e. 4:30 pm) as the basis in determining the residence of the individual holders of the H shares. Should the residence of the individual shareholders of the H shares is inconsistent with the registered address or should they wish to reclaim the Extra Amount, they should submit the evidence required

by the related notice of the tax agreement in person to the share registrar of Sinopec Corp. for H shares on or before 4:30pm on 18 May 2012 at Hong Kong Securities Clearing Company Limited (whose address is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong). After the related evidence is reviewed by the competent tax authority, Sinopec Corp. will follow the guidance of such tax authority to arrange the withholding and payment accordingly. If the individual holders of the H shares fail to provide Sinopec Corp. with the required evidence within the timeline set out in this paragraph, such shareholders can either deal with the relevant procedures as required by the notice of the tax agreement personally or by proxy.

Sinopec Corp. assumes no responsibility and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any dispute over the mechanism of withholding. Shareholders should consult their tax advisers regarding the PRC, Hong Kong and other tax implications of owning and disposing of the H shares of Sinopec Corp..

The dividend distribution or capital reserves capitalisation and profit sharing declared by Sinopec Corp. in the last three years as follows:

	2010	2009	2008
Cash dividends (RMB/share)	0.21	0.18	0.12
Total amount of cash dividends (RMB million, including taxes)	18,207	15,606	10,404
Net profits attributed to the shareholders of the listed company shown in the consolidated statement for the dividend year (RMB million).	70,713	62,677	311.19
Ratio between the dividends and the net profit attributed to the shareholders of the listed company in the consolidated statement	25.7%	24.9%	33.4%
Number of bonus shares per share (share)	0	0	0
Transfer of capital reserve to shares for each 10 existing shares (share)	0	0	0

The aggregate cash dividend declared by Sinopec Corp. during the three years from 2008 to 2010 is RMB 0.51 per share, and the dividend from 2008 to 2010 as a percentage of average net profits in the three years is 80.6 %. It fulfilled the conditions for refinancing in the domestic securities market provided by the “Decisions on Modifying Provisions Concerning Cash Dividends of Listed Companies” issued by CSRC.

7 Responsibilities for the Company internal control

The Board of Directors of Sinopec Corp. is fully responsible for establishing and maintaining the internal control system related to the financial reporting as well as ensuring its effective implementation. In 2011, the Board assessed internal control of Sinopec Corp. of the year 2011 according to “the Basic Standard for Enterprise Internal Control”, “Application Guidelines for Enterprise Internal Control” and “Estimation Guidelines for Enterprise Internal Control”. There were no significant defects as of 31 December 2011. The internal control system of Sinopec Corp. related to the financial reporting is sound and effective.

The 18th meeting of the Fourth Session of the Board of Directors on 23 March 2012 considered and approved “2011 Annual Internal Control Self-Assessment Report of Sinopec Corp.”, and all members of the Board ensured that the contents of the report are authentic, accurate and complete, and without any misrepresentation, misleading statements or material omissions.

8 Major suppliers and customers

During the reporting period, the total amount of purchases from the top five suppliers of Sinopec Corp. accounted for 41.5 % of the total purchases by Sinopec Corp., of which the total purchases from the largest supplier accounted for 22.3% of the total purchases.

The total sales to the five largest customers of Sinopec Corp. accounted for 9 % of the total sales of Sinopec Corp., of which sales to the largest customer accounted for 3% of the total sales.

During the reporting period, other than the connected transactions with the controlling shareholder, China Petrochemical Corporation, and its subsidiaries, as disclosed in the Section headed “Connected Transaction” of this annual report, none of the directors, supervisors of Sinopec Corp. and their associates or any shareholders holding 5% or more of the share capital of Sinopec Corp. had any interest in any of the above-mentioned major suppliers and customers.

9 Bank loans and other borrowings

Details of bank loans and other borrowings of Sinopec Corp. as of 31 December 2011 are set out in note 29 to the financial statements prepared in accordance with IFRS in this annual report.

10 Fixed assets

During the reporting period, changes to the fixed assets of Sinopec Corp. are set out in note 17 to the financial statements prepared in accordance with IFRS in this annual report.

11 Reserves

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

12 Donations

During the reporting period, the amount of charity donations made by Sinopec Corp. amounted to RMB 43 million.

13 Pre-emptive rights

Pursuant to the Articles of Association of Sinopec Corp. and the laws of the PRC, shareholders of Sinopec Corp. are not entitled to any pre-emptive rights, therefore the existing shareholders cannot request the Sinopec Corp. to allot new shares to them first in proportion to their shareholdings.

14 Repurchase, sales and redemption of shares

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

15 Risk factors

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

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

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

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

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

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

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

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

financial losses or adverse impact resulting from such contingencies.

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

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

By order of the Board
Fu Chengyu
Chairman, Board of Directors

Beijing, China
23 March 2012

REPORT OF THE BOARD OF SUPERVISORS

Mr. Wang Zuoran, Chairman of the Board of Supervisors

Dear shareholders:

The Fourth session of the Board of Supervisors and each supervisor of Sinopec Corp. actively attend the meetings held by the Board of Directors and shareholders' meetings, carefully review each significant decision-making with regard to issues including production operations, financial management, connected transactions, material guarantees, diligently perform the supervision responsibilities, actively participate in the process of supervision and protect the interests of shareholders and the Company in accordance with the "Company Law of the People's Republic of China" and "the Articles of Association of Sinopec Corp."

During this reporting period, the Board of Supervisors held four meetings in total, and mainly reviewed the financial reports of Sinopec Corp., self-assessment report of internal control and sustainable development report, etc.

On 25 March 2011, the 8th meeting of the Fourth session of the Board of Supervisors was held and approved: "Annual Financial Statement of Sinopec Corp. for 2010", "Annual Report of Sinopec Corp. for 2010", and "Annual Sustainable Development Report of Sinopec Corp. for 2010", "Self Assessment Report of Internal Control" and "Report on the Work of Board of Supervisors of Sinopec Corp. for 2010", and relative resolutions were passed at the meeting.

On 28 April 2011, the 9th meeting of the Fourth session of the Board of Supervisors was held and "the First Quarterly Report of Sinopec Corp. for 2011" was reviewed and approved.

On 26 August 2011, the 10th meeting of the Fourth session of the Board of Supervisors was held and "the Interim Financial Statement of Sinopec Corp. for 2011", and "the Interim Report of Sinopec Corp. for 2011" were reviewed and approved and relative resolutions were passed at the meeting .

On 27 October 2011 the 11th meeting of the fourth session of the Board of Supervisors was held and "the Third Quarterly Report of Sinopec Corp. for 2011" was reviewed and approved.

During this reporting period, the Board of Supervisors organised some supervisors to visit branches or subsidiaries located in Jiangsu, Shanghai, Guangdong, Guangxi for better understanding of the operations of these enterprises. The supervisors attended trainings organised by China Securities Regulatory Commission and other related government authorities so as to further improve their capabilities in performing supervisory duties.

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

Firstly, the Board of Directors diligently fulfilled its obligations and exercised its rights under the PRC Company Law and the Articles of Association, and made scientific decisions on major issues concerning production and operation, reforms and development, etc; and the senior management diligently implemented the resolutions adopted by the Board of Directors, optimised the internal control, reinforced precision management, strived to lower the costs and enhance efficiency and strengthened the technological innovation. As a result, all work received remarkable effects.

The Board of Supervisors did not discover any behaviors of any directors or senior management which constituted violations of laws, regulations, the Articles of Association, or were detrimental to the interests of Sinopec Corp. or the shareholders.

