CHINA PETROLEUM & CHEMICAL CORP
Form 6-K
March 29, 2013

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, 2013

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 ü

(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:

An annual report for 2012 of China Petroleum & Chemical Corporation (the "Registrant"), made by the Registrant on March 22, 2013.

CONTENTS



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, 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 22 March 2013 and unless required by regulatory authorities, the Company undertakes no obligation to update these statements.

COMPANY PROFILE

IMPORTANT NOTICE: THE BOARD OF DIRECTORS, THE BOARD OF SUPERVISORS, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF CHINA PETROLEUM & CHEMICAL CORPORATION ("SINOPEC CORP.") WARRANT THAT THERE ARE NO MISREPRESENTATIONS, MISLEADING STATEMENTS CONTAINED IN OR MATERIAL OMISSIONS FROM 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 APPROPRIATION OF THE COMPANY'S FUNDS FOR NON-OPERATIONAL PURPOSE BY ANY CONTROLLING SHAREHOLDERS OR THEIR CONNECTED PERSONS, AND THERE IS NO VIOLATION OF DECISION-MAKING PROCEDURES IN PROVIDING EXTERNAL GUARANTEES. ALL DIRECTORS OF SINOPEC CORP. ATTENDED THE SIXTH MEETING OF THE FIFTH SESSION OF THE BOARD OF DIRECTORS OF SINOPEC CORP. MR. FU CHENGYU, CHAIRMAN OF THE BOARD, MR. WANG TIANPU, VICE CHAIRMAN AND PRESIDENT AND MR. WANG XINHUA, CHIEF FINANCIAL OFFICER AND HEAD OF THE FINANCIAL DEPARTMENT WARRANT THE AUTHENTICITY AND COMPLETENESS OF THE FINANCIAL STATEMENTS CONTAINED IN THIS ANNUAL REPORT. THE AUDIT COMMITTEE OF SINOPEC CORP. HAS REVIEWED THE ANNUAL RESULTS OF SINOPEC CORP. FOR THE YEAR ENDED 31 DECEMBER 2012.

THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 OF SINOPEC CORP. AND ITS SUBSIDIARIES (THE "COMPANY") PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ("ASBE") AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") HAVE BEEN AUDITED BY KPMG HUAZHEN (SPECIAL GENERAL PARTNERSHIP) AND KPMG CERTIFIED PUBLIC ACCOUNTANTS ("KPMG") RESPECTIVELY AND BOTH FIRMS HAVE ISSUED STANDARD UNQUALIFIED AUDITOR'S REPORT.

AS APPROVED BY THE SIXTH MEETING OF THE FIFTH SESSION OF THE BOARD OF DIRECTORS, THE BOARD RECOMMENDED A FINAL CASH DIVIDEND OF RMB 0.20 PER SHARE FOR 2012, COMBINED WITH THE INTERIM CASH DIVIDEND OF RMB 0.10 PER SHARE, TOTAL CASH DIVIDEND FOR 2012 WILL BE RMB 0.30 PER SHARE. THE BOARD ALSO PROPOSED THAT, BASED ON THE TOTAL NUMBER OF SHARES ON THE RECORD DATE, 2 BONUS SHARES FROM RETAINED EARNINGS AND 1 BONUS SHARE FROM CAPITAL RESERVE BE DISTRIBUTED FOR EACH 10 EXISTING SHARES HELD BY ALL SHAREHOLDERS. THE PROPOSAL SUBJECTS TO THE SHAREHOLDER'S APPROVAL AT THE ANNUAL GENERAL MEETING.

| | | | |
|---|---|---|---|
| Exploration and Production | Refining | Marketing and Distribution | Chemicals |

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 fiber, fertilizer 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, internationalization, differentiation and green low-carbon development with a view to realize 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

(1) Principal financial data

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

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

(2) Principal financial indicators

| | For the years ended 31 December | | | |
|---|---|---|---|---|
| | 2012 | 2011 | Change | 2010 |
| Items | RMB | RMB | % | RMB |
| Basic earnings per share | 0.731 | 0.827 | (11.6) | 0.816 |
| Diluted earnings per share | 0.704 | 0.795 | (11.4) | 0.808 |
| Basic earnings per share based on latest total shares (note) | 0.708 | 0.826 | (14.3) | 0.816 |
| Basic earnings per share (before extraordinary gain and loss) | 0.713 | 0.813 | (12.3) | 0.788 |
| Weighted average return on net assets (%) | 12.80 | 15.93 | (3.13) percentage points | 17.43 |
| Weighted average return (before extraordinary gain and loss) on net assets (%) | 12.48 | 15.66 | (3.18) percentage points | 16.94 |

| | | | | |
|---|---|---|---|---|
| Net cash flow from operating activities per share | 1.653 | 1.744 | (5.2) | 1.975 |

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

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

3

(3) Extraordinary items and corresponding amounts

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

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

| | | | | | |
|---|---|---|---|---|---|
| | | | | | Note 25 |
| Short-term debentures payable | 30,000 | — | 30,000 | N/A | Issuance of RMB 30 billion short-term debentures in 2012 |
| Non-current liabilities due within one year | 15,754 | 43,388 | (27,634) | (63.69) | Repayment of bonds due within one year |
| Financial expenses | 9,819 | 6,544 | 3,275 | 50.05 | Decrease in exchange gains and increase in debts bearing interests |
| Impairment losses | 7,906 | 5,811 | 2,095 | 36.05 | Please refer to Financial Statements under ASBE, Note 39 |
| Gain from changes in fair value | 206 | 1,423 | (1,217) | (85.52) | Due to fair value change of the embedded derivatives of convertible bonds issued by the Company |
| Investment income | 1,540 | 4,186 | (2,646) | (63.21) | Please refer to Financial Statements under ASBE, Note 41 |
| Non-operating income | 4,573 | 3,411 | 1,162 | 34.07 | Please refer to Financial Statements under ASBE, Note 42 |
| Non-operating expense | 2,392 | 1,739 | 653 | 37.55 | Please refer to Financial Statements under ASBE, Note 43 |

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

Unit: RMB millions

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

Unit: RMB millions

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

## 3 MAJOR DIFFERENCES BETWEEN THE AUDITED FINANCIAL STATEMENTS PREPARED UNDER ASBE AND IFRS PLEASE REFER TO PAGE 191 OF THE REPORT.

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

1 CHANGES IN THE SHARE CAPITAL

Unit: Share

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

2 NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

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

(1) Shareholdings of top ten shareholders

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

Unit: Share

| Name of shareholders | Nature of Shareholders | Percentage of shareholdings % | Total number of shares held | Changes of shareholding1 | Number of shares subject to pledges or lock-up |
|---|---|---|---|---|---|
| China Petrochemical Corporation | State-owned share | 75.79 | 65,797,127,692 | 39,083,199 | 0 |
| HKSCC Nominees Limited 2 | H share | 19.21 | 16,677,244,472 | 5,255,000 | N/A |
| Guotai Junan Securities Co., Ltd. | A share | 0.23 | 203,708,135 | (53,042,722 ) | 0 |
| PICC Life Insurance Company Limited-Bonus-Personal Insurance Bonus | A share | 0.12 | 100,428,473 | (42,695,067 ) | 0 |

| | | | | | |
|---|---|---|---|---|---|
| China Securities Finance Co., Ltd. – refinancing collateral securities account | A share | 0.07 | 58,000,000 | 58,000,000 | 0 |
| China Life Insurance Co., Ltd. – dividends – personal bonus - 005 - l - FH002 Shanghai | A share | 0.06 | 55,612,746 | (115,344,770) | 0 |
| Bank of Communications – e 50 index securities investment funds | A share | 0.06 | 54,428,862 | 24,085,062 | 0 |
| Taikang Life Insurance Co., Ltd.-Bonus-Personal Bonus-019L-FH002 Shanghai | A share | 0.05 | 47,358,399 | 16,858,559 | 0 |
| Industrial and Commercial Bank of China – investment bank core enterprise stock securities investment fund | A share | 0.05 | 44,225,356 | 44,225,356 | 0 |
| China Pacific Life Insurance Co., Ltd. – traditional – general insurance products | A share | 0.05 | 40,387,540 | 33,889,363 | 0 |

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

Note 2 Sinopec Century Bright Capital Investment Limited, overseas wholly-owned subsidiary of China Petrochemical Corporation, holds 425,500,000 H shares, accounting for 0.49% of the total share capital of Sinopec Corp., which is included in the total number of the shares held by HKSCC Nominees Limited.

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

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

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

| Name of shareholders | Capacity of interests held | Number of share interests held or regarded as held | As an approximate percentage of Sinopec Corp.'s issued share capital (H Share) (%) |
|---|---|---|---|
| JPMorgan Chase & Co. | Interest of corporation controlled by the substantial shareholder | 1,568,363,388(L) | 9.3(L) |
| | | 280,339,045(S) | 1.7(S) |
| | Beneficial owner | 183,071,591(L) | 1.1(L) |
| | | 66,018,825(S) | 0.4(S) |
| | Investment manager | 110,209,338(L) | 0.7(L) |
| | Custodian corporation/approved lending agent | 1,062,265,434(L) | 6.3(L) |
| Templeton Asset Management Ltd. | Investment manager | 1,006,669,203(L) | 6.0(L) |
| Government of Singapore Investment Corporation Pte Ltd | Investment manager | 841,355,039(L) | 5.0(L) |
| Citigroup Inc. | Interest of corporation controlled by the substantial shareholder | 261,011,078(L) | 1.6(L) |
| | | 101,310,001(S) | 0.6(S) |
| | Custodian corporation/approved lending agent | 576,960,447(L) | 3.4(L) |
| | Person having a security interest in shares | 3,288,000(L) | 0.02(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 2012, a total of 8,573,610 Sinopec CB had been converted into A shares of Sinopec Corp., and a total of 117,759,112 shares has been converted from Sinopec CB. As at the end of the reporting period, there were 221,426,390 Sinopec CB which had not been converted into shares yet, accounting for 96.27% of the total number of issued Sinopec CB. The conversion of Sinopec CB had no material impact on the asset-liabilities structure of the Company.

(3) Existing employee shares
During the reporting period, there were no employee shares.

4 CHANGES IN THE CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER
There was no change in the controlling shareholders and the de facto 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 company. Its registered capital is RMB 231.6 billion, and the legal representative is Mr. Fu Chengyu. The organization code of China Petrochemical Corporation is 10169286-X. Through re-organisation in 2000, China Petrochemical Corporation injected its principal petroleum and petrochemical businesses into Sinopec Corp. and retained certain petrochemical facilities and small-scale refineries. It provides well-drilling services, well-logging services, downhole operation services, services in connection with manufacturing and maintenance of production equipment, engineering construction, utility services including water and power and social services.

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

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

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

(3) Basic information of the de facto controller
China Petrochemical Corporation is the de facto controller of Sinopec Corp.

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

China Petrochemical Corporation

76.28% Note

SINOPEC Corp.

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

7

CHAIRMAN'S STATEMENT

Mr. Fu Chengyu, Chairman

Dear shareholders,

On behalf of the Board of Directors, I would like to express my sincerest gratitude for the ongoing trust and support you have shown the Company this year.

The world witnessed difficult macroeconomic conditions in 2012, as well as a complex and volatile environment in the petroleum and petrochemical markets. By planning ahead, the Company was able to respond proactively to market dynamics, while also strengthening corporate governance, increasing shareholder returns and deepening internal reforms. Its ability to adapt to difficult market conditions leaves the Company well positioned to build a leading energy and chemicals enterprise and achieve positive operating results. In 2012, the Company's total revenues and other operating income increased by 11.2% from the previous year to RMB 2,786 billion. Profits attributable to equity shareholders of the Company under International Financial Reporting Standards decreased by 12.8% to RMB 63.9 billion, while net profits attributable to equity shareholders of the Company, under China Accounting Standards for Business Enterprises, dropped by 11.4% to RMB 63.5 billion.

As part of the progress in our integrated business in 2012, the upstream business successfully overcame a number of challenges through initiatives that we refer to as the Five Campaigns. Consequently, our oil and gas reserves and production increased, and we achieved significant breakthroughs in the exploration and production of unconventional oil and gas. By expanding the scale of our refining business and improving the quality of our oil products, we have made major advances in our competitiveness in this part of the business. Sinopec's strong brand, comprehensive marketing network, and efficient product distribution system all contributed to steady growth in the volume of our oil product sales and the optimization of our sales structure, creating one-stop shopping for consumers. Our non-fuel business grew rapidly, allowing us to better serve our customers. In order to mitigate the impact from weak demand and declined price of chemical products, Sinopec combined its research, production and marketing efforts in the chemical business, allowing us to optimize load of utilization for chemicals production and adjust the product mix, and ultimately improve the quality of our customer service and promote continued loyalty. Strong performance in trading and new technological applications helped strengthen development of the Company's integrated business. The progress we have made in the business has won recognition and support from our shareholders and the public. Since the start of the second half of 2012, Sinopec Corp.'s share price has outperformed the market and its peers both domestically and overseas, and, as a result, shareholder returns and the value of the Company have increased substantially.

With these positive operational performance and strong confidence in the future development of the Company from our executives, we are more than happy to share these achievements with our shareholders. Taking into account the Company's profitability, shareholder expectations and the need for future sustainable development, the Board of Directors proposed a final cash dividend of RMB 0.20 per share for 2012, which, combined with the interim cash dividend of RMB 0.10 per share, brings the total annual cash dividend for 2012 to RMB 0.30 per share. The Board also proposed to distributed 2 bonus shares from retained earnings plus 1 bonus shares from capital reserve for every 10 existing shares.

Sinopec Corp. enhanced its corporate governance in 2012 through a number of initiatives. In May 2012, the Board of Directors and the Board of Supervisors underwent a smooth transition of its membership and appointed management team members. The Board of Directors attaches great importance to the Company's efforts in corporate social responsibility and has now established the Corporate Social Responsibility Committee. With a focus on shareholder returns, Sinopec Corp. has amended its Articles of Association to clarify its dividend policy. We have also enhanced our communication with investors by refining our disclosure policies. With strong support from our Independent Directors and independent shareholders, the renewal at the continuing connected transaction and relevant caps were approved for the period from 2013 to 2015. Meanwhile, Sinopec Corp. also improved its internal control protocols to make its internal controls more effective and to increase its overall capabilities for risk management.

Sinopec Corp.'s development accelerated in 2012, with particular progress in implementing structural adjustments across the Company and great emphasis in carrying out green and low-carbon initiatives. Capital expenditures for the year reached RMB 169.0 billion. Among which, expenditures for the upstream accounts for 47%, with a target to expand its oil and gas reserves and production, expenditures for the refining accounts for 19%, which was spent in capacity expansion and upgrading the quality of oil products, expenditures for the chemical segment accounts for 14%, predominantly for investments in product differentiation and expenditures for marketing and distribution accounts for 19%, principally for further improvements in the sales network for refined oil products.

Sinopec Corp. played an active role in corporate social responsibility, paying close attention to sustainable development of the industry, society and the environment. By implementing a green and low-carbon strategy, Sinopec Corp. is following a new path for corporate development coupling industrialization with the construction of resource-saving and environmentally friendly enterprises. Despite expanding the scale of its production, Sinopec Corp. has been able to lower its energy consumption and reduce the discharge of major pollutants. We have also continuously participated in activities that advance our corporate social responsibility, including poverty alleviation, educational sponsorship and Sinopec Corp.'s Lifeline Express, while also taking care of our own employees and providing support for development of their careers. Sinopec respects the rights of its stakeholders, such as communities, consumers, clients and suppliers, and seeks to foster harmonious developments of the entire society. During the past year, we joined the United Nations Global Compact LEAD and became one of the signatories of the UN's Caring for Climate. In June 2012, Sinopec made 10 voluntary commitments, including a strategy for sustainable development, during the United Nations Conference on Sustainable Development, also known as Rio+20. Sinopec takes various initiatives to deliver this pledge, and we announced our commitments in our Environmental Protection Report on 29 November 2012.

These successful developments can be attributed to the steady growth of the Chinese economy, yet is not possible without the interest and support of each and every shareholder and of the public and the unrivalled efforts of the Board of Directors, the Supervisory Committee, our management team and all Sinopec Corp.'s employees. The results further substantiate the Company's strategy to use its resources, marketing, integration, global reach, differentiation and green and low-carbon initiatives to build Sinopec into a leading energy and chemicals company.

With a 30-year history of reforming, restructuring and developing, Sinopec's integrated model has given it a clear industry advantage in operational scale and competitiveness and has created the conditions for future growth. Looking ahead, we see the simultaneous progress of China in industrialization, informatization, urbanization and agricultural modernization as providing market opportunities for Sinopec, along with sustained growth in demand for energy and chemical products. We recognize that the slow recovery of the world economy, the increase in energy production and consumption and the fiercer competition in the petrochemicals market all pose new challenges for Sinopec and make its development as a leading enterprise more urgent. To maximize corporate value, the Board of Directors will continue to support the implementation of the existing corporate strategy to make quality and efficiency the priorities for development, with an accelerated shift to an operational focus on low-carbon development.

In 2013, Sinopec Corp. will implement initiatives across the Company to enhance the quality and efficiency of its traditional businesses while growing and developing new businesses. We will work to target areas that need reform and use our resources to resolve organizational issues that might hinder the Company's future growth. Sinopec Corp. will endeavor to improve its management capabilities, focusing on strategic planning and value-based management. We place great importance on our green and low-carbon strategy across the entirety of Sinopec Corp's operations, and we will increase our efforts to develop these initiatives and ensure that we are contributing to an ecologically conscious civilization. Sinopec will remain focused on achieving favorable returns for shareholders, engaging in activities to advance corporate social responsibility and promote sustainable economic development of the Company and of society.

Based on market conditions and to meet Sinopec Corp.'s development objectives, we have allocated RMB 181.7 billion for CAPEX in 2013. The quality and efficiency of Sinopec Corp.'s growth forms the core of its investment thesis and dictates its investment principles—acquiring resources, ensuring supplies, supporting the major businesses, adjusting product structure, optimizing projects and increasing returns, all to promote rapid development of the business.

With the support of our shareholders and the dedication of our employees, the Board of Directors strongly believes that Sinopec Corp. will make sustained progress throughout the business and continue toward its goal of building a leading enterprise. By maintaining its superior performance and continuing with its controlled expansion, Sinopec will repay its shareholders, contribute to society and help its employees prosper.

We are fully prepared for the challenges ahead. It takes time to build a strong corporation, and with your support, we will strive to create a bright future for Sinopec Corp. and its shareholders.

Fu Chengyu
Chairman

Beijing, China
22 March 2013

BUSINESS REVIEW AND PROSPECTS

Mr. Wang Tianpu, Vice Chairman and President

BUSINESS REVIEW

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

1 Market Review

(1) Crude oil market

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

(2) Oil products market

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

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

2 Production and Operations

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

Summary of Operations for the Exploration and Production Segment

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

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

Notes:

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

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

(2) Refining

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

Summary of Operations for the Refining Segment Unit: million tonnes

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

Note:

1. Refinery throughput is converted at 1 tonne = 7.35 barrels;

2. Includes 100% of production of joint ventures.

(3) Marketing and Distribution

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

Summary of Operations, Marketing and Distribution Segment

| | 2012 | 2011 | 2010 | Change from 2011 to 2012 (%) |
|---|---|---|---|---|
| Total sales volume of oil products (million tonnes) | 173.15 | 162.32 | 149.23 | 6.7 |
| Total domestic sales volume of oil products (million tonnes) | 158.99 | 151.16 | 140.49 | 5.2 |
| Including: Retail sales (million tonnes) | 107.85 | 100.24 | 87.63 | 7.6 |
| Direct sales (million tonnes) | 33.25 | 33.22 | 32.40 | 0.1 |
| Wholesale (million tonnes) | 17.89 | 17.70 | 20.47 | 1.1 |
| Annual average throughput per station (tonne/station) | 3,498 | 3,330 | 2,960 | 5.0 |

| | 31 December 2012 | 31 December 2011 | 31 December 2010 | Change from the end of the previous year to the end of the reporting period (%) |
|---|---|---|---|---|
| Total number of service stations under Sinopec brand | 30,836 | 30,121 | 30,116 | 2.4 |
| Including: Number of company-operated service stations | 30,823 | 30,106 | 29,601 | 2.4 |

(4) Chemicals

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

Summary of Operations, Chemicals Segment Unit: thousand tonnes

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

Note: Includes 100% of production of joint ventures.

(5) Research and Development

In 2012, the Company actively executed innovation-driven development strategies and made continued technological breakthroughs, bringing significant results. In upstream, the Company established its initial assessment standards for block selection with regard to shale gas reserves in South China and continental shale oil in Eastern areas. In refining, we achieved continued success with technical breakthroughs for cleaner oil products. Pilot plants using a number of new technologies, including selective gasoline hydrogenation, liquid phase diesel cyclical hydrogenation and ultra-deep diesel hydrogenation desulfurization, were put into operation. In chemicals, new products such as high-melt-strength PP, Rare Earth–based Cis-1,4-polybutadiene rubber and carbon fiber were successfully developed. In environmental protection, comprehensive rectification technology for refinery tail gas and integrated desulfurization, denitration and dust removal technology for catalytic cracking stack gas were commercialized. Bio-jet fuel technology based on waste cooking oil was put into trial production. The 600 thousand tonnes/year DMTO pilot project was recognized worldwide with leading technical indicators. The first MTX engineering pilot plant was built and put into operation. For the whole year, Sinopec filed 3,893 domestic and overseas patent applications, with 1,451 granted. The Company garnered The National Scientific Technology Progress Special Award for its safe and efficient exploration technology and industrialized utilization of major ultra-deep sour gas fields, and the Gold Award of China Patent was granted to the company for its ethylbenzene production method from benzene and ethylene by alkylation and for its hydrofining method for caprolactam.

(6) Health, Safety and Environment

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

(7) Capital Expenditures

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

The corporate and others spent RMB 2,397 million on purchasing R&D equipment and construction of information-technology projects.

BUSINESS PROSPECTS

(1) Market Analysis
Looking into 2013, the world economy is expected to recover slowly, with a trend of tepid growth persists under the complex and precarious environment. While the Chinese economy is showing signs of stability and improvements, its domestic petroleum and petrochemical product markets are still under pressure from both domestic and overseas macroeconomic conditions. Crude oil price is expected to fluctuate within an elevated level during 2013. China's policies to implement and expedite adjustments in its industrial structure and to promote industrialization, urbanization, informatization, modernization in agriculture and growth in domestic consumer demand, as well as optimize the pricing mechanism for oil products and natural gas will combined to create favorable conditions for the Company's reform and development.

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

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

Refining Segment: The Company will closely track and analyze oil price trend, optimize the procurement and allocation of crude oil and reduce the purchasing cost of crude oil; utilize newly added refinery capacity and increase refinery throughput; actively upgrade the quality of oil products and supply cleaner oil products to the market; coordinate production with sales, making timely adjustments to product mix and refinery utilization to increase the production of well received products and high-value-added products; take the advantage of its consolidated sales function and optimize the marketing at for LPG, asphalt and paraffin wax. In 2013, the targets for refinery throughput and oil products output are slated at 238 million tonnes and 145 million tonnes respectively.

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

Chemicals Segment: the Company will further optimize the structure of raw materials, with a larger proportion of light chemical feedstock to reduce costs; produce more well received, profitable and competitive products with the tactics of "sales – oriented productions target, production – oriented supply volume and market promotion based on production"; integrate production, sales and research; make adjustments to product mix and promote the R&D,

production and sales of new products; emphasize market analysis, optimize marketing strategy and enhance customer service; and improve management of the supply chain and carry out a low inventory level tactics with the aim of achieving 100% sales to production ratio. The company plans to produce 9.83 million tonnes of ethylene in 2013.

Research and Development: The Company will continue implementing a development strategy driven by innovation with the aim of making breakthroughs in unconventional oil and gas exploration and development, including shale oil and gas, and in new strategic technologies, including clean and high-efficiency utilization of coal, bio-fuel and bio-chemicals, high-performance synthetic materials and high-value-added fine chemicals. It will also conduct research on green, low-carbon, energy-conserving technology to enhance environmental protection and provide scientific and technological support for structural adjustments to enhance sustainability. Sinopec will enhance and improve the exploration and development of oil and gas resources; increase the recovery rate; utilize core technology and specialized technology for lower grade and heavy crude oil processing, cleaner oil product production, large-scale aromatics and high-performance synthetic material projects; fully enhance supportive technologies; satisfy the requirements from its core business for development; and play a leading role in technology and business development in the future through constant improvements in its capabilities for basic research and original innovation.

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

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

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, UNLESS OTHERWISE STATED. THE PRICES IN THE FOLLOWING DISCUSSION DO NOT INCLUDE VALUE-ADDED TAX.

1 CONSOLIDATED RESULTS OF OPERATIONS

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

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

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

(1) Turnover and other operating revenues

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Net finance costs were RMB 9.9 billion, representing an increase of 87.0 % over 2011. Of which: the interest expense of the Company was RMB 11.2 billion, representing an increase of RMB 2.0 billion over 2011; the gain of exchange decreased by RMB 1.0 billion as compared with 2011; for the convertible bonds issued by the Company, loss from fair value change at the end of the period increased by RMB 1.3 billion over the same period of 2011.

(5) Profit before taxation was RMB 90.6 billion, representing a decrease of 13.3% as compared with the same period of 2011.

(6) Tax expense was RMB 23.8 billion, representing a decrease of RMB 2.3 billion as compared with the same period of 2011.

(7) Profit attributable to non-controlling interests of the Company was RMB 2.9 billion, representing a decrease of RMB 2.3 billion comparing with the same period of 2011.

(8) Profit attributable to equity shareholders of the Company was RMB 63.9 billion, representing a decrease of 12.8% comparing with the same period of 2011.

2. RESULTS OF SEGMENT OPERATIONS

The Company manages its operations through 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, 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 periods indicated.

| | Operating revenues Year ended 31 December | | As a percentage of consolidated operating revenue before elimination of inter-segment sales Year ended 31 December | | As a percentage of consolidated operating revenue after elimination of inter-segment sales Year ended 31 December | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | RMB millions | | (%) | (%) | (%) | (%) |
| Exploration and Production Segment | | | | | | |
| External sales (note) | 82,614 | 68,723 | 1.7 | 1.6 | 3.0 | 2.7 |
| Inter-segment sales | 174,571 | 173,115 | 3.7 | 4.0 | | |
| Operating revenues | 257,185 | 241,838 | 5.4 | 5.6 | | |
| Refining Segment | | | | | | |
| External sales (note) | 199,525 | 196,217 | 4.2 | 4.5 | 7.2 | 7.8 |
| Inter-segment sales | 1,071,387 | 1,015,855 | 22.7 | 23.3 | | |
| Operating revenues | 1,270,912 | 1,212,072 | 26.9 | 27.8 | | |
| Marketing and Distribution Segment | | | | | | |
| External sales (note) | 1,462,244 | 1,341,859 | 31.0 | 30.8 | 52.5 | 53.6 |
| Inter-segment sales | 9,638 | 5,767 | 0.2 | 0.1 | | |
| Operating revenues | 1,471,882 | 1,347,626 | 31.2 | 30.9 | | |
| Chemicals Segment | | | | | | |
| External sales (note) | 363,738 | 375,287 | 7.7 | 8.6 | 13.1 | 15.0 |
| Inter-segment sales | 48,226 | 45,203 | 1.0 | 1.0 | | |
| Operating revenues | 411,964 | 420,490 | 8.7 | 9.6 | | |
| Corporate and Others | | | | | | |
| External sales (note) | 677,924 | 523,597 | 14.4 | 12.0 | 24.2 | 20.9 |
| Inter-segment sales | 635,046 | 610,585 | 13.4 | 14.1 | | |
| Operating revenues | 1,312,970 | 1,134,182 | 27.8 | 26.1 | | |
| Operating revenue before elimination of inter-segment sales | 4,724,913 | 4,356,208 | 100.0 | 100.0 | | |
| Elimination of inter-segment sales | (1,938,868) | (1,850,525) | | | | |
| Consolidated operating revenues | 2,786,045 | 2,505,683 | | | 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 periods indicated, and the change rate of 2012 compared to 2011.

| | Year ended 31 December 2012 | 2011 | Change |
|---|---|---|---|
| | RMB millions | | (%) |
| Exploration and Production Segment | | | |
| Operating revenues | 257,185 | 241,838 | 6.3 |
| Operating expenses | 187,131 | 170,207 | 9.9 |
| Operating profit | 70,054 | 71,631 | (2.2) |
| Refining Segment | | | |
| Operating revenues | 1,270,912 | 1,212,072 | 4.9 |
| Operating expenses | 1,282,356 | 1,247,852 | 2.8 |
| Operating loss | (11,444) | (35,780) | (68.0) |
| Marketing and Distribution Segment | | | |
| Operating revenues | 1,471,882 | 1,347,626 | 9.2 |
| Operating expenses | 1,429,230 | 1,302,930 | 9.7 |
| Operating profit | 42,652 | 44,696 | (4.6) |
| Chemicals Segment | | | |
| Operating revenues | 411,964 | 420,490 | (2.0) |
| Operating expenses | 410,786 | 393,758 | 4.3 |
| Operating profit | 1,178 | 26,732 | (95.6) |
| Corporate and others | | | |
| Operating revenues | 1,312,970 | 1,134,182 | 15.8 |
| Operating expenses | 1,315,413 | 1,136,822 | 15.7 |
| Operating loss | (2,443) | (2,640) | (7.5) |
| Elimination of inter-segment profits | (1,335) | 891 | — |

(1) Exploration and Production Segment
Almost all 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 small portion of crude oil were sold externally to other customers.

