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中国石油化工股份有限公司

CHINA PETROLEUM & CHEMICAL CORPORATION

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

(Stock Code: 0386)

Results for the Year Ended 31 December 2010

§1. Important Notice

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

This announcement is a summary of the annual report. The entire report can be downloaded from the websites of the Shanghai Stock Exchange (www.sse.com.cn), the Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) (www.hkexnews.hk) and Sinopec Corp. (www.sinopec.com.cn). Investors should read the annual report for the year 2010 for more details.

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

1.3 Mr. Cao Yaofeng, Director, and Mr. Wu Xiaogen, Independent non-executive Director, could not attend the 12th meeting for reasons of official duties, and authorised Mr. Wang Zhigang, Director, and Mr. Xie Zhongyu, Independent non-executive Director, respectively, to vote on their behalves.

- 1.4 The financial statements for the year ended 31 December 2010 of Sinopec Corp. and its subsidiaries (“the Company”) prepared in accordance with the PRC Accounting Standards for Business Enterprises (“ASBE”) and International Financial Reporting Standards (“IFRS”) have been audited by KPMG Huazhen and KPMG, respectively, and both firms have issued standard unqualified opinions on the financial statements.
- 1.5 There is no occupancy of non-operating funds by the substantial shareholders of Sinopec Corp.
- 1.6 There is no breach of regulations, decisions or procedures in relation to provisions of external guarantees by Sinopec Corp.
- 1.7 Mr. Su Shulin (Chairman of the Board), Mr. Wang Tianpu (Vice Chairman and President) and Mr. Wang Xinhua (Chief Financial Officer and Head of the Corporate Finance Department) warrant the authenticity and completeness of the financial statements contained in the annual report for the year ended 2010.

§2. Basic Information about Sinopec Corp.

2.1 Basic information of Sinopec Corp.

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

2.2 Contact persons of Sinopec Corp. and means of communication

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

3 Principal Financial Data and Indicators

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

3.1.1 Principal financial data

Items	For the years ended 31 December			
	2010 <i>RMB millions</i>	2009 <i>RMB millions</i>	Change %	2008 <i>RMB millions</i>
Operating income	1,913,182	1,345,052	42.2	1,444,291
Operating profit/(loss)	101,352	86,238	17.5	(17,440)
Profit before taxation	102,178	86,112	18.7	33,351
Net profit attributable to equity shareholders of the Company	70,713	62,677	12.8	31,119
Net profit attributable to equity shareholders of the Company before extraordinary gain and loss	68,345	61,258	11.6	29,307
Net cash flow from operating activities	<u>171,262</u>	<u>166,009</u>	<u>3.2</u>	<u>87,113</u>
	At 31 December			
Items	2010 <i>RMB millions</i>	2009 <i>RMB millions</i>	Change %	2008 <i>RMB millions</i>
Total assets	985,389	886,896	11.1	784,471
Shareholders' equity attributable to equity shareholders of the Company	<u>421,127</u>	<u>380,461</u>	<u>10.7</u>	<u>331,194</u>

3.1.2 Principal financial indicators

Items	For the years ended 31 December			
	2010 <i>RMB</i>	2009 <i>RMB</i>	Change %	2008 <i>RMB</i>
Basic earnings per share	0.816	0.723	12.8	0.359
Diluted earnings per share	0.808	0.718	12.5	0.318
Basic earnings per share (before extraordinary gain and loss)	0.788	0.707	11.6	0.338
Fully diluted return on net assets (%)	16.79	16.47	0.32 percentage point	9.40
Weighted average return on net assets (%)	17.43	17.52	(0.09) percentage point	9.65
Fully diluted return (before extraordinary gain and loss) on net assets (%)	16.23	16.10	0.13 percentage point	8.85
Weighted average return (before extraordinary gain and loss) on net assets (%)	16.94	17.24	(0.30) percentage point	9.13
Net cash flow from operating activities per share	<u>1.975</u>	<u>1.915</u>	<u>3.2</u>	<u>1.005</u>

Items	At 31 December			2008 RMB
	2010 RMB	2009 RMB	Change %	
Net assets attributable to equity shareholders of the Company per share	4.857	4.388	10.7	3.820

3.1.3 Extraordinary items and corresponding amounts

Items	For the year ended 31 December 2010 (Gain)/Loss RMB millions	
Gain on disposal of non-current fixed assets	(253)	
Donations	177	
Gain on holding and disposal of various investments	(71)	
Net profit of subsidiaries generated from a business combination involving entities under common control before acquisition date	(3,043)	
Other non-operating income and expenses, net	(734)	
Subtotal	(3,924)	
Tax effect	220	
Total	(3,704)	
Attributable to:		
Equity shareholders of the Company	(2,368)	
Minority interests	(1,336)	

3.1.4 Accounting captions measured by fair value

Unit: RMB millions

Items	Balance at the beginning of the year	Profits and losses from variation of fair values of the current year	Accumulated variation of fair values recorded into equity	Decrement of withdrawal of the current year	Balance at the end of the year
Financial assets					
Of which:					
1. Financial assets at fair value					
through profit and loss	182	—	—	—	188
Of which: derivative					
financial assets	182	—	—	—	188
2. Financial assets held for trading	—	—	—	—	2,450
3. Available-for-sale financial assets	1,461	—	(9)	—	52
4. Cash flow hedging	142	—	—	—	148
Subtotal of financial assets	1,785	—	(9)	—	2,838
Financial liabilities	(976)	(179)	(221)	—	(1,803)
Investment real estate	—	—	—	—	—
Productive biological assets	—	—	—	—	—
Totals	<u>809</u>	<u>(179)</u>	<u>(230)</u>	<u>—</u>	<u>1,035</u>

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

Unit: RMB millions

Items	For the years ended 31 December				
	2010	2009	2008	2007	2006
Turnover, other operating revenues and other income	1,913,182	1,345,052	1,495,148	1,205,860	1,061,588
Operating profit	105,004	90,699	38,581	87,320	81,245
Profit before taxation	103,693	86,604	33,442	84,246	79,068
Profit attributable to equity shareholders of the Company	71,800	63,147	31,199	56,168	53,771
Basic earnings per share (RMB)	0.828	0.728	0.360	0.648	0.620
Diluted earnings per share (RMB)	0.820	0.724	0.319	0.648	0.620
Return on capital employed (%)	12.96	11.69	5.94	12.04	12.66
Return on net assets (%)	17.13	16.66	9.46	18.23	20.30
Net cash generated from operating activities per share (RMB)	1.965	1.909	0.997	1.431	1.146

Unit: RMB millions

Items	At 31 December				
	2010	2009	2008	2007	2006
Non-current assets	734,925	696,784	634,821	579,953	490,499
Net current liabilities	76,177	114,442	126,570	88,686	77,694
Non-current liabilities	208,380	177,526	156,263	157,613	125,584
Non-controlling interests	31,321	25,876	22,205	25,521	22,318
Total equity attributable to equity shareholders of the Company	419,047	378,940	329,783	308,133	264,903
Net assets per share (RMB)	4.833	4.371	3.804	3.554	3.055

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

Applicable Not applicable

	ASBE	IFRS
Net profits (RMB millions)	<u>76,843</u>	<u>78,004</u>
Difference analysis	Please see section 9.2.3	

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

4.1 Changes in the share capital

Applicable Not applicable

	Before change		Increase/(decrease)				After change		
	Number	Percentage %	New share		Conversion		Sub-total	Number	Percentage %
			issued	Bonus issued	from reserve	Others			
RMB ordinary shares	69,921,951	80.65	—	—	—	89	89	69,922,040	80.65
Foreign shares listed domestically	—	—				—	—	—	—
Foreign shares listed overseas	16,780,488	19.35	—	—	—	—	—	16,780,488	19.35
Others	—	—	—	—	—	—	—	—	—
Total Shares	<u>86,702,439</u>	<u>100</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>89</u>	<u>89</u>	<u>86,702,528</u>	<u>100.00</u>

Note: Between 25 February 2010 to 3 March 2010, Sinopec Corp's RMB ordinary shares increased by 88,774 as a result of partial exercise of the warrants embedded in its RMB 30 billion Bond with Warrants.

4.2 Number of shareholders and shareholdings of principal shareholders

Number of shareholders of Sinopec Corp. as at 31 December 2010 was 920,003, including 912,986 holders of A Shares and 7,017 holders of H Shares. The public float of Sinopec Corp. satisfied the requirement of the Rules Governing The Listing of Securities on the Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”).

(1) Top ten shareholders and top ten shareholders without selling restrictions

Unit: 1,000 Shares

Name of Shareholders	Nature of shareholders	As a percentage of total shares in issue at the end of reporting period %	Number of shares held at the end of reporting period	Changes in holding	Number of pledges or lock-ups
China Petrochemical Corporation	A Shares	75.84	65,758,044	—	0
HKSCC (Nominees) Limited	H Shares	19.21	16,658,226	4,585	N/A
Guotai Junan Securities Co. Ltd.	A Shares	0.30	256,081	375	0
China Life Insurance Company Limited – Dividend-Individual					
Dividend-005L-FH002 Shanghai	A Shares	0.16	140,750	5,232	0
Postfund Core Growth Equity Investment Fund	A Shares	0.07	62,871	11,000	0
Postfund Core Selected Equity Investment Fund	A Shares	0.06	55,854	9,854	0
Shanghai Stock Exchange Traded Open-ended Index 50 Fund	A Shares	0.04	38,625	(4,711)	0
E-Fund 50 Index Equity Investment Fund	A Shares	0.04	35,344	6,000	0
Changsheng Tongqing Detachable Trading Equity Investment Fund	A Shares	0.04	33,899	1,382	0
PICC Life Insurance Company Limited – Dividend-Individual					
Dividend	A Shares	0.04	32,747	3,647	0

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

We are not aware of any connected party relationship or acting in concert among or between the top ten shareholders, except that Postfund Core Growth Equity Investment Fund and Postfund Core Selected Equity Investment Fund are managed by China Post & Capital Fund Management Co. Ltd..