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

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

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

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

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

In May of this year, this session of the Board of Supervisors will expired. During these three years, the Board of Supervisors focused on the inspection and supervision to the Company’s financial situations, diligently reviewed and provided their true opinion on the Company’s interim and annual financial statements. The Board of Supervisors actively participated in the process supervision on major decision-makings and reviewed quarterly, interim and annual reports, the reports on self-assessment of internal control, the sustainable development reports as well as the resolutions on assets and equity acquisitions. Furthermore, the Board of Supervisors reinforced the daily supervision on the directors and the senior management and totally twelve meetings were held during these three years. Through participation in the meetings of the Board of Directors, the shareholders’ meetings and communication with the external auditors, etc. the Board of Supervisors acknowledged and supervised the enforcement of resolutions approved by the shareholders’ meetings or the Board meeting by the directors and senior management in a timely manner and helped the Company operate and develop in line with laws and regulations. The supervisors inspected many subsidiaries and branches to strengthen the supervision roles. Through the inspections, the Board of Supervisors have understood more on production management and internal control, advised the Company to reinforce management, avoid risks and enhance profit. The Board of Supervisors have improved its own capacity through visits to SABIC Co. and Deutch Bank by some of the Board members. The Board of Supervisors have gained experience from major international companies on corporate governance and internal control.

Sinopec Corp. has been on the new charted route to build a world class energy and chemical corporation. I believe that the new session of the Board of Supervisors will diligently perform its responsibilities, strengthen supervision role, and make more contributions to develop Sinopec Corp. into a world-leading energy and chemical company in accordance with the Company Law, other related requirements of securities regulators and the Articles of Association.

Wang Zuoran
Chairman, Board of Supervisors

Beijing, China
March 23, 2012

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

1 Introduction of Directors, Supervisors and other Senior Management

(1) Directors

Fu Chengyu, aged 60, Chairman of Board of Directors of Sinopec Corp., President and Secretary of Communist Party of China (CPC) Leading Group of China Petrochemical Corporation. Mr. Fu is a senior economist and obtained a master degree. In 1983, he successively served as Chairman of the Joint Management Committee of the joint venture projects established between China National Offshore Oil Corporation (CNOOC) and those foreign oil giants such as Amoco, Chevron, Texaco, Phillips, Shell and Agip, etc; from 1994 to 1995, he served as Deputy General Manager of China Offshore Oil Nanhai East Corporation; in December 1995, he served as vice president of USA Phillips International Petroleum Company (Asia), and concurrently as General Manager of the Xijiang Development Project; in April 1999, he was appointed as General Manager of China National Offshore Oil Nanhai East Corporation; in September 1999, he was appointed as Executive Director, Executive Vice President and Chief Operating Officer of China National Offshore Oil Co., Ltd.; in October 2000, he was appointed as Deputy General Manager of CNOOC; in December 2000, he concurrently served as President of China National Offshore Oil Co., Ltd; in August 2002, he served as Chairman and CEO of China Oilfield Services Co., Ltd. as a subsidiary of CNOOC; in October 2003, he served as General Manager of CNOOC, and concurrently as Chairman and CEO of China National Offshore Oil Co., Ltd.; on September 16, 2010, Mr. Fu resigned the post of CEO of China National Offshore Oil Co., Ltd. and continued to serve as Chairman; in April 2011, he served as Chairman and Secretary of CPC Leading Group of China Petrochemical Corporation; on May 13, 2011, he was appointed as Chairman of Board of Directors of Sinopec Corp.

Wang Tianpu, aged 49, Vice Chairman of Board of Directors and President of Sinopec Corp. Mr. Wang is a professor level senior engineer and obtained a PhD Degree. In March 1999, he was appointed as Vice President of Qilu Petrochemical Company, China Petrochemical Corporation; in February 2000, he was appointed as Vice President of Sinopec Qilu Branch Company; in September 2000, he was appointed as President of Sinopec Qilu Branch Company; in August 2001, he was appointed as Vice President of Sinopec Corp.; in April 2003, he was appointed as Senior Vice President of Sinopec Corp.; in March 2005, he was appointed as President of Sinopec Corp.; in May 2006, he was elected as Board Director and appointed as President of Sinopec Corp.; in May 2009, he was elected as Vice Chairman of Board of Directors and President of Sinopec Corp. in August 2011, he was elected as Board Director and President of China Petrochemical Corp.

Zhang Yaocang, aged 58, Vice Chairman of the Board of Directors of Sinopec Corp. and Vice President of China Petrochemical Corporation. Mr. Zhang is a professor level senior engineer and obtained a graduate degree of Graduate School. In November 1990, he was appointed as Deputy Director General of Bureau of Petroleum Geology and Marine Geology, Ministry of Geology and Mineral Resources (MGMR); in February 1994, he was appointed as Secretary of CPC Committee and Deputy Director General of Bureau of Petroleum Geology and Marine Geology, MGMR; in June 1997, he was appointed as Deputy Secretary of CPC Leading Group and Executive Vice President of Sinopec Star Petroleum Co. Ltd; in April 2000, he was appointed as Assistant to President of China Petrochemical Corporation and concurrently as President of Sinopec Star Petroleum Co., Ltd.; in August 2000, he was appointed concurrently as Secretary of CPC Committee of Sinopec Star Petroleum Co. Ltd; in July 2001, he was appointed as Vice President of China Petrochemical Corporation; in May 2009, he was elected as Vice Chairman of the Board of Directors of Sinopec Corp.

Zhang Jianhua, aged 47, Board Director and Senior Vice President of Sinopec Corp. Mr. Zhang is a professor level senior engineer and obtained a PhD degree. In April 1999, he was appointed as Vice President of Shanghai Gaoqiao Petrochemical Company, China Petrochemical Corporation; in February 2000, he was appointed as Vice President of Sinopec Shanghai Gaoqiao Branch Company; in September 2000, he was appointed as President of Sinopec Shanghai Gaoqiao Branch Company; in April 2003, he was appointed as Vice President of Sinopec Corp.; in November 2003, he was appointed concurrently as Director General of Production and Operation Management Department of Sinopec Corp.; in March 2005, he was appointed as Senior Vice President of Sinopec Corp.; and in May 2006, he was elected as Board Director and appointed as Senior Vice President of Sinopec Corp.

Wang Zhigang, aged 54, Board Director and Senior Vice President of Sinopec Corp. Mr. Wang is a professor level senior engineer and obtained a PhD Degree. In February 2000, he was appointed as Vice President of Sinopec Shengli Oilfield Co., Ltd.; in June 2000, he served as Board Director and President of Shengli Oilfield Co., Ltd.; in November 2001, he was appointed temporarily as Deputy Director General and Deputy Secretary of CPC Leading Group of Economic and Trade Commission, Ningxia Hui Autonomous Region; in April 2003, he was appointed as Vice President of Sinopec Corp.; in June 2003, he was appointed as Director General of Oilfield Exploration and Development Department of Sinopec Corp.; in March 2005, he was appointed as Senior Vice President of Sinopec Corp.; in May 2006, he was elected as Board Director and appointed as Senior Vice President of Sinopec Corp.

Cai Xiyong, aged 50, Board Director and Senior Vice President of Sinopec Corp. Mr. Cai is a professor level senior economist and obtained a master degree. In June 1995, he was appointed as Vice President of Jingzhou Petrochemical Corporation of the former China Petrochemical Corporation; in May 1996, he was appointed as Vice President of Dalian West Pacific Petrochemical Corporation; in December 1998, he was appointed as Vice President of Sinopec Sales Co., Ltd.; in June 2001, he was appointed as Executive Vice President of Sinopec Sales Co., Ltd.; in December 2001, he served as Board Director and President of China International United Petroleum & Chemicals Co., Ltd. (UNIPEC); in April 2003, he was appointed as Vice President of Sinopec Corp.; in November 2005, he was appointed as Senior Vice President of Sinopec Corp.; in May 2009, he was elected as Board Director and appointed as Senior Vice President of Sinopec Corp.