In 2012, the operating revenues of this segment were RMB 257.2 billion, representing an increase of 6.3 % over the same period of 2011. This was mainly attributable to the increased sales volume of crude oil and natural gas, of 1.07 million tonnes and 2.1 billion cubic meters, respectively.

In 2012, this segment sold 44.06 million tonnes of crude oil and 15.1 billion cubic meters of natural gas, representing increase of 2.5 % and 16.3% respectively compared with the same period of 2011. The average realized price of crude oil was RMB 4,491 per tonne, which was 0.8 % lower than the price at the same period of 2011. And the average realized price of natural gas was RMB 1,292 per thousand cubic meters, which was 0.6% higher than the price at the same period of 2011.

In 2012, the operating expenses of this segment were RMB 187.1 billion, representing an increase of 9.9 % over the same period of 2011. The increase was mainly due to the following: Depreciation, depletion and amortization increased by RMB 3.8 billion as compared with the same period of 2011, mainly because of growth in oil and gas properties resulting from investment; The Company made greater efforts to explore in Erdos, Sichuan Basin, Junggar and other areas for both conventional and unconventional oil and gas resources; therefore, exploration expenses increased by RMB 2.2 billion comparing with the same period of 2011; Personnel expenses increased by RMB 2.7 billion compared with 2011; Material sales income increased, which made material sales cost go up accordingly and other business expenditures increase by RMB 7.7 billion as compared with the same period of 2011.

In 2012, lifting cost was RMB 786 per tonne, representing an increase of 6.4 % over 2011. This mainly attributed to the increased cost of externally purchased materials, fuels, power and labor as well as the additional expenses on maintenance for injection, production and transfer system in existing oil fields.

In 2012, the exploration and production segment made great efforts to increase reserve and enhance output. The operating profit was RMB 70.1 billion, representing a decrease of 2.2 % as compared with 2011.

(2) Refining Segment
Business activities of the refining segment include purchasing crude oil from the third parties, the exploration and production segment of the Company, as well as processing crude oil into refined petroleum products. Gasoline, diesel and kerosene are sold internally 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.

In 2012, the operating revenues of this segment totaled RMB 1,270.9 billion, representing an increase of 4.9 % over the same period of 2011. This was mainly attributable to the increased sales volumes and the increased price of 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 2012 and 2011.

| | Sales Volume (Thousand tonnes) | | | Average realized price (RMB/tonne) | | |
|---|---|---|---|---|---|---|
| | Year ended 31 December | | Change | Year ended 31 December | | Change |
| | 2012 | 2011 | (%) | 2012 | 2011 | (%) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Gasoline | 38,473 | 35,173 | 9.4 | 7,957 | 7,629 | 4.3 |
| Diesel | 72,883 | 74,338 | (2.0) | 6,682 | 6,421 | 4.1 |
| Kerosene | 10,262 | 9,538 | 7.6 | 6,379 | 6,038 | 5.6 |
| Chemical feedstock | 34,431 | 35,783 | (3.8) | 5,983 | 5,774 | 3.6 |
| Other refined petroleum products | 46,932 | 45,187 | 3.9 | 4,267 | 4,325 | (1.3) |

In 2012, the sales revenues of gasoline were RMB 306.1 billion, representing an increase of 14.1 % over the same period of 2011.

The sales revenues of diesel were RMB 487.0 billion, representing an increase of 2.0 % over the same period of 2011.

The sales revenues of kerosene were RMB 65.5 billion, representing an increase of 13.7 % over the same period of 2011.

The sales revenues of chemical feedstock were RMB 206.0 billion, representing a decrease of 0.3% comparing with the same period of 2011.

The sales revenues of refined petroleum products other than gasoline, diesel, kerosene and chemical feedstock were RMB 200.3 billion, representing an increase of 2.5 % over the same period of 2011.

In 2012, this segment's operating expenses were RMB 1,282.4 billion, representing an increase of 2.8 % over the same period of 2011 and mainly attributable to the increase in crude oil price and refining throughput.

In 2012, the average processing cost for crude oil was RMB 5,146 per tonne, representing an increase of 3.4 % over 2011. Crude oil processed totaled 212.10 million tonnes (excluding volume processed for third parties), representing an increase of 0.9 % over 2011. The total costs of crude oil processed were RMB 1,091.4 billion, representing an increase of 4.3 % over 2011.

In 2012, refining margin was RMB 156.5 per tonne, representing an increase of RMB 121.8 per tonne compared with 2011. This was mainly attributable to higher product price. The government adjusted domestic oil products prices in line with crude oil price change, while the segment seized market opportunities, adjusted product mix and expanded sales volume of value added products.

In 2012, the unit refining cash operating cost (defined as operating expenses less the processing cost of crude oil and refining feedstock, depreciation and amortization, taxes other than income tax and other operating expenses, and divided by the throughput of crude oil and refining feedstock) was RMB 157.5 per tonne, representing an increase of RMB 8 per tonne over 2011. This was mainly attributed to the cost increase in externally purchased auxiliary materials, power and fuels.

In 2012, the operating loss of the segment totaled RMB 11.4 billion, representing a decrease in loss of RMB 24.3 billion as compared with the same period of 2011.

(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 and retailing, distributing oil products through the segment's retail and distribution network, as well as providing related services.

In 2012, the operating revenues of this segment were RMB 1,471.9 billion, increased by 9.2 % over 2011. Of which: the sales revenues of gasoline totaled RMB 461.2 billion, which increased by 15.5 % comparing with the same period of 2011; the sales revenues of diesel and kerosene were RMB 727.0 billion and RMB 120.2 billion, and increased by 4.4 % and 17.7 %, respectively, over 2011.

The following table sets forth the sales volumes, average realized prices, and respective change rates of the four product categories in 2012 and 2011, including detailed information of different sales channels for gasoline and diesel:

| | Sales Volume (Thousand tonnes) | | | Average realized price (RMB/tonne) | | |
|---|---|---|---|---|---|---|
| | Year ended 31 December | | Change | Year ended 31 December | | Change |
| | 2012 | 2011 | (%) | 2012 | 2011 | (%) |
| Gasoline | 53,535 | 47,540 | 12.6 | 8,614 | 8,403 | 2.5 |
| Of which: Retail | 45,477 | 40,380 | 12.6 | 8,744 | 8,509 | 2.8 |
| Direct sales | 3,577 | 2,514 | 42.3 | 7,505 | 7,636 | (1.7) |
| Wholesale | 4,481 | 4,647 | (3.6) | 8,182 | 7,889 | 3.7 |
| Diesel | 100,790 | 98,508 | 2.3 | 7,213 | 7,072 | 2.0 |
| Of which: Retail | 57,382 | 55,521 | 3.4 | 7,454 | 7,247 | 2.9 |
| Direct sales | 32,355 | 31,998 | 1.1 | 6,882 | 6,853 | 0.4 |
| Wholesale | 11,053 | 10,988 | 0.6 | 6,932 | 6,824 | 1.6 |
| Kerosene | 18,741 | 16,493 | 13.6 | 6,416 | 6,192 | 3.6 |
| Fuel oil | 29,690 | 26,560 | 11.8 | 4,622 | 4,486 | 3.0 |

In 2012, the operating expenses of the segment were RMB 1,429.2 billion, representing an increase of RMB 126.3 billion or 9.7 % as compared with that in 2011. This was mainly due to increase of both volume and price of oil products. Thus, the purchase costs increased by RMB 120.1 billion or 9.6% as compared with 2011.

In 2012, the segment's marketing cash operating cost (defined as the operating expenses less the purchase costs, taxes other than income tax, depreciation and amortization, and then divided by the sales volume) were RMB 186.3 per tonne, representing an increase of 0.8 % compared with that of 2011.

In 2012, the operating profit of this segment was RMB 42.7 billion, representing a decrease of 4.6 % comparing with 2011.

(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 2012, the operating revenues of the chemicals segment were RMB 412.0 billion, representing a decrease of 2.0% as compared with that of 2011.This was primarily due to the continuing low demand of chemical products as a result of macroeconomic downturn, which had led to a major drop in chemical product prices,

The sales revenue generated from this segment’s six major categories of chemical products (namely basic organic chemicals, synthetic resin, synthetic rubber, synthetic fiber monomer and polymer, synthetic fiber and chemical fertilizer) totaled approximately RMB 393.9 billion, representing a decrease of 2.1 % as compared with the same period of 2011, and accounting for 95.6 % 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 2012 and 2011.

| | Sales Volume (Thousand tonnes) | | | Average realized price (RMB/tonne) | | |
|---|---|---|---|---|---|---|
| | Year ended 31 December | | Change | Year ended 31 December | | Change |
| | 2012 | 2011 | (%) | 2012 | 2011 | (%) |
| Basic organic chemicals | 29,873 | 27,335 | 9.3 | 6,667 | 6,746 | (1.2) |
| Synthetic fiber monomer and polymer | 6,972 | 6,631 | 5.1 | 8,231 | 9,866 | (16.6) |
| Synthetic resin | 10,507 | 10,524 | (0.2) | 9,182 | 9,841 | (6.7) |
| Synthetic fiber | 1,458 | 1,496 | (2.5) | 10,790 | 13,301 | (18.9) |
| Synthetic rubber | 1,289 | 1,220 | 5.7 | 17,553 | 22,215 | (21.0) |
| Chemical fertilizer | 1,232 | 960 | 28.3 | 2,044 | 2,187 | (6.5) |

In 2012, the operating expenses of the chemicals segment were RMB 410.8 billion, representing an increase of 4.3 % over 2011. This was mainly attributable to the increase in trade volume and the change in inventory. Thus raw material costs increased by RMB 17.3 billion or 4.9% over 2011.

In 2012, the operating profit of this segment was RMB 1.2 billion, representing a decrease of RMB 25.5 billion or 95.6% comparing with 2011. This was mainly due to the sharp drop in product price as compared to that of 2011.

(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 2012, the operating revenues generated from corporate and others were RMB 1,313.0 billion, representing an increase of 15.8 % over the same period of 2011. This mainly resulted from the increased trade volume of crude oil and refined oil products. Among total operating revenues, RMB 1,309.1 billion was achieved by specialized companies such as trading companies.

In 2012, the operating expense of the corporate and others was RMB 1,315.4 billion, representing an increase of 15.7 % over the same period of 2011, RMB 1,307.7 billion of this was from specialized companies such as trading companies.

In 2012, the operating loss from the corporate and others was RMB 2.4 billion. However, specialized companies such as trading companies realized operation income of RMB 1.4 billion.

3 ASSETS, LIABILITIES, EQUITY AND CASH FLOWS

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

(1) Assets, liabilities and equity

Unit: RMB millions

| | At 31 December 2012 | At 31 December 2011 | Amount of Change |
|---|---|---|---|

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

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

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

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

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

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

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

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

(2) Cash Flow

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

Unit: RMB millions

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

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

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

Company.

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

(3) Contingent Liabilities

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

(4) Capital Expenditures

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

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

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

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

(6) Measurement of fair values of derivatives and relevant system
The Company established and completed a decision-making mechanism, business procedure and internal control relevant to financial instrument accounting and information disclosure.

Items relevant to measurement of fair values Unit: RMB millions

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

Information concerning financial assets and liabilities held in foreign currencies; Unit: RMB millions

| Items | | | Beginning of the year | Profits and losses from variation of fair values of the current year | Accumulated variation of fair values recorded into equity | Decrement of withdrawal of the current year | End of the year |
|---|---|---|---|---|---|---|---|
| Financial assets | | | | | | | |
| Of which: | 1. | Derivative financial assets | 54 | 246 | — | — | 187 |
| | 2. | Loans and receivables | 111,391 | — | — | — | 50,022 |
| | 3. | Available-for-sale financial assets | 41 | — | 26 | — | 70 |
| | 4. | Held-to-maturity investments | — | — | — | — | — |

| | | | | | | |
|---|---|---|---|---|---|---|
| 5. | Cash flow hedging | 837 | — | — | — | 1,006 |
| Subtotal of financial assets | | 112,323 | 246 | 26 | — | 51,285 |
| Financial liabilities | | (151,707 ) | (43 ) | (151 ) | — | (201,745 ) |

Note: The financial assets and liabilities held by the Company in foreign currencies were mostly those held by its overseas subsidies, which were recognised 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 191 of this report.

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

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

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

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

(2) Financial data prepared under ASBE

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

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

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

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

(3) The results of the principal operations by segments

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

| | | | | | | |
|---|---|---|---|---|---|---|
| Total | 2,786,045 | 2,372,235 | 8.1 | 11.2 | 13.3 | (0.8 ) |

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

SIGNIFICANT EVENTS

1 MAJOR PROJECTS

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

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

(3) Pilot Natural Gas Project (1.7 billion cubic meters per annum), Yuanba Gas Field
A purification plant and its auxiliary facilities are to be built. The production capacity of the newly-built natural gas purification plant will be 1.7 billion cubic meters per annum. The construction is expected to be completed in 2014.

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

2 ISSUANCE OF CONVERTIBLE BONDS
The credit ratings of China Petrochemical Corporation, the guarantor of the Sinopec CB by Moody and Standard & Poors were Aa3 and A+ respectively. No material fluctuation was noted on profitability, asset and credit rating conditions.

At the end of the reporting period, the liability to asset ratio of Sinopec Corp. was 56.73 %. The ratio was kept stable and there was no material change in structure. The credit ratings of Sinopec Corp. by Moody and Standard & Poors were Aa3 and A+ respectively in 2012. Domestic long-term credit rating of Sinopec Crop. remained as AAA. Sinopec Corp. has strong capability of financing and repayment, additionally it has been granted sufficient credit limits by domestic commercial banks. Sinopec Corp. plans to primarily use its own funds to repay the debts due and the accrued interests. In the event of any shortfalls, Sinopec Corp. will seek to finance the repayment of the principal and accrued interests in a timely manner via new bank loans or direct financing in capital markets.

(1) ISSURANCE OF RMB 23 BILLION A SHARE CONVERTIBLE BONDS
A Share convertible bonds of RMB 23 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 the 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 the websites of the Shanghai Stock Exchange and Sinopec Corp. The proceeds were used in the following projects: Wuhan ethylene project, Anqing Refinery Revamping Project, Shijiazhuang Refinery Revamping Project, Yulin-Jinan Natural Gas Pipeline Project and Rizhao-Yizheng Crude Oil Pipeline Project. On 1 March 2013, Sinopec Corp. paid in full the accrued interests of Sinopec CB for the second interest payment year.

On 20 June 2011 and 19 September 2011, the conversion price of Sinopec CB was adjusted to RMB 9.60 per share and RMB 9.50 per share respectively due to the then-dividend payment declaration. Sinopec Corp. held the second extraordinary general meeting for the year 2011 on 15 December 2011. During the meeting, the proposal of a downward adjustment to the conversion price of Sinopec CB was approved. Conversion price of Sinopec CB was adjusted from RMB 9.50 per share to RMB 7.28 per share effective from 27 December 2011. On 28 May 2012 and 17 September 2012, the conversion price of Sinopec CB was adjusted to RMB 7.08 per share and RMB 6.98 per share respectively due to the then-dividend payment declaration. As of 31 December 2012, our A shares increased by 117,759,112 shares as a result of the exercise of conversion rights by some Sinopec CB holders, with an outstanding bonds balance of RMB 22,142,639,000.

Top ten holders of Sinopec CB and number of Sinopec CB held

| Name of bond holders | Number of bonds held |
|---|---|
| Clearing Participant's Special Account for Collateral Bond Repurchase (Industrial and Commercial Bank of China) | 23,036,370 |
| Clearing Participant's Special Account for Collateral Bond Repurchase (China Construction Bank) | 17,916,270 |
| Clearing Participant's Special Account for Collateral Bond Repurchase (Agricultural Bank of China) | 14,474,660 |
| Clearing Participant's Special Account for Collateral Bond Repurchase (Bank of China) | 7,961,030 |
| Sunshine Life Insurance Company Ltd. -Dividend-paying Insurance | 7,944,470 |
| Clearing Participant's Special Account for Collateral Bond Repurchase (Bank of Communications) | 6,560,630 |
| China Life Insurance Company Ltd. -Dividend-individual dividend-005L-FH002 Shanghai | 6,351,180 |
| MERRILL LYNCH INTERNATIONAL | 5,967,040 |
| Clearing Participant's Special Account for Collateral Bond Repurchase (China Merchants Bank Limited by Share Ltd) | 5,475,740 |
| UBS AG | 5,153,450 |

Use of proceeds Unit: RMB millions

| | | | |
|---|---|---|---|
| Total proceeds | 22,889.38Note 1 | Total proceeds used during this reporting period | 5,432.38 |
| | | Total cumulative proceeds used | 22,603.36 |

| Projects Committed | Planned Investment | Any changes in projects | Actual proceeds used | Returns | On schedule or not | In line with expected return or not |
|---|---|---|---|---|---|---|
| Wuhan 800,000 tpa ethylene project | 11,289.38 | No | 11,289.38 | — | Yes | N/A |
| Anqing Refinery Revamping project | 3,000 | No | 2,999.73 | — | No | N/A |
| Shijiazhuang Refinery Revamping project | 3,200 | No | 2,914.25 | — | Yes | N/A |
| Yulin-Jinan natural gas pipeline project | 3,300 | No | 3,300 | Note 2 | Yes | Note 2 |
| Rizhao-Yizheng crude oil pipeline projects | 2,100 | No | 2,100 | Note 3 | Yes | Note 3 |
| Total | 22,889.38 | — | 22,603.36 | — | — | — |
| Statements on the failure to achieve planned schedule and expected returns | Anqing Refinery Revamping project was originally expected to be put into operation in the end of 2012. Due to the detailed design lagged behind the schedule, and the influence of rain and snow in the first half year of 2012 on the construction site of civil works, it's expected to be put into operation in the first half of | | | | | |

| | |
|---|---|
| | 2013. |
| Statements on the reasons and procedures of changes | Not applicable |

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

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

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

Continuous Supervision by Sponsor
Goldman Sachs Gao Hua Securities Company Limited
Suite 1807-1819, 18th Floor, Winland International Center, 7 Finance Street, Xicheng District, Beijing
Sponsor representatives: JIN Lei, ZHANG Yi
Please refer to the 2012 Annual Continuous Supervision Report on China Petroleum & Chemical Corporation for the details of the opinion issued by the sponsor.

(2) THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS OF NO MORE THAN RMB 30 BILLION.

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

(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 2012 Number of bonds held |
|---|---|
| Euroclear | 6,628,930 |
| Clearstream | 4,976,810 |

3 CORPORATE BONDS ISSUED & INTEREST PAYMENTS

On 24 February 2004, Sinopec Corp. issued domestic corporate bonds of RMB 3.5 billion with a term of 10 years. 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 the Shanghai Stock Exchange. For further details, please refer to the relevant announcements published in mainland China newspapers, namely China Securities Journal, Shanghai Securities News, Securities Times, and in Hong Kong, namely South China Morning Post, Hong Kong Economic Times on 24 February 2004 and 28 September 2004 respectively. On 25 February 2013, Sinopec Corp. had paid in full the interest accrued for the ninth interest payment year.

On 20 February 2008, Sinopec Corp. issued domestic bonds with warrants of RMB 30 billion. The term of bonds is 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 published in China Securities Journal, Shanghai Securities News, Securities Times on 18 February 2008. The proceeds had been fully used in the projects in accordance with the prospectus. On 20 February 2013, Sinopec Corp. had paid in full the interest accrued for the fifth 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 published in China mainland newspapers, namely China Securities Journal, Shanghai Securities News, and Securities Times on 19 May 2010. By 23 May 2012, Sinopec Corp. had paid in full the interest accrued for the second interest payment year.

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

4 THE INCREASED SHARE HOLDINGS OF SINOPEC A SHARE BY CHINA PETROCHEMICAL CORPORATION

On 9 January 2012, China Petrochemical Corporation increased its shareholding of Sinopec A share by 39,083,199 shares by purchasing shares via the transaction system of the Shanghai Stock Exchange. After that, China Petrochemical Corporation directly and indirectly holds an aggregate of 66,222,627,692 shares of Sinopec Corp., accounting for 76.28% of total shares of Sinopec Corp. issued as of 31 December 2012. From 9 January 2012 to 8 January 2013, China Petrochemical Corporation did not further increase or decrease its holdings of Sinopec Corp.. For further details, please refer to the announcement published in China mainland newspapers, namely China Securities Journal, Shanghai Securities News, and Securities Times on 9 January 2013.

5 PERFORMANCE OF THE COMMITMENTS BY CHINA PETROCHEMICAL CORPORATION, WHICH HOLDS OVER 5% SHAREHOLDINGS 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 the issues regarding legality of the certificates for the land use rights and certificates for the property ownership rights within a specified period of time;

iii implementation of the Re-organization Agreement (for definition, please refer to prospectus in relation to the offering of H shares);

iv granting licenses for intellectual property rights;

v avoiding the competition with the Company;

vi abandonment of business competition and conflict of interests with Sinopec Corp.

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

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

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

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

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

6 SHAREHOLDINGS AND SECURITIES INVESTMENTS OF SINOPEC CORP. IN OTHER LISTED COMPANIES, COMMERCIAL BANKS, SECURITIES COMPANIES, INSURANCE COMPANIES, TRUST COMPANIES AND FUTURES COMPANIES, ETC.

(1) Status of direct shareholding in other listed companies

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

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

| No. | Entities | Initial investment (RMB 10,000) | Number of shares held (10,000 shares) | Shareholding (%) | Book value at the end of the period | Gain/loss during the reporting | Change of shareholders' interests during the | Accounting items | Shares origin |
|---|---|---|---|---|---|---|---|---|---|

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | (RMB 10,000) | period (RMB 10,000) | reporting period | | |
| 1 | Beijing International Trust Co., Ltd. | 20,000 | 20,000 | 14.29 | % | 20,000 | 3,000 | 0 | Long-term equity investment | Investment |
| 2 | Bank of Zhengzhou Co. Ltd. | 1,000 | 1,000 | 0.25 | % | 1,000 | 0 | 0 | Long-term equity investment | Shares converted from debts |
| Total | | 21,000 | — | — | | 21,000 | 3,000 | 0 | — | — |

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

7 MATERIAL GUARANTEE CONTRACTS AND THE RELATED PERFORMANCE
Unit: RMB millions

Major external guarantees (excluding guarantees for the non-wholly owned con

| Guarantor | Relationship with the Company | Name of guaranteed company | Amount | Transaction Date (date of signing) | Period of guarantee | T |
|---|---|---|---|---|---|---|
| Sinopec Corp. | the Company itself | Yueyang Sinopec Corp. Shell Coal Gasification Corporation | 245 | 10 December 2003 | December 10 2003 – December 10 2017 | jo o |
| Sinopec Sales Co., Ltd. | wholly-owned subsidiary | Xiamen Botan Storage Co., Ltd | 75 | | July 26 2012 – July 26 2013 | jo o |
| Sinopec Yangzi Petrochemical Co., Ltd. | wholly-owned subsidiary | Sinopec Corp. Yangzi BP Petrochemical Acetyl Co.,Ltd | 329 | | | jo o |
| SSI | controlled subsidiary | New Bright International Development Limited/ Sonangol E.P. | 5,496 | | | jo o |

| | |
|---|---|
| Total amount of guarantees provided during the reporting periodNote 2 | |
| Total amount of guarantees outstanding at the end of the reporting period Note 2 (A) | 3,672 |
| Guarantees by the Company to controlled subsidiaries | |
| Total amount of guarantee provided to controlled subsidiaries during the reporting period | None |
| Total amount of guarantee for controlled subsidiaries outstanding at the end of the reporting period (B) | None |
| Total amount of guarantees of the Company (including those provided for controlled subsidiaries) | |
| Total amount of guarantees (A+B) | 3,672 |
| The proportion of the total amount of guarantees to Sinopec Corp.'s net assets | 0.72% |
| Guarantees provided for shareholders, de facto controller and connected persons (C) | None |
| Amount of debt guarantees provided directly or indirectly to the companies with liabilities to assets ratio over 70% (D) | 2,116 |
| The amount of guarantees in excess of 50% of the net assets (E) | None |
| Total amount of the above three guarantee items (C+D+E) | 2,116 |
| Statement of guarantee undue that might be involved in any joint and several liabilities | None |
| Statement of guarantee status | None |

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

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

Specific statements and independent opinions from independent non-executive directors regarding external guarantees provided by Sinopec Corp. during and by the end of 2012:

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 2012 in accordance with the requirements of the domestic regulatory authorities:

Sinopec Corp. did not provide any extended guarantees during the reporting period, with the balance of external guarantees decreased by RMB 795 million on a year-on-year basis. The external guarantees prior to 2012 had been disclosed in the 2011 annual report of Sinopec corp.. The balance of external guarantees provided by the Company accumulated up to the year of 2012 were RMB 3.672 billion, accounting for approximately 0.72% 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.

8 GENERAL MEETINGS OF SHAREHOLDERS

During the reporting period, Sinopec Corp. held two general meetings 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 2011 annual general meeting and the first extraordinary general meeting held in Beijing respectively on 11 May 2012, 16 October 2012. 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 general meetings and on the websites of the Stock Exchange of Hong Kong Limited.

9 ASSETS TRANSACTIONS

Please refer to the "other significant connected transactions occurred during this year".

10 MATERIAL LITIGATIONS AND ARBITRATIONS

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

11 INSOLVENCY AND RESTRUCTURING

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

12 OTHER MATERIAL CONTRACTS

Sinopec Corp. did not have any material contacts entered during the reporting period which has not been disclosed as required.

13 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 has not been disclosed as required.

14 ENTRUSTED ASSET MANAGEMENT AND ENTRUSTED LOAN

To optimize the operation of capital within the Company and reduce overall cost of capital, Sinopec Corp. was approved to grant entrusted loan to its subsidiaries, Sinopec Zhanjiang Dongxing Petrochemical Co., Ltd and Sinopec Hainan Oil Refining and Chemical Co., Ltd, at the 12th session of the fourth Board of Directors. The loan amount incurred in a calendar year shall be no more than RMB 10 billion, with the entrusted loan interest rate not lower than the deposit rate of commercial banks for the same period. Such entrusted loan constitutes a continuing connected transaction stated in Section 14A of Hong Kong Listing Rules. The details for the entrusted loan during the reporting period are as follows:

| Borrower | Amount (RMB100 million) | Term Starting from | to | Annual interest rate |
|---|---|---|---|---|
| Sinopec Zhanjiang Dongxing Petrochemical Co., Ltd | 20 (notes) | 28 March 2011 | 28 March 2012 | 4.2 % |

Notes: the above-mentioned loan has been repaid during the reporting period.

15 DEPOSITS AT SINOPEC FINANCE CO., LTD.

To regulate the connected transactions between Sinopec Corp. and Sinopec Finance Co., Ltd. (hereby referred to as "Sinopec Finance") and to secure the safety and liquidity of Sinopec Corp.'s deposits at 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 encounter, help to increase the capital of Sinopec Finance. The deposit amount is strictly within the cap of the deposits with regard to the continuing connected transactions, which was approved at the general meeting of shareholders. In daily operations, Sinopec Corp. can withdraw the total amount of the savings deposited at Sinopec Finance.