4.3 Information about the controlling shareholder and the de facto controller

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

Applicable Not applicable

4.3.2 Changes in the controlling shareholders and the de facto controller

(1) Controlling shareholder

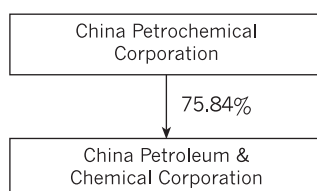
The controlling shareholder of Sinopec Corp. is China Petrochemical Corporation. Established in July 1998, China Petrochemical Corporation is a state authorised investment organisation and a state-owned company. Its registered capital is RMB 182.0 billion, and the legal representative is Mr. Su Shulin.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

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

(3) Basic information of the de facto controller

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

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



§5. Directors, Supervisors and Senior Management and Employees

5.1 Information on the changes in the shares held by the Directors, Supervisors and Senior Management and employees, and their remunerations

5.1.1 Information of Directors

Name	Gender	Age	Position with Sinopec Corp.	Tenure	Remuneration	Whether paid by the holding Company	Shares held at Sinopec Corp (as at 31December)	
					paid by Sinopec Corp. in 2010 (RMB10,000 before tax)		2010	2009
Su Shulin	Male	48	Chairman	2009.05-2012.05	—	Yes	0	0
Wang Tianpu	Male	48	Vice Chairman, President	2009.05-2012.05	96.74	No	0	0
Zhang Yaocang	Male	57	Vice Chairman	2009.05-2012.05	—	Yes	0	0
Zhang Jianhua	Male	46	Board Director, Senior Vice President	2009.05-2012.05	96.74	No	0	0
Wang Zhigang	Male	53	Board Director, Senior Vice President	2009.05-2012.05	96.74	No	0	0
Cai Xiyou	Male	49	Board Director, Senior Vice President	2009.05-2012.05	96.74	No	0	0
Cao Yaofeng	Male	57	Board Director	2009.05-2012.05	—	Yes	0	0
Li Chunguang	Male	55	Board Director	2009.05-2012.05	—	Yes	0	0
Dai Houliang	Male	47	Board Director, Senior Vice President	2009.05-2012.05	96.74	No	0	0
Liu Yun	Male	54	Board Director	2009.05-2012.05	—	Yes	0	0
Li Deshui	Male	66	Independent Non-Executive Director	2009.05-2012.05	24(Director's Fees)	No	0	0
Xie Zhongyu	Male	67	Independent Non-Executive Director	2009.05-2012.05	24(Director's Fees)	No	0	0
Chen Xiaojin	Male	66	Independent Non-Executive Director	2009.05-2012.05	24(Director's Fees)	No	0	0
Ma Weihua	Male	62	Independent Non-Executive Director	2010.05-2012.05	14(Director's Fees)	No	0	0
Wu Xiaogen	Male	45	Independent Non-Executive Director	2010.05-2012.05	14(Director's Fees)	No	0	0

5.1.2 Supervisors

Name	Gender	Age	Position with Sinopec Corp.	Tenure	Remuneration	Whether paid by the holding Company	Shares held at Sinopec Corp (as at 31December)	
					paid by Sinopec Corp. in 2010 (RMB10,000, before tax)		2010	2009
Wang Zuoran	Male	60	Chairman, Supervisory Board	2009.05-2012.05	—	Yes	0	0
Zhang Youcai	Male	69	Vice Chairman, Independent Supervisor	2009.05-2012.05	24 (Supervisor's Fees)	No	0	0
Geng Limin	Male	56	Supervisor	2009.05-2012.05	—	Yes	0	0
Zou Huiping	Male	50	Supervisor	2009.05-2012.05	47.25	No	0	0
Li Yonggui	Male	70	Independent Supervisor	2009.05-2012.05	24 (Supervisor's Fees)	No	0	0
Zhou Shiliang	Male	53	Employee Representative Supervisor	2009.05-2012.05	45.7	No	0	0
Chen Mingzheng	Male	53	Employee Representative Supervisor	2009.05-2012.05	47.94	No	0	0
Jiang Zhenying	Male	46	Employee Representative Supervisor	2010.05-2012.05	2.87	No	0	0
Yu Renming	Male	47	Employee Representative Supervisor	2010.05-2012.05	3.18	No	0	0

5.1.3 Other Members of the Senior Management

Name	Gender	Age	Position with Sinopec Corp.	Remuneration	Whether paid by the holding Company	Shares held at Sinopec Corp (as at 31 December)	
				paid by Sinopec Corp. in 2010 (RMB 10,000, before tax)		2010	2009
Wang Xinhua	Male	55	CFO	52.26	No	0	0
Zhang Kehua	Male	57	Vice President	56.69	No	0	0
Zhang Haichao	Male	53	Vice President	55.37	No	0	0
Jiao Fangzheng	Male	48	Vice President	54.18	No	0	0
Lei Dianwu	Male	48	Vice President	54.82	No	0	0
Ling Yiqun	Male	48	Vice President	33.87	No	0	0
Chen Ge	Male	48	Board Secretary	47.49	No	0	0

Note: The aggregate remuneration amount above is before tax. The Company did not implement any equity incentive programme.

5.2 New Appointment or Termination of Directors, Supervisors and Senior Management

On 18 May 2010, Mr. Ma Weihua and Mr. Wu Xiaogen were appointed as the independent non-executive director of Sinopec Corp. at the 2009 Annual General Meeting. On 28 July 2010, the Board of Directors appointed Mr. Ling Yiqun as the Vice President of Sinopec Corp. On 16 December, 2010, due to work adjustment, Mr. Cui Guoqi and Mr. Chang Zhenyong resigned as employee representative supervisors. Mr. Jiang Zhenying and Mr. Yu Renming were elected as Employee Representative Supervisors by democratic election.

§6 Report of the Board of Directors

6.1 Business review in the reporting period

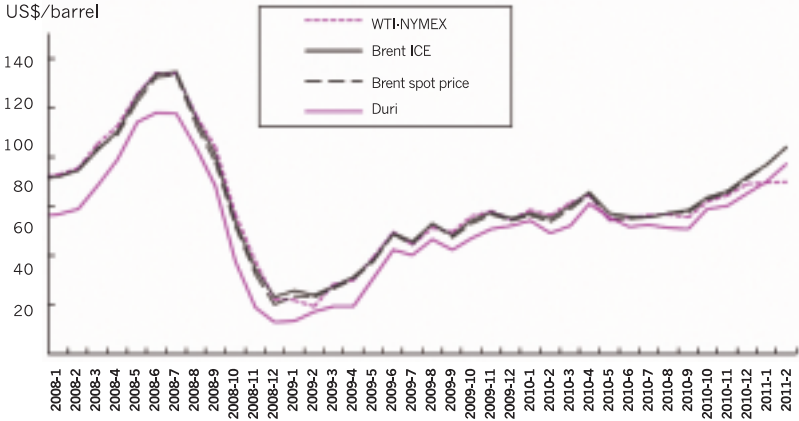
6.1.1 Business review

In 2010, the Chinese government accelerated the transformation of economic development pattern and structural adjustment, and realized relatively rapid economic growth with GDP growing by 10.3% year on year. Domestic demand for refined oil and chemical products grew steadily. The Company continued to monitor market developments and made every effort to capture this growth by expanding market, reinforcing fine management and improving its operational structure according to the market conditions. These changes enabled the Company to realize good financial results.

6.1.1.1 Review of Market Environment

(1) Crude oil market

International crude oil prices fluctuated within an upward range between USD70/barrel to USD95/barrel in 2010. The annual average Platts global spot price for Brent crude oil was USD79.47/barrel, representing a year-on-year increase of 29.2%. The price trends of domestic crude oil are in line with international markets. In 2010, the Chinese government adjusted the benchmark wellhead price for domestic onshore natural gas and carried out a reform of oil and gas resource tax in western provinces and cities.



(2) Refined oil products market

In 2010, domestic demand for refined oil products maintained relatively fast increase. Domestic oil product supply was sufficient at the beginning of the year, but became tight in the latter half, particularly in the fourth quarter due to strong demand for diesel. According to official statistics, the domestic apparent consumption of oil products throughout the year (including gasoline, diesel and kerosene) reached 230 million tonnes, a year-on-year increase of 11.4%.

(3) Chemicals market

The domestic demand for chemical products in the first quarter of 2010 extended the recovery trends seen in 2009, remained steady in the second quarter, and saw strong growth in the latter half of the year. According to the Company's statistics, the domestic apparent consumption of synthetic resin, synthetic fiber and synthetic rubber saw a year-on-year increase of 9.4%, 12.9% and 11.8% respectively, while the domestic apparent consumption of ethylene equivalent increased by 11.8% year on year to 29.87 million tonnes. Domestic chemical product prices bottomed in the second quarter and rallied gradually later in the year.

6.1.1.2 Production and Operation

(1) Exploration and Production

The Company further implemented its oil and gas resource strategy in 2010. In exploration, we enhanced integrated geological research, increased exploration investment, optimized exploration scheme, promoted the integration of exploration and development, consolidated the resource basis and intensified reserve traps. New discoveries were made following the exploration of Tarim Basin's Maigaiti Slope, Tahe Oilfield and Jiyang Depression. The marine-facies natural gas exploration in southeast and west Sichuan made further progress. The Company completed 23,483 kilometers of 2D seismic and 6,373 square kilometers of 3D seismic, and drilled 621 exploration wells with 1,774 kilometers of footage in China throughout the year. In development, the Company focused on enhancing reserve

development ratio, oil recovery rate and single-well output. We also intensified our efforts in making technological breakthroughs and capacity building, and stably increased oil and gas production. The Sichuan-East China Gas Transmission Project has been running smoothly since it was put into operation, with a substantial increase in production of natural gas. Material progress was achieved in the Company's expansion into overseas upstream business.