Cao Yaofeng, aged 58, Board Director of Sinopec Corp. and Vice President of China Petrochemical Corporation. Mr. Cao is a professor level senior engineer and obtained a master degree. In April 1997, he was appointed as Deputy Director General of Shengli Petroleum Administration Bureau; in May 2000, he served as concurrently as Vice Chairman of Board of Directors of Sinopec Shengli Oilfield Co., Ltd.; in December 2001, he served as Board Director and President of Sinopec Shengli Oilfield Co., Ltd.; in December 2002, he served as Director General of Shengli Petroleum Administration Bureau of China Petrochemical Corporation and Chairman of Board of Directors of Sinopec Shengli Oilfield Company Limited; from April 2003 to May 2006, he served as Employee Representative Board Director of Sinopec Corp.; in October 2004, he was appointed as Assistant to President of China Petrochemical Corporation; in November 2005, he was appointed as Vice President of China Petrochemical Corporation; in May 2009, he was elected as Board Director of Sinopec Corp.

Li Chunguang, aged 56, Board Director of Sinopec Corp. and Vice President of China Petrochemical Corporation. Mr. Li is a professor level senior engineer and obtained a university diploma. In August 1991, he was appointed as Deputy General Manager of Sinopec Sales Company North China Branch; in October 1995, he was appointed as Deputy General Manager of Sinopec Sales Company; in June 2001, he was appointed as General Manager of Sinopec Sales Co., Ltd.; in December 2001, he was appointed as Director General of Oil Product Sales Department of Sinopec Corp.; in April 2002 he was elected as Chairman of Board of Directors and General Manager of Sinopec Sales Co., Ltd.; in April 2003, he was appointed as Vice President of Sinopec Corp.; in November 2005, he was appointed as Vice President of China Petrochemical Corporation; in May 2009, he was elected as Board Director of Sinopec Corp.

Dai Houliang, aged 48, Board Director and Senior Vice President of Sinopec Corp. Mr. Dai is a professor level senior engineer and obtained a PhD Degree. In December 1997, he was appointed as Vice President of Yangzi Petrochemical Corporation; in April 1998, he served as Board Director and Vice President of Yangzi Petrochemical Co., Ltd.; in July 2002, he served as Vice Chairman of Board of Directors, President of Yangzi Petrochemical Co., Ltd. and Board Director of Yangzi Petrochemical Corporation; in December 2003, he served as Chairman and President of Yangzi Petrochemical Co., Ltd. and concurrently as Chairman of Yangzi Petrochemical Corporation; in December 2004, he served as concurrently as Chairman of Board of Directors of BASF-YPC Company Limited; in September 2005, he was appointed as Deputy CFO of Sinopec Corp.; in November 2005, he was appointed as Vice President of Sinopec Corp.; in May 2006, he served as Board Director, Senior Vice President and CFO of Sinopec Corp.; and in May 2009, he was elected as Board Director and appointed as Senior Vice President of Sinopec Corp.

Liu Yun, aged 55, Board Director of Sinopec Corp., Chief Accountant of China Petrochemical Corporation. Mr. Liu is a senior accountant and obtained a master degree. In December 1998, he was appointed as Deputy Director General of Financial Department of China Petrochemical Corporation; in February 2000, he was appointed as Deputy Director General of Financial Department of Sinopec Corp.; in January 2001, he was appointed as Director General of Financial Department of Sinopec Corp.; in June 2006, he was appointed as Deputy CFO of Sinopec Corp.; in February 2009, he was appointed as Chief Accountant of China Petrochemical Corporation; and in May 2009, he was elected as Board Director of Sinopec Corp.

Li Deshui, aged 67, Independent Non-executive Director of Sinopec Corp. Mr. Li is a senior engineer, a research fellow, a part time professor at Schools of Economics at both Peking University and Renmin University of China, and obtained a university diploma. In 1992, he was appointed as Deputy Director General of National Economy Comprehensive Department of State Planning Commission; in May 1996, he was appointed as Director General of National Economy Comprehensive Department of State Planning Commission; in November 1996, he was appointed as Vice Mayor of Chongqing City in Sichuan Province; in March 1997, he was appointed as Vice Mayor of Chongqing Municipality directly under the Central Government; in November 1999, he was appointed as Deputy Director General and Member of CPC Leading Group of State Council Research Office; in April 2002, he was appointed as Secretary of CPC Leading Group and Vice President of China International Engineering Consulting Corporation; in March 2003, he was appointed as Secretary of CPC Leading Group and Director General of State Statistics Bureau, Member of Monetary Policy Committee of the People's Bank of China, and President of China Statistics Institute; in March 2005, he was elected as Vice Chairman of 36th Session United Nations Statistics Commission; in March 2005, he served as Member of 10th Session CPPCC; in April 2006, he was appointed as Member of Economy Commission of CPPCC; in March 2006, he was appointed as Consultant of State Statistics Bureau; in March 2008, he served as Member of 11th Session CPPCC and Deputy Director General of its Economy Commission; in May 2006, he was elected as Independent Non-executive Director of Sinopec Corp.

Xie Zhongyu, aged 68, Independent Non-executive Director of Sinopec Corp. Mr. Xie is a senior engineer and obtained a university diploma. In May 1986, he was appointed as Deputy Director General for both Investigation and Research Office and Policy Research Office in Ministry of Chemical Industry; in November 1988, he was appointed as Director General of Department of Policy, Laws & Regulations of Ministry of Chemical Industry; in December 1991, he was appointed as Director General of Department of Policy, Laws & Regulations of Ministry of Chemical Industry; in September 1993, he was appointed as Director General of General Office of Ministry of Chemical Industry; in June 1998, he was appointed as Deputy Director General, Member of CPC Leading Group of State Petroleum and Chemical Industry Bureau; from June 2000 to December 2006, he served as Chairman of the Board of Supervisors for Key Large-scaled State Owned Enterprises; in October 2007, he was elected as Board Director of Nuclear Power Technology Corporation; and in May 2009, he was elected as Independent Non-executive Director of Sinopec Corp.

Chen Xiaojin, aged 67, Independent Non-executive Director of Sinopec Corp. Mr. Chen is a senior engineer (research fellow level) and obtained a university diploma. In December 1982, he was appointed as President of Tianjin Ship Industry Corporation; in January 1985, he was appointed successively as Vice President and President of CNOOC Platform Corporation; in February 1987, he was appointed successively as Director General of Operation Department, Director General of Foreign Affairs Bureau, Director General of International Affairs Department in China State Shipbuilding Corporation and Deputy President of China State Shipbuilding Trading Company; in December 1988, he was appointed as Vice President of China State Shipbuilding Corporation; in January 1989, he was appointed concurrently as President of China State Shipbuilding Trading Company; in October 1996, he was elected as concurrently as Chairman of Board of Directors of China State Shipbuilding Trading Company; from June 1999 to July 2008, he served as President and Secretary of CPC Leading Group of China State Shipbuilding Corporation; in May 2009, he was elected as Independent Non-executive Director of Sinopec Corp.

Ma Weihua, aged 63, Independent Non-executive Director of Sinopec Corp. Mr. Ma is a senior economist and obtained a PhD Degree. In May 1988, he was appointed as the Deputy Director of the General Affairs Office of the People's Bank of China ("PBOC"); in March 1990, he was appointed as the Deputy Director of Fund Planning Department of PBOC; in October 1992, he was appointed as the branch President and Secretary of the CPC Leading Group of the Hainan Branch of PBOC; in January 1999, he was appointed as the Director, Governor and Secretary of the CPC Leading Group of China Merchants Bank; and in May 2010, he was elected as Independent Non-executive Director of Sinopec Corp.

Wu Xiaogen, aged 46, Independent Non-executive Director of Sinopec Corp. Mr. Wu is a research fellow and obtained a PhD Degree. In April 1998, he was appointed as the General Manager Assistant and Deputy General Manager of Bond Department of China Golden Canyon International Trust and Investment Co., Ltd.; in March 1999, he was appointed as the Deputy General Manager of Securities Management Head-Office of China Science & Technology International Trust and Investment Corporate, and concurrently as the General Manager of Organization Management Department of this Corporate; in July 2000, he served as the Director of Audit Teaching and Research Office of Accountancy Institute of Central Finance and Economics University; in September 2003, he served as the Deputy Director of Accountancy Institute of Central Finance and Economics University; in November 2004, he was appointed as the Chief Accountant of China First Heavy Machinery Group Corporate; since January 2012, he was appointed as an independent non-executive director of centrally controlled state owned enterprise; from May 2005 to May 2008, he was appointed as the Independent Non-executive Director of Heilongjiang SunField Science and Technology Co., Ltd.; from January 2003 to January 2009, he was appointed as the Independent Non-executive Director of Beijing AriTime Intelligent Control Co., Ltd.; in March 2010, he was appointed as the Independent Non-executive Director of China Eastern Airline Co., Ltd.; in January 2011, he was appointed as the Independent Non-executive Director of China Three Gorges Corporation; and in May 2010, he was elected as the Independent Non-executive Director of Sinopec Corp.