16 ASSETS MORTGAGE

None

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

Not applicable

18 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.

19 WHETHER THE COMPANY IS INCLUDED IN THE LIST OF ENTERPRISES CAUSING SERIOUS POLLUTION ANNOUNCED BY ENVIRONMENTAL PROTECTION AUTHORITY

No

## CONNECTED TRANSACTIONS

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

Prior to Sinopec Corp.'s 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:

(1) Agreement for the mutual supply of ancillary services for products, production and construction services ("Mutual Supply Agreement").

(2) China Petrochemical Corporation provides trademarks, patents and computer softwares to the Company for use free of charge ("Intellectual Property Rights Licence Agreement").

(3) China Petrochemical Corporation provides cultural and educational, hygienic and community services to the Company ("Cultural and Educational, Hygienic and Community Service Agreement").

(4) China Petrochemical Corporation provides leasing service of lands and certain properties to the Company.

(5) China Petrochemical Corporation provides comprehensive insurance to the Company.

(6) China Petrochemical Corporation provides shareholders' loans to the Company.

(7) The Company provides franchise licenses for service stations to China Petrochemical Corporation.

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 Licence Agreement was extended to 31 December 2019.

On 24 August 2012, 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 2015.

The resolution related to continuing connected transactions for the three years from 2013 to 2015 was approved at the first extraordinary general meeting for 2012 held on 16 October 2012. For details of the above continuing connected transactions, please refer to relevant announcements published on 27 August 2012 in China Securities Journal, Shanghai Securities News and Securities Times, and on the websites of the Shanghai Stock Exchange (http://www.sse.com.cn) and the Stock Exchange of Hong Kong Limited (dated 24 August 2012) (http://www.hkex.com.hk).

### 2 DISCLOSURES AND APPROVALS OF CONTINUING CONNECTED TRANSACTIONS BETWEEN THE COMPANY AND CHINA PETROCHEMICAL CORPORATION COMPLY WITH THE LISTING RULES OF THE HONG KONG STOCK EXCHANGE 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 Exchange exempted Sinopec Corp. from full compliance with the 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 2012 of Sinopec Corp. are in compliance with the relevant requirements of the Hong Kong Listing Rules and the Shanghai Listing Rules. For performance details of connected transaction agreements, please refer to Item 3 below.

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

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

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

In 2012, Sinopec Corp. provided RMB 2,359 million of loans to certain jointly controlled entities of China Petrochemical Corporation.

None of the amount of each of the above continuing connected transactions between the Company and its controlling shareholder, China Petrochemical Corporation, exceeds the disclosed maximum aggregate annual value ("cap") for the continuing connected transactions approved by the general meeting of shareholders and the Board of Directors.

Purchases/receiving services Unit: RMB millions

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

Sales/provision of services Unit: RMB millions

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

| | | | |
|---|---|---|---|
| Notes | Pinciple of pricing for connected transations | : | (a) government-prescribed price; (b) where there is no goverment-prescribed price but where there is government-guidence price, the government-guidance price will apply; (c) where there is neither a government-prescribed price nor a government-guidance price, the market price will apply; or (d) where none of the above is applicable, the price is to be agreed between the relevant parties for the provision of the above products or service, which shall be the reasonable cost incurred in providing the same plus 6% or less of such cost. |
| | Other related parties | : | as defined under ASBE and IFRS, but neither under Chapter 14A of the Hong Kong Listing Rules nor under the Shanghai Listing Rules. |

Decision-making procedures: The major continuing connected transaction agreements were entered into the Company's ordinary course of business and in accordance with normal commercial terms which are fair and reasonable to the Company and its Shareholders as a whole. The Company, according to the internal control procedures, adjusts the scope and amount of continuing connected transactions and cap for the amount exempted from disclosure every three years, and upon the approval of the Board of Directors and independent non-executive directors, publishes the announcements and brings them into force. For the temporary connected transactions, the Company, in a strict compliance with domestic and overseas regulatory rules, publishes the announcement and brings them in force only after submitting the related matters of connected transactions to the Board of Directors and/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 2012 have been approved at the 6th meeting of the Fifth Session of the Board of Directors of Sinopec Corp. and have complied with the disclosure requirements under 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 Rule 14A.38 of the Hong Kong Listing Rules. A copy of the auditor's letter has been submitted by the Company to the Stock Exchange of Hong Kong Limited.

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

(a) The transactions have been conducted in 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 terms; and

(c) The transactions were fair and reasonable and in the interests of Sinopec Corp. and its Shareholders as a whole.

4 OTHER SIGNIFICANT CONNECTED TRANSACTIONS OCCURRED DURING THIS YEAR
None

5 FUNDS PROVIDED BETWEEN CONNECTED PARTIES Unit: RMB millions

| | Fund to connected parties | | Fund from connected parties | |
|---|---|---|---|---|
| Connected Parties | Amount incurred | Balance | Amount incurred | Balance |

| | | | | |
|---|---|---|---|---|
| China Petrochemical Corporation | 797 | 2,936 | (270) | 10,116 |
| Other connected parties | 390 | 1,353 | — | — |
| Total | 1,187 | 4,289 | (270) | 10,116 |

# CORPORATE GOVERNANCE

## 1IMPROVEMENT ON CORPORATE GOVERNANCE DURING THE REPORTING PERIOD

During the reporting period, Sinopec Corp., in compliance with the PRC Company Law and other domestic and overseas laws and regulations on securities, committed itself to standard operation and constantly enhanced its corporate governance.

In May 2012, members of the Fifth Session of Board of Directors and members of the Fifth Session of Board of Supervisors were elected. Mr. Fu Chengyu was elected by the Board of Directors as Chairman. Mr. Wang Tianpu and Zhang Yaocang were elected as vice Chairmen and Mr. Xu Bin was elected by the Board of Supervisors as Chairman. The Board of Directors appointed senior management and established the Strategy Committee, the Audit Committee and the Remuneration and Appraisal Committee of the fifth session of the Board of Directors. The Board of Directors set up the Social Responsibility Management Committee for the first time to plan the performance of social responsibilities of Sinopec Corp. in a unified manner.

Based on the Company's actual conditions as well as in accordance with the domestic and overseas laws and regulations, Sinopec Corp. drawn up the "Terms of Peference of the Social Responsibility Management Committee"; revised its Articles of Association; improved its dividend distribution policy; revised and improved the "Information Disclosure System", "Terms of Reference of the Audit Committee", and "Terms of Reference of the Remuneration and Appraisal Committee"; improved the internal control system and strengthened the internal control enforcement; implemented the "Insider Information Possessor Registration System" and carried out alerts on inside information confidentiality such as periodic report and insider registration.

Sinopec Corp. further enhanced post-oriented trainings and sense of responsibility of all directors, supervisors and senior management and provided directors with information on business performance and financial situation of the Company in a timely manner, which supports the directors to make reasonable decisions. It continued to put solid work on information disclosure and investor relationship, strengthened the communication with the investors and timely pass the investors' opinions to the management. The Company's transparency is continuously enhanced and received positive comments from the capital market. The Company actively performed its social responsibilities and promoted the sustainable development of social economy (see "Sinopec Corp.'s Report on Sustainable Development" for details).

During the reporting period, the Board of Supervisors of Sinopec Corp. had no objection to all supervised matters. Sinopec Corp., the Board of Directors and directors, supervisors, senior management, controlling shareholders and de facto controller of Sinopec Corp. were not investigated by CSRC, or punished administratively or criticized publicly by CSRC, Hong Kong Securities and Futures Commission and Securities and Exchange Commission of the United States or publicly condemned by Shanghai Stock Exchange, the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), New York Stock Exchange and London Stock Exchange.

## 2EQUITY INTERESTS OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

As of 31 December 2012, other than the 10,000 A shares of Sinopec Corp. held by vice president Mr. Ling Yiqun, none of the directors, supervisors and other senior management of Sinopec Corp. held any shares of Sinopec Corp..

Save as disclosed above, in the reporting period, none of the directors, supervisors and senior management of Sinopec Corp. and their associates had any interests or short positions (including any interest or short position that is regarded or treated as being held in accordance with the SFO) in the shares, debentures and underlying shares of Sinopec Corp. or any associated corporations (as defined in Part XV of the Securities and Future Ordinance ("SFO") would fall to be disclosed to the Sinopec Corp. and the Hong Kong Stock Exchange under the Division 7 and 8 of Part XV of the SFO or which was recorded in the register required to be kept under section 352 of the SFO or otherwise notified to

Sinopec Corp. and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Company".

## 3CONFIRMATION 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 and accepted the annual confirmation letters from all 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, the 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 reviewed the relevant documents with due care; actively attended the general meeting of shareholders, 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 details for their attendances of the meetings); gave their independent opinions on matters such as connected transactions, guarantees, appointments and removals of directors and appointment of senior management; and maintained good communication with the Chairman of the Board, management, external auditors and internal auditing department. The independent non-executive directors independently and objectively protect the legitimate interests of shareholders, especially the minority shareholders when performing their duties. They gave constructive advices and suggestions in relation to the corporate governance, production and operation and safety and environmental protection, which was accepted by Sinopec Corp..

## 4THE COMPANY'S INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

The Company is independent from controlling shareholders in terms of, among other things, business, assets and finances. The Company has an independent and completed business and independent operation capacity.

5IMPROVEMENT AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM

| | |
|---|---|
| Overall scheme of internal control construction | Centering on the implementation of "Comprehensive Risk Management Guidance for Central Enterprises", "Basic Standard for Enterprise Internal Control", "Guidelines for Application of Enterprise Internal Control and Guidelines for Evaluation of Enterprise Internal Control", the Company revised and improved various internal control systems in a comprehensive and systematic manner and achieved the overall internal control. Firstly, the company sorted out various internal and external risk factors the Company faces. After re-identifying, recording and evaluating such risk factors, they were extended and subdivided into second-and-third-level risks based on five first-level risks such as strategic, financial, market operational and compliance risks, and the corresponding relation between risk and internal control has been established. Secondly. The Company supplemented and improved its internal control at corporate level, including internal environment, risk assessment, information and communication and internal supervision to meet the requirements for corporate governance and social responsibilities; and subdivided internal control procedure and responsibilities of control points to enhance the business-level control. Thirdly, according to its core concept of management institutionalization, standardized and process-oriented system and process informationization, the internal control management information system would be developed to improve the efficiency and effectiveness of internal control and management, promote the normalization and standardization of internal control and establish permanent mechanism for internal control and management. |
| Working plans for establishment and improvement of internal control system and their implementation | Each year, the Headquarter prepares the goals and working plans with regard to internal control, and conducts comprehensive trainings, and daily management and evaluation. Each branch (subsidiary), under the unified arrangement of the headquarters, further revised and refined its detailed rules for the implementation of its internal control. The Company 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, accordingly creating a supervision and evaluation system of internal control. |
| Setup of internal control examination and supervision department | 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 organization 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. |
| Implementation of self-evaluation relating to internal supervision and internal control | The Company conducted an overall inspection and evaluation on the effectiveness of internal control design and operation. For details, please refer to the "Company's Self-Assessment Report on Internal Control for the year 2012". The Business Reform Administration Department carried out the individual examination of the correction of problems found in the internal control inspection. |
| 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 through the Audit Committee, 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 have been discovered in 2012. For other defects in respect of internal control discovered in the inspection, the Company has formulated various corrective measures and communicated with external auditors. After follow-up examination, all defects relating to financial reports have been corrected prior to 31 December 2012, and other management defects have also been corrected or corrective measures have been prepared. All correction activities met the requirements. |

6SENIOR MANAGEMENT EVALUATION AND INCENTIVE SCHEMES
Sinopec Corp. has established and is continuously improving the fairness and transparency of its performance appraisal standard and incentive and constraint schemes for the directors, supervisors and other senior management. The company implements various incentive schemes such as “Measures of Sinopec Corp. for the Implementation of Remuneration for senior managers”, “Measures of Sinopec Corp. for the Management of Annual Performance Evaluation” and “Measures of the Leadership from Companies Directly under Sinopec Corp. and Department of the Headquarter for the Management of Performance Evaluation”.

7CORPORATE GOVERNANCE REPORT (IN ACCORDANCE WITH THE HONG KONG LISTING RULES)

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

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

ABoard of Directors
A.1Board of Directors

a.The Board of Directors is the decision-making body of Sinopec Corp. and all decisions made by the Board are carried out by the management of Sinopec Corp.. The Board abides by good corporate governance practices and procedures and commits itself to standard operation to improve the management of Sinopec Corp..

b.the Board meeting is held at least once a quarter. The Board will usually communicate on meeting time and subject matters 14 days prior to the scheduled meeting time. The documents and materials for the meeting will usually be sent 10 days in advance to each director. In 2012, Sinopec Corp. held 6 Board meetings. For details about the attendance of each director, please refer to the Report of the Board of Directors of this annual report.

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

d.The Board of Directors has reviewed and evaluated its performance for the year 2012, and is of the view that the Board composition is appropriate and balanced; the Board made decisions in compliance with domestic and overseas laws and regulations and the company’s internal rules; listen to the report of the Board of Supervisors prudently; safeguard the rights and interests of Sinopec Corp. and shareholders. The directors and senior management carefully fulfill their responsibilities and actively take part in training and continuing professional development, which led to improvement of the management of Sinopec Corp..

e.The Secretary to the Board shall assist the directors in handling the routine tasks of the Board, continuously provide the directors with and keep them informed of any regulation, policy and other requirements as demanded by domestic and overseas regulatory bodies in relation to the corporate governance and ensure that the directors comply with the domestic and overseas laws and regulations as well as the Articles of Association etc. when performing their duties and responsibilities. Sinopec Corp. has purchased liability insurances for all directors to minimize risks arising from the performance of their duties.

A.2Chairman and Chief Executive Officer (the “President”)

a.Mr. Fu Chengyu serves as the Chairman of the Board and Mr. Wang Tianpu serves as the President. The Company’s Chairman of the Board is elected by a majority vote of all directors, while the President is nominated and appointed by the Board. The duties and responsibilities of the Chairman and the President are clearly distinguished from each other and the scope of their respective duties and responsibilities are set out in the Articles of Association.

b.the Chairman of the Board places emphasis on the communication with the independent non-executive directors. The Chairman holds meetings with the independent non-executive directors at least once every year, at which no executive director is presented.

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

A.3Board composition

a.The Board of Directors of Sinopec Corp. consists of 15 members with extensive professional and management experiences, one of which is female (Please refer to the Section headed "Directors, Supervisors, Other Senior Management and Employees" in this annuel report for detailed information). Among the 15 members, there are 5 executive directors, 5 non-executive directors and 5 independent non-executive directors. The independent non-executive directors represent one third of the Board. The company's executive directors and non-executive directors have extensive management experiences in petrochemical large-sized enterprises and/or are proficient in international capital market investment. Independent non-executive directors have working background as large-sized enterprise leader, well-known financier and finance experts, and rich experience in international capital management and investment. The composition of the Board of Directors is reasonable and diversified.

b.Sinopec Corp. has received from each independent non-executive director a letter of confirmation for the year 2012 regarding its compliance with 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.4Appointment, re-election and dismissal

a.Term 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 of Sinopec Corp. have been elected at the general meeting of the shareholders, and the Board has no power to appoint temporary directors.

c.For newly appointed directors, Sinopec Corp. engages professional consultants to prepare detailed information, notify such directors of regulatory rules of each listing place of Sinopec Corp. and remind such directors of their rights, obligations and responsibilities as directors.

A.5Nomination committee

a.Considering that the Board of Directors did not set up the Nomination Committee, the duties of the Nomination Committee prescribed in the Corporate Governance Code would be performed by the Board of Directors. The nomination of directors has been specified clearly in the Articles of Association and Rules of Procedure for the Shareholders' Meeting. The nomination of director may be proposed by shareholders individually or collectively holding 3% of the total voting shares of Sinopec Corp. (for the nomination of independent non-executive directors, the percentage is 1%), the Board of Directors or the Board of Supervisors by way of proposal to the general meeting of shareholders for approval.

b.When the Board of Directors nominates a candidate for director, independent non-executive directors should give their independent opinion on the nomination in advance. A Board meeting of the fourth session of the Board of Directors was held on 23 March 2012, at which 15 candidates for the new Board of Directors were nominated, each of which was elected at the annual general meeting of shareholder for the year 2011.

A.6Responsibility of director

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 for the authorities of 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 was able to devote sufficient time and efforts to handling the matters of Sinopec Corp..

c.Each of the directors confirmed that he or she has complied with the “Model Code for Securities and Transactions by Directors of Listed Company” during the reporting period. In addition, Sinopec Corp. 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 Sinopec Corp.’s personnel in purchase and sale of the securities of Sinopec Corp..

d.Sinopec Corp. has arranged trainings for directors and provided relevant training fees. The directors actively participated in the continuing professional development program. Sinopec Corp. has received a record of training from directors (please refer to the Report of the Board of Directors of the annual report for details).

A.7Provision 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 them so that directors can 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 ensure thorough understanding of each director. The Management shall provide the directors with necessary information and materials. The director may request the President, or request, via the President, relevant departments to provide necessary information of Sinopec Corp. and related explanations.

BRemuneration of directors and senior management
a.A Remuneration and Appraisal Committee has been set up and the relevant rules have been formulated. The committee consists of independent non-executive director Mr. Chen Xiaojin who acts as the committee chairman, and non-executive director Mr. Li Chunguang and independent non-executive director Ms. Bao Guoming who act as committee members. The committee is mainly responsible for proposing to the Board remuneration plans for directors, supervisors and other senior management. The term of reference of the Remuneration and Appraisal Committee is available at the website of Sinopec Corp. and the website of the Stock Exchange of Hong Kong Limited for reference.

b.The Remuneration and Appraisal Committee has always consulted the Chairman and the President regarding proposed remuneration for other executive directors. After the Committee's review, it believed that executive directors fulfilled their duties and executed all duty clauses stated in the service contracts for directors with honesty, diligence and in good faith in the year 2012.

c.Committee members may engage independent professionals. Costs arising from or in connection with such consultation are borne by Sinopec Corp.. Meanwhile, the committee has appointed 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 policy of Sinopec Corp., the senior management and relevant departments of Sinopec Corp. shall actively cooperate with the Remuneration and Appraisal Committee.

CAccountability and auditing

C.1Financial 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 the Company during such period. The Board approved the Financial Report for the Year 2012 and warranted that there were no material omissions, or misrepresentations or misleading statements contained in the annual report, and jointly and severally accepted full responsibility for the authenticity, accuracy and integrity of the content.

b.Sinopec Corp. provides directors with financial condition and production and operation status every month to ensure that the directors know about the latest development of the company in a timely manner.

c.Sinopec Corp. has adopted an internal control mechanism to ensure that the management and relevant departments have provided sufficient financial data and related explanations and materials to the Board and the Audit Committee.

d.The external auditors of Sinopec Corp. made a statement about their reporting responsibilities in the auditor's report contained in the financial statements.

C.2Internal control

a. In 2003, according to the relevant regulatory requirements of internal control of the listing places, Sinopec Corp. adopted the internal control framework prescribed in the internationally approved COSO (Committee of Sponsoring Organizations of the Treadway Commission) Report, and based upon the Articles of Association and all management systems currently in effect, as well as in accordance with relevant domestic and overseas governing regulations, Sinopec Corp. formulated the Internal Control Manual, in which the control both at corporate level and business level was regulated, accordingly realizing all-round internal control. The Board of Directors reviewed the Self Evaluation Report on internal Control and self assessment together with annual report since 2006.

b.The management of Sinopec Corp. implemented the responsibilities of internal control. With sufficient resources in the accounting and financial reporting, Sinopec Corp. has adequately qualified and experienced employees in this regard and sufficient budget for the trainings of relevant employees.

For detailed information of the internal control system during the reporting period, please refer to the “Self Evaluation Report on Internal Control and Self Assessment”.

c.Sinopec Corp. has established its internal audit department, staffed by adequate professional personnel, which enables Sinopec Corp. possess relatively sound internal auditing functions.

C.3Audit Committee

a.The Audit Committee consists of independent non-executive director Ms. Bao Guoming who acts as the committee chairman, and independent non-executive director Mr. Jiang Xiaoming and independent non-executive director Mr. Andrew Y. Yan who act as committee members. As verified, none of them had served as a partner or former partner in our current auditing firm.

b.Sinopec Corp. has published the terms of reference of the Audit Committee. The terms of reference are available for inspection at the website of Sinopec Corp. and the website of the Hong Kong Stock Exchange for reference.

c.During the reporting period, the Audit Committee has held 5 meetings (please refer to "Meetings held by the special committees of the board" in the annual report for details). The review opinions were given at the meetings and submitted to the Board of Directors after signed by members. During the reporting period, the Board and the Audit Committee did not have any different opinion.

d.Committee members may engage independent professionals. Reasonable costs arising from or in connection with such consultation are borne by Sinopec Corp. The Audit 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 management and relevant departments of the company shall actively cooperate with the Audit Committee.

e.In the absence of the management, the Audit Committee held meetings with auditors twice to discuss the auditing of financial reports and the auditing fee in the year. The Audit Committee has considered the adequacy of the resources in accounting and financial reporting and the 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 of Sinopec Corp. has performed its duties and established an effective internal control system during the reporting period. Sinopec Corp. established report and complaint system, setting online report, letter report, appeal reception and complaint mail box for the employees to report and complain the behaviors violating internal control system. The Audit Committee has reviewed and approved the system.

DDelegation of power by the Board
a.The Board, the management and each Board committees have clear terms of reference. The Articles of Association and the Rules of Procedures for the General Meetings of Shareholders and the Rules and Procedures for the Meetings of Board of Directors set forth the clear 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.In addition to the Audit Committee and Remuneration and Appraisal Committee, the Board of Directors also established the Strategy Committee and Social Responsibility Management Committee. The Strategy Committee consists of 8 directors, including vice Chairman and President Mr. Wang Tianpu who serves as the chairman and independent non-executive director Mr. Ma Weihua who serves as the vice chairman, as well as four executive directors and 2 independent non-executive directors who serve as members. The Strategy committee is responsible for working over long-term development strategies and significant investment decisions of the company. The Social Responsibility Management Committee consists of 4 directors, including Board Chairman Mr. Fu Chengyu who serves as the chairman, the vice Chairman and President Mr. Wang Tianpu and 2 independent non-executive director who serves as the vice chairman. The Social Responsibility Management Committee is responsible for preparing policies, governance, strategies and plans on social responsibility management of Sinopec Corp..

c.Each Board committee has clear terms of reference. According to the rules of the Board committees, such committees are required to report their decisions or recommendations to the Board.

ECommunication with Shareholders
a.Sinopec Corp. pays high attention to communication with shareholders. The Chairman, President and Chief Financial Officer ("CFO") lead a road show for investors every year to introduce the issues which investors concerned, such as development strategies and production and business performance of the Company. Sinopec Corp. set up a department which is responsible for communicating with investors, and in compliance with regulatory provisions, it enhanced the communication with investors by way of holding meetings with institutional investors, inviting investors

to conduct site visit and setting up investor hotline etc.

b.During the reporting period, a separate resolution has always been proposed for each substantially separate issue at the general meetings. All resolutions were voted by poll to safeguard the interests of all shareholders. A meeting notice was delivered to each shareholder 45 days in advance (exclusive of the day of the meeting) prior to the general meeting of shareholders.

c.The Board Chairman hosted the annual general meeting as the chairman of such meeting, and arranged the members of the Board and senior management to attend the general meeting of shareholders and answer the questions raised by shareholders.

d.During the reporting period, Sinopec Corp. revised the Articles of Association twice, including the company's scope of business and share capital structure and dividend policy.

FCompany secretary
a.Relevant qualifications of the secretary of the Board are recognized by the Hong Kong Stock Exchange as the company secretary, and the secretary nominated by the Board Chairman and appointed by the Board of Directors. He is the senior management officer who reports to Sinopec Corp. and the Board of Directors. The secretary gives opinions on corporate governance to the Board of Directors and arranges for orientation trainings and professional development of the Directors.

b.The secretary of the Board actively participated in career development trainings, with training hours of more than 15 hours during the reporting period.

GShareholders' rights

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

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

c.The eligibility for attending the general meeting, the shareholders' rights, the meeting agenda and the voting procedures are clearly stated in the notice to all shareholders of Sinopec Corp..

d.According to Sinopec Corp.'s rules, the Board secretary is responsible for establishing the effective communication channel between the Company and the shareholders, setting up special departments to communicate with the shareholders and timely passing the opinions and proposals of the shareholders to the Board of Directors and the management. Sinopec Corp.'s contact details can be found in the "Presentation" section under the "Investor Center" sector on the website of Sinopec Corp..

(2)Auditors

At the annual general meeting of shareholder for the year 2011 held on 11 May 2012, KPMG Huazhen (as stipulated in the "Notice on the "Sino-foreign Joint Venture Accounting Firms Localisation Conversion Programme" (Caikuai [2012] No. 8), KPMG Huazhen completed a conversion and KPMG Huazhen's full name has been changed to "KPMG Huazhen (Special General Partnership)" since 1 August 2012.) and KPMG were re-appointed as the domestic and overseas auditors of Sinopec Corp. for the year 2012 respectively, and the Board of Directors was authorized to determine their remunerations. As approved at the 6th Meeting of the Fifth Session of the Board of Directors of Sinopec Corp., the audit fee for 2012 was HK$66 million. The financial statements for the year 2012 have been audited by KPMG Huazhen (Special General Partnership) and KPMG. The signing certified public accountants of KPMG Huazhen (Special General Partnership) are Zhang Jingjing and Huang Jingwei.

During the reporting period, neither KPMG Huazhen (Special General Partnership) nor KPMG provided any non-audit service to Sinopec Corp..

As KPMG Huazhen (Special General Partnership) and KPMG have provided audit services to Sinopec Corp. for over 10 years, according to the PRC domestic regulation, Sinopec Corp. needs to change its external auditors for the year 2013. Sinopec Corp. therefore proposed to respectively appoint PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers (PwC) as the external auditors of Sinopec Corp. for the year 2013 at the 6th Meeting of the Fifth Session of the Board of Directors of Sinopec Corp.. Such proposal will be submitted to the 2012 annual general meeting of the shareholders for Shareholders' consideration and approval.

(3)Other information about Sinopec Corp.'s corporate governance

Except 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 page 6 to page 7; for information regarding meetings of Board of Directors, please refer to page 43; for information regarding equity interests of directors, supervisors and other senior management, please refer to page 41; for information regarding resume and annual remuneration of directors, supervisors and other senior management, please refer to page 57 to page 69.

## 8COMPARISON 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/20120315/download/2012031503.pdf

## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Sinopec Corp. is pleased to present the report for the year ended 31 December, 2012 for shareholders' review.

### 1 MEETINGS OF THE BOARD OF DIRECTORS

During this reporting period, Sinopec Corp. held six (6) Board meetings. The details are as follows:

(1) The 18th meeting of the Fourth Session of the Board of Directors was held in the headquarters of Sinopec Corp. on 23 March, 2012, whereby the matters such as the Company's annual results of 2011, the nomination of the candidates of directors and supervisors, the amendment of the Articles of Association of Sinopec Corp., the sustainable development report and the internal control self-assessment report were considered and relevant resolutions were approved in this meeting.

(2) The 19th meeting of the Fourth Session of the Board of Directors was held by way of written resolution on 26 April, 2012, whereby the first quarterly results of the year 2012 were considered and relevant resolutions were approved in this meeting.

(3) The 1st meeting of the Fifth Session of the Board of Directors was held in the headquarters of Sinopec Corp. on 11 May, 2012. At this meeting, Mr. Fu Chengyu was elected as the Chairman of the Fifth session of the Board of directors, Mr. Wang Tianpu and Mr. Zhang Yaocang were elected as the vice Chairman; the composition of the three special committees including the Strategy, Audit, Remuneration and Appraisal departments of the Board of Directors were changed; the social responsibility management committee was established; and some senior management officers were appointed.

(4) The 2nd meeting of the Fifth Session of the Board of Directors was held in the headquarters of Sinopec Corp. on 24 August, 2012, whereby the matters such as the Company's interim results of the year 2012, the adjustment of the Company's continuing connected transaction for 2013 to 2015, the dividend policy in the Articles of Association, and the proposal of Guangdong petrochemical integration project were considered and were approved in this meeting.