Operation Summary of Exploration and Production Segment

	2010	2009	2008	Change from 2009 to 2010 (%)
Crude oil production (mmbbls)	327.85	327.62	322.02	0.1
Including:				
China	302.18	301.15	296.80	0.3
Africa	25.67	26.47	25.22	(3.0)
Natural gas production (bcf)	441.39	299.01	293.07	47.6
Total oil and gas production (mmboe)	401.42	377.45	370.87	6.4
				Changes at the year and of the the report period compared with that at the end of the last year (%)
	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008	
Proved reserve of crude oil (mmbbls)	2,888	2,920	2,961	(1.1)
Proved reserve of natural gas (bcf)	6,447	6,739	6,959	(4.3)
Proved reserve of crude oil and natural gas (mmboe)	3,963	4,043	4,121	(2.0)

Note:

1. Inclusive of 100% of production and reserve of SSI.
2. For crude oil produced in China, 1 tonne=7.1 barrels; for natural gas, 1 cubic meter=35.31 cubic feet; for crude oil produced in Africa, 1 tonne=7.27 barrels.

(2) Refining

In 2010, the Company adhered to the market-oriented principle, strived to adjust product mix, and operated refining facilities at high load. We enhanced the optimization of resources, operation and management, and spared no efforts in reducing costs and improving efficiency. The Company successfully started up the upgrading and expanding projects and completed the company-wide gasoline quality upgrading for GB III Standard. The Company, based on changes in the market, timely adjusted the product mix, increased the output of jet fuel and light chemical feedstock, and enhanced the marketing efforts for asphalt, LPG and petroleum coke. Facing a sudden tight supply of diesel in some regions in the fourth quarter, we effectively eased the market tension by making every effort to increase diesel production. In 2010, refinery throughput amounted to 211 million tonnes, representing a year-on-year increase of 13.2%, and 124 million tonnes of oil products were produced up by 9.4% over the previous year.

Production Summary of the Refining Segment

	2010	2009	2008	Change from 2009 to 2010 (%)
Refinery throughput (million tonnes)	211.13	186.58	175.73	13.2
Gasoline, diesel and kerosene production (million tonnes)	124.38	113.69	107.36	9.4
including: Gasoline (million tonnes)	35.87	34.43	29.65	4.2
Diesel (million tonnes)	76.09	68.86	69.74	10.5
Kerosene (million tonnes)	12.42	10.39	7.99	19.5
Light chemical feedstock (million tonnes)	35.00	26.87	23.12	30.3
Light products yield (%)	75.79	75.54	74.75	Up by 0.25 percentage point
Refining yield (%)	94.83	94.53	94.05	Up by 0.30 percentage point

Note: 1. Refinery throughput includes natural gas condensates and heavy oil throughput. The data of 2008 and 2009 were adjusted retrospectively. For unit conversion of refinery throughput, 1 tonne=7.35 barrels:

2. The operation data include 100% of the production of the joint venture.

(3) Marketing and Distribution

In 2010, the Company has enhanced customer service awareness, reinforced quality control, expanded sales volume and provided customers with premium oil products. For the abnormal increase of diesel demand in the fourth quarter within some regions of China, we took multiple measures which effectively alleviated the market tension. Aiming to build all Sinopec service stations as “Reliable Posts of Automobile Life”, the Company realized significant growth in non-fuel business. The total domestic sales volume of oil products for the year reached 140 million tonnes with a year-on-year increase of 13.3%.

Operation Summary of Marketing and Distribution Segment

	2010	2009	2008	Change from 2009 to 2010 (%)
Total domestic sales volume of oil products (million tonnes)	140.49	124.02	122.98	13.3
Including: Retail (million tonnes)	87.63	78.90	84.10	11.1
Direct sales (million tonnes)	32.40	25.61	19.63	26.5
Wholesale (million tonnes)	20.47	19.52	19.25	4.9
Average annual throughput per station (tonne/station)	2,960	2,715	2,935	9.0
	As at	As at	As at	Changes at the end of 2010 compared with 2009 (%)
	December 31, 2010	December 31, 2009	December 31, 2008	
Total number of service stations under Sinopec brand	30,116	29,698	29,279	1.4
Including: Number of company-operated service stations	29,601	29,055	28,647	1.9
Number of franchised service stations	515	643	632	(19.9)

(4) Chemicals

In 2010, the Company, under the market-oriented principle, further reinforced the combination of production, marketing and research, optimized production management, achieved safe and smooth commissioning of the newly built ethylene projects in Tianjin and Zhenhai, fully brought into play of the new ethylene capacity and guaranteed the safe operation of facilities at full-load. We intensified supply chain management and accelerated the development of new products and adjustment of product mix. While putting customers first, we took full advantage of concentrated marketing and sold all we produced. Thus good results were achieved. In 2010, the Company produced 9.059 million tonnes of ethylene with a year-on-year increase of 34.9%, and the sales volume of chemical products reached 43.50 million tonnes.

Production Summary of Major Chemical Products

Unit: thousand tonnes

	2010	2009	2008	Change 2009 to 2010 (%)
Ethylene	9,059	6,713	6,289	34.9
Synthetic resin	12,949	10,287	9,643	25.9
Synthetic rubber	967	884	834	9.4
Synthetic fiber monomers and polymers	8,864	7,798	7,264	13.7
Synthetic fiber	1,393	1,302	1,260	7.0
Urea	1,223	1,752	1,649	(30.2)

Note: 100% production of joint ventures was included.

(5) Research and Development

The Company placed great emphasis on the “Propeller” function of scientific research and development and achieved good results in 2010. Exploration technologies were improved, resulting in new discoveries in Yuanba and Tarim’s Maigaiti Slope. Water injection technology for the development of key oilfields in east China was successfully developed. We promoted the application of selective hydrogenation technology and absorption desulphurization technology for catalytic gasoline, leading to the upgraded quality of oil products. 150,000-tonne-per-year ethylene cracker was successfully installed in one-million-tonne-per-year ethylene plants. The 300,000-tonne-per-year cumene unit using self-developed technologies came on stream successfully. The first bromobutyl rubber production unit in China was built up and is at the stage of commissioning. Twelve self-developed technologies were granted the National Science and Technology Progress Awards and the National Technology Invention Awards, among which the exploration and development technology for Ordovician carbonate rocks in Tahe Oilfield was granted the First Prize of National Science and Technology Progress Awards, catalytic oxidation new material-hollow Ti-Si molecular sieve won the Second Prize of National Technology Invention Awards and another 10 technologies won the Second Prize of National Science and Technology Progress Awards. The Company made 2,499 domestic patent applications with 771 patents granted, and 114 foreign patent applications with 72 granted throughout the year.

(6) Health, Safety and Environment

The Company always pursues to the coordinated and sustainable development of the enterprise, society and the environment and promotes the HSE management system throughout the Company. We put people first and care for our employees. We always stick to the HSE principle of “Putting Safety First, Focusing on Prevention and Comprehensive Improvement”, and set up a cascade responsibility system for safe production. We actively promote energy saving and emission reduction and develop low-carbon economy. Various measures have been taken for CO₂ emission cut, clean production and the manufacturing of clean products. In 2010, energy intensity dropped by 0.24% year on year, industrial water demand decreased by 2% year-on-year, COD in waste water discharged shrank by 2.1%, sulfur dioxide emission fell by 6.9%, and industrial water recycling rate remained at 95%. The Company accomplished the energy saving and emission cut target set in the “11th Five-Year Plan”. Please refer to Sinopec 2010 Sustainable Development Report for detailed information.

(7) Capital Expenditure

The Company’s capital expenditure reached RMB113.651 billion in 2010, of which RMB52.68 billion was used in Exploration and Production segment mainly for the exploration, development and capacity construction of key oilfields in Tahe, Shengli and Angola Block 18 and gasfields in Puguang and Erdos, as well as for the pipeline construction of Sichuan-East China Gas Transmission Project; RMB20.015 billion was used in Refining segment mainly for refinery revamping projects to process low-grade crude oil, oil product quality upgrading, and the construction of crude oil terminals and transfer systems; RMB26.168 billion was used in Marketing and Distribution segment mainly for the construction and acquisition of service stations and CNG stations in key areas such as highways, core cities and newly planned regions, for expediting the construction of pipelines and oil depots and for the improvement of oil products sales network; RMB12.894 billion was used in Chemicals segment mainly for ethylene projects in Tianjin, Zhenhai, and Wuhan and for butyl rubber project in Yanshan, etc.; and RMB1.894 billion was used for Corporate and others mainly for the construction of technology research facilities and IT projects.

6.1.2 Management Discussion and Analysis

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

6.1.2.1 Consolidated Results of Operations

In 2010, the Company's turnover and other operating revenues were RMB 1,913.2 billion, and the operating profit was RMB 105.0 billion, representing an increase of 42.2%, and 15.8% respectively over the year of 2009. This mainly attributed to the fast growth of domestic economy, growing demand for petroleum and petrochemical products, and continuous expansion of the Company's operational scale, and the increase in the price of crude oil, oil products and petrochemical products. The Company took the advantage of business scale and integration, strove to expand the market and improve marketing and service, which contributed a good operation results.

	Years ended 31 December		Change (%)
	2010	2009	
	RMB millions		
Turnover and other operating revenues	1,913,182	1,345,052	42.2
Of which: Turnover	1,876,758	1,315,915	42.6
Other operating revenues	36,424	29,137	25.0
Operating expenses	(1,808,178)	(1,254,353)	44.2
Of which: Purchased crude oil, products, and operating supplies and expenses	(1,482,484)	(980,564)	51.2
Selling, general and administrative expenses	(51,048)	(40,539)	25.9
Depreciation, depletion and amortisation	(59,223)	(54,016)	9.6
Exploration expenses (including dry holes)	(10,955)	(10,545)	3.9
Personnel expenses	(33,672)	(28,895)	16.5
Taxes other than income tax	(157,189)	(132,884)	18.3
Other operating expenses, (net)	(13,607)	(6,910)	96.9
Operating profit	105,004	90,699	15.8
Net finance costs	(6,974)	(7,466)	(6.6)
Investment income and share of profit less losses from associates and jointly controlled entities	5,663	3,371	68.0
Profit before taxation	103,693	86,604	19.7
Tax expense	(25,689)	(19,599)	31.1
Profit for the year	78,004	67,005	16.4
Attributable to:			
Equity shareholders of the Company	71,800	63,147	13.7
Non-controlling interests	6,204	3,858	60.8

(1) Turnover, other operating revenues and other income

In 2010, the Company's turnover was RMB 1,876.8 billion, representing an increase of 42.6% over 2009. This mainly attributed to the active expansion of the markets; sale volume and higher prices of crude oil, oil products and chemical products.