The members of the Fourth Session of the Board of Directors

Name	Gender	Age	Position in Sinopec Corp.	Tenure	Remuneration paid by Sinopec Corp. in 2011 (RMB 10,000, before tax)	Whether paid by the holding Company	Shares held at Sinopec Corp (as at 31 December) 2011	2010
Fu Chengyu	Male	60	Chairman	2011.05-2012.05	—	Yes	0	0
W a n g Tianpu	Male	49	Vice Chairman, President	2009.05-2012.05	98.31	No	0	0
Z h a n g Yaocang	Male	58	Vice Chairman	2009.05-2012.05	—	Yes	0	0
Z h a n g Jianhua	Male	47	Board Director, Senior Vice President	2009.05-2012.05	97.11	No	0	0
W a n g Zhigang	Male	54	Board Director, Senior Vice President	2009.05-2012.05	97.11	No	0	0
Cai Xiyou	Male	50	Board Director, Senior Vice President	2009.05-2012.05	97.11	No	0	0
C a o Yaofeng	Male	58	Board Director	2009.05-2012.05	—	Yes	0	0
L i Chunguang	Male	56	Board Director	2009.05-2012.05	—	Yes	0	0
D a i Houliang	Male	48	Board Director, Senior Vice President	2009.05-2012.05	97.11	No	0	0
Liu Yun	Male	55	Board Director	2009.05-2012.05	—	Yes	0	0
Li Deshui	Male	67	Independent Non - Executive Director	2009.05-2012.05	24(Director's Fees)	No	0	0
X i Zhongyu	Male	68	Independent Non - Executive Director	2009.05-2012.05	24(Director's Fees)	No	0	0
	Male	67		2009.05-2012.05		No	0	0

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C h e n Xiaojin			Independent Non - Executive Director		24(Director's Fees)			
Ma Weihua	Male	63	Independent Non - Executive Director	2010.05-2012.05	24(Director's Fees)	No	0	0
W u Xiaogen	Male	46	Independent Non - Executive Director	2010.05-2012.05	24(Director's Fees)	No	0	0

(2) SUPERVISORS

Wang Zuoran, aged 61, Chairman of Board of Supervisors of Sinopec Corp., Mr. Wang is a professor level senior economist and obtained a university diploma. In October 1994, he was appointed as Vice President and Secretary of CPC Committee of Shengli Petroleum Administration Bureau; in February 2000, he was appointed as Assistant to the President of China Petrochemical Corporation; in July 2001, he was appointed as Leader of Discipline Inspection Group for CPC Leading Group of China Petrochemical Corporation; in February 2000, he was elected as Supervisor of Sinopec Corp.; and in April 2003, he was elected as Chairman of Board of Supervisors of Sinopec Corp.

Zhang Youcai, aged 70, Vice Chairman of Board of Supervisors of Sinopec Corp. and Independent Supervisor. Mr. Zhang is a professor and obtained a university diploma. In February 1983, he was successively appointed as Vice Mayor, Deputy Secretary of CPC committee, and Mayor of Nantong City; in December 1989, he was appointed as Vice Minister and Member of CPC Leading Group of Ministry of Finance (From May 1994 to March 1998, he served concurrently as Director General of National State-Owned Assets Administration); in March 2003, he was elected as Standing Committee Member of 10th Session of National People's Congress (NPC) and Deputy Director General of Finance & Economy Commission of NPC; in April 2003, he was elected as Independent Supervisor of Sinopec Corp.; and in May 2006, he served as Vice Chairman of Board of Supervisors and Independent Supervisor of Sinopec Corp.

Geng Limin, aged 57, Supervisor of Sinopec Corp., Director General of Supervision Department of Sinopec Corp., Vice Leader of Discipline Inspection Group for CPC Leading Group of China Petrochemical Corporation, Director General of Supervision Bureau of China Petrochemical Corporation. Mr. Geng is a senior administration engineer and obtained a college diploma. In February 2000, he was appointed as Deputy Director General of Supervision Department of Sinopec Corp. and Deputy Director General of Supervision Bureau of China Petrochemical Corporation; in January 2007, he was appointed as Deputy Secretary of CPC Committee, Secretary of Discipline Inspection Committee as well as Trade Union Chairman of Sinopec Chemical Products Sales Company; in August 2008, he was appointed as Director General of Supervision Department of Sinopec Corp. and Vice Leader of Discipline Inspection Group for CPC Leading Group of China Petrochemical Corporation and Director General of Supervision Bureau of China Petrochemical Corporation; and in May 2009, he was elected as Supervisor of Sinopec Corp.

Zou Huiping, aged 51, Supervisor of Sinopec Corp. and Director General of Auditing Department of Sinopec Corp.. Mr. Zou is a professor level senior accountant and obtained a university diploma. In November 1998, he was appointed as Chief Accountant in Guangzhou Petrochemical General Plant of China Petrochemical Corporation; in February 2000, he was appointed as Deputy Director General of Finance & Assets Department of China Petrochemical Corporation; in December 2001, he was appointed as Deputy Director General of Finance & Planning Department of China Petrochemical Corporation; in March 2006, he was appointed as Director General of Finance & Assets Department of Assets Management Co., Ltd. of China Petrochemical Corporation; in March 2006, he was appointed as Director General of Auditing Department of Sinopec Corp.; and in May 2006, he was elected as Supervisor of Sinopec Corp.

Li Yonggui, aged 71, Independent Supervisor of Sinopec Corp. Mr. Li is a senior economist, a Certified Public Accountant (CPA) and obtained a university diploma. In February 1985, he was appointed as Deputy Director General of Taxation Administration of Ministry of Finance; in December 1988 he was appointed as Chief Economist in State Taxation Administration; in April 1991, he was appointed as Deputy Director General of State Taxation Administration; in February 1995, he was appointed as Chief Economist of State Taxation Administration; in April 2000, he started to serve as President of Chinese Certified Tax Agents Association; in July 2008, he started to serve as Consultant of Chinese Certified Tax Agents Association; in November 2004, he started to serve as Vice President of the Chinese Institution of Certified Public Accountants; and in April

2003, he was elected as Independent Supervisor of Sinopec Corp.

Zhou Shiliang, aged 54, Employee Representative Supervisor of Sinopec Corp. and Director General of Personnel Departments of Sinopec Corp.. Mr. Zhou is a professor level senior engineer and obtained a master degree. In February 2000, he was appointed as Deputy Director General of Yunnan-Guizhou-Guangxi Petroleum Exploration Bureau; in September 2000, he was appointed as President of Sinopec Yunnan-Guizhou-Guangxi Oilfield Company; in April 2002, he was appointed as Secretary of CPC Committee and Vice President in Sinopec South Exploration & Development Company; in April 2006, he was appointed as Secretary of CPC Committee and Deputy Director General in Sinopec Henan Petroleum Exploration Bureau; in November 2007, he was appointed as Director General of Sinopec Personnel Department of Sinopec Corp.; and in May 2009, he was elected as Employee Representative Supervisor of Sinopec Corp.

Chen Mingzheng, aged 54, Employee Representative Supervisor of Sinopec Corp., Vice President of Sinopec Northwest Oilfield Company. Mr. Chen is a senior engineer and a graduate from Postgraduate School. In November 2000, he was appointed as Deputy Director General of North China Petroleum Bureau under Sinopec Star Petroleum Co. Ltd.; in June 2003, he was appointed as Deputy Director General of North China Petroleum Bureau under China Petrochemical Corporation; in October 2004, he was appointed as Secretary of CPC Committee in North China Petroleum Bureau under China Petrochemical Corporation; in March 2008, he was appointed as Vice President of Sinopec Northwest Oilfield Company; in May 2009, he was elected as Employee Representative Supervisor of Sinopec Corp.