(5) The 3rd meeting of the Fifth Session of the Board of Directors was held by way of written resolution on 11 October, 2012, whereby the proposal regarding extending of the expiration date of general meeting of shareholders' resolution on the issuance of convertible bonds of Sinopec. Corp. of A shares were considered and approved in this meeting.

(6) The 4th meeting of the Fifth Session of the Board of Directors was held by way of written resolution on 26 October, 2012, whereby the third quarterly results of the year 2012 and the proposal regarding the amendments to the "Information Disclosure System for China Petroleum & Chemical Corporation" were considered and approved in this meeting.

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 and Sinopec Corp..

### 2 IMPLEMENTATION OF RESOLUTIONS APPROVED AT THE SHAREHOLDERS' MEETINGS BY THE BOARD OF DIRECTORS

During this reporting period, in accordance with relevant laws and regulations as well as the Articles of Association, all members of the Board of Directors of Sinopec Corp. diligently implemented the resolutions approved at the shareholders' meetings, and have completed the various tasks delegated to them at the shareholders' meetings.

3 ATTENDANCE TO THE BOARD MEETINGS

(1) Statistics of the attendance and training of meetings of the Fifth Session of the Board of Directors and General Meeting of Shareholders

| Name | Board meetings (times) | | Attendance by proxy (times) | Attendance rate | Attendance conditions of the extraordinary general meeting of shareholders in 2012 | Hours of attendance of training |
|---|---|---|---|---|---|---|
| | Site meetings | Written resolution | | | | |
| Fu Chengyu | 2 | 2 | 0 | 100% | Attendance | 18 hours |
| Wang Tianpu | 2 | 2 | 0 | 100% | Attendance | 18 hours |
| Zhang Yaocang | 2 | 2 | 0 | 100% | Attendance | 18 hours |
| Zhang Jianhua | 1 | 2 | 1 | 75% | Attendance | 18 hours |
| Wang Zhigang | 2 | 2 | 0 | 100% | Attendance | 18 hours |
| Cai Xiyou | 2 | 2 | 0 | 100% | Attendance | 24 hours |
| Cao Yaofeng | 2 | 2 | 0 | 100% | Non-attendance due to other business duties | 16 hours |
| Li Chunguang | 2 | 2 | 0 | 100% | Non-attendance due to other business duties | 16 hours |
| Dai Houliang | 2 | 2 | 0 | 100% | Attendance | 16 hours |
| Liu Yun | 1 | 2 | 1 | 75% | Non-attendance due to other business duties | 16 hours |
| Chen Xiaojin | 2 | 2 | 0 | 100% | Non-attendance due to other business duties | 11.5 hours |
| Ma Weihua | 1 | 2 | 1 | 75% | Non-attendance due to other business duties | 11.5 hours |
| Jiang Xiaoming | 2 | 2 | 0 | 100% | Non-attendance due to other business duties | 17.5 hours |
| Andrew Y.Yan | 2 | 2 | 0 | 100% | Non-attendance due to other business duties | 30 hours |
| Bao Guoming | 2 | 2 | 0 | 100% | Attendance | 16.5 hours |

(2) Statistics of the attendance of the meetings of the Fourth Session of the Board of Directors and General Meeting of Shareholders

| Name | Board meetings(times) | | Attendance by proxy (times) | Attendance rate | Attendance conditions of the general meeting of shareholders in 2011 |
|---|---|---|---|---|---|
| | Site meetings | Written resolution | | | |
| Fu Chengyu | 1 | 1 | 0 | 100% | Attendance |
| Wang Tianpu | 1 | 1 | 0 | 100% | Attendance |
| Zhang Yaocang | 1 | 1 | 0 | 100% | Attendance |
| Zhang Jianhua | 1 | 1 | 0 | 100% | Attendance |
| Wang Zhigang | 1 | 1 | 0 | 100% | Attendance |
| Cai Xiyou | 1 | 1 | 0 | 100% | Non-attendance due to other business duties |
| Cao Yaofeng | 1 | 1 | 0 | 100% | Attendance |
| Li Chunguang | 0 | 1 | 1 | 50% | Non-attendance due to other business duties |
| Dai Houliang | 1 | 1 | 0 | 100% | Attendance |
| Liu Yun | 1 | 1 | 0 | 100% | Non-attendance due to other business duties |
| Li Deshui | 0 | 1 | 1 | 50% | Non-attendance due to other business duties |
| Xie Zhongyu | 1 | 1 | 0 | 100% | Non-attendance due to other business duties |
| Chen Xiaojin | 1 | 1 | 0 | 100% | Non-attendance due to other business duties |
| Ma Weihua | 1 | 1 | 0 | 100% | Non-attendance due to other business duties |
| Wu Xiaogen | 0 | 1 | 1 | 50% | Non-attendance due to other business duties |

No directors were continuously absent from the meeting of the Board of Directors for two successive sessions.

4 MEETINGS HELD BY THE SPECIAL COMMITTEES OF THE BOARD

During this reporting period, the Audit Committee held five (5) meetings, and the Remuneration and Appraisal Committee held one (1) meeting. All members of each committee had attended the meetings. Details of those meetings are as follows:

(1) Meetings held by the Audit Committee

a. The 11th meeting of the Fourth Session of the Audit Committee was held by way of written resolution on 20 January, 2012, whereby the work summary on the implementation of internal control standards of Sinopec Corp. was reviewed and a review opinion was issued.

b. The 12th meeting of the Fourth Session of the Audit Committee was held in Beijing, China on 21 March, 2012, whereby the explanation for the business performance and financial situations of Sinopec Corp. in 2011, the financial reports of 2011, the "Internal Control Self-Assessment Report", the annual auditing fee for 2011, the proposal on the engagement of domestic and overseas auditors for 2012, the reports on auditing work for 2011 and plan of Auditing

Work for 2012, the terms of reference of Audit Committee of the Board of Directors(revision draft) were reviewed, and the reports on reviewing of the Financial Statements by the domestic and overseas accounting firms for 2011 were heard in this meeting. And a reviewing opinion was issued.

c. The 13th meeting of the Fourth Session of the Audit Committee was held by way of written resolution on 25 April, 2012, whereby the "First Quarterly Report of the year 2012" was reviewed and a review opinion was issued.

d. The 1st meeting of the Fifth Session of the Audit Committee was held in Beijing on 22 August, 2012, whereby the explanation for the business performance and financial situations of Sinopec Corp. for the first half of 2012, financial report for the first half of 2012, the reports on auditing work for the first half of 2012 and plan of auditing work for the second half of 2012, the resolution on the adjustment of continuing connected transactions from 2013 to 2015 was reviewed; and the details in reviewing the financial statements by domestic and overseas accounting firms for the first half of 2012 were reported. And a review opinion was issued.

e. The 2nd meeting of the Fifth Session of the Audit Committee was held by way of written resolution on 24 October, 2012, whereby "the Third Quarterly Report of 2012" was reviewed and a review opinion was issued.

(2) Meeting by the Remuneration and Appraisal Committee

The 3rd meeting of the Fourth Session of the Remuneration and Appraisal Committee was held in Beijing, China on 21 March, 2012, whereby the reports on implementation of the rules of the remuneration of directors, supervisors and other senior management for 2011, the remuneration of the Fifth Session of directors and supervisors, and the terms of reference of remuneration and appraisal committee of board of directors (revised draft) were reviewed, and a review opinion was issued.

5 PERFORMANCE

The financial results for the Company of the year ended on 31 December 2012, which is prepared in accordance with IFRS and its financial position as at that date and the accompanying analysis are set out from page 134 to page 190 in this annual report.

6 DIVIDEND
During this report period, the company revised the Articles of Association of Sinopec Corp., and further clarified the profit distribution policy of the company.

The profit distribution policy of Sinopec Corp. maintains continuity and stability, and moreover gives consideration to the long-term interests of the Company, overall interests of all the shareholders and the sustainable development of the Company. The Company will have priority to adopt cash dividends for profit distribution, and can perform the interim profit distribution. When Sinopec Corp. achieved the retained profits of parent company and the accumulated undistributed profits of the Company were positive in current year, and in the event that the cash flow of the Company can satisfy the normal operation and sustainable development, the Company should adopt cash dividends, and the distribution profits in cash every year are no less than 30% of the net profits of parent company in current year.

The profit distribution plan of Sinopec Corp in current year will be carried out in accordance with the policy and procedures stipulated as per the Articles of Association of Sinopec Corp., whereby the advices of minority shareholders must be heard, and the independent directors will issue independent opinions.

Proposals for dividend distribution
At the 6th meeting of the Fifth Session of the Board of Directors of Sinopec Corp., the Board approved the proposal to declare a final cash dividend of RMB 0.20 per share (tax included) with an interim distributed dividend of RMB 0.10 per share (tax included), the total dividend for the whole year is RMB 0.30 per share (tax included); and based on the total equity on relevant record date, issue 2 bonus shares converted from retained earnings and 1 bonus share converted from capital reserve for every 10 existing shares held by the shareholders on relevant record date. The distribution proposal will be implemented upon the approval by the shareholders at the annual general meeting for 2012. The details of the proposals for dividend distribution will be set out in the circular in relation to the Proposed Cash Dividend and the Proposed Bonus Issue of Shares to be published in due course.

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

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 the Cash Dividends and Bonus Shares issued by way of capitalization of the undistributed profits of the Company for the year 2012 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 the Record Date.

If the individual holders of the H shares who are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the Cash Dividends and Bonus Shares issued by way of capitalization of the undistributed profits of the Company for the year 2012 to them 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%.

In accordance with relevant tax law and requirements of the PRC, the Company will not deduct or withhold any income tax in respect of the Bonus Shares to all Shareholders held by way of capitalization of the capital reserve of the Company to share capital.

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

| | Year 2011 | Year 2010 | Year 2009 |
|---|---|---|---|
| Cash dividends (RMB/share) | 0.30 | 0.21 | 0.18 |
| Total amount of cash dividends(hundred million, including taxes) | 260.34 | 182.07 | 156.06 |
| Net profits attributed to the shareholders of the listed company shown in the consolidated statement for the dividend year (hundred million). | 716.97 | 707.13 | 626.77 |
| Ratio between the dividends and the net profit attributed to the shareholders of the listed company in the consolidated statement (%) | 36.32 | 25.75 | 24.90 |
| Number of bonus shares per share (share) | 0 | 0 | 0 |
| Capitalization per 10 shares (share) | 0 | 0 | 0 |

The aggregate cash dividend declared by Sinopec Corp. during three years from 2009 to 2011 is RMB 0.69 per share, and the dividend from 2009 to 2011 as a percentage of average net profits in the three years is 87.54%. It fulfilled the refinancing conditions 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'S INTERNAL CONTROL

The Board of Directors of Sinopec Corp. are fully responsible for establishing and maintaining the internal control system related to the financial reporting as well as ensuring its effective implementation. In 2012, the Board assessed the internal control of Sinopec Corp. 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, 2012. Therefore the internal control system of Sinopec Corp. related to the financial reporting is sound and effective.

The "2012 Annual Internal Control Assessment Report of Sinopec Corp." was reviewed and approved on the 6th meeting of the Fifth Session of the Board of Directors on 22 March, 2013 , 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 this reporting period, the total purchases from the top five crude oil suppliers of Sinopec Corp. accounted for 42.3 %of the total purchases of crude oil by Sinopec Corp., of which the purchases from the largest supplier accounted for 23.9% of the total purchases of crude oil by Sinopec Corp..

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

During this 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 2012 are set out in note 29 to the financial statements prepared in accordance with IFRS in this annual report.

10 FIXED ASSETS

During this reporting period, changes to the in 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 this reporting period, the 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 this reporting period, the amount of charity donations made by Sinopec Corp. amounted to RMB 79 million.

13 PRE-EMPTIVE RIGHTS

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

## 14 REPURCHASE, SALES AND REDEMPTION OF SHARES

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

## 15 CORE COMPETITIVENESS ANALYSIS

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

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

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

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

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

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

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

Risks with regard to the variations from macroeconomic situation: The business results of the Company are closely related to China’s economic situation as well as global economic situation. Although the various countries have adopted different kinds of macroeconomic policies to eliminate negative effects caused by lower economic growth, European debt crisis and other factors, the timing of economic recovery still remains uncertain. The business of the Company may be adversely affected by such factors as the impact on export due to trade protectionism of some countries, impact on import which is likely caused by regional trade agreements and etc..

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

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

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

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

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

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

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

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

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

Beijing, China, 22 March 2013

# REPORT OF THE BOARD OF SUPERVISORS

Mr. Xu Bin, Chairman of the Board of Supervisors

Dear shareholders:

The Board of Supervisors and each supervisor of Sinopec Corp. diligently perform the supervision responsibilities, actively attend the meetings held by the Board of Directors and shareholders' meetings to participate in the process supervision, carefully review each significant decision made with regard to issues including production operations, financial management, connected transactions, capital operation, major guarantees and dividend distribution, and safeguard 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 five meetings in total, and mainly reviewed the financial reports of Sinopec Corp., self-assessment report of internal control and sustainable development report, etc.

On 23 March 2012, the 12th meeting of the Fourth session of the Board of Supervisors was held, and the "Annual Financial Statements of Sinopec Corp. for 2011", "Annual Report of Sinopec Corp. for 2011", "Annual Sustainable Development Report of Sinopec Corp. for 2011", "Self-Assessment Report of Internal Control of Sinopec Corp. for 2011", "Special Report on the Storage and Actual Use of Company-raising Funds" and "Report on the Work of Board of Supervisors of Sinopec Corp. for 2011" were discussed and passed at the meeting.

On 26 April 2012, the 13th meeting of the Fourth session of the Board of Supervisors was held, and the "First Quarterly Report of Sinopec Corp. for 2012" was discussed and passed at the meeting.

On 11 May 2012, the 1st meeting of the Fifth session of the Board of Supervisors was held, and the chairman of the Board of Supervisors was elected by votes.

On 24 August 2012, the 2nd meeting of the Fifth session of the Board of Supervisors was held, and the "Interim Financial Statements of Sinopec Corp. for 2012" and "the Interim Report of Sinopec Corp. for 2012" were discussed and passed at the meeting .

On 26 October 2012, the 3rd meeting of the Fifth session of the Board of Supervisors was held, and the "Third Quarterly Report of Sinopec Corp. for 2012" was discussed and passed.

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

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

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

Secondly, the reports prepared by the Company in 2012 conformed with the relevant regulation of domestic and overseas securities regulators, and the annual financial statement issued by the Company, was prepared in accordance with ASBE and IFRS respectively, truly and fairly reflected the Company’s financial status and operational performance.

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

Fourthly, the Board of Supervisors reviewed the Company’s Report on Internal Control and Self-Assessment and came to a conclusion that such report was objective, comprehensive and accurate.

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

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

In May last year, this session of the Board of Supervisors began to perform duties. New sessions of the Board of Supervisors will follow the principle of integrity, perform the duties of supervision, actively participate in the process supervision of significant decision-makings, increase the strength of inspection and supervision and protect Company benefit and shareholders’ equity.

Xu Bin
Chairman, Board of Supervisors

Beijing, China, 22 March 2013

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

1 Introduction of Directors, Supervisors and Other Senior Management

(1) Directors

Fu Chengyu, aged 61, 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 professor level senior engineer and obtained a master’s 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 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., 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; in September 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; in May 2011, he was appointed as Chairman of Board of Directors of Sinopec Corp.

Wang Tianpu, aged 50, Vice Chairman of Board of Directors and President of Sinopec Corp. Mr. Wang is a professor level senior engineer with 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 Company; in September 2000, he was appointed as President of Sinopec Qilu 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 59, 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 with a graduate degree from 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 December 2003, he was appointed concurrently as Chairman of Sinopec International Petroleum Service Corporation; in January 2007, he was appointed concurrently as Chairman. Chairman of Sinopec International Petroleum Exploration and Production Corporation; in May 2009, he was elected as Vice Chairman of the Board of Directors of Sinopec Corp.

Zhang Jianhua, aged 48, Board Director and Senior Vice President of Sinopec Corp. Mr. Zhang is a professor level senior engineer with 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 Company; in September 2000, he was appointed as President of Sinopec Shanghai Gaoqiao 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.; in june 2007, he was appointed concurrently as Chairman of Sinopec (Hong Kong) Co., Ltd.

Wang Zhigang, aged 55, Board Director and Senior Vice President of Sinopec Corp. Mr. Wang is a professor level senior engineer with 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 temporally 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.; in January 2007, he was appointed concurrently as Vice Chairman of Sinopec International Petroleum Exploration and Production corporation.

Cai Xiyou, aged 51, Board Director and Senior Vice President of Sinopec Corp. Mr. Cai is a professor level senior economist and with 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.; in June 2012, he was appointed concurrently as Chairman of Sinopec Refining & Chemical Engineering (Group) Co., Ltd.

Cao Yaofeng, aged 59, Board Director of Sinopec Corp. and Vice President of China Petrochemical Corporation. Mr. Cao is a professor level senior engineer with 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 Genaral 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.; in June 2012, he was appointed concurrently as Chairman of Sinopec Oilfield Service Corporation.

Li Chunguang, aged 57, Board Director of Sinopec Corp. and Vice President of China Petrochemical Corporation. Mr. Li is a professor level senior engineer and with 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 49, Board Director and Senior Vice President of Sinopec Corp. Mr. Dai is a professor level senior engineer with 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 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.; in August 2008, he was concurrently appointed as the Chairman of Petro-Cyberworks Information Technology Co., Ltd. (PCITC) and Sinopec Technology Development Company; and in May 2009, he was elected as Board Director and appointed as Senior Vice President of Sinopec Corp.; in February 2012, he was appointed concurrently as Chairman of Sinopec Xinjiang Energy & Chemical Co., Ltd.; in August 2012, he was appointed concurrently as Chairman of Sinopec Great Wall Energy & Chemical Co., Ltd.

Liu Yun, aged 56, Board Director of Sinopec Corp., Chief Accountant of China Petrochemical Corporation. Mr. Liu is a senior accountant with 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; in May 2009, he was elected as Board Director of Sinopec Corp.; and in May 2012, he was appointed concurrently as the Chairman of Sinopec Finance Co., Ltd.

Chen Xiaojin, aged 68, Independent Non-executive Director of Sinopec Corp. Mr. Chen is a senior engineer (research fellow level) with 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 64, Independent Non-executive Director of Sinopec Corp. Mr. Ma is a senior economist with a PhD degree. Mr. Ma is the Director, Governor and Secretary of the CPC Committee of China Merchants Bank, Chairman of the Board of Director of CIGNA-CMC, China Merchants Fund Management Co., Ltd and Wing Lung Bank Ltd., Independent Non-executive Director of Winox Holdings Ltd. and Independent Director of the Guotai Junan Securities Co., Ltd. (GTJA). 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 Committee of China Merchants Bank; and in May 2010, he was elected as Independent Non-executive Director of Sinopec Corp.

Jiang Xiaoming, aged 59, Independent Non-executive Director of Sinopec Corp.. Mr. Jiang has a doctorate in economics. Presently, he acts as the member of the national committee of CPPCC, director of China Foundation for Disabled Persons, member of the United Nations Board of Investment, President of Hong Kong Saibo International Co. Ltd., Independent Director of COSCO International and SPG Land (Holdings) Ltd., Senior Fellow of the University of Cambridge Business School, and trustee of University of Cambridge China Development Fund. Between 1992 and 1998, he acted as the Vice President of United Nations Staff Retirement Fund; between 1999 and 2003, he acted as the Chairman of the Board of Directors of Frasers property (China) Co., Ltd.; and he has previously acted as the Director of JSW Energy Ltd., member of the Advisory Committee of American Capital Group and Rothschild, the British Investment Bank, and an Independent Director of China Oilfield Services Co., Ltd.. From May 2012 to the present, he has acted as an Independent Non-executive Director of Sinopec Corp..

Andrew Y. Yan, aged 55, Independent Non-executive Director of Sinopec Corp.. Mr. Yan is the founding Managing Partner of SAIF Partners and has a master degree. Presently, he acts as the Chairman and Independent Non-executive Director of NVC Lighting Holding Limited; the Independent Non-executive Director of China Resources Land Limited, China Mengniu Dairy Co. and Fosun International Ltd., the Independent Executive Director of Digital China Holdings Limited, China Huiyuan Juice Group Limited, Feng Deli Holdings Limited, Mobi Development Co., Ltd. and Guodian Technology & Environment Group Corporation Limited; the Independent Director of the Giant Network Co. Ltd.; and the Director of Acorn International Co., Ltd., ATA Co., Ltd., and Eternal Asia Supply Chain Management Ltd. Between 1989 and 1994, he acted as the Economist of the World Bank headquarters in Washington, Senior Fellow of Hudson Institute, an American famous research think tank, and acted as the director of APAC Strategic Planning & Business Development of Sprint International Corporation; between 1994 – 2001, he acted as the Director, General Manager and Director of Hong Kong Office of AIG Asia Infrastructural Investment Fund. And from May 2012 to the present, he has acted as an Independent Non-executive Director of Sinopec Corp..

Bao Guoming, aged 61, Independent Non-executive Director of Sinopec Corp. Madam Bao is a Professor and the international registered internal auditor with a master degree. Since December of 1992, she acted as the associate professor of Accounting Dept. of International Business School of Nankai University, and since December of 1995, as a Professor of Accounting Dept. of International Business School of Nankai University; since November of 1997, as the Vice Director of Accounting Dept. of International Business School of Nankai University; since April of 1999, as the Vice Director of the Audit Cadre Training Center of National Audit Office; Since February of 2003, as the Director of the Audit Cadre Training Center of National Audit Office; since July of 2004, as the Director of the Administrative Audit Department of National Audit Office; since February of 2010, as the Director-Level Auditor of the Laws and Regulations Department of National Audit Office; since July of 2010, as the Vice-Chairman and Secretary General of China Internal Audit Association; and since May of 2011, as the External Supervisor of Bank of China. From May 2012 to the present, she has acted as an Independent Non-executive Director of Sinopec Corp.. Madam Bao is an expert who enjoys the State Council Special Allowance.

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 2012 (RMB 10,000, before tax) | Remuneration paid by the holding Company in 2012 (RMB 10,000, before tax) | Shares held at Sinopec Corp (as at 31 December) 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Fu Chengyu | Male | 61 | Chairman | 2012.05-2015.05 | — | 86.27Note | 0 | 0 |
| Wang Tianpu | Male | 50 | Vice Chairman, President | 2012.05-2015.05 | 103.44 | — | 0 | 0 |
| Zhang Yaocang | Male | 59 | Vice Chairman | 2012.05-2015.05 | — | 97.54 | 0 | 0 |
| Zhang Jianhua | Male | 48 | Board Director, Senior Vice President | 2012.05-2015.05 | 97.54 | — | 0 | 0 |
| Wang Zhigang | Male | 55 | Board Director, Senior Vice President | 2012.05-2015.05 | 97.54 | — | 0 | 0 |
| Cai Xiyou | Male | 51 | Board Director, Senior Vice President | 2012.05-2015.05 | 97.54 | — | 0 | 0 |
| Cao Yaofeng | Male | 59 | Board Director | 2012.05-2015.05 | — | 97.54 | 0 | 0 |
| Li Chunguang | Male | 57 | Board Director | 2012.05-2015.05 | — | 97.54 | 0 | 0 |
| Dai Houliang | Male | 49 | Board Director, Senior Vice President | 2012.05-2015.05 | 97.54 | — | 0 | 0 |
| Liu Yun | Male | 56 | Board Director | 2012.05-2015.05 | — | 97.54 | 0 | 0 |
| Chen Xiaojin | Male | 68 | Independent Non - Executive Director | 2012.05-2015.05 | 30 | — | 0 | 0 |
| Ma Weihua | Male | 64 | Independent Non - Executive Director | 2012.05-2015.05 | 30 | — | 0 | 0 |
| Jiang Xiaoming | Male | 59 | Independent Non - Executive Director | 2012.05-2015.05 | 20 | — | 0 | 0 |
| Andrew Y. Yan | Male | 55 | Independent Non - Executive Director | 2012.05-2015.05 | 20 | — | 0 | 0 |
| Bao Guoming | Female | 61 | Independent Non - Executive Director | 2012.05-2015.05 | 20 | — | 0 | 0 |

Note: Mr. Fu Chengyu took the position as the chairman of China Petrochemical Corporation in April 2011. The remuneration for Mr. Fu includes his base salary for 2012 and the bonus for performance for 2011 which was paid in 2012.

Retired Board of Directors During the Reporting Period

| Name | Gender | Position in Sinopec Corp. | Tenure | Remuneration paid by Sinopec Corp. in 2012 (RMB 10,000, before tax) | Remuneration paid by the holding Company in 2012 (RMB 10,000, before tax) | Shares held at Sinopec Corp (as at 31 December) | |
|---|---|---|---|---|---|---|---|
| | | | | | | 2012 | 2011 |
| Li Deshui | Male | Independent Non - Executive Director | 2009.05-2012.05 | 10 | — | 0 | 0 |
| Xie Zhongyu | Male | Independent Non - Executive Director | 2009.05-2012.05 | 10 | — | 0 | 0 |
| Wu Xiaogen | Male | Independent Non - Executive Director | 2009.05-2012.05 | 10 | — | 0 | 0 |

(1) SUPERVISORS

Xu Bin, aged 56, Chairman of the Board of Supervisors of Sinopec Corp.. Mr. Xu is a professor level administration engineer with a university certificate. Since June 1999, he acted as Deputy Director of the 6th Discipline Inspection and Monitoring Office of the Central Discipline Inspection Commission of CPC; since April 2000, as Deputy Director of the 3rd Discipline Inspection and Monitoring Office of CPC; since November of 2004, as the Bureau Level Inspector, Supervisory Attaché and Deputy Director of the 3rd Discipline Inspection and Monitoring Office of the Central Discipline Inspection Commission of CPC; since November 2006, as the Director of the Petition Letters and Visits Office of Central Discipline Inspection Commission of CPC; since May 2011, as the Member of the CPC Leading Group of China Petrochemical Corporation and the Team Leader of the Discipline Inspection Group for CPC Leading Group of Sinopec Group; and since October 2011, as the Director of China Petrochemical Corporation. And since May 2012, he has acted as the Chairman of the Board of Supervisors of Sinopec Corp..

Geng Limin, aged 58, Supervisor of Sinopec Corp., Director General of Supervision Department of Sinopec Corp.. Mr. Geng is a senior administration engineer with 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 Labour 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.

Li Xinjian, aged 59, Supervisor of Sinopec Corp., Deputy Director General of the Office of the President of Sinopec Corp. (Director General Level). Mr. Li is a senior administration enginee with a university diploma. In February 2001, he was appointed as Director of General Office and Assistant Inspector of Leading Group of Promotion of Cultural and Ideological Progress Central Office of the CPC Central Committee; in June 2004, he was appointed as Deputy Secretary of Central Office of CPC Central Committee and Director of General Office of Leading Group of Promotion of Cultural and Ideological Progress Central Office of the CPC Central Committee; in January 2006, he was appointed concurrently as Deputy Director General of HR Dept. of the Central Office of the CPC Central Committee; and in March 2008, he was appointed as Deputy Director General of the General Office of China Petrochemical Corporation and Deputy Director General of President Office of Sinopec Corp.(Director General Level). In May 2012, he was elected as Supervisor of Sinopec Corp.

Zou Huiping, aged 52, Supervisor of Sinopec Corp. and Director General of Auditing Department of Sinopec Corp.. Mr. Zou is a professor level senior accountant with 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.

Kang Mingde, aged 62, Independent Supervisor of Sinopec Corp., Mr. Kang obtained a college diploma. Since January 1992, he worked in the 6th Discipline Inspection Office of CPC Central Discipline Inspection Commission and Ministry of Supervision, and was appointed as (officer (deputy director level) Deputy Director, director, Inspector (Deputy Director General level), and Supervision Commissioner; since January 2005, he was appointed as the Discipline Inspector (Deputy Director General level) and Supervision Commissioner of the first Discipline Inspection Office of CPC Central Discipline Inspection Commission and Ministry of Supervision; between November 2010 and July 2011, he was appointed as the Discipline Inspector (Director level) and Supervision Commissioner of the first Discipline Inspection Office of CPC Central Disciplinary Committee and Ministry of Supervision; and in May 2012, he was elected as Supervisor of Sinopec Corp.