The following table sets forth the external sales volume, average realized prices and respective rates of change from 2009 to 2010 for the Company's major products:

	Sales volume			Average realised price		
	(thousand tonnes)		Change (%)	(RMB/tonne, RMB/thousand cubic meters)		Change (%)
	Years ended 31 December 2010	2009		Years ended 31 December 2010	2009	
Crude oil	5,554	4,915	13.0	3,349	2,303	45.4
Natural gas (million cubic meters)	9,951	6,486	53.4	1,155	933	23.8
Gasoline	43,467	39,035	11.4	7,297	6,367	14.6
Diesel	90,827	82,344	10.3	5,992	5,092	17.7
Kerosene	14,758	11,353	30.0	4,758	3,918	21.4
Basic chemical feedstock	17,821	13,272	34.3	5,598	4,359	28.4
Monomer and polymer for synthetic fiber	5,772	4,650	24.1	8,211	6,530	25.7
Synthetic resin	9,871	8,667	13.9	9,243	8,072	14.5
Synthetic fiber	1,512	1,418	6.6	11,644	9,140	27.4
Synthetic rubber	1,222	1,116	9.5	16,436	11,448	43.6
Chemical fertilizer	1,299	1,769	(26.6)	1,641	1,657	(1.0)

Most of crude oil and a portion of natural gas produced by the Company were internally used for refining and chemical production and the remaining were sold to other customers. In 2010, the turnover from crude oil, natural gas and their upstream products sold externally amounted to RMB 35.0 billion, increased by 81.1% over 2009, accounting for 1.8% of the Company's turnover and other operating revenues. The change was mainly due to the increase in sales volume and prices of crude oil and natural gas.

In 2010, the refining segment marketing and distribution segment sold petroleum products (mainly consisting of refined oil products and other refined petroleum products), achieving external sales revenue of RMB 1,192.8 billion, representing an increase of 36.4% over 2009, accounting for 62.3% of the Company's turnover and other operating revenues. This mainly the Company took the price-up opportunity of refined oil products and other refined petroleum products, and actively enlarged the sales volume of refined oil products and other refined petroleum products. The sales revenue of gasoline, diesel and kerosene was RMB 931.6 billion, representing an increase of 30.8% over 2009, accounting for 78.1% of the total revenue of petroleum products. Turnover of other refined petroleum products was RMB 261.2 billion, representing an increase of 61.3% over 2009, accounting for 21.9% of the total revenue of petroleum products.

The Company's external sales revenue of chemical products was RMB 285.6 billion, representing an increase of 48.2% over 2009, accounting for 14.9% of the Company's turnover and other operating revenues. This was mainly due to the increase in prices of chemical products, the Company's efforts in taking the opportunity of putting newly built plants into production through active expansion of the markets and increasing the sales volume of products.

(2) Operating expenses

In 2010, the Company's operating expenses were RMB 1,808.2 billion, representing an increase of 44.2% over 2009. The operating expenses mainly consisted of the following:

Purchased crude oil, products and operating supplies and expenses were RMB 1,482.5 billion, representing an increase of 51.2% over 2009, accounting for 82.0% of the total operating expenses, of which:

Crude oil purchasing expenses were RMB 606.0 billion, increase 49.5% over 2009. The total throughput of crude oil purchased externally in 2010 was 155.1 million tonnes (excluding the amount processed for third parties), an increase 14.8% over 2009. The average unit processing cost of crude oil purchased externally was RMB 3,907 per tonne, increased 30.2% 2009.

The Company's other purchasing expenses were RMB 876.5 billion, representing an increase of 52.4% over 2009. This was mainly due to the higher cost of oil products and other feedstock purchased externally and higher procurement cost by the Company's trading subsidiaries.

Selling, general and administrative expenses of the Company totaled RMB 51.0 billion, representing an increase of 25.9% over 2009. This was mainly due to the increased sales expenses such as the freight and miscellaneous charges caused by expanded sales volume, the growth of operational rental fee and research and development costs.

Depreciation, depletion and amortisation expenses of the Company were RMB 59.2 billion, representing an increase of 9.6% over 2009. This was mainly due to the depreciation resulting from the Company's continuously increased investment in property, plant and equipment.

Exploration expenses, including dry holes were RMB 11.0 billion, representing an increase of 3.9% over 2009, which were mostly spent on enhancing exploration activities in regions as Northeast, West of Sichuan and Erdos.

Personnel expenses were RMB 33.7 billion, representing an increase of 16.5% over 2009, mainly because the Company has employed more workers in line with its business growth and the provision for enterprise's performance salary, annuity fund, and housing subsidy for employees who joined the Company after 31 December 1998, in accordance with related requirements.

Taxes other than income tax totaled RMB 157.2 billion, representing an increase of 18.3% over 2009. It was mainly due to the increase of special oil income levy by RMB 12.6 billion caused by rising crude oil price, as compared with 2009. Meanwhile, as a result of increased sales volume, the consumption tax, city construction tax and educational surcharge increased by RMB 11.1 billion over 2009.

Other operation expenses, net were 13.6 billion, representing an increase of 96.9% over 2009. This was mainly due to the provisions for impairment loss of long-term assets which were regarded as low efficient such as chemical fertilizer plants, increased by RMB 7.2 billion compared with 2009.

- (3) Operating profit was RMB 105 billion, representing an increase of 15.8% over 2009.
- (4) Net finance costs were RMB 7.0 billion, representing a decrease of 6.6% compared with 2009. This was due to the Company's continuous improvement in its financing structure and enlarged direct financing scale, which resulted in decrease of its financing cost; Moreover, the Company increased its short-term loans in US dollar, which enjoyed a lower interest rate, and continuously strengthened the supervision on the management of funds, compressed and controlled the occupation of funds, which resulted in cost saving in the finance activities.
- (5) Profit before taxation was RMB 103.7 billion, representing an increase of 19.7% over 2009.
- (6) Income tax was RMB 25.7 billion, increased by 31.1% over 2009. The increase was mainly due to substantial growth of profit before taxation.
- (7) Profit attributable to non-controlling interests of the Company was RMB 6.2 billion, an increase of RMB 6.08 billion compared with 2009.
- (8) Profit attributable to equity shareholders of the Company was RMB 71.8 billion, representing an increase of 13.7% over 2009.

6.1.2.2 Assets, Liabilities, Equity and Cash Flows

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

(1) Assets, liabilities and equity Unit: RMB millions

	At 31 December 2010	At 31 December 2009	Amount of Changes
Total assets	995,154	898,263	96,891
Current assets	260,229	201,479	58,750
Non-current assets	734,925	696,784	38,141
Total liabilities	544,786	493,447	51,339
Current liabilities	336,406	315,921	20,485
Non-current liabilities	208,380	177,526	30,854
Total equity attributable to equity shareholders of the Company	419,047	378,940	40,107
Share capital	86,702	86,702	0
Reserves	332,345	292,238	40,107
Non-controlling interests	31,321	25,876	5,445
Total equity	450,368	404,816	45,552

As at 31 December 2010, the Company's total assets were RMB 995.2 billion, representing an increase of RMB 96.9 billion compared with that at the end of 2009, of which:

- Current assets were RMB 260.2 billion, increased by RMB 58.8 billion from that at the end of 2009, mainly attributable to the fact that the inventory of the Company increased by RMB 14.8 billion as a result of the rise in prices of crude oil and other raw materials, the receivables of the Company increased by RMB 30.3 billion as a result of the price rise of product oil and chemical products; and the prepaid expenses and other current assets increased by RMB 5.5 billion.

- Non-current assets were RMB 734.9 billion, increased by RMB 38.1 billion from that at the end of 2009. This was mainly attributable to the fact that because of the implementation of its annual investment plan by the company. The net amount for the property, plant and equipment increased by RMB 55.9 billion, the rental cost prepaid for land use right increased by RMB 3.2 billion, some constructions in progress within this current year decreased by RMB 30.8 billion due to the transfer to fixed assets after the completion of some projects, some construction in progress sold to the jointly controlled entities, and the Company's interests in associates and jointly controlled entities increased by RMB 10.9 billion.

As at 31 December 2010, the Company's total liabilities were RMB 544.8 billion, representing an increase of RMB 51.3 billion compared with that at the end of 2009, of which:

- Current liabilities were RMB 336.4 billion, increased by RMB 20.5 billion from that at the end of 2009, mainly because of the price-up of the raw materials such as crude oil and so on, the Company's trade accounts payables increased by RMB 35.8 billion; because of the Company's operation scale, the smooth growth of the Company's income, the other amount dues such as accrued expenses and other payables, income tax payable and so on, increase RMB 43.4 billion due to the Company strictly controlled the financing of bills and decreased the quantity of new making-out invoices, the bills payable within this year decreased by RMB 19.3 billion; due to decreasing the financial expenses, the compression of short-term debts and loans made by China Petrochemical Corporation and fellow subsidiaries decreased RMB 39.4 billion.
- Non-current liabilities were RMB 208.4 billion, increased by RMB 30.9 billion from that at the end of 2009, mainly because of the performance of the annual Investment plan by the Company, the long-term debts and loans made by China Petrochemical Corporation and fellow subsidiaries increased by RMB 21.4 billion; and the Company increased the deferred tax liabilities and the provision of obligations for the dismantlement of its oil and gas properties by RMB 9.0 billion.

The total equity attributable to equity shareholders of the Company was RMB 419.0 billion, representing an increase of RMB 40.1 billion compared with that at the end of 2009, which was due to the increase of reserves.

(2) Cash flow

The following table sets forth the major items on the consolidated cash flow statements of 2010 and 2009.