Jiang Zhenying, aged 47, Employee's Representative Supervisor of Sinopec Corp., General Director (General Manager), Executive Director and Secretary of CPC Committee of Sinopec Supplies & Equipment Department (China Petrochemical International Co., Ltd.). Mr. Jiang is a professor level senior economist and obtained a Doctor Degree. In December 1998, he was appointed as the deputy general manager of the China Petrochemical Supplies & Equipment Co., Ltd.; in February 2000, he was appointed as the vice director of Sinopec Supplies & Equipment Department; in December 2001, he was appointed as the director of Sinopec Supplies & Equipment Department and in November 2005 concurrently held the positions of Chairman, General Manger and Secretary of CPC Committee of China Petrochemical International Co., Ltd.; in March 2006, he was appointed as the director (general manager), executive director and secretary of the CPC committee of Sinopec Supplies & Equipment Department (China Petrochemical International Co., Ltd.); and in April 2010, he was appointed as the director (general manager), executive director and deputy secretary of the CPC committee of Sinopec Materials procurement Department (China Petrochemical International Co., Ltd.); and in December 2010, he was elected as the Employee's Representative Supervisor of Sinopec Corp.

Yu Renming, aged 48, Employee's Representative Supervisor of Sinopec Corp., General Director of Sinopec Production Management Department. Mr. Yu is a professor level senior engineer and obtained a university degree. In June 2000, he was appointed as the deputy general manager of Sinopec Zhenhai Refining & Chemical Co., Ltd.; in June 2003, he was appointed as the board director and deputy general manager of Sinopec Zhenhai Refining & Chemical Co., Ltd.; in September 2006, he was appointed as the deputy manager of Sinopec Zhenhai Refining & Chemical Company; in September 2007, he was appointed as the manager and the vice secretary of CPC committee of Sinopec Zhenhai Refining & Chemical Company; in January 2008, appointed as the director of Sinopec Production Management Department; and in December 2010, he was elected as Employee's Representative Supervisor of Sinopec Corp.

The members of the Fourth Session of the Board of Supervisors:

Name	Gender	Age	Position in Sinopec Corp.	Tenure	Remuneration paid by Sinopec Corp. in 2011 (RMB10,000, before tax)	Whether paid by the holding Company	Shares held at Sinopec (as of 31 December)	
							2011	2010
W a n g Zuoran	Male	61	Chairman, Supervisory Board	2009.05-2012.05	—	Yes	0	0
Z h a n g Youcai	Male	70	Vice Chairman, Independent Supervisor	2009.05-2012.05	24 (Supervisor's Fees)	No	0	0
Geng Limin	Male	57	Supervisor	2009.05-2012.05	—	Yes	0	0
Z o u Huiping	Male	51	Supervisor	2009.05-2012.05	50.39	No	0	0
Li Yonggui	Male	71	Independent Supervisor	2009.05-2012.05	24 (Supervisor's Fees)	No	0	0
Z h o u Shiliang	Male	54	Employee's Representative Supervisor	2009.05-2012.05	50.39	No	0	0
C h e n Mingzheng	Male	54	Employee's Representative Supervisor	2009.05-2012.05	48.46	No	0	0
J i a n g Zhenying	Male	47	Employee's Representative Supervisor	2010.12-2012.05	45.32	No	0	0
Y u Renming	Male	48	Employee's Representative Supervisor	2010.12-2012.05	48.52	No	0	0

(3) OTHER MEMBERS OF SENIOR MANAGEMENT

Wang Xinhua, aged 56, CFO of Sinopec Corp., Director General of Financial Department of Sinopec Corp. Mr. Wang is a professor level senior accountant and obtained a university diploma. In January 2001, he was appointed as Deputy Director General of Finance & Assets Department of China Petrochemical Corporation; in December 2001, he was appointed as Deputy Director General of Finance & Planning Department of China Petrochemical Corporation; in October 2004, he was appointed as Director General of Finance & Planning Department of China Petrochemical Corporation; in May 2008, he was appointed as Director General of Finance Department of China Petrochemical Corporation; in March 2009, he was appointed as Director General of Finance Department of Sinopec Corp.; in May 2009, he was appointed as CFO of Sinopec Corp.

Zhang Kehua, aged 58, Vice President of Sinopec Corp., Director General of Engineering Department of Sinopec Corp. Mr. Zhang is a professor level senior engineer and obtained a master degree. In February 1994, he was appointed as Vice President of No.3 Construction Company of the former China Petrochemical Corporation; in April 1996, he was appointed as Deputy Director General of Engineering & Construction Department (concurrently Vice President of Engineering & Construction Co., Ltd.) of the former China Petrochemical Corporation; in December 1998, he was appointed as Deputy Director General of Engineering & Construction Department of China Petrochemical Corporation; in September 2002, he was appointed as Director General of Engineering & Construction Department of China Petrochemical Corporation; in June 2007, he was appointed as Director General of Engineering Department of Sinopec Corp.; in May 2006, he was appointed as Vice President of Sinopec Corp.

Zhang Haichao, aged 54, Vice President of Sinopec Corp, Chairman of Board of Directors and General Manager of Sinopec Sales Co., Ltd. Mr. Zhang is a professor level senior economist and obtained a mater degree. In March 1998, he was appointed as Deputy General Manager of Zhejiang Petroleum Corporation; in September 1999, he was appointed as General Manager of Zhejiang Petroleum Corporation; in February 2000, he was appointed as General Manager of Sinopec Zhejiang Petroleum Co., Ltd.; in April 2004, he served as Chairman of Board of Directors of Sinopec-BP Zhejiang Petroleum Sales Co., Ltd.; in October 2004, he served as Secretary of CPC Committee, Vice Chairman of Board of Directors, and Deputy General Manager of Sinopec Sales Co., Ltd.; in November 2005 he served as Secretary of CPC Committee, Chairman of Board of Directors, and Manager of Sinopec Sales Co., Ltd.; in June 2006, he served as Chairman of Board of Directors, and General Manager of Sinopec Sales Co., Ltd.; in April 2003, he was elected as Employee Representative Supervisor of Sinopec Corp. and in November 2005, he was appointed as Vice President of Sinopec Corp.

Jiao Fangzheng, aged 49, Vice President of Sinopec Corp, General Director of Sinopec Exploration and Development Department. Mr. Jiao is a professor level senior engineer and obtained the PhD Degree. In January 1999, he was appointed as Chief Geologist in Zhongyuan Petroleum Exploration Bureau of China Petrochemical Corporation; in February 2000, he was appointed as Vice President and Chief Geologist of Sinopec Zhongyuan Oilfield Company; in July 2000, he was appointed as Deputy Director General of Sinopec Petroleum Exploration & Development Research Institute; in March 2001, he was appointed as Deputy Director General of Sinopec Exploration & Development Department; in June 2004, he was appointed as President of Sinopec Northwest Oilfield Company; in July 2010, he was appointed as the General Director of Sinopec Exploration and Development Department and in October 2006, he was appointed as Vice President of Sinopec Corp.

Lei Dianwu, aged 49, Vice President of Sinopec Corp, General Director of Sinopec Development & Planning Department. Mr. Lei is a Senior Engineer and obtained university diploma. In October 1995, he was appointed as Vice President of Yangzi Petrochemical Corporation; in December 1997, he was appointed as Director of Planning & Development Department in China Eastern United Petrochemical (Group) Co., Ltd.; in May 1998, he was appointed as Vice President of Yangzi Petrochemical Corporation; in August 1998 he was appointed as Vice President in Yangzi Petrochemical Co., Ltd.; in March 1999, he was appointed temporarily as Deputy Director General of Development & Planning Department of China Petrochemical Corporation; in February 2000, he was appointed as Deputy Director General of Development & Planning Department of Sinopec Corp.; in March 2001, he was appointed as Director General of Development & Planning Department of Sinopec Corp.; in May 2009, he was appointed as Vice President of Sinopec Corp.