Zhou Shiliang, aged 55, Employee Representative Supervisor of Sinopec Corp.. Mr. Zhou is a professor level senior engineer with 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 HR Department of Sinopec Corp.; since June 2012, he has acted as the Secretary of CPC Committee and Supervisory Committee, Chairman of the Labour Union and Supervisory Board of Sinopec Oilfield Service Corporation and in May 2009, he was elected as Employee Representative Supervisor of Sinopec Corp.

Chen Mingzheng, aged 55, 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 48, Employee's Representative Supervisor of Sinopec Corp., General Director, Executive Director and Deputy Secretary of CPC Committee of Sinopec Supplies & Equipment Department, and General Manager of China Petrochemical International Co., Ltd.. Mr. Jiang is a professor level senior economist with 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 Deputy Director General of Sinopec Supplies & Equipment Department; in December 2001, he was appointed as the Director General of Sinopec Supplies & Equipment Department and in November 2005 he 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, Executive Director and Secretary of the CPC Committee of Sinopec Supplies & Equipment Department General Manager of China Petrochemical International Co., Ltd.; and in April 2010, he was appointed as the Director General, Executive Director and Deputy Secretary of the CPC committee of Sinopec Materials Procurement Department General Manager of and China Petrochemical International Co., Ltd. and in December 2010, he was elected as the Employee's Representative Supervisor of Sinopec Corp.

Yu Renming, aged 49, Employee's Representative Supervisor of Sinopec Corp., General Director of Sinopec Production Management Department. Mr. Yu is a professor level senior engineer with 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, he was appointed as the Director General 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 2012 (RMB10,000, before tax) | Remuneration paid by the holding Company in 2012 (RMB10,000, before tax) | Shares held at Sinopec (as of 31 December) 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Xu Bin | Male | 56 | Chairman, the Board of Supervisors | 2012.05-2015.05 | — | 56.97 | 0 | 0 |
| Geng Limin | Male | 58 | Supervisor | 2012.05-2015.05 | — | 53.38 | 0 | 0 |
| Li Xinjian | Male | 59 | Supervisor | 2012.05-2015.05 | — | 24.91Note | 0 | 0 |
| Zou Huiping | Male | 52 | Supervisor | 2012.05-2015.05 | 53.38 | — | 0 | 0 |
| Kang Mingde | Male | 62 | Independent Supervisor | 2012.05-2015.05 | 20 | — | 0 | 0 |
| Zhou Shiliang | Male | 55 | Employee's Representative Supervisor | 2012.05-2015.05 | 53.38 | — | 0 | 0 |
| Chen Mingzheng | Male | 48 | Employee's Representative Supervisor | 2012.05-2015.05 | 50.97 | — | 0 | 0 |
| Jiang Zhenying | Male | 48 | Employee's Representative Supervisor | 2012.05-2015.05 | 52.06 | — | 0 | 0 |
| Yu Renming | Male | 49 | Employee's Representative Supervisor | 2012.05-2015.05 | 53.38 | — | 0 | 0 |

Note: The remuneration for Mr. Li Xinjian is the amount after he took the position as the Supervisor in May 2012.

Retired Board of Supervisors during the Reporting Period

| Name | Gender | Position in Sinopec Corp. | Tenure | Remuneration paid by Sinopec Corp. in 2012 (RMB10,000, before tax) | Remuneration paid by the holding Company in 2012 (RMB10,000, before tax) | Shares held at Sinopec (as of 31 December) 2012 | 2011 |
|---|---|---|---|---|---|---|---|
| | Male | | 2009.05-2012.05 | — | 29.10 | 0 | 0 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Wang Zuoran | | Chairman, the Board of Supervisors | | | | | |
| Zhang Youcai | Male | Vice Chairman, Independent Supervisor | 2009.05-2012.05 | 10 | — | 0 | 0 |
| Li Yonggui | Male | Independent Supervisor | 2009.05-2012.05 | 10 | — | 0 | 0 |

(3) OTHER MEMBERS OF SENIOR MANAGEMENT

Wang Xinhua, aged 57, CFO of Sinopec Corp., Director General of Finance Department of Sinopec Corp. Mr. Wang is a professor level senior accountant with 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 59, Vice President of Sinopec Corp., Director General of Engineering Department of Sinopec Corp. Mr. Zhang is a professor level senior engineer with 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.; since June 2012, he concurrently acts as the Vice Chairman of SEG (Sinopec Engineering Group), in May 2006, he was appointed as Vice President of Sinopec Corp.

Zhang Haichao, aged 55, 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 with a master 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 50, Vice President of Sinopec Corp, General Director of Sinopec Exploration and Production Department. Mr. Jiao is a professor level senior engineer with a 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 & Production 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 & Production Department; and in October 2006, he was appointed as Vice President of Sinopec Corp.

Lei Dianwu, aged 50, Vice President of Sinopec Corp, Director General of Sinopec Development & Planning Department. Mr. Lei is a Professor level 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 of 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 50, Vice President of Sinopec Corp, Director General of Sinopec Refining Department. Mr. Ling is a professor level senior engineer with a master degree. From 1983, he worked in the refinery of Beijing Yanshan Petrochemical Company and the Refining Department 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 Director General of Sinopec Refining Department; in May 2012, he was appointed as Executive Director, General Manager and Secretary of CPC Committee of Sinopec Oil Sales Co., Ltd.; in July 2010, he was appointed as Vice President of Sinopec Corp.

Huang Wensheng, aged 46, Secretary to the Board of Directors of Sinopec Corp. and Director General of the Board Secretariat of Sinopec Corp.. Mr. Huang is a senior engineer with a university diploma. In March 2003, he was appointed as Deputy Director General of the Board Secretariat of Sinopec Corp.; in May 2006, he was appointed as Representative on Securities Matters of Sinopec Corp.; in September 2009, he was appointed as Director General of the Board Secretariat of Sinopec Corp.; in May 2012, 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 paid by Sinopec Corp. in 2012 (RMB 10,000, before tax) | Whether paid by the holding Company | Shares held at Sinopec Corp (as at 31 December) 2012 | 2011 |
|---|---|---|---|---|---|---|---|
| Wang Xinhua | Male | 57 | CFO | 62.04 | No | 0 | 0 |
| Zhang Kehua | Male | 59 | Vice President | 63.36 | No | 0 | 0 |
| Zhang Haichao | Male | 55 | Vice President | 62.04 | No | 0 | 0 |
| Jiao Fangzheng | Male | 50 | Vice President | 62.04 | No | 0 | 0 |
| Lei Dianwu | Male | 50 | Vice President | 63.36 | No | 0 | 0 |
| Ling Yiqun | Male | 50 | Vice President | 63.36 | No | 10,000 | 10,000 |
| Huang Wensheng | Male | 46 | Board Secretary | 24.26note | No | 0 | 0 |

Note: The remuneration of Mr. Huang Wensheng in 2012 is the amount after he was elected as Secretary to the Board of Directors of Sinopec Corp. in May 2012.

2 Appointment or Termination of Directors, Supervisors and Senior Management

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

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

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

At the 1st meeting of the Fifth Session of the Board of Supervisors of Sinopec Corp., Mr. Xu Bin was elected as the Chairman of the Fifth session of the Board of Supervisors.

3 Director's and Supervisor's Interest in Contract

As of 31 December 2012 or as at any time of this year, none of Board of Director or Supervisors 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, Supervisors, and the Senior Management

During this reporting period, the number of Directors, Supervisors and other Senior Management paid by Sinopec Corp. is 29 in total, and their annual sum of remuneration is RMB 14.0715 million in total.

5 The Company's Employees

As at 31 December 2012, the Company has a total of 376,201 employees.

THE BREAKDOWN ACCORDING TO THE MEMBERS OF EACH OPERATION SEGMENT AS FOLLOWS:
(including exploration and Production, refining, marketing and distribution, chemicals, R&D and other segments)

EMPLOYEES' PROFESSIONAL STRUCTURE AS FOLLOWS:
(including production, sales, technology, finance, administration and other professions)

EDUCATIONAL BACKGROUND STRUCTURE FOR EMPLOYEES AS FOLLOWS:
(including master degree or above, university, junior college, technical secondary school, senior high school and technical school degree or below)

6.CHANGES OF CORE TECHNICAL TEAM OR KEY TECHNICIANS
During the reporting period, there are no significance changes of core technical team and key technicians.

7EMPLOYEE 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 2012, the Company has a total of 187,682 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 AND CONTROLLING SUBSIDIARIES

On 31 December, 2012, details of the principal wholly-owned and controlling 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 | 24,794 | 17,689 | (1,319 ) | Manufacturing of intermediate petrochemical products and petroleum products |
| Sinopec (Hong Kong) Limited | HKD 5,477 | 100.0 | 19,701 | 7,649 | 390 | Trading of crude oil and petrochemical products |
| Sinopec International Petroleum Exploration and Production Corporation | 8,000 | 100.0 | 20,265 | 12,086 | 5,735 | Investment in exploration, production, sales, etc. of petroleum & natural gas |
| China International United Petroleum & Chemical Co., Ltd. (UNIPEC) | 3,000 | 100.0 | 173,107 | 11,863 | 1,333 | Trading of crude oil and petrochemical products |
| Sinopec Sales Company Limited | 1,700 | 100.0 | 51,566 | 22,514 | 11,674 | Marketing and distribution of petroleum products |
| Sinopec International Company Limited | 1,400 | 100.0 | 8,459 | 2,139 | 129 | Trading of petrochemical products |
| Sinopec Chemical Sales Co., Ltd | 1,000 | 100.0 | 23,328 | 1,652 | 779 | Trading of petrochemical products |
| Sinopec Zhongyuan Petrochemical Company Limited | 2,400 | 93.51 | 2,552 | 266 | (394 ) | Manufacturing of chemical products |
| Sinopec Qingdao Refining & | 5,000 | 85.0 | 16,559 | 3,168 | (504 ) | Manufacturing of intermediate |

| | | | | | | |
|---|---|---|---|---|---|---|
| Chemical Company Limited | | | | | | petrochemical products and petroleum products |
| Sinopec Hainan Refining & Chemical Company Limited | 3,986 | 75.0 | 13,983 | 6,135 | 1,293 | Manufacturing of intermediate petrochemical products and petroleum products |
| Sinopec Kantons Holdings Limited | HKD 207 | 72.34 | 6,377 | 5,289 | 214 | Trading of crude oil and petroleum products |
| Sinopec Shell (Jiangsu) Petroleum Marketing Company Limited | 830 | 60.0 | 1,527 | 1,085 | 63 | Marketing & distribution of petroleum products |
| BP Sinopec (Zhejiang) Petroleum Company Limited | 800 | 60.0 | 1,131 | 1,066 | 68 | Marketing & distribution of petroleum products |
| Sinopec Shanghai Petrochemical Company Limited | 7,200 | 55.56 | N/A | N/A | N/A | Manufacturing of petroleum products, synthetic fiber & resin& intermediate petrochemical products |
| Fujian Petrochemical Company Limited | 5,019 | 50.0 | 5,241 | 3,998 | (1,007 ) | Manufacturing of plastics & intermediate petrochemical products & petroleum products |
| Sinopec Yizheng Chemical Fibre Company Limited (YCF) | 4,000 | 42.0 | N/A | N/A | N/A | Production& sales of polyester chips & polyester fibers |

Notes:

1) The auditor for all of the above subsidiaries for the year 2012 is KPMG Huazhen (special general partnership) 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 controlling subsidiaries are limited liability companies except for Sinopec Shanghai Petrochemical Company Limited, Sinopec Yizheng Chemical Fibre Company Limited (YCF) and Sinopec

Kantons Holdings 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 the results or assets of Sinopec Corp. 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 2012, 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. 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 2012, 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.

| | |
|---|---|
| KPMG Huazhen<br>(Special General Partnership) | Certified Public Accountants<br>Registered in the People's Republic of China |
| Beijing, The People's Republic of China | Zhang Jingjing<br>Huang Jingwei |
| | 22 March 2013 |

(A) FINANCIAL STATEMENTS PREPARED UNDER CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES CONSOLIDATED BALANCE SHEET

as at 31 December 2012

| | Note | 2012 RMB millions | 2011 RMB millions |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash at bank and on hand | 5 | 10,864 | 25,197 |
| Bills receivable | 6 | 20,045 | 27,961 |
| Accounts receivable | 7 | 81,395 | 58,721 |
| Other receivables | 8 | 8,807 | 7,360 |
| Prepayments | 9 | 4,370 | 4,096 |
| Inventories | 10 | 218,262 | 203,417 |
| Other current assets | | 1,008 | 836 |
| Total current assets | | 344,751 | 327,588 |
| Non-current assets | | | |
| Long-term equity investments | 11 | 52,061 | 47,458 |
| Fixed assets | 12 | 588,969 | 565,936 |
| Construction in progress | 13 | 168,977 | 111,311 |
| Intangible assets | 14 | 49,834 | 34,842 |
| Goodwill | 15 | 6,257 | 8,212 |
| Long-term deferred expenses | 16 | 10,246 | 9,076 |
| Deferred tax assets | 17 | 15,130 | 13,398 |
| Other non-current assets | 18 | 11,046 | 12,232 |
| Total non-current assets | | 902,520 | 802,465 |
| Total assets | | 1,247,271 | 1,130,053 |
| Liabilities and shareholders’ equity | | | |
| Current liabilities | | | |
| Short-term loans | 20 | 70,228 | 36,985 |
| Bills payable | 21 | 6,656 | 5,933 |
| Accounts payable | 22 | 215,628 | 177,002 |
| Advances from customers | 23 | 69,299 | 66,686 |
| Employee benefits payable | 24 | 1,838 | 1,795 |
| Taxes payable | 25 | 21,985 | 39,622 |
| Other payables | 26 | 61,721 | 57,662 |
| Short-term debentures payable | 29 | 30,000 | — |
| Non-current liabilities due within one year | 27 | 15,754 | 43,388 |
| Total current liabilities | | 493,109 | 429,073 |
| Non-current liabilities | | | |
| Long-term loans | 28 | 40,267 | 54,320 |
| Debentures payable | 29 | 121,849 | 100,137 |
| Provisions | 30 | 21,591 | 18,381 |
| Deferred tax liabilities | 17 | 16,043 | 15,181 |
| Other non-current liabilities | | 3,811 | 3,436 |
| Total non-current liabilities | | 203,561 | 191,455 |

| | | | |
|---|---|---|---|
| Total liabilities | | 696,670 | 620,528 |
| Shareholders' equity | | | |
| Share capital | 31 | 86,820 | 86,702 |
| Capital reserve | 32 | 30,574 | 29,583 |
| Specific reserve | 33 | 3,550 | 3,115 |
| Surplus reserves | 34 | 184,603 | 178,263 |
| Retained profits | | 209,446 | 178,336 |
| Foreign currency translation differences | | (1,619) | (1,600) |
| Total equity attributable to shareholders of the Company | | 513,374 | 474,399 |
| Minority interests | | 37,227 | 35,126 |
| Total shareholders' equity | | 550,601 | 509,525 |
| Total liabilities and shareholders' equity | | 1,247,271 | 1,130,053 |

These financial statements have been approved by the board of directors on 22 March 2013.

| | | |
|---|---|---|
| Fu Chengyu | Wang Tianpu | Wang Xinhua |
| Chairman | Vice Chairman, President | Chief Financial Officer |
| (Authorised representative) | | |

The notes on pages 80 to 133 form part of these financial statements.

65

BALANCE SHEET
as at 31 December 2012

| | Note | 2012 RMB millions | 2011 RMB millions |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash at bank and on hand | 5 | 5,468 | 20,953 |
| Bills receivable | 6 | 1,333 | 17,802 |
| Accounts receivable | 7 | 21,041 | 16,829 |
| Other receivables | 8 | 42,055 | 28,127 |
| Prepayments | 9 | 5,003 | 5,410 |
| Inventories | 10 | 148,844 | 144,148 |
| Other current assets | | 707 | 502 |
| Total current assets | | 224,451 | 233,771 |
| Non-current assets | | | |
| Long-term equity investments | 11 | 111,467 | 102,101 |
| Fixed assets | 12 | 475,417 | 470,825 |
| Construction in progress | 13 | 152,199 | 101,641 |
| Intangible assets | 14 | 43,114 | 28,458 |
| Long-term deferred expenses | 16 | 8,617 | 8,018 |
| Deferred tax assets | 17 | 10,146 | 10,249 |
| Other non-current assets | 18 | 5,290 | 7,479 |
| Total non-current assets | | 806,250 | 728,771 |
| Total assets | | 1,030,701 | 962,542 |
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| Short-term loans | 20 | 1,692 | 3,842 |
| Bills payable | 21 | 4,000 | 3,052 |
| Accounts payable | 22 | 121,184 | 128,138 |
| Advances from customers | 23 | 58,570 | 63,561 |
| Employee benefits payable | 24 | 1,315 | 1,341 |
| Taxes payable | 25 | 17,854 | 32,053 |
| Other payables | 26 | 118,311 | 74,525 |
| Short-term debentures payable | 29 | 30,000 | — |
| Non-current liabilities due within one year | 27 | 15,644 | 43,281 |
| Total current liabilities | | 368,570 | 349,793 |
| Non-current liabilities | | | |
| Long-term loans | 28 | 38,560 | 53,783 |
| Debentures payable | 29 | 121,849 | 100,137 |
| Provisions | 30 | 19,598 | 17,114 |
| Deferred tax liabilities | 17 | 8,749 | 7,350 |
| Other non-current liabilities | | 1,688 | 1,759 |
| Total non-current liabilities | | 190,444 | 180,143 |
| Total liabilities | | 559,014 | 529,936 |
| Shareholders' equity | | | |

| | | | |
|---|---|---|---|
| Share capital | 31 | 86,820 | 86,702 |
| Capital reserve | 32 | 39,146 | 37,983 |
| Specific reserve | 33 | 3,017 | 2,571 |
| Surplus reserves | 34 | 184,603 | 178,263 |
| Retained profits | | 158,101 | 127,087 |
| Total shareholders’ equity | | 471,687 | 432,606 |
| Total liabilities and shareholders’ equity | | 1,030,701 | 962,542 |

These financial statements have been approved by the board of directors on 22 March 2013.

| | | |
|---|---|---|
| Fu Chengyu | Wang Tianpu | Wang Xinhua |
| Chairman | Vice Chairman, President | Chief Financial Officer |
| (Authorised representative) | | |

The notes on pages 80 to 133 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2012

| | Note | 2012 RMB millions | 2011 RMB millions |
|---|---|---|---|
| Operating income | 35 | 2,786,045 | 2,505,683 |
| Less: Operating costs | 35 | 2,372,235 | 2,093,199 |
| Sales taxes and surcharges | 36 | 188,483 | 189,949 |
| Selling and distribution expenses | | 40,299 | 38,399 |
| General and administrative expenses | | 65,590 | 63,083 |
| Financial expenses | 37 | 9,819 | 6,544 |
| Exploration expenses, including dry holes | 38 | 15,533 | 13,341 |
| Impairment losses | 39 | 7,906 | 5,811 |
| Add: Gain from changes in fair value | 40 | 206 | 1,423 |
| Investment income | 41 | 1,540 | 4,186 |
| Operating profit | | 87,926 | 100,966 |
| Add: Non-operating income | 42 | 4,573 | 3,411 |
| Less: Non-operating expenses | 43 | 2,392 | 1,739 |
| Profit before taxation | | 90,107 | 102,638 |
| Less: Income tax expense | 44 | 23,696 | 25,774 |
| Net profit | | 66,411 | 76,864 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 63,496 | 71,697 |
| Minority interests | | 2,915 | 5,167 |
| Basic earnings per share | 56 | 0.731 | 0.827 |
| Diluted earnings per share | 56 | 0.704 | 0.795 |
| Net profit | | 66,411 | 76,864 |
| Other comprehensive income | 45 | | |
| Cash flow hedges | | (151) | 142 |
| Available-for-sale financial assets | | 26 | (15) |
| Share of other comprehensive income of associates | | 80 | (179) |
| Foreign currency translation differences | | (44) | (676) |
| Total other comprehensive income | | (89) | (728) |
| Total comprehensive income | | 66,322 | 76,136 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 63,431 | 71,207 |
| Minority interests | | 2,891 | 4,929 |

These financial statements have been approved by the board of directors on 22 March 2013.

| | | |
|---|---|---|
| Fu Chengyu | Wang Tianpu | Wang Xinhua |
| Chairman | Vice Chairman, President | Chief Financial Officer |
| (Authorised representative) | | |

The notes on pages 80 to 133 form part of these financial statements.

INCOME STATEMENT
for the year ended 31 December 2012

| | Note | 2012 RMB millions | 2011 RMB millions |
|---|---|---|---|
| Operating income | 35 | 1,626,398 | 1,541,765 |
| Less: Operating costs | 35 | 1,294,326 | 1,221,616 |
| Sales taxes and surcharges | 36 | 152,014 | 151,600 |
| Selling and distribution expenses | | 33,554 | 33,489 |
| General and administrative expenses | | 55,152 | 53,137 |
| Financial expenses | 37 | 9,000 | 6,622 |
| Exploration expenses, including dry holes | 38 | 15,533 | 13,341 |
| Impairment losses | 39 | 7,002 | 5,045 |
| Add: Gain from changes in fair value | 40 | 90 | 1,328 |
| Investment income | 41 | 16,826 | 19,210 |
| Operating profit | | 76,733 | 77,453 |
| Add: Non-operating income | 42 | 3,945 | 3,029 |
| Less: Non-operating expenses | 43 | 2,198 | 1,546 |
| Profit before taxation | | 78,480 | 78,936 |
| Less: Income tax expense | 44 | 15,080 | 13,415 |
| Net profit | | 63,400 | 65,521 |
| Other comprehensive income | 45 | | |
| Available-for-sale financial assets | | — | (4) |
| Share of other comprehensive income in associates | | 79 | (182) |
| Total other comprehensive income | | 79 | (186) |
| Total comprehensive income | | 63,479 | 65,335 |

These financial statements have been approved by the board of directors on 22 March 2013.

| | | |
|---|---|---|
| Fu Chengyu | Wang Tianpu | Wang Xinhua |
| Chairman | Vice Chairman, President | Chief Financial Officer |
| (Authorised representative) | | |

The notes on pages 80 to 133 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2012

| | Note | 2012 RMB millions | 2011 RMB millions |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Cash received from sale of goods and rendering of services | | 3,220,178 | 2,889,482 |
| Rentals received | | 509 | 437 |
| Other cash received relating to operating activities | | 17,864 | 12,316 |
| Sub-total of cash inflows | | 3,238,551 | 2,902,235 |
| Cash paid for goods and services | | (2,725,034) | (2,398,623) |
| Cash paid for operating leases | | (12,361) | (12,611) |
| Cash paid to and for employees | | (51,724) | (45,617) |
| Value added tax paid | | (65,528) | (71,311) |
| Income tax paid | | (22,678) | (29,798) |
| Taxes paid other than value added tax and income tax | | (204,274) | (176,474) |
| Other cash paid relating to operating activities | | (13,490) | (16,620) |
| Sub-total of cash outflows | | (3,095,089) | (2,751,054) |
| Net cash flow from operating activities | 47(a) | 143,462 | 151,181 |
| Cash flows from investing activities: | | | |
| Cash received from disposal of investments | | 1,384 | 3,039 |
| Dividends received | | 2,429 | 2,961 |
| Net cash received from disposal of fixed assets and intangible assets | | 325 | 1,216 |
| Cash received on maturity of time deposits with financial institutions | | 2,381 | 6,383 |
| Cash received from derivative financial instruments | | 2,489 | 3,679 |
| Other cash received relating to investing activities | | 1,254 | 1,584 |
| Sub-total of cash inflows | | 10,262 | 18,862 |
| Cash paid for acquisition of fixed assets and intangible assets | | (158,148) | (142,813) |
| Cash paid for acquisition of investments | | (10,246) | (7,488) |
| Cash paid for acquisition of time deposits with financial institutions | | (2,239) | (5,801) |
| Cash paid for derivative financial instruments | | (2,908) | (3,768) |
| Sub-total of cash outflows | | (173,541) | (159,870) |
| Net cash flow from investing activities | | (163,279) | (141,008) |
| Cash flows from financing activities: | | | |
| Cash received from borrowings | | 850,317 | 536,397 |
| Cash received from issuance of 2011 Convertible Bonds, net of issuing expenses | | — | 22,889 |
| Cash received from issuance of corporate bonds | | 80,000 | 5,000 |
| Cash received from contribution from minority shareholders of subsidiaries | | 1,474 | 117 |
| Sub-total of cash inflows | | 931,791 | 564,403 |
| Cash repayments of borrowings | | (820,067) | (532,667) |
| Cash repayments of corporate bonds and partial redemption of 2007 Convertible Bonds | | (68,500) | (6,036) |
| Cash paid for dividends, profits distribution or interest | | (34,637) | (26,368) |
| Dividends paid to minority shareholders of subsidiaries | | (2,807) | (1,812) |
| Cash paid for acquisition of minority interests from subsidiaries, net | | (152) | (36) |
| Sub-total of cash outflows | | (926,163) | (566,919) |

| | | | |
|---|---|---|---|
| Net cash flow from financing activities | | 5,628 | (2,516) |
| Effects of changes in foreign exchange rate | | (2) | (18) |
| Net (decrease)/increase in cash and cash equivalents | 47(b) | (14,191) | 7,639 |

These financial statements have been approved by the board of directors on 22 March 2013.

| | | |
|---|---|---|
| Fu Chengyu | Wang Tianpu | Wang Xinhua |
| Chairman | Vice Chairman, President | Chief Financial Officer |
| (Authorised representative) | | |

The notes on pages 80 to 133 form part of these financial statements.