Units: RMB million

	Years ended 31 December	
	2010	2009
Net cash generated from operating activities	170,333	165,513
Net cash used in investing activities	(105,788)	(117,355)
Net cash used in financing activities	(56,294)	(46,411)
	<u>8,251</u>	<u>1,747</u>
Net increase in cash and cash equivalents	<u>8,251</u>	<u>1,747</u>

In 2010, the net cash generated from operating activities was RMB 170.3 billion, representing an increase of RMB 4.8 billion over 2009. This was mainly attributable to the fact that the profit before taxation increased by RMB 17.1 billion as compared with last year; the depreciation, depletion and amortisation expense increased by RMB 5.2 billion as compared with last year, the impairment of long-term assets increased by RMB 7.2 billion; and the increase of crude oil and other commodities prices and the expansion of business scale, the Company's working capital of bills receivable, trade accounts receivable, inventories and so on increased by RMB 22.0 billion as compared with 2009.

In 2010, the net cash used in investing activities was RMB 105.8 billion, representing a decrease of RMB 11.6 billion over 2009, which was mainly because of the increase of RMB 15.5 billion of cash inflow from the Company's sale of properties, plant and equipment in this year; the cash outflow of capital expenditure and exploration expenses from the completion of annual investment plan decreased by RMB 2.4 billion compared with 2009; the cash flow of the net investment in the associates and jointly controlled entities as well as financial instruments increased by RMB 7.0 billion compared with that of 2009.

In 2010, the net cash outflow from the financing activities was RMB 56.3 billion, representing an increase of cash outflow by RMB 9.9 billion over last year, which was mainly attributable to the fact that the Company bought the properties from the China Petrochemical Corporation, the cash outflow increased by RMB 11.9 billion, and the interest expenditure decreased by RMB 1.0 billion compared with that of 2009.

From the view of annual cash flow situation, the Company took the opportunity of international economy and domestic economy to continuously and steadily enlarge the operation scale, so the annual total profit amount and operation cash flow kept a continuous increase; the Company actively took actions to improve the integrated benefit of the Company by further strengthening the central control of the capital, strictly controlling the monetary capital and the scale of active debts, decreasing the financing deposition, and speeding up the turnover of funds.

(3) Contingent liabilities

Please refer to section 7.3.

(4) Capital expenditures

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

(5) Research & development and environmental expenses

Research & development expenses refer to the expenses recognized as expenditures when they occur. The Company continuously paid attention to the technological innovation and the increase of research investment to push the new clean energy production and the research & development of new energy by the technological innovation. In 2010, the expenditure for the research & development was RMB 4.835 billion, representing an increase of RMB 1.019 billion over 2009, the growth 26.7%.

The environmental protection expenditures refer to the standard sewage and sundries clearing expenses paid by the Company, capitalization expenses on pollution discharge equipment. The Company highlighted the environmental protection, paid more attention on the energy conservation and emission reduction, and actively carried out the pollution abatement, and developed the green production and cycling economy. Therefore, in 2010, the Company's environment protection expenditures were RMB 3.880 billion, representing an increase of RMB 0.684 billion over 2009, the growth 21.4%.

(6) Analysis of financial statements prepared under ASBE

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

	Years ended 31 December	
	2010	2009
	RMB millions	RMB millions
Operating income		
Exploration and Production Segment	187,145	134,808
Refining Segment	971,577	703,571
Marketing and Distribution Segment	1,040,698	783,091
Chemicals Segment	327,622	218,457
Corporation and Others	796,789	521,869
Elimination of inter-segment sales	(1,410,649)	(1,016,744)
Consolidated operating income	<u>1,913,182</u>	<u>1,345,052</u>
Operating profit/(loss)		
Exploration and Production Segment	46,725	24,143
Refining Segment	14,873	27,477
Marketing and Distribution Segment	30,622	30,280
Chemicals Segment	14,763	13,288
Corporation and Others	(2,821)	(2,323)
Elimination of inter-segment profit	(1,455)	(2,603)
Financial expenses, investment income and gain/(loss) from changes in fair value	(1,355)	(4,024)
Consolidated operating profit	<u>101,352</u>	<u>86,238</u>
Net profit attributable to equity shareholders of the Company	<u>70,713</u>	<u>62,677</u>

Operating profit: In 2010, the operating profit of the Company was RMB 101.4 billion, representing an increase of RMB 15.2 billion over 2009. This was mainly attributable to the fact that the prices of crude oil, product oil and chemical products rose as compared with 2009, and that the Company leveraged the advantages of scale and integration, made efforts to expand the market, and achieved satisfactory operational performance.

Net profit In 2010, the net profit attributed to the equity shareholders of Sinopec Corp. was RMB 70.7 billion, representing an increase of RMB 8.0 billion over 2009, the growth 12.8%.

	As of 31 December of 2010 RMB millions	As of 31 December of 2009 RMB millions	Changes RMB millions
Total assets	985,389	886,896	98,493
Long-term liabilities	207,080	176,484	30,596
Shareholders' equity	452,682	406,548	46,134

Analysis of changes:

Total assets: At the end of 2010, the Company's total assets were RMB 985.4 billion, representing an increase of RMB 98.5 billion compared with that at the end of 2009, which was mainly attributed to the facts that the non-current assets, such as, fixed assets, long-term equity investments and so on, increased by RMB 38.5 billion caused from the implementation of annual investment plan; that the Company's current assets, such as, trade accounts receivable, net, bills receivable and so on, increased by RMB 60.0 billion caused from the stable increase of operation income and the great rise in the price of commodities such as crude oil, etc.

Long-term liabilities: At the end of 2010, the Company's long-term liabilities were RMB 207.1 billion, representing an increase of RMB 30.6 billion compared with that at the end of 2009, mainly attributed to the accrued liabilities and the deferred tax liabilities in this year by RMB 9.0 billion, and the Company had further adjusted the structure of liabilities and continuously strengthened the power of direct financing, corporate bond was issued RMB 20.0 billion in this year.

Shareholders' equity: At the end of 2010, the shareholders' equity of the Company was RMB 452.7 billion, representing an increase of RMB 46.1 billion compared with that at the end of 2009, mainly because of the increase in the profits of the Company.

6.1.2.3 Technology Development, energy saving and emission reduction

The Company always pursues to the coordinated and sustainable development of the enterprise, society and the environment and promotes the HSE management system throughout the Company. We put people first and care for our employees. We always stick to the HSE principle of "Putting Safety First, Focusing on Prevention and Comprehensive Improvement", and set up a cascade responsibility system for safe production. We actively promote energy saving and emission reduction and develop low-carbon economy. Various measures have been taken for CO₂ emission cut, clean production and the manufacturing of clean products. In 2010, energy intensity dropped by 0.24% year on year, industrial water demand decreased by 2% year-on-year, COD in waste water discharged shrank by 2.1%, sulfur dioxide emission fell by 6.9%, and industrial water recycling rate remained at 95%. The Company accomplished the energy saving and emission cut target set in the "11th Five-Year Plan". Please refer to Sinopec 2010 Sustainable Development Report for detailed information.

6.1.2.4 Accounting captions measured by fair value

Please refer to Section 3.1.4.

6.1.2.5 Financial assets and liabilities in foreign currencies held by the Company

Information concerning financial assets and liabilities held in foreign currencies

Unit: RMB millions

Items	Balance at the beginning of the year	Profits and losses from variation of fair values of the current year	Accumulated variation of fair values recorded into equity	Decrement of withdrawal of the current year	Balance at the end of the year
Financial assets					
Of which:					
1. Financial assets at fair value					
through profit and loss	182	—	—	—	188
Of which: derivative financial assets	182	—	—	—	188
2. Loans and receivables	24,999	—	—	—	28,364
3. Available-for-sale financial assets	36	—	(2)	—	34
4. Held-to-maturity investments	—	—	—	—	—
5. Cash flow hedges	142	—	—	—	148
Subtotal of financial assets	25,359	—	(2)	—	28,734
Financial liabilities	(95,186)	(179)	(221)	—	(102,129)

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

6.2 The Results of the Principal Operations by Segments

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

Segment	Income from principal operations (RMB millions)	Cost of principal operations (RMB millions)	Gross profit margin (%) Note	Increase of income from principal operations compared with the preceding year (%)	Increase of cost of principal operations compared with the preceding year (%)	Increase/decrease of gross profit margin compared with the preceding year (%)
				38.8	13.3	5.4
Exploration and Production	187,145	89,554	39.9	38.8	13.3	5.4
Refining	971,577	804,696	3.7	38.1	48.8	(2.2)
Marketing and Distribution	1,040,698	970,859	6.6	32.9	35.1	(1.5)
Chemicals	327,622	289,070	11.3	50.0	54.9	(2.8)
Corporate and others	796,789	792,146	0.6	52.7	52.7	0.1
Elimination of inter-segment sales	(1,410,649)	(1,409,194)	N/A	N/A	N/A	N/A
Total	<u>1,913,182</u>	<u>1,537,131</u>	11.4	42.2	49.3	(2.1)

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

6.3 Principal operations in different regions

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Items	At 31 December		Increase/(decrease)		Reasons for change
	2010	2009	Amount	Percentage	
	RMB millions	RMB millions	RMB millions	(%)	
Cash at bank and on hand	18,140	10,018	8,122	81.1	The Company prepared some cash in advance to cope with tightening liquidity in the market and pressure of payment before the spring festival.
Bills receivable	15,950	2,110	13,840	655.9	Due to the increase in scale of operations, lowered willingness cash out and increased to discount rate
Accounts receivable	43,093	26,592	16,501	62.1	Due to increase in scale of operations and prices of major products
Other receivables	9,880	4,505	5,375	119.3	Mainly due to the Company's increased accounts receivables from the new joint ventures and increased financial assets acquired within the period