Ling Yiqun, aged 49, Vice President of Sinopec Corp, General Director of Sinopec Refining Department. Mr. Ling is a professor level senior engineer and obtained mater degree. From 1983, he worked in the refinery of Beijing Yanshan Petrochemical Company and the refining dept. of Beijing Yanshan Petrochemical Company Ltd. In February 2000, he was appointed as the Deputy General Director of Sinopec Refining Department; in June 2003, he was appointed as the General Director of Sinopec Refining Department; in July 2010, he was appointed as Vice President of Sinopec Corp.

Chen Ge, aged 49, Secretary of the Board of Directors of Sinopec Corp., General Director of Sinopec Enterprise Reform & Management Department. Mr. Chen is a senior economist and obtained master degree. In July 1983, he started working for Beijing Yanshan Petrochemical Corporation; in February 2000, he was appointed as Deputy Director General of Secretariat of Board of Directors of Sinopec Corp.; in December 2001, he was appointed as Director General of Secretariat of Board of Directors of Sinopec Corp.; in April 2005, he was appointed as Director General of Coporate Reform and Management Department of Sinopec Corp.; and in April 2003, he was appointed as Secretary to the Board of Directors of Sinopec Corp.

Other Members of Senior Management

Name	Gender	Age	Position with Sinopec Corp.	Remuneration	Whether paid by the holding Company	Shares held at Sinopec (as of 31 December)	
				paid by Sinopec Corp. in 2011 (RMB10,000, before tax)		2011	2010
Wang Xinhua	Male	56	CFO	58.55	No	0	0
Zhang Kehua	Male	58	Vice President	59.87	No	0	0
Z h a n g Haichao	Male	54	Vice President	58.55	No	0	0
J i a o Fangzheng	Male	49	Vice President	58.55	No	0	0
Lei Dianwu	Male	49	Vice President	59.87	No	0	0
Ling Yiqun	Male	49	Vice President	55.49	No	10,000	0
Chen Ge	Male	49	Board Secretary	55.27	No	0	0

2 Appointment or Termination of Directors, Supervisors and Senior Management

Due to work adjustment, Mr. Su Shulin resigned from the positions as chairman of the Board of Directors and as Board Director of Sinopec Corp. on April 20, 2011. Mr. Fu Chengyu was elected as Chairman of Board of Directors and Board Director of Sinopec Corp. on May 13, 2011.

3 Director's and Supervisor's Interest in Contract

As of 31 December 2011 or as at any time of this year, none of Board Director or Supervisor had any beneficial interest in any material contract to which Sinopec Corp., its holding company or any its subsidiary or fellow subsidiary was one party.

4 Salaries of Directors, Supervisor, and the Senior Management

During this reporting period, number of Directors, Supervisors and other Senior Management is 17 in total, and their annual sum remuneration is RMB 11.36 million in total.

5 The Company's employees

As at 31 December 2011, the Company has a total of 377,235 employees.

Breakdown according to the member of each operation segment as follows:

	Number of Employees Employees (%)	Percentage to Total
Exploration & Production Segment	152,264	40.3
Refining Segment	79,059	21.0
Marketing & Distribution Segment	62,943	16.7
Chemical Segment	71,607	19.0
R & D and Miscellaneous	11,362	3.0
Total	377,235	100

Breakdown according to the employees' functions as follows:

	Number of Employees Employees (%)	Percentage to Total
Production personnel	195,244	51.8
Sales personnel	54,372	14.4
Technical personnel	53,268	14.1
Finance personnel	9,174	2.4
Administrative personnel	30,178	8.0
Miscellaneous	34,999	9.3
Total	377,235	100

Breakdown according to the employees' education level as follows:

	Number of Employees Employees (%)	Percentage to Total
Master and higher Degree	11,409	3.0
University	84,203	22.3
College	81,473	21.6
Polytechnic Graduates	31,852	8.5
High School, Technical School and Lower	168,298	44.6
Total	377,235	100

6 Employee Benefits Scheme

Details of the Company's employee benefits scheme are set out in the Annex of the financial statements prepared under IFRS which are contained in this annual report. As at 31 December 2011, the Company has a total of 183,945 retired employees. All of them participate in the basic pension schemes administered by provincial (autonomous region or municipalities) governments. Government-administered pension schemes are responsible

for the payments of basic pensions.

PRINCIPAL WHOLLY-OWNED, CONTROLLING AND NON WHOLLY-OWNED SUBSIDIARIES

At 31 December 2011, details of the principal wholly-owned, controlling and non wholly-owned subsidiaries of the Company were as follows:

Name of Company	Registered Capital RMB millions	Percentage of shares held by Sinopec Corp. (%)	Total Assets RMB millions	Net Assets RMB millions	Net Profit/ (Net Loss) RMB millions	Principal Activities
Sinopec Yangzi Petrochemical Company Limited	13,203	100.0	22,434	16,017	2,149	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec International Petroleum Exploration and Production Corporation	8,000	100.0	20,537	7,951	4,831	Investment in exploration, production, sales, etc. of petroleum & natural gas
Sinopec (Hong Kong) Limited	HKD 5,477	100.0	15,024	7,331	628	Trading of crude oil and petrochemical products
China International United Petroleum & Chemical Co., Ltd. (UNIPEC)	3,000	100.0	130,826	9,848	506	Trading of crude oil and petrochemical products
Sinopec Fuel Oil Sales Corporation Limited	2,200	100.0	9,957	2,652	151	Marketing and distribution of petroleum products
Sinopec Sales Company Limited	1,700	100.0	46,164	22,323	15,518	Marketing and distribution of petroleum products
Sinopec Qingdao Petroleum & Chemical Company Limited	1,595	100.0	6,512	1,594	(1,098)	Manufacturing of intermediate petrochemical products and petroleum products
China Petrochemical International Company Limited	1,400	100.0	7,460	1,980	83	Trading of petrochemical products & equipments
Sinopec Chemical Sales Co., Ltd	1,000	100.0	8,528	1,305	28	Trading of petrochemical products
	2,400	93.51	2,829	669	(681))

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Sinopec Zhongyuan Petrochemical Company Limited						Manufacturing of chemical products
Sinopec Qingdao Refining & Chemical Company Limited	5,000	85.0	15,019	3,621	(730)) Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Hainan Refining & Chemical Company Limited	3,986	75.0	11,873	4,866	812	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Kantons Holding Limited	HKD 104	72.34	2,919	2,324	255	Trading of crude oil and petroleum products
Sinopec Shell (Jiangsu) Petroleum Marketing Company Limited	830	60.0	1,444	1,089	66	Marketing and distribution of petroleum products
BP Sinopec (Zhejiang) Petroleum Company Limited	800	60.0	1,049	999	64	Marketing and distribution of petroleum products
Sinopec Shanghai Petrochemical Company Limited	7,200	55.56	to be announced	to be announced	to be announced	Manufacturing of petroleum products, synthetic fibre & resin& intermediate petrochemical products
Sinopec Senmei (Fujian) Petrochemical Company Limited	1,840	55.0	6,934	3,426	1,473	Marketing and distribution of refined oil products
Fujian Petrochemical Company Limited	4,769	50.0	5,586	4,754	(274)) Manufacturing of plastics & intermediate petrochemical products & petroleum products
Sinopec Yizheng Chemical Fibre Company Limited (YCF)	4,000	42.0	to be announced	to be announced	to be announced	Production& sales of polyester chips & polyester fibres

Notes: 1) The auditor for all of the above subsidiaries for the year 2011 is KPMG Huazhen or KPMG.