CASH FLOW STATEMENT
for the year ended 31 December 2012

| | Note | 2012 RMB millions | 2011 RMB millions |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Cash received from sale of goods and rendering of services | | 1,888,876 | 1,792,430 |
| Rentals received | | 352 | 404 |
| Other cash received relating to operating activities | | 55,770 | 13,898 |
| Sub-total of cash inflows | | 1,944,998 | 1,806,732 |
| Cash paid for goods and services | | (1,504,911) | (1,404,217) |
| Cash paid for operating leases | | (9,299) | (10,038) |
| Cash paid to and for employees | | (41,801) | (39,004) |
| Value added tax paid | | (52,699) | (56,536) |
| Income tax paid | | (11,744) | (17,149) |
| Taxes paid other than value added tax and income tax | | (166,284) | (137,849) |
| Other cash paid relating to operating activities | | (14,503) | (17,449) |
| Sub-total of cash outflows | | (1,801,241) | (1,682,242) |
| Net cash flow from operating activities | 47(a) | 143,757 | 124,490 |
| Cash flows from investing activities: | | | |
| Cash received from disposal of investments | | 2,249 | 2,337 |
| Dividends received | | 14,722 | 17,638 |
| Net cash received from disposal of fixed assets and intangible assets | | 274 | 1,157 |
| Cash received on maturity of time deposits with financial institutions | | 1,885 | 3,840 |
| Other cash received relating to investing activities | | 1,188 | 1,603 |
| Sub-total of cash inflows | | 20,318 | 26,575 |
| Cash paid for acquisition of fixed assets and intangible assets | | (131,874) | (122,261) |
| Cash paid for acquisition of investments | | (17,196) | (5,687) |
| Cash paid for acquisition of time deposits with financial institutions | | (1,785) | (3,940) |
| Sub-total of cash outflows | | (150,855) | (131,888) |
| Net cash flow from investing activities | | (130,537) | (105,313) |
| Cash flows from financing activities: | | | |
| Cash received from borrowings | | 174,825 | 58,528 |
| Cash received from issuance of 2011 Convertible Bonds, net of issuing expenses | | — | 22,889 |
| Cash received from issuance of corporate bonds | | 80,000 | 5,000 |
| Sub-total of cash inflows | | 254,825 | 86,417 |
| Cash repayments of borrowings | | (181,335) | (65,837) |
| Cash repayments of corporate bonds and partial redemption of 2007 Convertible Bonds | | (68,500) | (5,036) |
| Cash paid for dividends, profits distribution or interest | | (33,595) | (25,750) |
| Sub-total of cash outflows | | (283,430) | (96,623) |
| Net cash flow from financing activities | | (28,605) | (10,206) |
| Net (decrease)/increase in cash and cash equivalents | 47(b) | (15,385) | 8,971 |

These financial statements have been approved by the board of directors on 22 March 2013.

| | | |
|---|---|---|
| Fu Chengyu<br>Chairman<br>(Authorised representative) | Wang Tianpu<br>Vice Chairman, President | Wang Xinhua<br>Chief Financial Officer |

The notes on pages 80 to 133 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

| | Share capital RMB millions | Capital reserve RMB millions | Specific reserve RMB millions | Surplus reserves RMB millions | Retained profits RMB millions | Translation difference in foreign currency statements RMB millions | Total equity attributable to 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 | 163,132 | (1,157) | 421,127 | 31,555 | 452,682 |
| Change for the year | | | | | | | | | |
| 1. Net profit | — | — | — | — | 71,697 | — | 71,697 | 5,167 | 76,864 |
| 2. Other comprehensive income | — | (47) | — | — | — | (443) | (490) | (238) | (728) |
| Total comprehensive income | — | (47) | — | — | 71,697 | (443) | 71,207 | 4,929 | 76,136 |
| Transactions with owners, recorded directly in shareholders' equity: | | | | | | | | | |
| 3. Appropriations of profits: | | | | | | | | | |
| – Appropriation for surplus reserves | — | — | — | 36,552 | (36,552) | — | — | — | — |
| – Distributions to shareholders | — | — | — | — | (19,941) | — | (19,941) | — | (19,941) |
| 4. Acquisition of minority interests | — | (43) | — | — | — | — | (43) | (24) | (67) |
| 5. Distributions to minority interests, net of contributions | — | — | — | — | — | — | — | (1,374) | (1,374) |
| 6. Net increase in specific reserve for the year | — | — | 1,790 | — | — | — | 1,790 | 40 | 1,830 |
| 7. Government grants | — | 286 | — | — | — | — | 286 | — | 286 |
| 8. Others | — | (27) | — | — | — | — | (27) | — | (27) |
| | — | 216 | 1,790 | 36,552 | (56,493) | — | (17,935) | (1,358) | (19,293) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 31 December 2011 | 86,702 | 29,583 | 3,115 | 178,263 | 178,336 | (1,600) | 474,399 | 35,126 | 509,525 |
| Balance at 1 January 2012 | 86,702 | 29,583 | 3,115 | 178,263 | 178,336 | (1,600) | 474,399 | 35,126 | 509,525 |
| Change for the year | | | | | | | | | |
| 1. Net profit | — | — | — | — | 63,496 | — | 63,496 | 2,915 | 66,411 |
| 2. Other comprehensive income (Note 45) | — | (46) | — | — | — | (19) | (65) | (24) | (89) |
| Total comprehensive income | — | (46) | — | — | 63,496 | (19) | 63,431 | 2,891 | 66,322 |
| Transactions with owners, recorded directly in shareholders' equity: | | | | | | | | | |
| 3. Appropriations of profits: | | | | | | | | | |
| – Appropriation for surplus reserves (Note 34) | — | — | — | 6,340 | (6,340) | — | — | — | — |
| – Distributions to shareholders (Note 46) | — | — | — | — | (26,046) | — | (26,046) | — | (26,046) |
| 4. Exercise of conversion of the 2011 Convertible Bonds (Note 31) | 118 | 799 | — | — | — | — | 917 | — | 917 |
| 5. Rights issue of shares by a subsidiary (Note 32(ii)) | — | (18) | — | — | — | — | (18) | 781 | 763 |
| 6. Acquisition of minority interests | — | (79) | — | — | — | — | (79) | (106) | (185) |
| 7. Distributions to minority interests, net of contributions | — | — | — | — | — | — | — | (1,462) | (1,462) |
| 8. Net increase in specific reserve for the year (Note 33) | — | — | 435 | — | — | — | 435 | (12) | 423 |
| 9. Government grants | — | 337 | — | — | — | — | 337 | 9 | 346 |
| 10. Others | — | (2) | — | — | — | — | (2) | — | (2) |
| | 118 | 1,037 | 435 | 6,340 | (32,386) | — | (24,456) | (790) | (25,246) |
| | 86,820 | 30,574 | 3,550 | 184,603 | 209,446 | (1,619) | 513,374 | 37,227 | 550,601 |

Balance at 31
December 2012

These financial statements have been approved by the board of directors on 22 March 2013.

| | | |
|---|---|---|
| Fu Chengyu | Wang Tianpu | Wang Xinhua |
| Chairman | Vice Chairman, President | Chief Financial Officer |
| (Authorised representative) | | |

The notes on pages 80 to 133 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

| | Share capital RMB millions | Capital reserve RMB millions | Specific reserve RMB millions | Surplus reserve RMB millions | Retained profits RMB millions | Total shareholders' equity RMB millions |
|---|---|---|---|---|---|---|
| Balance at 1 January 2011 | 86,702 | 37,922 | 1,025 | 141,711 | 118,059 | 385,419 |
| Change for the year | | | | | | |
| 1. Net profit | — | — | — | — | 65,521 | 65,521 |
| 2. Other comprehensive income | — | (186) | — | — | — | (186) |
| Total comprehensive income | — | (186) | — | — | 65,521 | 65,335 |
| Transactions with owners, recorded directly in shareholders' equity: | | | | | | |
| 3. Appropriations of profits: | | | | | | |
| – Appropriation for surplus reserves | — | — | — | 36,552 | (36,552) | — |
| – Distributions to shareholders | — | — | — | — | (19,941) | (19,941) |
| 4 Net increase in specific reserve for the year | — | — | 1,546 | — | — | 1,546 |
| 5. Government grants | — | 274 | — | — | — | 274 |
| 6. Others | — | (27) | — | — | — | (27) |
| | — | 247 | 1,546 | 36,552 | (56,493) | (18,148) |
| Balance at 31 December 2011 | 86,702 | 37,983 | 2,571 | 178,263 | 127,087 | 432,606 |
| Balance at 1 January 2012 | 86,702 | 37,983 | 2,571 | 178,263 | 127,087 | 432,606 |
| Change for the year | | | | | | |
| 1. Net profit | — | — | — | — | 63,400 | 63,400 |
| 2. Other comprehensive income (Note 45) | — | 79 | — | — | — | 79 |
| Total comprehensive income | — | 79 | — | — | 63,400 | 63,479 |
| Transactions with owners, recorded directly in shareholders' equity: | | | | | | |
| 3. Appropriations of profits: | | | | | | |
| – Appropriation for surplus reserves (Note 34) | — | — | — | 6,340 | (6,340) | — |
| – Distributions to shareholders (Note 46) | — | — | — | — | (26,046) | (26,046) |
| 4. Exercise of conversion of the 2011 Convertible Bonds (Note 31) | 118 | 799 | — | — | — | 917 |
| 5. Net increase in specific reserve for the year (Note 33) | — | — | 446 | — | — | 446 |
| 6. Government grants | — | 287 | — | — | — | 287 |
| 7. Others | — | (2) | — | — | — | (2) |
| | 118 | 1,084 | 446 | 6,340 | (32,386) | (24,398) |
| Balance at 31 December 2012 | 86,820 | 39,146 | 3,017 | 184,603 | 158,101 | 471,687 |

These financial statements have been approved by the board of directors on 22 March 2013.

| | | |
|---|---|---|
| Fu Chengyu | Wang Tianpu | Wang Xinhua |
| Chairman | Vice Chairman, President | Chief Financial Office |
| (Authorised representative) | | |

The notes on pages 80 to 133 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

## 1 STATUS OF THE COMPANY

China Petroleum & Chemical Corporation (the "Company") was established on 25 February 2000 as a joint stock limited company.

According to the State Council's approval to the "Preliminary Plan for the Reorganisation of China Petrochemical Corporation" (the "Reorganisation"), the Company was established by China Petrochemical Corporation ("Sinopec Group Company"), which transferred its core businesses together with the related assets and liabilities at 30 September 1999 to the Company. Such assets and liabilities had been valued jointly by China United Assets Appraisal Corporation, Beijing Zhong Zheng Appraisal Company, CIECC Assets Appraisal Corporation and Zhong Fa International Properties Valuation Corporation. The net asset value was determined at RMB 98,249,084,000. The valuation was reviewed and approved by the Ministry of Finance (the "MOF") (Cai Ping Zi [2000] No. 20 "Comments on the Review of the Valuation Regarding the Formation of a Joint Stock Limited Company by China Petrochemical Corporation").

In addition, pursuant to the notice Cai Guan Zi [2000] No. 34 "Reply to the Issue Regarding Management of State-Owned Equity by China Petroleum and Chemical Corporation" issued by the MOF, 68.8 billion domestic state-owned shares with a par value of RMB 1.00 each were issued to Sinopec Group Company, the amount of which is equivalent to 70% of the above net asset value transferred from Sinopec Group Company to the Company in connection with the Reorganisation.

Pursuant to the notice Guo Jing Mao Qi Gai [2000] No. 154 "Reply on the Formation of China Petroleum and Chemical Corporation", the Company obtained the approval from the State Economic and Trade Commission on 21 February 2000 for the formation of a joint stock limited company.

The Company took over the exploration, development and production of crude oil and natural gas, refining, chemicals and related sales and marketing business of Sinopec Group Company after the establishment of the Company.

The Company and its subsidiaries (the "Group") engage in the oil and gas and chemical operations and businesses, including:

(1) the exploration, development and production of crude oil and natural gas;

(2) the refining, transportation, storage and marketing of crude oil and petroleum product; and

(3) the production and sale of chemicals.

## 2 BASIS OF PREPARATION

(1) Statement of compliance China Accounting Standards for Business Enterprises ("ASBE")
The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises – Basic Standards and 38 specific standards issued by the MOF on 15 February 2006 and the practice guide of the Accounting Standards for Business Enterprises, the explanations to the Accounting Standards for Business Enterprises and other regulations issued thereafter (collectively, ASBE). These financial statements present truly and completely the consolidated financial position and financial position, the consolidated results of operations and results of operations and the consolidated cash flows and cash flows of the Company.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No.15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2010.

(2) Accounting period
The accounting year of the Group is from 1 January to 31 December.

(3) Measurement basis
The financial statements of the Group have been prepared under the historical cost convention, except for the assets and liabilities set out below:

– Financial assets and liabilities held for trading (see Note 3(11))

– Available-for-sale financial assets (see Note 3(11))

– Convertible bonds (see Note 3(11))

– Derivative financial instruments (see Note 3(11))

(4) Functional currency and presentation currency
The functional currency of the Company and most of its subsidiaries is Renminbi. The Group's consolidated financial statements are presented in Renminbi. The Company translates the financial statements of subsidiaries from their respective functional currencies into Renminbi (see Note 3(2)) if the subsidiaries' functional currencies are not Renminbi.

## 3 SIGNIFICANT ACCOUNTING POLICIES

### (1) Accounting treatment of business combination involving entities under common control and not under common control

(a) Business combination involving entities under common control
A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities that the acquirer receives in the acquisition are accounted for at the acquiree's carrying amount on the acquisition date. The difference between the carrying amount of the acquired net assets and the carrying amount of the consideration paid for the acquisition (or the total nominal value of shares issued) is recognised in the share premium of capital reserve, or the retained profits in case of any shortfall in the share premium of capital reserve. Any costs directly attributable to the combination shall be recognised in profit or loss for the current period when occurred. The combination date is the date on which the acquirer effectively obtains control of the acquiree.

(b) Business combination involving entities not under common control
A business combination involving entities or businesses not under common control is a business combination in which all of the combining entities or businesses are not ultimately controlled by the same party or parties both before and after the business combination. Difference between the consideration paid by the Group as the acquirer, comprises of the aggregate of the fair value at the acquisition date of assets given, including equity interest of the acquiree held before the acquisition date, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree, and the Group's interest in the fair value of the identifiable net assets of the acquiree, is recognised as goodwill (Note 3(9)) if it is an excess, otherwise in the profit or loss. The expense incurred for equity securities and debt securities issued as the consideration of the combination is recognised in the initial cost of the securities. Any other expense directly attributable to the business combination is recognised in the profit or loss for the period. The difference between the fair value and the book value of the assets given is recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities, if satisfying the recognition criteria, are recognised by the Group at their fair value at the acquisition date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

(c) Method for preparation of consolidated financial statements
The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights, such as warrants and convertible bonds, that are currently exercisable or convertible, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where the Company combines a subsidiary during the reporting period through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts in the subsidiary's financial statements, from the date that common control was established.

Where the Company acquires a subsidiary during the reporting year through a business combination involving entities not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into consolidated financial statements from the date that control commences, base on the fair value of those identifiable assets and liabilities at the acquisition date.

Where the Company acquired a minority interest from a subsidiary's minority shareholders, the difference between the investment cost and the newly acquired interest into the subsidiary's identifiable net assets is adjusted to the capital reserve (share premium) in the consolidated balance sheet. Where the Company partially disposed an investment of a subsidiary that do not result in a loss of control, the difference between the proceeds and the corresponding share of the interest into the subsidiary is adjusted to the capital reserve (share premium) in the consolidated balance sheet. If the credit balance of capital reserve (share premium) is insufficient, any excess is adjusted to retained profits.

In a business combination involving entities not under common control achieved in stages, the Group remeasures its previously held equity interest in the acquiree on the acquisition date. The difference between the fair value and the net book value is recognised as investment income for the period. If other comprehensive income was recognised regarding the equity interest previously held in the acquiree before the acquisition date, the relevant other comprehensive income is transferred to investment income in the period in which the acquisition occurs.

Where control of a subsidiary is lost due to partial disposal of the equity investment held in a subsidiary, or any other reasons, the Group derecognises assets, liabilities, minority interests and other equity items related to the subsidiary. The remaining equity investment is remeasured to fair value at the date in which control is lost. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the fair value of the Group's previous share of the subsidiary's identifiable net assets recorded from the acquisition date, is recognised in investment income in the period in which control is lost. Other comprehensive income related to the previous equity investment in the subsidiary, is transferred to investment income when control is lost.

Minority interest is presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to minority shareholders is presented separately in the consolidated income statement below the net profit line item.

The excess of the loss attributable to the minority interests during the period over the minority interests' share of the equity at the beginning of the reporting period is deducted from minority interests.

Where the accounting policies and accounting period adopted by the subsidiaries are different from those adopted by the Company, adjustments are made to the subsidiaries' financial statements according to the Company's accounting policies and accounting period. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Transactions in foreign currencies and translation of financial statements in foreign currencies
Foreign currency transactions are, on initial recognition, translated into Renminbi at the spot exchange rates quoted by the People's Bank of China ("PBOC rates") at the transaction dates.

Foreign currency monetary items are translated at the PBOC rates at the balance sheet date. Exchange differences, except for those directly related to the acquisition, construction or production of qualified assets, are recognised as income or expenses in the income statement. Non-monetary items denominated in foreign currency measured at historical cost are not translated. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. The difference between the translated amount and the original currency amount is recognised as capital reserve, if it is classified as available-for-sale financial assets; or charged to the income statement if it is measured at fair value through profit or loss.

The assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rates at the balance sheet date. The equity items, excluding "Retained profits", are translated to Renminbi at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to Renminbi at the spot exchange rates on the transaction dates. The resulting exchange differences are separately presented in the balance sheet within equity. Upon disposal of a foreign operation, the cumulative amount of the exchange differences recognised in which relate to that foreign operation is transferred to profit or loss in the year in which the disposal occurs.

(3) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits, short-term and highly liquid investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(4) Inventories
Inventories are initially measured at cost. Cost includes the cost of purchase and processing, and other expenditures incurred in bringing the inventories to their present location and condition. The cost of inventories is calculated using the weighted average method. In addition to the cost of purchase of raw material, work in progress and finished goods include direct labour and an appropriate allocation of manufacturing overhead costs.

At the balance sheet date, inventories are stated at the lower of cost and net realisable value.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories. Net realisable value is the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the quantity of inventory held to satisfy sales or service contracts is measured based on the contract price. If the quantities held by the Group are more than the quantities of inventories specified in sales contracts, the net realisable value of the excess portion of inventories is measured based on general selling prices.

Inventories include raw materials, work in progress, semi-finished goods, finished goods and reusable materials. Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets. Reusable materials are amortised in full when received for use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.

Inventories are recorded by perpetual method.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Long-term equity investments

(a) Investment in subsidiaries
In the Group's consolidated financial statements, investment in subsidiaries are accounted for in accordance with the principles described in Note 3(1)(c).

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method. Except for cash dividends or profits distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment. Investments in subsidiaries are stated at cost less impairment losses (see Note 3(12)) in the balance sheet. At initial recognition, such investments are measured as follows:

The initial investment cost of a long-term equity investment obtained through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amounts of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained profits.

For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial investment cost comprises the aggregate of the fair values of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving enterprises under common control, if it is achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

An investment in a subsidiary acquired otherwise than through a business combination is initially recognised at actual purchase cost if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities, or at the value stipulated in the investment contract or agreement if an investment is contributed by investors.

(b) Investment in jointly controlled entities and associates
A jointly controlled entity is an entity which operates under joint control in accordance with a contractual agreement between the Group and other ventures. Joint control represents the contractual agreement of sharing of control over the entity's economic activities, limited to economic activities related to significant financial and operating policies that require agreement of all ventures. The Group generally consider the following circumstances in determining whether it can exercise joint control over the investee:

– whether any investor alone cannot control the operating activities of the investee;

– whether it requires agreement of all ventures for decisions related to the fundamental operating activities of the investee;

– whether the management of an investor who is appointed by all investors through the contract or agreement to manage the daily operations of the investee must be confined with the agreed-upon financing and operation policies.

An associate is an entity of which the Group has significant influence. Significant influence represents the right to participate in the financial and operating policy decisions of the investee but is not control or joint control over the establishment of these policies. The Group generally consider the following circumstances in determining whether it can exercise significant influence over the investee:

– whether there is representative appointed to the board of directors or equivalent governing body of the investee;

– whether to participate in the investee's policy-making process;

– whether there are significant transactions with the investees;

– whether there is management personnel sent to the investee;

– whether to provide critical technical information to the investee.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Long-term equity investments (Continued)

(b) Investment in jointly controlled entities and associates (Continued)
An investment in a jointly controlled entity or an associate is accounted for using the equity method, unless the investment is classified as held for sale (see Note 3(10)).

The initial cost of investment in jointly controlled entities and associates is stated at the consideration paid if the investment is made in cash, or at the fair value of the non-monetary assets exchanged for the investment. The difference between the fair value of the non-monetary assets being exchanged and its carrying amount is charged to profit or loss.

The Group's accounting treatments when adopting the equity method include:

Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

After the acquisition of the investment, the Group recognises its share of the investee's net profits or losses, as investment income or losses, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profits distributions, the carrying amount of the investment is reduced by that attributable to the Group.

The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair values of the investee's net identifiable assets at the time of acquisition. Under the equity accounting method, unrealised profits and losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated to the extent of the Group's interest in the associates or jointly controlled entities. Unrealised losses resulting from transactions between the Group and its associates or jointly controlled entities are fully recognised in the event that there is an evidence of impairment.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that is in substance forms part of the Group's net investment in the associate or the jointly controlled entity is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Where net profits are subsequently made by the associate or jointly controlled entity, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group adjusts the carrying amount of the long-term equity investment for changes in owners' equity of the investee other than those arising from net profits or losses, and recognises the corresponding adjustment in equity.

(c) Other long-term equity investments
Other long-term equity investments refer to investments where the Group does not have control, joint control or significant influence over the investees, and for which the investments are not quoted in an active market and their fair value cannot be reliably measured.

The initial investment cost in these entities is originally recognised in the same way as the initial investment cost and measurement principles for investment in jointly controlled entities and associates.

Other long-term investments are subsequently accounted for under the cost method. The cash dividends or profits declared to be distributed by the investee entity are recognised as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment, excluding the cash dividends or profits declared but not distributed in the considerations paid to acquire the investment.

(d) The Impairment assessment method and provision accrual on investment

The impairment assessment and provision accrual on investments in subsidiaries, associates and jointly controlled enterprises are stated in Note 3(12).

At each balance sheet date, other long-term equity investments are assessed for impairment on an individual basis. For other long-term equity investments, the amount of the impairment loss is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

The investments in other long-term equity investments are stated in the balance sheet at cost less impairment losses.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) Fixed assets and construction in progress
Fixed assets represent the tangible assets held by the Group using in the production of goods, rendering of services and for operation and administrative purposes with useful life over 1 year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(12)). Construction in progress is stated in the balance sheet at cost less impairment losses (see Note 3(12)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note 3(19)), and any other costs directly attributable to bringing the asset to working condition for its intended use. Costs of dismantling and removing the items and restoring the site on which the related assets located are included in the initial cost.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

The Group terminates the recognition of an item of fixed asset when it is in a state of disposal or it is estimated that it is unable to generate any economic benefits through use or disposal. Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Other than oil and gas properties, the cost of fixed assets less residual value and accumulated impairment losses is depreciated using the straight-line method over their estimated useful lives, unless the fixed asset is classified as held for sale (see Note 3(10)). The estimated useful lives and the estimated rate of residual values adopted for respective classes of fixed assets are as follows:

| | Estimated useful life | Estimated rate of residual value |
|---|---|---|
| Plants and buildings | 12-50 years | 3% |
| Equipment, machinery and others | 4-30 years | 3% |

Useful lives, residual values and depreciation methods are reviewed at least each year end.

(7) Oil and gas properties
Oil and gas properties include the mineral interests in properties, wells and related support equipment arising from oil and gas exploration and production activities.

Costs of obtaining the mineral interest are capitalised as oil and gas properties. Costs of development wells and related support equipment are capitalised. The cost of exploratory wells is initially capitalised as construction in progress pending determination of whether the well has found proved reserves. Exploratory well costs are charged to expenses upon the determination that the well has not found proved reserves. However, in the absence of a determination of the discovery of proved reserves, exploratory well costs are not carried as an asset for more than one year following completion of drilling. If, after one year has passed, a determination of the discovery of proved reserves cannot be made, the exploratory well costs are impaired and charged to expense. All other exploration costs, including geological and geophysical costs, are charged to profit or loss in the year as incurred.

Gains and losses on the disposal of proved oil and gas properties are not recognised unless the disposal encompasses an entire property. The proceeds on such disposals are credited to the carrying amounts of oil and gas properties.

The Group estimates future dismantlement costs for oil and gas properties with reference to engineering estimates after taking into consideration the anticipated method of dismantlement required in accordance with the industry practices. These estimated future dismantlement costs are discounted at credit-adjusted risk-free rate and are capitalised as oil and gas properties, which are subsequently amortised as part of the costs of the oil and gas properties.

Capitalised costs relating to proved properties are amortised on a unit-of-production method.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(8) Intangible assets
Intangible assets, where the estimated useful life is finite, are stated in the balance sheet at cost less accumulated amortisation and provision for impairment losses (see Note 3(12)). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised on a straight-line basis over the expected useful lives, unless the intangible assets are classified as held for sale (see Note 3(10)).

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the year over which the asset is expected to generate economic benefits for the Group.

(9) Goodwill
The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control.

Goodwill is not amortised and is stated at cost less accumulated impairment losses (see Note 3(12)). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

(10) Non-current assets held for sale
A non-current asset is accounted for as held for sale when the Group has made a decision and signed a non-cancellable agreement on the transfer of the asset with the transferee, and the transfer is expected to be completed within one year. Such non-current assets may include fixed assets, intangible assets, investment property subsequently measured using the cost model, long-term equity investment, etc., but not include financial instruments and deferred tax assets. Non-current assets held for sale are stated at the lower of carrying amount and net realisable value. Any excess of the carrying amount over the net realisable value is recognised as an impairment loss.

(11) Financial Instruments
Financial instruments of the Group include cash and cash equivalents, bond investments, equity securities other than long-term equity investments, receivables, derivative financial instruments, payables, loans, bonds payable, and share capital, etc.

(a) Classification, recognition and measurement of financial instruments
The Group recognises a financial asset or a financial liability on its balance sheet when the Group enters into and becomes a party to the underlining contract of the financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets and assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are initially recognised at fair value. For financial asset or financial liability of which the change in its fair value is recognised in profit or loss, the relevant transaction cost is recognised in profit or loss. The transaction costs for other financial assets or financial liabilities are included in the initially recognised amount. Subsequent to initial recognition financial assets and liabilities are measured as follows:

– Financial asset or financial liability with change at fair value recognised through profit or loss (including financial asset or financial liability held for trading)

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is a derivative, unless the derivative is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. These financial instruments are initially measured at fair value with subsequently changes in fair value recognised in profit or loss. Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

– Receivables

Receivables are non-derivative financial assets with fixed or determinable recoverable amount and with no quoted price in active market. After the initial recognition, receivables are measured at amortised cost using the effective interest method.

– Held-to-maturity investment

Held-to-maturity investment includes non-derivative financial assets with fixed or determinable recoverable amount and fixed maturity that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Financial Instruments (Continued)

(a) Classification, recognition and measurement of financial instruments (Continued)

– Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated as available for sales and other financial assets which do not fall into any of the above categories.

Available-for-sale financial assets whose fair value cannot be measured reliably are measured at cost subsequent to initial recognition. Other than the above equity instrument investments whose fair values cannot be measured reliably, other available-for-sale financial assets are initially stated at fair values. The gains or losses arising from changes in the fair value are directly recognised in equity, except for the impairment losses and exchange differences from monetary financial assets denominated in foreign currencies, which are recognised in profit or loss. The cumulative gains and losses previously recognised in equity are transferred to profit or loss when the available-for-sale financial assets are derecognised. Dividend income from these equity instruments is recognised in profit or loss when the investee declares the dividends. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss (see Note 3(17)(c)).

– Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Other financial liabilities include the liabilities arising from financial guarantee contracts. Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the Group issues a financial guarantee, subsequent to initial recognition, the guarantee is measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles of contingencies (see Note 3(16)).

Except for the other financial liabilities described above, subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

(b) Disclosure of financial assets and financial liabilities
In the balance sheet, financial assets and liabilities are not offset unless all the following conditions are met:

– the Group has a legally enforceable right to set off financial assets against financial liabilities; and

– the Group intend to settle the financial assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

(c) Determination of fair value
If there is an active market for a financial asset or financial liability, the quoted price in the active market is used to establish the fair value of the financial asset or financial liability.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using arm's length market transactions between knowledge, willing parties; reference to the current fair value of other instrument that is substantially the same; discounted cash flows and option pricing model. The Group calibrates the valuation technique and tests it for validity periodically.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Financial Instruments (Continued)

(d) Hedge accounting
Hedge accounting is a method which recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item in the same accounting period(s).

Hedged items are the items that expose the Group to risks of changes in fair value or future cash flows and that are designated as being hedged. The Group's hedged items include fixed-rate borrowings that expose the Group to risk of changes in fair values, floating rate borrowings that expose the Group to risk of variability in cash flows, and a forecast transaction that is settled with a fixed amount of foreign currency and expose the Group to foreign currency risk.

A hedging instrument is a designated derivative whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item. For a hedge of foreign currency risk, a non-derivative financial asset or non-derivative financial liability may also be used as a hedging instrument.

The hedge is assessed by the Group for effectiveness on an ongoing basis and determined to have been highly effective throughout the accounting periods for which the hedging relationship was designated. The Group uses a ratio analysis to assess the subsequent effectiveness of a cash flow hedge, and uses a regression analysis to assess the subsequent effectiveness of a fair value hedge.

– Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in shareholders' equity as a separate component. That effective portion is adjusted to the lesser of the following (in absolute amounts):

– the cumulative gain or loss on the hedging instrument from inception of the hedge;

– the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge is recognised in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is removed from shareholders' equity, included in the initial cost of the non-financial asset or liability, and recognised in profit or loss in the same year during which the financial asset or financial liability affects profit or loss. However, if the Group expects that all or a portion of a net loss recognised directly in shareholders' equity will not be recovered in future accounting periods, it reclassifies the amount that is not expected to be recovered into profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is removed from equity and recognised in profit or loss in the same period during which the financial asset or financial liability affects profit or loss. However, if the Group expects that all or a portion of a net loss recognised directly in shareholders' equity will not be recovered in future accounting periods, it reclassifies the amount that is not expected to be recovered into profit or loss.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is removed from shareholders' equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, the Group will discontinue the hedge accounting treatments prospectively. In this case, the gain or loss on the hedging instrument that remains recognised directly in shareholders' equity from the period when the hedge was effective shall not be reclassified into profit or loss and is recognised in accordance with the above policy when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the gain or loss on the hedging instrument that remains recognised directly in shareholders' equity from the period when the hedge was effective shall be reclassified into profit or loss immediately.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Financial Instruments (Continued)

(d) Hedge accounting (Continued)

– Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment.