Items	At 31 December		Increase/(decrease)		Reasons for change
	2010	2009	Amount	Percentage	
	RMB millions	RMB millions	RMB millions	(%)	
Prepayments	5,247	3,614	1,633	45.2	Mainly due to increased purchasing costs of prepaid steel and other commodities
Inventories	156,546	141,727	14,819	10.5	Due to increase in scale of operations and prices of crude oil as compared with the end of 2009
Long-term equity investments	45,037	33,503	11,534	34.4	Please refer to Note 11 to the financial statements prepared in accordance with ASBE
Fixed assets	540,700	484,815	55,885	11.5	Please refer to Note 12 to the financial statements prepared in accordance with ASBE
Construction in Progress	89,599	120,375	(30,776)	(25.6)	Please refer to Note 13 to the financial statements prepared in accordance with ASBE
Goodwill	8,298	14,163	(5,865)	(41.4)	Please refer to Note 15 to the financial statements prepared in accordance with ASBE
Short-term debentures payable	1,000	31,000	(30,000)	(96.8)	Repayment of short term debentures of RMB30 billion due
Bills payable	3,818	23,111	(19,293)	(83.5)	Due to adjustment of debt structure and the control of notes issued
Accounts payable	132,528	96,762	35,766	37.0	Due to increase in scale of operations, prices of crude oil, other materials and purchasing volume
Advances from customers	57,324	37,270	20,054	53.8	Mainly due to increase in revenue from advanced sales
Employee benefits payable	7,444	4,526	2,918	64.5	Mainly due to increase in balances of salary payables, social insurance, corporate pension fund and housing subsidies

Items	At 31 December		Increase/(decrease)		Reasons for change
	2010	2009	Amount	Percentage	
	RMB millions	RMB millions	RMB millions	(%)	
Taxes payable	33,814	16,777	17,037	101.5	Please refer to Note 24 to the financial statements prepared in accordance with ASBE
Non-current liabilities due within one year	5,530	9,316	(3,786)	(40.6)	Please refer to Note 26 to the financial statements prepared in accordance with ASBE
Provisions	15,573	11,860	3,713	31.3	Please refer to Note 29 to the financial statements prepared in accordance with ASBE
Deferred tax liabilities	15,017	9,707	5,310	54.7	Please refer to Note 17 to the financial statements prepared in accordance with ASBE
Long term loans	58,895	58,962	(67)	(0.1)	Please refer to Note 27 to the financial statements prepared in accordance with ASBE
Debentures payable	115,180	93,763	21,417	22.8	Please refer to Note 28 to the financial statements prepared in accordance with ASBE
Operating income	1,913,182	1,345,052	568,130	42.2	Due to increase in scale of operations, prices of crude oil and petrochemical products and sales volume
Operating costs	1,537,131	1,029,443	507,688	49.3	Due to increase in scale of operations, prices of feedstock, other materials and purchasing volume
Sales taxes and surcharges	157,189	132,884	24,305	18.3	Please refer to Note 34 to the financial statements prepared in accordance with ASBE
Impairment losses	15,445	7,453	7,992	107.2	Please refer to Note 37 to the financial statements prepared in accordance with ASBE
Investment income	5,671	3,589	2,082	58.0	Please refer to Note 39 to the financial statements prepared in accordance with ASBE

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

Applicable Not applicable

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

Applicable Not applicable

6.10 Use of the proceeds from share issue

Applicable Not applicable

Use of proceeds from exercise of warrants

Unit: in RMB millions

Total proceeds	Project under Commitment	Project changed or not	Budgeted Investment	Proceeds from exercise of warrants within the reporting period	Gains generated	Progress on schedule or not	Return in line with projection or not
1.7	Ethylene Project in Zhenhai	No	1.7	1.7	In line with projection	On schedule	In line with projection

6.11 Projects not funded by proceeds from share issue

Applicable Not applicable

Please see 6.1.1.2 (7).

6.12 Explanation of the board of directors about the accounting firm's "non-standard comments"

Applicable Not applicable

6.13 Business Prospects

Market Analysis

With the recovery of the world economy, demand in international oil market will resume increase in 2011. The average crude oil prices in 2011 are expected to be higher than that of 2010 due to the influences of geopolitical and other factors.

The Chinese government will continue to expand domestic demands, adjust economic structure, improve people's well-being, and adopt pro-active fiscal policies and stable monetary policies, and the economy growth is expected to remain stable and relatively fast. Thus, the domestic demands for oil products, natural gas and chemical products are expected to increase steadily.

In 2011, the Company will continue to increase resources, expand markets, cut costs and improve efficiency, while pursuing economic benefits, reinforcing internal management, elaborately organizing production, and emphasizing safe production, energy conservation and consumption reduction. The following work will be carried out:

Exploration and Production segment: In terms of oil exploration, the Company will continue to advance exploration of subtle reservoirs of mature blocks in east China and intensify exploration efforts in frontier blocks for new discoveries based on Tarim, Junggar and Erdos basins in west China. In terms of natural gas exploration, the Company will speed up the exploration in key areas and strive for breakthroughs in frontier blocks based on Sichuan and Erdos basins to consolidate the resource basis for the substantial growth of our natural

gas output. In terms of development, the Company will make continuous efforts to enhance reserve development ratio, oil recovery and single-well production, stabilize production in the east and increase production in the west to achieve sustainable development of oilfields. Meanwhile, the Company will steadily promote the exploration and development of oversea oilfields. In terms of natural gas, we will ensure the safe and stable operation of Puguang gasfield and expedite the capacity building in Dawan block, accelerate the exploration and development evaluation of Yuanba area and intensify the capacity building of the gas reserves in west Sichuan and Daniudi gasfield to increase natural gas production to a new level. The Company plans to produce 45.59 million tonnes of crude oil and 14.1 billion cubic meters of natural gas in 2011.

Refining segment: The Company will maintain the high-load operation of refining facilities, promote quality upgrading of diesel for vehicles to meet GB III standards, optimize product mix and supply feedstock for chemical production. We will reduce costs and increase efficiency through crude oil procurement and transportation optimization. Greater efforts will be made in the marketing of asphalt, LPG and petroleum coke, etc. to improve refining profitability. Refinery throughput is expected to reach 222 million tonnes and oil products output is expected to be 132 million tonnes in 2011.

Marketing and Distribution segment: The Company will closely track supply-demand changes in oil products market, timely adjust operation strategy and exert more efforts in market development. Great efforts will be made to expand sales volume to ensure adequate supply in the market. The Company will enhance service awareness and intensify quality management. We will also strengthen resource allocation and optimize the storage location to guarantee oil supply in key areas. Domestic sales volume of oil products is expected to reach 147 million tonnes in 2011.

Chemicals segment: The Company will make great efforts in safe production and removal of potential hazards to ensure safe and stable operation of the chemical plants. We will focus on technological progress, constantly promote energy saving and emission cut, optimize processes and further improve plant operation. The Company will guarantee the supply of raw materials, optimize the production organization and constantly adjust product mix of the three synthetic materials to meet market demands. Under the market-oriented principle, we will

take action to improve services to establish a highly-efficient innovative system with the combination of production, marketing and research. The Company plans to produce 9.85 million tonnes of ethylene in 2011.

Technology Research and Development: The Company will constantly improve the efficiency of technology research and development, make great efforts in independent innovation, strive for breakthroughs in key areas and give full play to the “propeller” function of technology research and development. We will focus on the research on exploration and development of oil and gas resources both at home and abroad, enhance improvement and application of key technologies for higher development ratio of reserves, enhanced oil recovery and single-well production and carry out technology development for the exploration of unconventional resources. We will actively develop new technologies to process low-grade crude oil and heavy oil, continue to improve production technologies for GB IV standard oil products and form technological reserves for GB V standard oil products. The Company will continuously enhance production technologies for ethylene and polyolefin and support the technology development for high value-added products. We will continue to develop and promote the application of technologies for energy saving and environmental protection and speed up the technology development for alternative energy and low-carbon economy.

Capital Expenditure: The Company will adopt strict investment management procedures, and elaborately organize engineering construction on the principle of financial outcome foremost and key projects in priority. The total capital expenditure is expected to reach RMB124.1 billion, of which the expenditure for Exploration and Production segment will reach RMB54.3 billion mainly for the exploration and development of mature oil fields in the east, Tahe oilfield and Angola Block 18 and natural gas filed in Yuanba area and for the construction of LNG project in Shandong Province. The capital expenditure for Refining segment will reach RMB26.5 billion mainly for refinery upgrading projects in Changling and Beihai and the upgrading of diesel quality, and for the construction of Rizhao-Yizheng and Zhanjiang-Beihai crude oil pipeline and supporting projects. The capital expenditure for Marketing and Distribution segment will reach RMB21.3 billion mainly for the construction, acquisition and renovation of service (CNG) stations and for the construction of oil products pipelines and supporting oil depots. The capital expenditure for Chemicals segment will reach RMB19.2 billion mainly for Wuhan ethylene, Zhongyuan

methanol to olefins, Yanshan butyl-rubber and Qilu synthetic resin projects and for the construction of logistics facilities for chemical feedstock and products. The capital expenditure for Corporate and others is scheduled at RMB2.8 billion mainly for the construction of technology research facilities and IT projects.

In the new year, Sinopec Corp. will continue to implement the scientific development outlook, enhance fine management, actively adjust structure, substantially explore the market, improve economic benefits and strive for new achievements in production and operation to make a good start for the 12th Five-Year Plan period.

RISK FACTORS

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

Variation in economic situation: The operating results of the Company are closely related to the economic situation of China and the world. Although global economy is on track of recovery after the financial crisis, it has not yet entered into a virtuous circle featured by stability and growth. The business of the Company may be adversely affected by such factors as the impact on export due to trade protectionism of some countries, impact on import which is likely to be resulted from regional trade agreements and etc..

Cyclical effects: The majority of the operational income of the Company comes from the sales of refined oil products and petrochemical products, and part of the operation and its 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 energy and chemicals company, it can only counteract the adverse influences of periodicity of the industry to some extent.

Macroeconomic policies and government regulation: Although the government 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.

Change of environmental legal requirements: Our production activities generate waste water, gas and solid. The Company has built up supporting effluent treatment systems to prevent and reduce pollution. The relevant government authorities may issue and implement stricter environmental protection laws and regulations, adopt stricter environment protection standards. Under the aforesaid situation, the Company may incur more expenses in relation to the environment protection accordingly.