2) The above indicated total assets and net profit has been prepared in accordance with ASBE. Except for Sinopec Kantons Holdings Limited and Sinopec (Hong Kong) Limited which are incorporated in Bermuda and Hong Kong SAR respectively, all of the above wholly-owned and non wholly-owned subsidiaries are incorporated in the PRC. All of the above wholly-owned and non wholly-owned subsidiaries are limited liability companies except for Sinopec Shanghai Petrochemical Company Limited, Sinopec Yizheng Chemical Fibre Company Limited (YCF) and Sinopec Kantons Holding Limited. The Directors considered that it would be redundant to disclose the particulars of all subsidiaries and, therefore, only those which

have material impact on Sinopec Corp.'s results or assets are set out above.

REPORT OF THE PRC AUDITOR

All Shareholders of China Petroleum & Chemical Corporation:

We have audited the accompanying financial statements of China Petroleum & Chemical Corporation (the “Company”), which comprise the consolidated balance sheet and balance sheet as at 31 December 2011, the consolidated income statement and income statement, the consolidated cash flow statement and cash flow statement, the consolidated statement of changes in equity and statement of changes in equity for the year then ended, and notes to the financial statements.

1. MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company’s management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

2. AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with China Code of Ethics for Certified Public Accountants, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 31 December 2011, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China.

Registered in the People's Republic of China

Beijing, The People's Republic of China

Hu Jianfei
Zhang Yansheng

23 March 2012

(A) FINANCIAL STATEMENTS PREPARED UNDER CHINA ACCOUNTING STANDARDS FOR
BUSINESS ENTERPRISES
CONSOLIDATED BALANCE SHEET
as at 31 December 2011

	Note	2011 RMB millions	2010 RMB millions
Assets			
Current assets			
Cash at bank and on hand	5	25,197	18,140
Bills receivable	6	27,961	15,950
Accounts receivable	7	58,721	43,093
Other receivables	8	7,360	9,880
Prepayments	9	4,096	5,247
Inventories	10	203,417	156,546
Other current assets		836	594
Total current assets		327,588	249,450
Non-current assets			
Long-term equity investments	11	47,458	45,037
Fixed assets	12	565,936	540,700
Construction in progress	13	111,311	81,934
Intangible assets	14	34,842	27,440
Goodwill	15	8,212	8,298
Long-term deferred expenses	16	9,076	7,560
Deferred tax assets	17	13,398	15,578
Other non-current assets	18	12,232	9,392
Total non-current assets		802,465	735,939
Total assets		1,130,053	985,389
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	20	36,985	29,298
Bills payable	21	5,933	3,818
Accounts payable	22	177,002	132,528
Advances from customers	23	66,686	57,324
Employee benefits payable	24	1,795	7,444
Taxes payable	25	39,622	33,814
Other payables	26	57,662	54,871
Short-term debentures payable	29	—	1,000
Non-current liabilities due within one year	27	43,388	5,530
Total current liabilities		429,073	325,627
Non-current liabilities			
Long-term loans	28	54,320	58,895
Debentures payable	29	100,137	115,180
Provisions	30	18,381	15,573
Deferred tax liabilities	17	15,181	15,017
Other non-current liabilities		3,436	2,415
Total non-current liabilities		191,455	207,080
Total liabilities		620,528	532,707
Shareholders' equity			

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Share capital	31	86,702	86,702
Capital reserve	32	29,583	29,414
Specific reserve	33	3,115	1,325
Surplus reserves	34	178,263	141,711
Retained profits		178,336	163,132
Foreign currency translation differences		(1,600)	(1,157)
Total equity attributable to shareholders of the Company		474,399	421,127
Minority interests		35,126	31,555
Total shareholders' equity		509,525	452,682
Total liabilities and shareholders' equity		1,130,053	985,389

These financial statements have been approved by the board of directors on 23 March 2012.

Fu Chengyu
Chairman
(Authorised representative)

Wang Tianpu
Vice Chairman, President

Wang Xinhua
Chief Financial Officer

The notes on pages 84 to 137 form part of these financial statements.

BALANCE SHEET

as at 31 December 2011

	Note	2011 RMB millions	2010 RMB millions
Assets			
Current assets			
Cash at bank and on hand	5	20,953	11,882
Bills receivable	6	17,802	11,093
Accounts receivable	7	16,829	16,660
Other receivables	8	28,127	27,433
Prepayments	9	5,410	6,394
Inventories	10	144,148	103,170
Other current assets		502	507
Total current assets		233,771	177,139
Non-current assets			
Long-term equity investments	11	102,101	111,354
Fixed assets	12	470,825	436,870
Construction in progress	13	101,641	70,688
Intangible assets	14	28,458	20,080
Long-term deferred expenses	16	8,018	6,058
Deferred tax assets	17	10,249	11,832
Other non-current assets	18	7,479	6,315
Total non-current assets		728,771	663,197
Total assets		962,542	840,336
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	20	3,842	7,229
Bills payable	21	3,052	2,670
Accounts payable	22	128,138	87,244
Advances from customers	23	63,561	51,190
Employee benefits payable	24	1,341	7,037
Taxes payable	25	32,053	24,598
Other payables	26	74,525	73,825
Non-current liabilities due within one year	27	43,281	4,109
Total current liabilities		349,793	257,902
Non-current liabilities			
Long-term loans	28	53,783	58,377
Debentures payable	29	100,137	115,180
Provisions	30	17,114	14,462
Deferred tax liabilities	17	7,350	7,951
Other non-current liabilities		1,759	1,045
Total non-current liabilities		180,143	197,015
Total liabilities		529,936	454,917
Shareholders' equity			
Share capital	31	86,702	86,702
Capital reserve	32	37,983	37,922
Specific reserve	33	2,571	1,025
Surplus reserves	34	178,263	141,711

Retained profits	127,087	118,059
Total shareholders' equity	432,606	385,419
Total liabilities and shareholders' equity	962,542	840,336

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CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2011

	Note	2011 RMB millions	2010 RMB millions
Operating income	35	2,505,683	1,913,182
Less:			
Operating costs	35	2,093,199	1,537,131
Sales taxes and surcharges	36	189,949	157,189
Selling and distribution expenses		38,399	31,981
General and administrative expenses		63,083	57,774
Financial expenses	37	6,544	6,847
Exploration expenses, including dry holes	38	13,341	10,955
Impairment losses	39	5,811	15,445
Add:			
Gain/(loss) from changes in fair value	40	1,423	(179)
Investment income	41	4,186	5,671
Operating profit		100,966	101,352
Add:			
Non-operating income	42	3,411	2,108
Less:			
Non-operating expenses	43	1,739	1,282
Profit before taxation		102,638	102,178
Less:			
Income tax expense	44	25,774	25,335
Net profit		76,864	76,843
Including: Net profit made by acquiree before the consolidation		—	3,043
Attributable to:			
Equity shareholders of the Company		71,697	70,713
Minority interests		5,167	6,130
Basic earnings per share	56	0.827	0.816
Diluted earnings per share	56	0.795	0.808
Net profit		76,864	76,843
Other comprehensive income	45		
Cash flow hedges		142	(221)
Available-for-sale financial assets		(15)	(9)
Share of other comprehensive income of associates		(179)	(533)
Foreign currency translation differences		(676)	(1,360)
Total other comprehensive income		(728)	(2,123)
Total comprehensive income		76,136	74,720
Attributable to:			
Equity shareholders of the Company		71,207	68,706
Minority interests		4,929	6,014

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INCOME STATEMENT

for the year ended 31 December 2011

	Note	2011 RMB millions	2010 RMB millions
Operating income	35	1,541,765	1,188,495
Less:			
Operating costs	35	1,221,616	900,404
Sales taxes and surcharges	36	151,600	124,586
Selling and distribution expenses		33,489	26,291
General and administrative expenses		53,137	48,336
Financial expenses	37	6,622	6,096
Exploration expenses, including dry holes	38	13,341	10,955
Impairment losses	39	5,045	14,410
Add:			
Gain/(loss) from changes in fair value	40	1,328	(222)
Investment income	41	19,210	23,073
Operating profit		77,453	80,268
Add:			
Non-operating income	42	3,029	1,803
Less:			
Non-operating expenses	43	1,546	1,016
Profit before taxation		78,936	81,055
Less:			
Income tax expense	44	13,415	14,257
Net profit		65,521	66,798
Other comprehensive income	45		
Available-for-sale financial assets		(4)	(9)
Share of other comprehensive income in associates		(182)	(533)
Total other comprehensive income		(186)	(542)
Total comprehensive income		65,335	66,256