The gain or loss from re-measuring the hedging instrument at fair value is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, the Group discontinues prospectively the hedge accounting treatments. If the hedged item is a financial instrument measured at amortised cost, any adjustment to the carrying amount of the hedged item is amortised to profit or loss from the adjustment date to the maturity date using the recalculated effective interest rate at the adjustment date.

– Hedge of net investment in foreign operation

A hedge of a net investment in a foreign operation is a hedge of the exposure to foreign exchange risk associated with a net investment in a foreign operation. The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised directly in equity as a separate component until the disposal of the foreign operation, at which time the cumulative gain or loss recognised directly in equity is recognised in profit or loss. The ineffective portion is recognised immediately in profit or loss.

(e) Convertible bonds

– Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component of a convertible corporate bond is measured at amortised cost using the effective interest method, unless it is designated at fair value through profit or loss. The equity component of a convertible corporate bond is not re-measured subsequent to initial recognition.

If the convertible corporate bond is converted, the liability component, together with the equity component, is transferred to share capital and capital reserve (share premium). If the convertible corporate bond is redeemed, the consideration paid for the redemption, together with the transaction costs that relate to the redemption, are allocated to the liability and equity components. The difference between the allocated and carrying amounts is charged to profit or loss if it relates to the liability component or is directly recognised in equity if it relates to the equity component.

– Other convertible bonds

Convertible bonds issued with a cash settlement option and other embedded derivative features are split into liability and derivative components.

At initial recognition, the derivative component of the convertible bonds is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately as an expense in profit or loss.

The derivative component is subsequently remeasured at each balance sheet date and any gains or losses arising from change in the fair value are recognised in profit or loss. The liability component is subsequently carried at amortised cost using the effective interest method until extinguished on conversion or redemption. Both the liability and the related derivative components are presented together for financial statements reporting purposes.

If the convertible bonds are converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, any difference between the amount paid and the carrying amount of both components is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Financial Instruments (Continued)

(f) Derecognition of financial assets and financial liabilities
The Group derecognises a financial asset when the contractual right to receive cash flows from the financial asset expires, or where the Group transfers substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the following amounts is recognised in profit or loss:

– the carrying amounts; and

– the sum of the consideration received and any cumulative gain or loss that had been recognised directly in equity.

Where the obligations for financial liabilities are completely or partially discharged, the entire or parts of financial liabilities are derecognised.

(12) Impairment of financial assets and non-financial long-term assets

(a) Impairment of financial assets
The carrying amount of financial assets (except those financial assets stated at fair value with changes in the fair values charged to profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided.

Objective evidences of impairment include but not limited to:

(a) significant financial difficulty of the debtor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

(d) due to the significant financial difficulty of the debtor, financial assets is unable to be traded in active market;

(e) significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor and may not recover the investment costs; and

(f) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

– Receivables and held-to-maturity investments

Receivables and held-to-maturity investments are assessed for impairment on an individual basis.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable or held-to-maturity investment is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

Impairment loss on receivables and held-to-maturity investments is reversed in profit or loss if evidence suggests that the financial assets' carrying amounts have increased and the reason for the increase is objectively as a result of an event occurred after the recognition of the impairment loss. The reversed carrying amount shall not exceed the amortised cost if the financial assets had no impairment recognised.

– Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis.

When available-for-sale financial assets are impaired, despite not derecognised, the cumulative losses resulted from the decrease in fair value which had previously been recognised directly in shareholders' equity, are reversed and charged to profit or loss.

Impairment loss of available-for-sale debt instrument is reversed, if the reason for the subsequent increase in fair value is objectively as a result of an event occurred after the recognition of the impairment loss. Impairment loss for available-for-sale equity instrument is not reversed through profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Impairment of financial assets and non-financial long-term assets (Continued)

(b) Impairment of other non-financial long-term assets
Internal and external sources of information are reviewed at each balance sheet date for indications that the following assets, including fixed assets, construction in progress, goodwill, intangible assets and investments in subsidiaries, associates and jointly controlled entities may be impaired.

Assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The recoverable amounts of goodwill and intangible assets with uncertain useful lives are estimated annually no matter there are any indications of impairment. Goodwill is tested for impairment together with related asset units or groups of asset units.

An asset unit is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or groups of assets. An asset unit comprises related assets that generate associated cash inflows. In identifying an asset unit, the Group primarily considers whether the asset unit is able to generate cash inflows independently as well as the management style of production and operational activities, and the decision for the use or disposal of asset.

The recoverable amount is the greater of the fair value less costs to sell and the present value of expected future cash flows generated by the asset (or asset unit, set of asset units).

Fair value less costs to sell of an asset is based on its selling price in an arm’s length transaction less any direct costs attributable to the disposal. Present value of expected future cash flows is the estimation of future cash flows to be generated from the use of and upon disposal of the asset, discounted at an appropriate pre-tax discount rate over the asset’s remaining useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is recognised as an impairment loss in profit or loss. A provision for impairment loss of the asset is recognised accordingly. Impairment losses related to an asset unit or a set of asset units first reduce the carrying amount of any goodwill allocated to the asset unit or set of asset units, and then reduce the carrying amount of the other assets in the asset unit or set of asset units on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

Impairment losses for assets are not reversed.

(13) Long-term deferred expenses
Long-term deferred expenses are amortised on a straight-line basis over their beneficial periods.

(14) Employee benefits
Employee benefits are all forms of considerations given and other related expenses incurred in exchange for services rendered by employees. When an employee has rendered service to the Group during an accounting period, the Group shall recognise the employee benefits payable (other than termination benefits) as a liability and charged to the cost of an asset or as an expense in the same time.

(a) Social insurance and housing fund

Pursuant to the relevant laws and regulations of the PRC, employees of the Group participate in the social insurance system established and managed by government organisations. The Group makes social insurance contributions, including contributions to basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and etc., as well as contributions to housing fund, at the applicable benchmarks and rates stipulated by the government for the benefit of its employees. The social insurance and housing fund contributions are recognised as part of the cost of assets or charged to profit or loss on an accrual basis.

(b) Termination benefits

When the Group terminates the employment relationship with employees before the employment contracts expire, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided is recognised in profit or loss when both of the following conditions are satisfied:

– the Group has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly; and

– the Group is not allowed to withdraw from termination plan or redundancy offer unilaterally.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(15) Income tax
Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to business combinations and items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognised based on deductible temporary differences and taxable temporary differences respectively. Temporary difference is the difference between the carrying amounts of assets and liabilities and their tax bases including unused tax losses and unused tax credits able to be utilised in subsequent years. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available to offset the deductible temporary differences.

Temporary differences arise in a transaction, which is not a business combination, and at the time of transaction, does not affect accounting profit or taxable profit (or unused tax losses), will not result in deferred tax. Temporary differences arising from the initial recognition of goodwill will not result in deferred tax.

At the balance sheet date, the amounts of deferred tax recognised is measured based on the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is recovered or the liability is settled in accordance with tax laws.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. If it is unlikely to obtain sufficient taxable income to offset against the benefit of deferred tax asset, the carrying amount of the deferred tax assets is written down. Any such write-down should be subsequently reversed where it becomes probable that sufficient taxable income will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

– the taxable entity has a legally enforceable right to offset current tax assets and current tax liabilities; and

– they relate to income taxes levied by the same tax authority on either:

– the same taxable entity; or

– different taxable entities which either to intend to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(16) Provisions
Provisions are recognised when the Group has a present obligation as a result of a contingent event, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

Provisions for future dismantlement costs are initially recognised based on the present value of the future costs expected to be incurred in respect of the Group's expected dismantlement and abandonment costs at the end of related oil and gas exploration and development activities. Any subsequent change in the present value of the estimated costs, other than the change due to passage of time which is regarded as interest costs, is reflected as an adjustment to the provision of oil and gas properties.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(17) Revenue recognition
Revenue is the gross inflow of economic benefits arising in the course of the Group's normal activities when the inflows result in increase in shareholder's equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following respective conditions are met.

(a) Revenues from sales of goods
Revenue from the sales of goods is recognised when all of the general conditions stated above and following conditions are satisfied:

– the significant risks and rewards of ownership and title have been transferred to buyers; and

– the Group does not retain the management rights, which is normally associated with owner, on goods sold and has no control over the goods sold.

Revenue from the sales of goods is measured at fair value of the considerations received or receivable under the sales contract or agreement.

(b) Revenues from rendering services
The Group determines the revenue from the rendering of services according to the fair value of the received or to-be received price of the party that receives the services as stipulated in the contract or agreement.

At the balance sheet date, when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from rendering of services is recognised in the income statement by reference to the stage of completion of the transaction based on the proportion of services performed to date to the total services to be performed.

When the outcome of rendering the services cannot be estimated reliably, revenues are recognised only to the extent that the costs incurred are expected to be recoverable. If the costs of rendering of services are not expected to be recoverable, the costs are recognised in profit or loss when incurred, and revenues are not recognised.

(c) Interest income
Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

(18) Government grants
Government grants are the gratuitous monetary assets or non-monetary assets that the Group receives from the government, excluding capital injection by the government as an investor. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of "capital reserve" are dealt with as capital contributions, and not regarded as government grants.

Government grants are recognised when there is reasonable assurance that the grants will be received and the Group is able to comply with the conditions attaching to them. Government grants in the form of monetary assets are recorded based on the amount received or receivable, whereas non-monetary assets are measured at fair value.

Government grants received in relation to assets are recorded as deferred income, and recognised evenly in profit or loss over the assets' useful lives. Government grants received in relation to revenue are recorded as deferred income, and recognised as income in future periods as compensation when the associated future expenses or losses arise; or directly recognised as income in the current period as compensation for past expenses or losses.

(19) Borrowing costs

Borrowing costs incurred on borrowings for the acquisition, construction or production of qualified assets are capitalised into the cost of the related assets.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

(20) Repairs and maintenance expenses

Repairs and maintenance (including overhauling expenses) expenses are recognised in profit or loss when incurred.

(21) Environmental expenditures

Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations is expensed as incurred.

(22) Research and development costs

Research and development costs are recognised in profit or loss when incurred.

(23) Operating leases

Operating lease payments are charged as expenses on a straight-line basis over the period of the respective leases.

(24) Dividends

Dividends and distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date, are not recognised as a liability at the balance sheet date and are separately disclosed in the notes to the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(25) Related parties
If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control, joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Where enterprises are subject to state control but are otherwise unrelated, they are not related parties. Related parties of the Group and the Company include, but not limited to:

(a) the holding company of the Company;

(b) the subsidiaries of the Company;

(c) the parties that are subject to common control with the Company;

(d) investors that have joint control or exercise significant influence over the Group;

(e) enterprises or individuals if a party has control, joint control over both the enterprises or individuals and the Group;

(f) jointly controlled entities of the Group, including subsidiaries of the jointly controlled entities;

(g) associates of the Group, including subsidiaries of the associates;

(h) principle individual investors of the Group and close family members of such individuals;

(i) key management personnel of the Group, and close family members of such individuals;

(j) key management personnel of the Company's holding company;

(k) close family members of key management personnel of the Company's holding company; and

(l) an entity which is under control, joint control of principle individual investor, key management personnel or close family members of such individuals.

(26) Segment reporting
Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following respective conditions:

– engage in business activities from which it may earn revenues and incur expenses;

– whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and

– for which financial information regarding financial position, results of operations and cash flows are available.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

4 TAXATION

Major types of tax applicable to the Group are income tax, consumption tax, resources tax, value added tax, special oil income levy, city construction tax, education surcharge and local education surcharge.

The consumption tax rates on gasoline, diesel, naphtha, solvent oil, lubricant oil, fuel oil and jet fuel oil changed to RMB 1,388.0 per tonne, RMB 940.8 per tonne, RMB 1,385.0 per tonne, RMB 1,282.0 per tonne, RMB 1,126.0 per tonne, RMB 812.0 per tonne and RMB 996.8 per tone, respectively.

As at 31 December 2012, the resources tax rate of crude oil and natural gas is 5%.

Value added tax rate for liquefied petroleum gas, natural gas and certain agricultural products is 13% and that for other products is 17%.

The Ministry of Finance imposed a special oil income levy on any income derived from the sale by an oil exploration and production enterprise of locally produced crude oil exceeding a standard price. Effective from 1 November 2011, the levy starts at USD 55 per barrel instead of previous USD 40 per barrel and the imposed rate ranges from 20% to 40%.

Except for subsidiaries listed below, the income tax rate applicable to the company and its subsidiaries is 25%.

The entity granted with tax concession is set out below:

| Name of subsidiaries | Preferential tax rate | Reasons for granting concession |
|---|---|---|
| Sinopec Hainan Refining and Chemical Company Limited | 2-year exemption and 3-year 50% reduction | Foreign investment enterprise |

## 5 CASH AT BANK AND ON HAND

The Group

| | 2012 Original currency millions | 2012 Exchange rates | 2012 RMB millions | 2011 Original currency millions | 2011 Exchange rates | 2011 RMB millions |
|---|---|---|---|---|---|---|
| Cash on hand | | | | | | |
| Renminbi | | | 209 | | | 247 |
| Cash at bank | | | | | | |
| Renminbi | | | 6,104 | | | 17,620 |
| US Dollars | 68 | 6.2855 | 427 | 26 | 6.3009 | 161 |
| Hong Kong Dollars | 83 | 0.8108 | 67 | 31 | 0.8107 | 25 |
| Japanese Yen | 137 | 0.0730 | 10 | 136 | 0.0811 | 11 |
| Euro | 4 | 8.3176 | 35 | 2 | 8.1625 | 13 |
| | | | 6,852 | | | 18,077 |
| Deposits at related parties | | | | | | |
| Renminbi | | | 3,188 | | | 6,978 |
| US Dollars | 131 | 6.2855 | 821 | 21 | 6.3009 | 134 |
| Euro | — | 8.3176 | 3 | 1 | 8.1625 | 8 |
| Total cash at bank and on hand | | | 10,864 | | | 25,197 |

The Company

| | 2012 Original currency millions | 2012 Exchange rates | 2012 RMB millions | 2011 Original currency millions | 2011 Exchange rates | 2011 RMB millions |
|---|---|---|---|---|---|---|
| Cash on hand | | | | | | |
| Renminbi | | | 167 | | | 235 |
| Cash at bank | | | | | | |
| Renminbi | | | 3,066 | | | 14,720 |
| US Dollars | — | 6.2855 | 3 | 1 | 6.3009 | 8 |
| | | | 3,236 | | | 14,963 |
| Deposits at related parties | | | | | | |
| Renminbi | | | 2,230 | | | 5,986 |
| US Dollars | — | 6.2855 | 2 | 1 | 6.3009 | 4 |
| Total cash at bank and on hand | | | 5,468 | | | 20,953 |

Deposits at related parties represent deposits placed at Sinopec Finance Company Limited and Sinopec Century Bright Capital Investment Limited. Deposits interest is calculated based on market rate.

At 31 December 2012, time deposits with financial institutions of the Group and the Company amounted to RMB 408 million (2011: RMB 550 million) and RMB 1 million (2011: RMB 101 million), respectively.

## 6 BILLS RECEIVABLE

Bills receivable represents mainly the bills of acceptance issued by banks for sales of goods and products.

At 31 December 2012, the Group's and the Company's outstanding endorsed or discounted bills (with recourse) amounted to RMB 13,540 million (2011: RMB 10,323 million) and RMB 3,506 million (2011: RMB 9,479 million), respectively, all of which are due before 31 December 2013.

7 ACCOUNTS RECEIVABLE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RMB millions | 2011 RMB millions | 2012 RMB millions | 2011 RMB millions |
| Amounts due from subsidiaries | — | — | 14,885 | 11,168 |
| Amounts due from Sinopec Group Company and fellow subsidiaries | 7,207 | 6,185 | 668 | 474 |
| Amounts due from associates and jointly controlled entities | 11,576 | 9,204 | 3,400 | 3,101 |
| Amounts due from others | 63,311 | 44,344 | 2,634 | 2,943 |
| | 82,094 | 59,733 | 21,587 | 17,686 |
| Less: Allowance for doubtful accounts | 699 | 1,012 | 546 | 857 |
| Total | 81,395 | 58,721 | 21,041 | 16,829 |

Ageing analysis on accounts receivable is as follows:

| | The Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2011 | | | |
| | Amount RMB millions | Percentage to total accounts receivable % | Allowance RMB millions | Percentage of allowance to accounts receivable balance % | Amount RMB millions | Percentage to total accounts receivable % | Allowance RMB millions | Percentage of allowance to accounts receivable balance % |
| Within one year | 81,250 | 99.0 | — | 0.0 | 58,619 | 98.1 | — | 0.0 |
| Between one and two years | 101 | 0.1 | 16 | 15.8 | 92 | 0.2 | 26 | 28.3 |
| Between two and three years | 69 | 0.1 | 17 | 24.6 | 23 | 0.0 | 7 | 30.4 |
| Over three years | 674 | 0.8 | 666 | 98.8 | 999 | 1.7 | 979 | 98.0 |
| Total | 82,094 | 100.0 | 699 | | 59,733 | 100.0 | 1,012 | |

| | The Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2011 | | | |
| | Amount RMB millions | Percentage to total accounts receivable % | Allowance RMB millions | Percentage of allowance to accounts receivable balance % | Amount RMB millions | Percentage to total accounts receivable % | Allowance RMB millions | Percentage of allowance to accounts receivable balance % |
| Within one year | 20,982 | 97.2 | — | 0.0 | 16,770 | 94.8 | — | 0.0 |
| Between one and two years | 56 | 0.3 | 11 | 19.6 | 72 | 0.4 | 26 | 36.1 |
| Between two and three years | 25 | 0.1 | 15 | 60.0 | 8 | 0.1 | 3 | 37.5 |
| Over three years | 524 | 2.4 | 520 | 99.2 | 836 | 4.7 | 828 | 99.0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total | 21,587 | 100.0 | 546 | 17,686 | 100.0 | 857 |

At 31 December 2012 and 2011, the total amounts of the top five accounts receivable of the Group are set out below:

| | 2012 | 2011 |
|---|---|---|
| Total amount (RMB millions) | 26,645 | 20,412 |
| Ageing | Within 1 year | Within 1 year |
| Percentage to the total balance of accounts receivable | 32.5 % | 34.2 % |

At 31 December 2012, the Group's and the Company's accounts receivable due from related parties amounted to RMB 18,783 million and RMB 18,953 million (2011: RMB 15,389 million and RMB 14,743 million), representing 22.9% and 87.8% (2011: 25.8% and 83.4%) of the total accounts receivable.

Except for the balances disclosed in Note 48, there is no amount due from shareholders who hold 5% or more voting right of the Company included in the balance of accounts receivable.

During the year ended 31 December 2012 and 2011, the Group and the Company had no individually significant accounts receivable been fully or substantially provided allowance for doubtful accounts.

During the year ended 31 December 2012 and 2011, the Group and the Company had no individually significant write-off or recovery of doubtful debts which had been fully or substantially provided for in prior years.

At 31 December 2012 and 2011, the Group and the Company had no individually significant accounts receivable that aged over three years.

8 OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RMB millions | 2011 RMB millions | 2012 RMB millions | 2011 RMB millions |
| Amounts due from subsidiaries | — | — | 36,863 | 23,635 |
| Amounts due from Sinopec Group Company and fellow subsidiaries | 486 | 542 | 191 | 443 |
| Amounts due from associates and jointly controlled entities | 1,365 | 998 | 1,324 | 987 |
| Amounts due from others | 8,654 | 7,701 | 5,511 | 5,061 |
| | 10,505 | 9,241 | 43,889 | 30,126 |
| Less: Allowance for doubtful accounts | 1,698 | 1,881 | 1,834 | 1,999 |
| Total | 8,807 | 7,360 | 42,055 | 28,127 |

Ageing analysis of other receivables is as follows:

| | The Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2011 | | | |
| | Amount RMB millions | Percentage to total accounts receivable % | Allowance RMB millions | Percentage of allowance to accounts receivable balance % | Amount RMB millions | Percentage to total accounts receivable % | Allowance RMB millions | Percentage of allowance to accounts receivable balance % |
| Within one year | 7,468 | 71.1 | — | 0.0 | 6,669 | 72.1 | 234 | 3.5 |
| Between one and two years | 964 | 9.2 | 172 | 17.8 | 499 | 5.4 | 29 | 5.8 |
| Between two and three years | 414 | 3.9 | 94 | 22.7 | 182 | 2.0 | 38 | 20.9 |
| Over three years | 1,659 | 15.8 | 1,432 | 86.3 | 1,891 | 20.5 | 1,580 | 83.6 |
| Total | 10,505 | 100.0 | 1,698 | | 9,241 | 100.0 | 1,881 | |

| | The Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2011 | | | |
| | Amount RMB millions | Percentage to total accounts receivable % | Allowance RMB millions | Percentage of allowance to accounts receivable balance % | Amount RMB millions | Percentage to total accounts receivable % | Allowance RMB millions | Percentage of allowance to accounts receivable balance % |
| Within one year | 40,974 | 93.3 | — | 0.0 | 27,490 | 91.3 | — | 0.0 |
| Between one and two years | 514 | 1.2 | 13 | 2.5 | 304 | 1.0 | 29 | 9.5 |
| Between two and three years | 301 | 0.7 | 18 | 6.0 | 124 | 0.4 | 34 | 27.4 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Over three years | 2,100 | 4.8 | 1,803 | 85.9 | 2,208 | 7.3 | 1,936 | 87.7 |
| Total | 43,889 | 100.0 | 1,834 | | 30,126 | 100.0 | 1,999 | |

At 31 December 2012 and 2011, the total amounts of the top five other receivables of the Group are set out below:

| | 2012 | 2011 |
|---|---|---|
| Total amount (RMB millions) | 1,883 | 1,715 |
| Ageing | From within one year to over three years | From within one year to over three years |
| Percentage to the total balance of other receivables | 17.9 % | 18.6 % |

At 31 December 2012, the Group's and the Company's other receivables due from related parties amounted to RMB 1,851 million and RMB 38,378 million (2011: RMB 1,540 million and RMB 25,065 million), representing 17.6% and 87.4% (2011: 16.7% and 83.2%) of the total of other receivables.

Except for the balances disclosed in Note 48, there is no amount due from shareholders who hold 5% or more voting right of the Company included in the balance of other receivables.

During the year ended 31 December 2012 and 2011, the Group and the Company had no individually significant other receivables been fully or substantially provided allowance for doubtful accounts.

During the year ended 31 December 2012 and 2011, the Group and the Company had no individually significant write-off or recovery of doubtful debts which had been fully or substantially provided for in prior years.

At 31 December 2012 and 2011, the Group and the Company had no individually significant other receivables that aged over three years.

9 PREPAYMENTS

All prepayments are aged within one year.

Except for the balances disclosed in Note 48, there is no amount due from shareholders who hold 5% or more voting right of the Company included in the balance of prepayments.

## 10 INVENTORIES

| | The Group 2012 RMB millions | The Group 2011 RMB millions | The Company 2012 RMB millions | The Company 2011 RMB millions |
|---|---|---|---|---|
| Raw materials | 115,025 | 113,918 | 80,247 | 81,472 |
| Work in progress | 20,734 | 14,989 | 15,079 | 10,093 |
| Finished goods | 79,494 | 71,853 | 50,969 | 50,299 |
| Spare parts and consumables | 3,500 | 4,039 | 2,778 | 2,999 |
| | 218,753 | 204,799 | 149,073 | 144,863 |
| Less: Provision for diminution in value of inventories | 491 | 1,382 | 229 | 715 |
| | 218,262 | 203,417 | 148,844 | 144,148 |

Provision for diminution in value of inventories is mainly against raw materials and finished goods. As at and for the year ended 31 December 2012, the provision for diminution in value of inventories of the Group and the Company was primarily due to the costs of raw materials and finished goods of the refining and chemicals segments were higher than their net realisable value.

## 11 LONG-TERM EQUITY INVESTMENTS

The Group

| | Investments in jointly controlled entities RMB millions | Investments in associates RMB millions | Other equity investments RMB millions | Provision for impairment losses RMB millions | Total RMB millions |
|---|---|---|---|---|---|
| Balance at 1 January 2012 | 19,992 | 25,692 | 1,952 | (178) | 47,458 |
| Additions for the year | 3,923 | 2,591 | 1,427 | — | 7,941 |
| Share of profits less losses under the equity method | (1,404) | 2,430 | — | — | 1,026 |
| Change of capital reserve under the equity method | — | 80 | — | — | 80 |
| Dividends receivable/received | (1,123) | (1,231) | — | — | (2,354) |
| Disposals for the year | — | (750) | (1,352) | 12 | (2,090) |
| Balance at 31 December 2012 | 21,388 | 28,812 | 2,027 | (166) | 52,061 |

The Company

| | Investments in subsidiaries RMB millions | Investments in jointly controlled entities RMB millions | Investments in associates RMB millions | Other equity investments RMB millions | Provision for impairment losses RMB millions | Total RMB millions |
|---|---|---|---|---|---|---|
| Balance at 1 January 2012 | 76,630 | 11,523 | 19,290 | 1,056 | (6,398) | 102,101 |
| Additions for the year | 11,800 | 316 | 2,397 | 1,394 | — | 15,907 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Share of profits less losses under the equity method | — | (408) | 1,390 | — | — | 982 |
| Change of capital reserve under the equity method | — | — | 79 | — | — | 79 |
| Dividends receivable/received | — | (828) | (476) | — | — | (1,304) |
| Disposals for the year | — | — | (5,306) | (998) | 6 | (6,298) |
| Balance at 31 December 2012 | 88,430 | 10,603 | 17,374 | 1,452 | (6,392) | 111,467 |

Details of the Company's principal subsidiaries are set out in Note 50.

91

11 LONG-TERM EQUITY INVESTMENTS (Continued)

Principal jointly controlled entities and associates are as follows:

| Name of investees | Register location | Legal representative | Registered capital RMB millions | Percentage of equity/voting right directly or indirectly held by the Company | Total assets at the year end RMB millions | Total liability at the year end RMB millions | Operating revenue for the year RMB millions |
|---|---|---|---|---|---|---|---|
| 1. Jointly controlled entities | | | | | | | |
| Shanghai Secco Petrochemical Company Limited | Shanghai | Wang Zhiqing | USD 901 | 50% | 14,291 | 7,021 | 27,158 |
| BASF-YPC Company Limited | Jiangsu Province | Ma Qiulin | 11,505 | 40% | 25,488 | 10,419 | 22,938 |
| Fujian Refining and Petrochemical Company Limited | Fujian Province | Lu Dong | 13,306 | 50% | 44,863 | 36,083 | 69,237 |
| SINOPEC SABIC Tianjin Petrochemical Company Limited | Tianjin | Khaled A. Almana | 6,120 | 50% | 22,745 | 16,042 | 23,756 |
| State Power-Sinopec (Ningxia) Energy Chemical Company Limited | Ningxia Hui Autonomous Region | Yang Dong | 4,600 | 50% | 11,145 | 7,599 | — |
| 2. Associates | | | | | | | |
| Sinopec Finance Company Limited | Beijing | Liu Yun | 10,000 | 49% | 124,544 | 108,761 | 3,329 |
| China Aviation Oil Supply Company Limited | Beijing | Sun Li | 3,800 | 29% | 18,607 | 11,158 | 102,467 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Zhongtian Synergetic Energy Company Limited | Inner Mongolia | Cao Zumin | 5,404 | 38.75 % | 8,007 | 215 | — |
| Shanghai Chemical Industry Park Development Company Limited | Shanghai | Rong Guangdao | 2,372 | 38.26 % | 6,402 | 2,580 | 6 |
| Shanghai Petroleum Company Limited | Shanghai | Xu Guobao | 900 | 30 % | 3,535 | 511 | 1,069 |

All the jointly controlled entities and associates above are limited companies.

The Group's effective share of interest in the jointly controlled entities' net assets, operating income and net (loss)/profit are as follows:

| | 2012 RMB millions | 2011 RMB millions |
|---|---|---|
| Net assets | 21,388 | 19,992 |
| Operating income | 72,495 | 70,026 |
| Net (loss)/profit | (804 ) | 1,564 |

The Group's effective share of interest in the above-mentioned principal associates' net assets, operating income and net profit are as follows:

| | 2012 RMB millions | 2011 RMB millions |
|---|---|---|
| Net assets | 15,283 | 13,512 |
| Operating income | 31,670 | 27,185 |
| Net profit | 1,292 | 1,290 |

Other equity investments represent the Group's interests in PRC privately owned enterprises which are mainly engaged in non-oil and natural gas and chemical activities and operations. This includes non-consolidated investments which the Group has over 50% equity interest but the Group has no control on the entities.