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

External purchase of crude oil: A significant amount of the Company's demand for crude oil is satisfied through external purchases. In recent years, especially impacted by the international financial crisis, the crude oil prices are subject to wild fluctuations, and the supply of crude oil may even be interrupted due to major incidents. Although the Company has taken flexible counter measures, it may not fully shield from risks associated with any wild fluctuation of international crude oil prices and disruption of supply of crude oil.

Operational risks and natural disasters: The process of petroleum chemical production is exposed to risks of inflammation, explosion and environmental pollution and is vulnerable to natural disasters. Such contingencies may cause serious impact to the society, grievous injuries to people and major financial losses to the Company. The Company has implemented a strict HSE management system, in an effort to avoid such risks as much 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 risk: Petroleum and chemical sector is a capital intensive industry. Although the Company adopted a prudent investment strategy and conducted rigorous feasibility study on each investment project, certain investment risk may exist resulting 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 risk: 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 outsources a significant portion of crude oil in foreign currency which are based on US dollar-denominated prices, fluctuations in the value of Renminbi against US dollars and certain other foreign currencies may affect our purchasing costs of crude oil.

Profit forecast for the new financial year

Applicable Not applicable

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

At the 12th meeting of the Fourth Session of the Board of Directors of Sinopec Corp., the Board approved the proposal to declare a cash dividend of RMB 0.21 per share (including tax) in cash. The final cash dividend per share for distribution would be RMB0.13, the total cash dividend for the year of 2010 would be RMB18.208 billion. The distribution proposal will be implemented upon approval by the shareholders at the Annual General Meeting for 2010. The final dividends will be distributed on or before Thursday, 30 June 2011 to those shareholders whose names appear on the register of members of Sinopec Corp. at the close of business on Friday, 17 June 2011. The register of members of Sinopec Corp.'s H share will be closed from Monday, 13 June 2011 to Friday, 17 June 2011 (both dates are inclusive). In order to qualify for the final dividend for H shares, the shareholders must lodge all share certificates accompanied by the transfer documents with Hong Kong Registrars Limited, at 1712-1716 on 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Friday, 2011 for registration.

The dividend will be calculated and declared in RMB, and distributed to domestic shareholders in RMB and to foreign share holders in Hong Kong Dollar. The exchange rate for the dividend calculation in Hong Kong Dollar is based on the average basic exchange rate of RMB to Hong Kong Dollar declared by the People's Bank of China one week before dividend declaration.

The Company is profitable during this reporting period, however, no cash profit distribution plan is proposed.

Applicable Not applicable

§7. Significant events

7.1 Acquisition of assets

Applicable Not applicable

Transaction party and acquired and purchased assets	Completion date	Transaction price	Net profits contributed to Sinopec Corp. from completion date to the end of the period (RMB million)	Connected transaction or not (if it is, indicate the pricing principles)	Whether the asset ownership concerned is completely assigned	Whether the debts or creditor's right concerned are completely transferred
Shareholding and loans of SSI held by Sinopec International Petroleum Exploration & Production Limited	30 September 2010	USD1.678 billion for Target Shares USD779 million for Target Loans	112	Yes, pricing with reference to the reserve valuation results	Yes	Yes

There has been no change to the scope of business or management of the Company since the completion. The operation remains sound.

7.2 Sales of assets

Applicable Not applicable

7.3 Material guarantees

√ Applicable □ Not applicable

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

Unit: RMB millions

Guarantee provider	Relationship with the Company	Name of guaranteed company	Amount	Date of occurrence (date of signing)	Period of guarantee	Type	Whether completed or not	Whether overdue or not	Amounts of overdue guarantee	Counter-guaranteed	Whether guaranteed for related party (yes or no) <small>Note 1</small>
Sinopec Corp.	the Company itself	Yueyang Sinopec Corp. Shell Coal Gasification Corporation	311	December 10, 2003	December 10, 2003 - December 10, 2017	joint obligations	No	No	No	No	No
Sinopec Corp.	the Company itself	Shanghai Gaoqiao-SK Solvent Co., Ltd.	43	September 22, 2006	September 22, 2006 - April 16, 2012	joint obligations	No	No	No	No	No
Sinopec Corp.	the Company itself	Fujian United Petrochemical Co.,Ltd.	4,583	September 6, 2007	September 6, 2007 - December 31, 2015	joint obligations	No	No	No	No	No
Sinopec Yangzi Petrochemical Co., Ltd.	wholly-owned subsidiary	Sinopec Corp. Yangzi BP Petrochemical AcetylCo.,Ltd	479			joint obligations	No	No	No	No	No
Sinopec Sales Co., Ltd.	wholly-owned subsidiary	Balance of Sinopec Corp. Sales Company Limited for its associates and joint ventures	109			joint obligations	No	No	No	No	No
Total amount of guarantees provided during the reporting period <small>Note 2</small>											44
Total amount of guarantees outstanding at the end of the reporting period <small>Note 2 (A)</small>											5,525
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 <small>Note 3 (A+B)</small>											5,525
The proportion of the total amount of guarantees to Sinopec Corp.'s net assets											1.31%
Guarantees provided for shareholders, de facto controller and related parties (C)											None
Amount of debt guarantees provided directly or indirectly to the companies with liabilities to assets ratio of over 70% (D)											43
The amount of guarantees in excess of 50% of the net assets (E)											None
Total amount of the above three guarantee items <small>Note 4 (C+D+E)</small>											43
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 Stock Listing Rules of Shanghai Stock Exchange.

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

Note 3: Total amount of guarantees is the aggregate of the above "total amount of guarantees outstanding at the end of the reporting period (excluding the guarantees provided for controlled subsidiaries)" and "total amount of guarantees for controlled subsidiaries outstanding at the end of the reporting period".

Note 4: "Total amount of the above three guarantee items" is the aggregate of "guarantees provided for shareholders, effective controllers and connected parties", "amount of debt guarantees provided directly or indirectly to the companies with liabilities to assets ratio of over 70%" and "the amount of guarantees in excess of 50% of the net assets".

Material Guarantees under Performance

The twenty-second meeting of the First Session of the Board of Directors of Sinopec Corp. approved the proposal regarding Sinopec Corp.'s provision of guarantee to Yueyang Sinopec Shell Coal Gasification Co., Ltd., in the amount of RMB 377 million.

The eighth meeting of the Third Session of the Board of Directors of Sinopec Corp. approved the proposal to provide guarantee to Fujian United Petrochemical Company Limited for its Fujian Refining and Ethylene Joint Venture Project in the amount of RMB 9.166 billion. On 13 December 2010, the outstanding guarantees for Fujian United Petrochemical Company Limited has been decreased to 50% of the original amount, i.e. RMB 4.583 billion.

7.4 Material Connected Transactions

7.4.1 Connected Transactions in the course of ordinary business

The aggregate amount of related transactions actually incurred of the Company during the year was RMB 397.341 billion, of which, expenses amounted to RMB 166.300 billion, (including RMB 154.19 billion of purchase of goods and services, RMB 3.693 billion of auxiliary and community services, RMB 7.45 billion of operating lease fee, RMB 967 million of interest expenses). Among which, purchase from China Petrochemical Corporation and its subsidiaries amounted to RMB109.211 billion (including purchase of products and services, i.e. procurement, storage, exploration and production services and production-related services amounted to RMB 109.211 billion, representing 5.37% of the Company's operating expenses for the year 2010). The auxiliary and community services provided by China Petrochemical Corporation to the Company were RMB 3.693 billion, representing 0.20% of the operating expenses of the Company for 2010. In 2010, the housing rental paid by the Company was RMB 350 million, the land rental paid was RMB 6.731 billion, and the expenses for other lease were RMB 369 million. The interest expenses were RMB 967 million. In 2010, the revenue amounted to RMB 231.041 billion (including RMB 230.883 of sales of products and services, RMB 93 million of interest income, RMB 65 million of agency commission receivable), of which the sales to China Petrochemical Corporation amounted to RMB 61.361 billion, including RMB 61.203 billion of sales of products and services, representing 3.20% of operating revenues, RMB 93 million of interest income, and RMB 65 million of agency commission receivable.

The amount of each category of continuing connected transactions between the Company and China Petrochemical Corporation did not exceed its respective cap approved at the general meeting and by the Board of Directors.

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

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.

Other material connected transaction occurred in this year

Please refer to section 7.8.5 for details

Connected purchase table

Unit: RMB millions

Connected party	Connected transaction	Amount incurred during the current period		Amount incurred during the previous period	
		Transaction amount	Percentage of the total amount of the type of transaction (%)	Transaction amount	Percentage of the total amount of the type of transaction (%)
China Petrochemical Corporation	purchase of goods and services from connected parties	108,244	5.99	93,393	7.45
Other related parties	purchase of goods and services from connected parties	57,089	3.16	29,547	2.36
Total		165,333	9.15	122,940	9.81

Connected sales table

Unit: RMB million

Connected party	Connected transaction	Amount incurred during the current period		Amount incurred during the previous period	
		Transaction amount	Percentage of the total amount of the type of transaction (%)	Transaction amount	Percentage of the total amount of the type of transaction (%)
China Petrochemical Corporation	Sales of goods and provision of services to connected parties	61,268	3.20	49,621	3.69
Other related parties	Sales of goods and provision of services to connected parties	169,680	8.87	113,095	8.41
Total		230,948	12.07	162,716	12.10

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

Other related parties are as defined under the ASBE and IFRS but not Chapter 14A of the Hong Kong Listing Rules.

7.4.2 Connected obligatory rights and debts

Applicable Not applicable

Unit: RMB millions

Connected Parties	Fund to Connected Parties		Fund from Connected Parties	
	Amount incurred	Balance	Amount incurred	Balance
China Petrochemical Corporation	(38)	520	(2,779)	8,245
Other related parties	2,437	2,458	0	0
Total	<u>2,399</u>	<u>2,978</u>	<u>(2,779)</u>	<u>8,245</u>

7.4.3 Occupation of Funds and relevant settlement

Applicable Not applicable

Up to the end of 2010, where the listed company did not settle the occupation of non operating funds, the proposal on solution by the board of directors.