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Wang Tianpu
Vice Chairman, President

Wang Xinhua
Chief Financial Officer

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CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2011

	Note	2011 RMB millions	2010 RMB millions
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		2,889,482	2,215,212
Rentals received		437	392
Other cash received relating to operating activities		12,316	8,279
Sub-total of cash inflows		2,902,235	2,223,883
Cash paid for goods and services		(2,398,623)	(1,758,556)
Cash paid for operating leases		(12,611)	(12,414)
Cash paid to and for employees		(41,718)	(30,754)
Value added tax paid		(71,311)	(63,125)
Income tax paid		(29,798)	(14,158)
Taxes paid other than value added tax and income tax		(176,474)	(154,716)
Other cash paid relating to operating activities		(20,519)	(18,898)
Sub-total of cash outflows		(2,751,054)	(2,052,621)
Net cash flow from operating activities	47(a)	151,181	171,262
Cash flows from investing activities:			
Cash received from disposal of investments		3,039	1,687
Dividends received		2,961	1,335
Net cash received from disposal of fixed assets and intangible assets		1,216	16,145
Cash received on maturity of time deposits with financial institutions		6,383	3,626
Cash received from derivative financial instruments		3,679	4,646
Other cash received relating to investing activities		1,584	660
Sub-total of cash inflows		18,862	28,099
Cash paid for acquisition of fixed assets and intangible assets		(142,813)	(114,711)
Cash paid for acquisition of investments		(7,488)	(11,310)
Cash paid for acquisition of time deposits with financial institutions		(5,801)	(3,522)
Cash paid for derivative financial instruments		(3,768)	(5,273)
Sub-total of cash outflows		(159,870)	(134,816)
Net cash flow from investing activities		(141,008)	(106,717)
Cash flows from financing activities:			
Cash received from borrowings		536,397	663,491
Cash received from issuance of 2011 Convertible Bonds, net of issuing expenses		22,889	—
Cash received from issuance of corporate bonds		5,000	21,000
Cash received from issuance of shares		—	2
Cash received from contribution from minority shareholders of subsidiaries		117	408
Sub-total of cash inflows		564,403	684,901
Cash repayments of borrowings		(532,667)	(672,804)
Repayments of corporate bonds and redemption of 2007 Convertible Bonds		(6,036)	(31,000)
Cash paid for acquisition of minority interests from subsidiaries, net		(36)	—
Cash paid for dividends, profits distribution or interest		(26,368)	(23,130)

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Dividends paid to minority shareholders of subsidiaries	(1,812)	(1,051)
Distributions to Sinopec Group Company	—		(13,210)
Sub-total of cash outflows	(566,919)	(741,195)
Net cash flow from financing activities	(2,516)	(56,294)
Effects of changes in foreign exchange rate	(18)	(25)
Net increase in cash and cash equivalents	47	(b)	7,639	8,226

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Fu Chengyu

Chairman

(Authorised representative)

Wang Tianpu

Vice Chairman, President

Wang Xinhua

Chief Financial Officer

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CASH FLOW STATEMENT

for the year ended 31 December 2011

	Note	2011 RMB millions	2010 RMB millions
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,792,430	1,383,041
Rentals received		404	163
Other cash received relating to operating activities		13,898	12,635
Sub-total of cash inflows		1,806,732	1,395,839
Cash paid for goods and services		(1,404,217)	(1,034,940)
Cash paid for operating leases		(10,038)	(9,948)
Cash paid to and for employees		(35,105)	(24,742)
Value added tax paid		(56,536)	(48,521)
Income tax paid		(17,149)	(8,420)
Taxes paid other than value added tax and income tax		(137,849)	(123,684)
Other cash paid relating to operating activities		(21,348)	(19,399)
Sub-total of cash outflows		(1,682,242)	(1,269,654)
Net cash flow from operating activities	47(a)	124,490	126,185
Cash flows from investing activities:			
Cash received from disposal of investments		2,337	146
Dividends received		17,638	19,815
Net cash received from disposal of fixed assets and intangible assets		1,157	16,137
Cash received on maturity of time deposits with financial institutions		3,840	73
Other cash received relating to investing activities		1,603	290
Sub-total of cash inflows		26,575	36,461
Cash paid for acquisition of fixed assets and intangible assets		(122,261)	(104,495)
Cash paid for acquisition of investments		(5,687)	(26,539)
Cash paid for acquisition of time deposits with financial institutions		(3,940)	(50)
Sub-total of cash outflows		(131,888)	(131,084)
Net cash flow from investing activities		(105,313)	(94,623)
Cash flows from financing activities:			
Cash received from borrowings		58,528	292,370
Cash received from issuance of 2011 Convertible Bonds, net of issuing expenses		22,889	—
Cash received from issuance of corporate bonds		5,000	20,000
Cash received from issuance of shares		—	2
Sub-total of cash inflows		86,417	312,372
Cash repayments of borrowings		(65,837)	(284,918)
Cash repayments of corporate bonds and redemption of 2007 Convertible Bonds		(5,036)	(30,000)
Cash paid for dividends, profits distribution or interest		(25,750)	(21,802)
Distributions to Sinopec Group Company		—	(33)
Sub-total of cash outflows		(96,623)	(336,753)
Net cash flow from financing activities		(10,206)	(24,381)
Net increase in cash and cash equivalents	47 (b)	8,971	7,181

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

	Share capital RMB millions	Capital reserve RMB millions	Specific reserve RMB millions	Surplus reserves RMB millions	Retained profits RMB millions	Translation currency difference in foreign statements RMB millions	Total shareholders' equity attributable to equity holders of the Company RMB millions	Minority interests RMB millions	Total share holders' equity RMB millions
Balance at 1 January 2010	86,702	38,202	—	115,031	140,596	(70)	380,461	26,087	406,548
Change for the year									
1. Net profit	—	—	—	—	70,713	—	70,713	6,130	76,843
2. Other comprehensive income (Note 45)	—	(763)	—	—	—	(1,244)	(2,007)	(116)	(2,123)
Total comprehensive income	—	(763)	—	—	70,713	(1,244)	68,706	6,014	74,720
Transactions with owners, recorded directly in shareholders' equity:									
3. Appropriations of profits:									
– Appropriation for surplus reserves	—	—	—	26,680	(26,680)	—	—	—	—
– Distributions to shareholders (Note 46)	—	—	—	—	(16,473)	—	(16,473)	—	(16,473)
4. Warrants exercised (Note 31)	—	2	—	—	—	—	2	—	2
5. Consideration for the combination of entities under common control (Note 1)	—	(13,177)	—	—	—	—	(13,177)	—	(13,177)
6. Acquisition of minority	—	(9)	—	—	—	—	(9)	—	(9)

interests									
7. Distributions to minority interests, net of contributions	—	—	—	—	—	—	—	(643)	(643)
8. Net increase in specific reserve for the year	—	—	1,325	—	—	—	1,325	60	1,385
9. Government grants	—	321	—	—	—	—	321	37	358
10. Reclassification	—	4,867	—	—	(5,024)	157	—	—	—
11. Others	—	(29)	—	—	—	—	(29)	—	(29)
Balance at 31 December 2010	86,702	29,414	1,325	141,711	163,132	(1,157)	421,127	31,555	452,682

	Share capital RMB millions	Capital reserve RMB millions	Specific reserve RMB millions	Surplus reserves RMB millions	Retained profits RMB millions	Translation difference in currency statements RMB millions	Total shareholders' equity attributable to equity shareholders of the Company RMB millions	Minority interests RMB millions	Total share holders' equity RMB millions
Balance at 1 January 2011	86,702	29,414	1,325	141,711					