For the year ended 31 December 2012, the Group and the Company had no individually significant long-term investments which had been provided for impairment losses.

12 FIXED ASSETS

The Group – by segment

| | Exploration and production RMB millions | Refining RMB millions | Marketing and distribution RMB millions | Chemicals RMB millions | Others RMB millions | Total RMB millions |
|---|---|---|---|---|---|---|
| Cost/valuation: | | | | | | |
| Balance at 1 January 2012 | 556,067 | 231,602 | 136,787 | 214,817 | 14,957 | 1,154,230 |
| Additions for the year | 3,034 | 89 | 996 | 205 | 14 | 4,338 |
| Transferred from construction in progress | 58,201 | 19,615 | 12,318 | 6,625 | 1,024 | 97,783 |
| Reclassifications | (410) | 5,598 | 399 | (8,035) | 2,448 | — |
| Decreases for the year | (2,388) | (2,642) | (10,001) | (3,401) | (1,262) | (19,694) |
| Balance at 31 December 2012 | 614,504 | 254,262 | 140,499 | 210,211 | 17,181 | 1,236,657 |
| Accumulated depreciation: | | | | | | |
| Balance at 1 January 2012 | 268,543 | 113,077 | 41,161 | 128,720 | 5,467 | 556,968 |
| Additions for the year | 39,103 | 12,119 | 7,401 | 8,479 | 1,078 | 68,180 |
| Reclassifications | 3,500 | 2,605 | (1,017) | (6,085) | 997 | — |
| Decreases for the year | (1,883) | (1,589) | (2,857) | (2,247) | (107) | (8,683) |
| Balance at 31 December 2012 | 309,263 | 126,212 | 44,688 | 128,867 | 7,435 | 616,465 |
| Provision for impairment losses: | | | | | | |
| Balance at 1 January 2012 | 11,861 | 2,953 | 2,601 | 13,903 | 8 | 31,326 |
| Additions for the year | 1,006 | — | 8 | — | — | 1,014 |
| Reclassifications | (685) | (25) | 12 | 681 | 17 | — |
| Decreases for the year | (87) | (90) | (282) | (656) | (2) | (1,117) |
| Balance at 31 December 2012 | 12,095 | 2,838 | 2,339 | 13,928 | 23 | 31,223 |
| Net book value: | | | | | | |
| Balance at 31 December 2012 | 293,146 | 125,212 | 93,472 | 67,416 | 9,723 | 588,969 |
| Balance at 31 December 2011 | 275,663 | 115,572 | 93,025 | 72,194 | 9,482 | 565,936 |

The Company – by segment

| | Exploration and production RMB millions | Refining RMB millions | Marketing and distribution RMB millions | Chemicals RMB millions | Others RMB millions | Total RMB millions |
|---|---|---|---|---|---|---|
| Cost/valuation: | | | | | | |
| Balance at 1 January 2012 | 490,131 | 189,472 | 110,785 | 137,579 | 12,680 | 940,647 |
| Additions for the year | 2,350 | 9 | 923 | 24 | 10 | 3,316 |
| Transferred from construction in progress | 52,727 | 11,063 | 10,041 | 4,282 | 930 | 79,043 |
| Reclassifications | 358 | 3,282 | 1,039 | (5,995) | 1,316 | — |
| Transferred to subsidiaries | (13,836) | (269) | (96) | (283) | — | (14,484) |
| Other decreases for the year | (2,102) | (2,509) | (9,893) | (2,137) | (1,247) | (17,888) |
| Balance at 31 December 2012 | 529,628 | 201,048 | 112,799 | 133,470 | 13,689 | 990,634 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Accumulated depreciation: | | | | | | |
| Balance at 1 January 2012 | 232,362 | 95,299 | 34,892 | 76,883 | 4,354 | 443,790 |
| Additions for the year | 33,319 | 9,363 | 6,060 | 5,651 | 903 | 55,296 |
| Reclassifications | 3,572 | 757 | (1,103) | (3,901) | 675 | — |
| Transferred to subsidiaries | (2,149) | (137) | (32) | (172) | — | (2,490) |
| Other decreases for the year | (1,780) | (1,512) | (2,794) | (1,276) | (95) | (7,457) |
| Balance at 31 December 2012 | 265,324 | 103,770 | 37,023 | 77,185 | 5,837 | 489,139 |
| Provision for impairment losses: | | | | | | |
| Balance at 1 January 2012 | 9,622 | 2,875 | 2,507 | 11,020 | 8 | 26,032 |
| Additions for the year | 1,006 | — | 8 | — | — | 1,014 |
| Reclassifications | (639) | (26) | 11 | 639 | 15 | — |
| Decreases for the year | (87) | (90) | (281) | (508) | (2) | (968) |
| Balance at 31 December 2012 | 9,902 | 2,759 | 2,245 | 11,151 | 21 | 26,078 |
| Net book value: | | | | | | |
| Balance at 31 December 2012 | 254,402 | 94,519 | 73,531 | 45,134 | 7,831 | 475,417 |
| Balance at 31 December 2011 | 248,147 | 91,298 | 73,386 | 49,676 | 8,318 | 470,825 |

12 FIXED ASSETS (Continued)

The Group – by asset class

| | Plants and buildings RMB millions | Oil and gas properties RMB millions | Equipment, machinery and others RMB millions | Total RMB millions |
|---|---|---|---|---|
| Cost/valuation: | | | | |
| Balance at 1 January 2012 | 68,476 | 474,749 | 611,005 | 1,154,230 |
| Additions for the year | 369 | 2,848 | 1,121 | 4,338 |
| Transferred from construction in progress | 4,445 | 44,829 | 48,509 | 97,783 |
| Reclassifications | 15,696 | (65,498) | 49,802 | — |
| Decreases for the year | (2,771) | (69) | (16,854) | (19,694) |
| Balance at 31 December 2012 | 86,215 | 456,859 | 693,583 | 1,236,657 |
| Accumulated depreciation: | | | | |
| Balance at 1 January 2012 | 32,649 | 231,346 | 292,973 | 556,968 |
| Additions for the year | 2,757 | 30,293 | 35,130 | 68,180 |
| Reclassifications | (2,867) | (14,827) | 17,694 | — |
| Decreases for the year | (459) | (32) | (8,192) | (8,683) |
| Balance at 31 December 2012 | 32,080 | 246,780 | 337,605 | 616,465 |
| Provision for impairment losses: | | | | |
| Balance at 1 January 2012 | 2,439 | 11,817 | 17,070 | 31,326 |
| Additions for the year | — | 1,006 | 8 | 1,014 |
| Reclassifications | 3 | (1,818) | 1,815 | — |
| Decreases for the year | (32) | — | (1,085) | (1,117) |
| Balance at 31 December 2012 | 2,410 | 11,005 | 17,808 | 31,223 |
| Net book value: | | | | |
| Balance at 31 December 2012 | 51,725 | 199,074 | 338,170 | 588,969 |
| Balance at 31 December 2011 | 33,388 | 231,586 | 300,962 | 565,936 |

The Company – by asset class

| | Plants and buildings RMB millions | Oil and gas properties RMB millions | Equipment, machinery and others RMB millions | Total RMB millions |
|---|---|---|---|---|
| Cost/valuation: | | | | |
| Balance at 1 January 2012 | 50,067 | 415,374 | 475,206 | 940,647 |
| Additions for the year | 353 | 2,164 | 799 | 3,316 |
| Transferred from construction in progress | 3,340 | 40,214 | 35,489 | 79,043 |
| Reclassifications | 16,898 | (65,204) | 48,306 | — |
| Transferred to subsidiaries | (108) | — | (14,376) | (14,484) |
| Other decreases for the year | (2,541) | — | (15,347) | (17,888) |
| Balance at 31 December 2012 | 68,009 | 392,548 | 530,077 | 990,634 |
| Accumulated depreciation: | | | | |
| Balance at 1 January 2012 | 20,956 | 197,292 | 225,542 | 443,790 |

| | | | | |
|---|---|---|---|---|
| Additions for the year | 2,180 | 24,810 | 28,306 | 55,296 |
| Reclassifications | 2,255 | (14,428) | 12,173 | — |
| Transferred to subsidiaries | (52) | — | (2,438) | (2,490) |
| Other decreases for the year | (388) | — | (7,069) | (7,457) |
| Balance at 31 December 2012 | 24,951 | 207,674 | 256,514 | 489,139 |
| Provision for impairment losses: | | | | |
| Balance at 1 January 2012 | 1,960 | 9,616 | 14,456 | 26,032 |
| Additions for the year | — | 1,006 | 8 | 1,014 |
| Reclassifications | (160) | (1,211) | 1,371 | — |
| Decreases for the year | (32) | — | (936) | (968) |
| Balance at 31 December 2012 | 1,768 | 9,411 | 14,899 | 26,078 |
| Net book value: | | | | |
| Balance at 31 December 2012 | 41,290 | 175,463 | 258,664 | 475,417 |
| Balance at 31 December 2011 | 27,151 | 208,466 | 235,208 | 470,825 |

The additions of oil and gas properties in the exploration and production segment of the Group and the Company for year ended 31 December 2012 included RMB 2,833 million (2011: RMB 2,425 million) and RMB 2,164 million (2011: RMB 2,302 million), respectively of the estimated dismantlement costs for site restoration (Note 30).

12 FIXED ASSETS (Continued)

Impairment losses on long-lived assets for the year ended 31 December 2012 primarily represent impairment losses recognised for the exploration and production ("E&P") segment of RMB 1,006 million (2011: RMB 2,153 million) of property, plant and equipment. The primary factor resulting in the E&P segment impairment losses for the year ended 31 December 2012 was high operating and development costs for certain small oil fields. The carrying values of these E&P properties were written down to respective recoverable amounts which were determined based on the present values of the expected future cash flows of the assets using a pre-tax discount rate 12.5% (2011: 12.0%). The oil and gas pricing was a factor used in the determination of the present values of the expected future cash flows of the assets and had an impact on the recognition of the asset impairment.

At 31 December 2012 and 2011, the Group and the Company had no individually significant fixed assets which were pledged.

At 31 December 2012 and 2011, the Group and the Company had no individually significant fixed assets which were temporarily idle or pending for disposal.

At 31 December 2012 and 2011, the Group and the Company had no individually significant fully depreciated fixed assets which were still in use.

13 CONSTRUCTION IN PROGRESS

The Group

| | Exploration and production RMB millions | Refining RMB millions | Marketing and distribution RMB millions | Chemicals RMB millions | Others RMB millions | Total RMB millions |
|---|---|---|---|---|---|---|
| Cost/valuation: | | | | | | |
| Balance at 1 January 2012 | 37,708 | 21,923 | 36,084 | 14,277 | 2,042 | 112,034 |
| Additions for the year | 85,988 | 35,397 | 25,862 | 20,993 | 1,995 | 170,235 |
| Reclassification | — | 275 | — | (275) | — | — |
| Dry hole costs written off | (7,988) | — | — | — | — | (7,988) |
| Transferred to fixed assets | (58,201) | (19,615) | (12,318) | (6,625) | (1,024) | (97,783) |
| Other decreases | (383) | (698) | (5,238) | (127) | (352) | (6,798) |
| Balance at 31 December 2012 | 57,124 | 37,282 | 44,390 | 28,243 | 2,661 | 169,700 |
| Provision for impairment losses: | | | | | | |
| Balance at 1 January/31 December 2012 | — | 516 | 207 | — | — | 723 |
| Net book value: | | | | | | |
| Balance at 31 December 2012 | 57,124 | 36,766 | 44,183 | 28,243 | 2,661 | 168,977 |
| Balance at 31 December 2011 | 37,708 | 21,407 | 35,877 | 14,277 | 2,042 | 111,311 |

At 31 December 2012, major construction projects of the Group are as follows:

| | Balance | Net | Balance | Accumulated interest capitalised |
|---|---|---|---|---|

| Project name | Budgeted amount | at 1 January 2012 | additions for the year | at 31 December 2012 | Percentage of Completion | Source of funding | at 31 December 2012 |
|---|---|---|---|---|---|---|---|
| | RMB millions | RMB millions | RMB millions | RMB millions | % | | RMB millions |
| Wuhan 800,000 tonnes per year Ethylene Construction Project | 16,563 | 8,533 | 6,201 | 14,734 | 89 % | Bank loans & self-financing | 715 |
| Anqing Sour Crude Oil Processing Adaptation Revamping and Oil Quality Upgrading Project | 6,769 | 2,212 | 2,943 | 5,155 | 76 % | Bank loans & self-financing | 170 |
| Jinling Oil Quality Upgrading Project | 4,989 | 1,980 | 1,627 | 3,607 | 85 % | Bank loans & self-financing | 69 |
| Maoming Oil Quality Upgrading Project | 4,414 | 945 | 2,165 | 3,110 | 80 % | Bank loans & self-financing | 91 |
| Yangzi Oil Quality Upgrading and Inferior Crude Oil Reconstruction Project | 7,865 | 577 | 2,017 | 2,594 | 34 % | Bank loans & self-financing | 23 |

13 CONSTRUCTION IN PROGRESS (Continued)

The Company

| | Exploration and production RMB millions | Refining RMB millions | Marketing and distribution RMB millions | Chemicals RMB millions | Others RMB millions | Total RMB millions |
|---|---|---|---|---|---|---|
| Cost/valuation: | | | | | | |
| Balance at 1 January 2012 | 36,675 | 19,206 | 33,228 | 11,229 | 2,026 | 102,364 |
| Additions for the year | 80,197 | 23,884 | 21,661 | 16,380 | 1,575 | 143,697 |
| Dry hole costs written off | (7,988) | — | — | — | — | (7,988) |
| Transferred to fixed assets | (52,727) | (11,063) | (10,041) | (4,282) | (930) | (79,043) |
| Other decreases | (373) | (171) | (5,030) | (338) | (196) | (6,108) |
| Balance at 31 December 2012 | 55,784 | 31,856 | 39,818 | 22,989 | 2,475 | 152,922 |
| Provision for impairment losses: | | | | | | |
| Balance at 1 January/31 December 2012 | — | 516 | 207 | — | — | 723 |
| Net book value: | | | | | | |
| Balance at 31 December 2012 | 55,784 | 31,340 | 39,611 | 22,989 | 2,475 | 152,199 |
| Balance at 31 December 2011 | 36,675 | 18,690 | 33,021 | 11,229 | 2,026 | 101,641 |

14 INTANGIBLE ASSETS

The Group

| | Land use rights RMB millions | Patents RMB millions | Non-patent technology RMB millions | Operation rights RMB millions | Others RMB millions | Total RMB millions |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Balance at 1 January 2012 | 29,815 | 3,632 | 2,665 | 6,106 | 1,903 | 44,121 |
| Additions for the year | 13,278 | 76 | 151 | 5,747 | 324 | 19,576 |
| Decreases for the year | (91) | (4) | (101) | (2) | (12) | (210) |
| Balance at 31 December 2012 | 43,002 | 3,704 | 2,715 | 11,851 | 2,215 | 63,487 |
| Accumulated amortisation: | | | | | | |
| Balance at 1 January 2012 | 3,650 | 2,544 | 983 | 668 | 973 | 8,818 |
| Additions for the year | 2,923 | 183 | 272 | 691 | 250 | 4,319 |
| Decreases for the year | (11) | (4) | (40) | — | (10) | (65) |
| Balance at 31 December 2012 | 6,562 | 2,723 | 1,215 | 1,359 | 1,213 | 13,072 |
| Provision for impairment losses: | | | | | | |
| Balance at 1 January 2012 | 56 | 304 | 85 | — | 16 | 461 |
| Additions for the year | 145 | — | — | 37 | — | 182 |
| Decreases for the year | (1) | — | (61) | — | — | (62) |
| Balance at 31 December 2012 | 200 | 304 | 24 | 37 | 16 | 581 |
| Net book value: | | | | | | |
| Balance at 31 December 2012 | 36,240 | 677 | 1,476 | 10,455 | 986 | 49,834 |
| Balance at 31 December 2011 | 26,109 | 784 | 1,597 | 5,438 | 914 | 34,842 |

Amortisation of the intangible assets of the Group charged for the year ended 31 December 2012 is RMB 2,276 million (2011: RMB 1,561 million).

14 INTANGIBLE ASSETS (Continued)

The Company

| | Land use rights RMB millions | Patents RMB millions | Non-patent technology RMB millions | Operation rights RMB millions | Others RMB millions | Total RMB millions |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Balance at 1 January 2012 | 22,578 | 2,845 | 2,503 | 5,986 | 1,449 | 35,361 |
| Additions for the year | 12,855 | 38 | 150 | 5,542 | 265 | 18,850 |
| Transferred to subsidiaries | (73) | — | — | — | — | (73) |
| Other decreases for the year | (25) | (4) | (32) | (2) | (8) | (71) |
| Balance at 31 December 2012 | 35,335 | 2,879 | 2,621 | 11,526 | 1,706 | 54,067 |
| Accumulated amortisation: | | | | | | |
| Balance at 1 January 2012 | 1,940 | 2,202 | 953 | 663 | 753 | 6,511 |
| Additions for the year | 2,683 | 133 | 266 | 647 | 188 | 3,917 |
| Transferred to subsidiaries | (3) | — | — | — | — | (3) |
| Other decreases for the year | (1) | (4) | (32) | — | (8) | (45) |
| Balance at 31 December 2012 | 4,619 | 2,331 | 1,187 | 1,310 | 933 | 10,380 |
| Provision for impairment losses: | | | | | | |
| Balance at 1 January 2012 | 48 | 304 | 24 | — | 16 | 392 |
| Additions for the year | 145 | — | — | 37 | — | 182 |
| Decreases for the year | (1) | — | — | — | — | (1) |
| Balance at 31 December 2012 | 192 | 304 | 24 | 37 | 16 | 573 |
| Net book value: | | | | | | |
| Balance at 31 December 2012 | 30,524 | 244 | 1,410 | 10,179 | 757 | 43,114 |
| Balance at 31 December 2011 | 20,590 | 339 | 1,526 | 5,323 | 680 | 28,458 |

Amortisation of the intangible assets of the Company charged for the year ended 31 December 2012 is RMB 1,904 million (2011: RMB 1,220 million).

15 GOODWILL

Goodwill is allocated to the following Group's cash-generating units:

| | 2012 RMB millions | 2011 RMB millions |
|---|---|---|
| Sinopec Beijing Yanshan Branch ("Sinopec Yanshan") | 1,157 | 1,157 |
| Sinopec Zhenhai Refining and Chemical Branch ("Sinopec Zhenhai") | 4,043 | 4,043 |
| Sinopec (Hong Kong) Limited | 853 | 853 |
| Multiple units without individual significant goodwill | 204 | 2,159 |
| | 6,257 | 8,212 |

Goodwill represents the excess of the cost of purchase over the fair value of the underlying assets and liabilities. The recoverable amounts of the above cash generating units are determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one-year period and pre-tax discount rates primarily ranging from 11.5% to 12.5% (2011: 12.0% to 12.7%). Cash flows beyond the one-year period are maintained constant. Based on the estimated recoverable amount, no impairment loss was recognised. However, as key assumptions on which management has made in respect of future cash projections are subject to change, management believes that any adverse change in the assumptions would cause the carrying amount to exceed its recoverable amount.

Key assumptions used for cash flow forecasts for these entities are the gross margin and sales volume. Management determined the budgeted gross margin based on the gross margin achieved in the period immediately before the budget period and management's expectation on the future trend of the prices of crude oil and petrochemical products. The sales volume was based on the production capacity and/or the sales volume in the period immediately before the budget period.

During the year ended 31 December 2012, the Group adjusted the carrying amounts of certain identifiable assets acquired in prior periods and corresponding goodwill, that are insignificant to the Group, has been adjusted accordingly.

16 LONG-TERM DEFERRED EXPENSES

Long-term deferred expenses primarily represent prepaid rental expenses over one year and catalysts expenditures.

## 17 DEFERRED TAX ASSETS AND LIABILITIES

The Group

| | Assets | | Liabilities | | Net balance | |
|---|---|---|---|---|---|---|
| | 2012 RMB millions | 2011 RMB millions | 2012 RMB millions | 2011 RMB millions | 2012 RMB millions | 2011 RMB millions |
| Current | | | | | | |
| Receivables and inventories | 3,292 | 3,105 | — | — | 3,292 | 3,105 |
| Accruals | 421 | 1,844 | — | — | 421 | 1,844 |
| Cash flow hedges | 36 | 7 | — | — | 36 | 7 |
| Non-current | | | | | | |
| Fixed assets | 7,467 | 6,163 | (15,661) | (14,785) | (8,194) | (8,622) |
| Tax value of losses carried forward | 3,051 | 1,550 | — | — | 3,051 | 1,550 |
| Convertible bonds | — | — | (364) | (379) | (364) | (379) |
| Others | 863 | 729 | (18) | (17) | 845 | 712 |
| Deferred tax assets/(liabilities) | 15,130 | 13,398 | (16,043) | (15,181) | (913) | (1,783) |

The Company

| | Assets | | Liabilities | | Net balance | |
|---|---|---|---|---|---|---|
| | 2012 RMB millions | 2011 RMB millions | 2012 RMB millions | 2011 RMB millions | 2012 RMB millions | 2011 RMB millions |
| Current | | | | | | |
| Receivables and inventories | 2,741 | 2,706 | — | — | 2,741 | 2,706 |
| Accruals | 330 | 1,780 | — | — | 330 | 1,780 |
| Non-current | | | | | | |
| Fixed assets | 6,324 | 5,088 | (8,367) | (6,954) | (2,043) | (1,866) |
| Convertible bonds | — | — | (364) | (379) | (364) | (379) |
| Others | 751 | 675 | (18) | (17) | 733 | 658 |
| Deferred tax assets/(liabilities) | 10,146 | 10,249 | (8,749) | (7,350) | 1,397 | 2,899 |

At 31 December 2012, certain subsidiaries of the Company did not recognise deferred tax of deductable loss carried forward of RMB 11,510 million (2011: RMB 8,082 million), of which RMB 3,852 million (2011: RMB 2,936 million) was incurred for the year ended 31 December 2012, because it was not probable that the related tax benefit will be realised. These deductable losses carried forward of RMB 2,994 million, RMB 825 million, RMB 365 million, RMB 3,474 million and RMB 3,852 million will expire in 2013, 2014, 2015, 2016 and 2017, respectively.

Periodically, management performed assessment on the probability that taxable profit will be available over the period which the deferred tax assets can be realised or utilised. In assessing the probability, both positive and negative evidence was considered, including whether it is probable that the operations will have future taxable profits over the periods which the deferred tax assets are deductible or utilised and whether the tax losses result from identifiable causes which are unlikely to recur. During the year ended 31 December 2012, write-down of deferred tax assets amounted to RMB 180 million related to the expiration of tax losses (2011: RMB 533 million).

## 18 OTHER NON-CURRENT ASSETS

The balance of other non-current assets mainly represents prepayments for construction projects and purchases of equipment.

19 DETAILS OF IMPAIRMENT LOSSES

At 31 December 2012, impairment losses of the Group are analysed as follows:

| | Note | Balance at 1 January 2012 RMB millions | Provision for the year RMB millions | Written back for the year RMB millions | Written off for the year RMB millions | Other increase/ (decrease) RMB millions | Balance at 31 December 2012 RMB millions |
|---|---|---|---|---|---|---|---|
| Allowance for doubtful accounts Included: | | | | | | | |
| Accounts receivable | 7 | 1,012 | 44 | (155) | (202) | — | 699 |
| Other receivables | 8 | 1,881 | 47 | (117) | (113) | — | 1,698 |
| | | 2,893 | 91 | (272) | (315) | — | 2,397 |
| Inventories | 10 | 1,382 | 7,419 | (378) | (7,943) | 11 | 491 |
| Long-term equity investments | 11 | 178 | — | — | (12) | — | 166 |
| Fixed assets | 12 | 31,326 | 1,014 | — | (984) | (133) | 31,223 |
| Construction in progress | 13 | 723 | — | — | — | — | 723 |
| Intangible assets | 14 | 461 | — | — | (62) | 182 | 581 |
| Goodwill | | 7,657 | — | — | — | — | 7,657 |
| Others | | 24 | 36 | (4) | — | 3 | 59 |
| Total | | 44,644 | 8,560 | (654) | (9,316) | 63 | 43,297 |

At 31 December 2012, impairment losses of the Company are analysed as follows:

| | Note | Balance at 1 January 2012 RMB millions | Provision for the year RMB millions | Written back for the year RMB millions | Written off for the year RMB millions | Other increase RMB millions | Balance at 31 December 2012 RMB millions |
|---|---|---|---|---|---|---|---|
| Allowance for doubtful accounts Included: | | | | | | | |
| Accounts receivable | 7 | 857 | 31 | (152) | (190) | — | 546 |
| Other receivables | 8 | 1,999 | 46 | (101) | (110) | — | 1,834 |
| | | 2,856 | 77 | (253) | (300) | — | 2,380 |
| Inventories | 10 | 715 | 6,141 | (7) | (5,874) | (746) | 229 |
| Long-term equity investments | 11 | 6,398 | — | — | (6) | — | 6,392 |
| Fixed assets | 12 | 26,032 | 1,014 | — | (835) | (133) | 26,078 |
| | 13 | 723 | — | — | — | — | 723 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Construction in progress | | | | | | | |
| Intangible assets | 14 | 392 | — | — | (1) | 182 | 573 |
| Others | | 22 | 33 | (3) | — | 3 | 55 |
| Total | | 37,138 | 7,265 | (263) | (7,016) | (694) | 36,430 |

The reasons for recognising impairment losses are set out in the respective notes of respective assets.

20 SHORT-TERM LOANS

The Group's and the Company's short-term loans represent:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RMB millions | 2011 RMB millions | 2012 RMB millions | 2011 RMB millions |
| Short-term bank loans | 27,597 | 25,036 | 1,070 | 3,401 |
| Loans from Sinopec Group Company and fellow subsidiaries | 42,631 | 11,949 | 622 | 441 |
| Total | 70,228 | 36,985 | 1,692 | 3,842 |

At 31 December 2012, the Group's and the Company's weighted average interest rates per annum on short-term loans were 1.9% (2011: 3.5%) and 4.7% (2011: 5.9%), respectively. The majority of the above loans are by credit.

Except for the balances disclosed in Note 48, there is no amount due to shareholders who hold 5% or more voting right of the Company included in the balance of short-term loans.

At 31 December 2012 and 2011, the Group and the Company had no significant overdue short-term loan.

21 BILLS PAYABLE

Bills payable primarily represented bank accepted bills for the purchase of material, goods and products. Bills payable were due within one year.

22 ACCOUNTS PAYABLE

Except for the balances disclosed in Note 48, there is no amount due to shareholders who hold 5% or more voting right of the Company included in the balance of accounts payable.

At 31 December 2012 and 2011, the Group and the Company had no individually significant accounts payable aged over one year.

23 ADVANCES FROM CUSTOMERS

Except for the balances disclosed in Note 48, there is no amount due to shareholders who hold 5% or more voting right of the Company included in the balance of advances from customers.

At 31 December 2012 and 2011, the Group and the Company had no individually significant advances from customers aged over one year.

24 EMPLOYEE BENEFITS PAYABLE

At 31 December 2012 and 2011, the Group's and the Company's employee benefits payable primarily represented wages payable and social insurance payable.

25 TAXES PAYABLE

| | The Group | The Company |
|---|---|---|

| | 2012 RMB millions | 2011 RMB millions | 2012 RMB millions | 2011 RMB millions |
|---|---|---|---|---|
| Recoverable value-added tax | (16,494 ) | (9,251 ) | (14,592 ) | (9,753 ) |
| Consumption tax | 16,572 | 18,455 | 12,991 | 14,090 |
| Income tax | 6,045 | 4,054 | 4,924 | 2,901 |
| Special oil income levy | 9,515 | 19,042 | 9,509 | 19,035 |
| Resources tax | 1,239 | 1,118 | 1,182 | 1,054 |
| Other taxes | 5,108 | 6,204 | 3,840 | 4,726 |
| Total | | | | |