Applicable Not applicable

7.5 Entrusted Money Management

Applicable Not applicable

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

Applicable Not applicable

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

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

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

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

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

7.7 Litigation and arbitration of significant importance

Applicable Not applicable

7.8 Other significant events

7.8.1 MAJOR PROJECTS

(1) Sichuan-to-East China Gas Project

This is a major project under China's 11th Five-Year Plan. The project consists of two parts, namely, exploration and production of Puguang Gas Field as well as gas purification project; natural gas long-distance transportation pipeline project from Puguang Gas Field to Shanghai. The project was completed on 29 March 2010 and put into commercial operation on 31 August 2010.

(2) Tianjin Ethylene Project

The project mainly includes 1 million tpa ethylene unit, 12.5 million tpa refinery expansion and downstream auxiliary utility units. With construction starting in June 2006, it was fully completed on 16 January 2010 and put into commercial operation on 11 May 2010.

(3) Zhenhai Ethylene Project

This project mainly consists of 1 million tpa ethylene unit, downstream auxiliary utility units. Commenced in November 2006, the project was put into commercial operation in June 2010.

(4) Wunan Ethylene Project

The project mainly includes 0.8 million tpa ethylene unit and downstream auxiliary utility units. With construction starting in December 2007, it's expected to be put into operation in 2013.

(5) Shandong LNG Project

Shandong LNG project mainly includes constructing a 3-million tpa-capacity wharf and terminal, and auxiliary transportation pipeline. It's approved by the State in July 2010. With construction starting in September 2010, it's expected to be put into operation in 2013.

7.8.2 Issuance of RMB20 Billion Corporate Bonds

On 21 May 2010, Sinopec Corp. successfully issued RMB 20 billion domestic corporate bonds, which consisted of RMB 11 billion 5-year bond (abbreviation: 10 Shihua 01, code: 122051), with a fixed coupon rate of 3.75%, and RMB 9 billion 10-year term bond (abbreviation: 10 Shihua 02, code: 122052), with a fixed coupon rate of 4.05%. On 9 June 2010, the aforementioned corporate bonds were listed on the Shanghai Stock Exchange. For further details, please refer to Sinopec Corp.'s issuance and listing announcements published in China Securities Journal, Shanghai Securities News, and Securities Times in Mainland China on 19 May 2010 and 8 June 2010 respectively. RMB10 billion of the proceeds from issuance of the bonds was used to repay loans from financial institutions and optimise the current debt structure of the Company by RMB 10 billion, and the remaining 10 billion was used to supplement working capital and improve the Company's funding position.

7.8.3 Issuance of A Share Convertible Bonds

On 26 March 2010, the issuance of RMB23 billion A Share convertible bonds was approved at the Fifth Meeting of the Fourth Session of Board of Directors of Sinopec Corp. It's subsequently approved by the Annual General Meeting on 18 May, 2010 and approved by China Securities Regulatory Commission on 29 December 2010. The bonds are of six-year-term with annual interest rate of 0.5%,0.7%,1.0%,1.3%,1.8% and 2.0%. The conversion price is RMB 9.73. The bonds were issued on 23 February 2011 and listed on Shanghai Stock Exchange on 7 March 2011. For further details, please refer to Sinopec Corp.'s announcements published in China Securities Journal, Shanghai Securities News, and Securities Times in Mainland China on 28 February 2011 and 3 March 2011 respectively. The proceeds will be used in Wuhan ethylene, Anqing refining, Shijiazhuang refining, Yulin-Jinan Pipeline and Rizhao-Yizheng pipeline projects.

7.8.4 SHARES AND SECURITIES INVESTMENT HELD IN OTHER LISTED COMPANIES

Stock Code	Company Name Abbreviation	Initial Investment Cost	Number of Shares Held	Shares held as a percentage of total shares	Source of shares	Book value at the end of reporting period	Equity Owners' Equities		Accounting Entry
							Investment income for the year	Change during the reporting period	
384 (HK)	Sino Gas International Holdings	RMB 136,426,500	210 million shares	4.79%	Acquisition	RMB 136,426,500	—	—	Long-term equity investment
Other securities investment held at end of the reporting period	—	—	—	—	—	—	—	—	—

Other than the above, Sinopec Corp. didn't hold any share of non-listed financial entities or companies preparing for being listed in the near future, nor did it trade the shares of any other listed companies.

7.8.5 ACQUISITION OF ASSETS

Sinopec Corp. acquired SSI's part of equity interest and liabilities from a wholly owned subsidiary of Sinopec International Exploration and Production Corporation.

The 5th Meeting of the Fourth Session of the Board was held on 26 March 2010, at which the "Proposal Concerning the Acquisition of SSI's part of equity interest and liabilities from SIPC" was approved. Such proposal was approved at the general meeting of shareholders on 18 May 2010. Sinopec Corp. acquired 55% equity interest of SSI from SIPC through its wholly-owned subsidiary, with consideration on equity interest of USD 1.678 billion. At the same time, the Company assumed the liabilities for the loan granted by SIPC (through its wholly owned subsidiary) Petrochemical Corporation to SSI, with the consideration on liabilities of USD 779 million. SSI has 50% interest in Angola Block 18. For details, please refer to relevant announcements disclosed in *China Securities Journal*, *Shanghai Securities News* and *Securities Times* on 29 March 2010 and on the websites of Shanghai Stock Exchange (<http://www.sse.com.cn>) and Hong Kong Stock Exchange (<http://www.hkexnews.hk>). Such transaction has been approved by relevant governmental authorities and completed on 30 September, 2010.

7.8.6 The Board of Director issued Management Report of Internal Control, which was opined by the audit institution, details of which can be found in the annual report

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

§8. Report of the Supervisory Board

Through process supervision on significant decision-makings, routine supervision on the operations, the Board of Supervisors hold the following beliefs: In response to the complex domestic and international environment, Sinopec Corp. adhered to its principles in operation of “standardization, professionalism and integrity” actively enlarged its resources, reinforced the strength of market development, and optimized its operations, which resulting in steady increase in productions and improvement in operations with good operating results.

Firstly, the Board of Directors diligently fulfilled its obligations and exercised its rights under the PRC Company Law and the Company’s Articles of Association, and made scientific decisions on major issues concerning production and operation, reforms and development, and so on; and the senior management carried out the resolutions made by the Board of Directors, optimized the internal control, reinforced precision management, strived to lower the costs and enhance efficiency and strengthened the technological innovation. All of the efforts enabled the operational results achieved the highest level in history. The Board did not discover any behavior of any directors or senior management that violated laws, regulations, the Articles of Association, or was detrimental to the interests of Sinopec Corp. or the shareholders.

Secondly, the annual financial statement issued by the Company, prepared in accordance with ASBE and IFRS respectively, truly and fairly reflected the Company’s financial status and operational performance. In accordance with ABSE, the Company’s operating income was RMB 1,913.182 billion, total profit was RMB 102.178 billion, and the net profit attributable to equity shareholders was RMB 70.713 billion. In accordance with IFRS, the Company’s turnover and other operating revenue was RMB 1,913.182 billion, earnings before tax was RMB 103.693 billion, and net profit attributable to equity shareholders was RMB 71.8 billion.

Thirdly, all connected transactions conducted were in compliance with relevant regulatory requirements in domestic and overseas listing destinations. All connected transactions between Sinopec Corp. and Sinopec Group were in conformity with the relevant rules and regulations of Hong Kong Stock Exchange and Shanghai Stock Exchange. 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.

Forthly, the Company also timely disclosed the material information according to the regulations of securities supervisory authorities, and the information disclosed was true, accurate and complete.

In addition, the Supervisory Board reviewed the Company’s Report on “Internal Control and Self Assessment” and came to a conclusion that such report was objective, comprehensive and accurate, therefore approved unanimously.

§ 9 Financial Statements

9.1 Auditors’ opinion

Financial Statements	<input type="checkbox"/> Unaudited	<input checked="" type="checkbox"/> Audited
Auditor’s opinion	<input checked="" type="checkbox"/> Standard unqualified opinion	<input type="checkbox"/> Not standard opinion

9.2 Financial Statements

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

Consolidated Balance Sheet and Balance Sheet

Amounts in RMB millions

Items	31 December 2010		31 December 2009	
	The Group	The Company	The Group	The Company
Current assets:				
Cash at bank and on hand	18,140	11,882	10,018	4,724
Bills receivable	15,950	11,093	2,110	123
Accounts receivable	43,093	16,660	26,592	10,990
Other receivables	9,880	27,433	4,505	19,250
Prepayments	5,247	6,394	3,614	3,032
Inventories	156,546	103,170	141,727	88,993
Other current assets	594	507	856	110
Total current assets	<u>249,450</u>	<u>177,139</u>	<u>189,422</u>	<u>127,222</u>
Non-current assets:				
Long-term equity investments	45,037	111,354	33,503	88,920
Fixed assets	540,700	436,870	484,815	380,979
Construction in progress	89,599	76,830	120,375	112,217
Intangible assets	27,440	20,080	22,862	16,013
Goodwill	8,298	—	14,163	—
Long-term deferred expenses	7,560	6,058	6,281	5,300
Deferred tax assets	15,578	11,832	13,683	8,596
Other non-current assets	1,727	173	1,792	212
Total non-current assets	<u>735,939</u>	<u>663,197</u>	<u>697,474</u>	<u>612,237</u>
Total assets	<u>985,389</u>	<u>840,336</u>	<u>886,896</u>	<u>739,459</u>

Items	31 December 2010		31 December 2009	
	The Group	The Company	The Group	The Company
Current liabilities:				
Short-term loans	29,298	7,229	34,900	5,728
Bills payable	3,818	2,670	23,111	14,084
Accounts payable	132,528	87,244	96,762	63,067
Advances from customers	57,324	51,190	37,270	32,966
Employee benefits payable	7,444	7,037	4,526	4,093
Taxes payable	33,814	24,598	16,777	12,817
Other payables	54,871	73,825	50,202	75,760
Short-term debentures payable	1,000	—	31,000	30,000
Non-current liabilities due within one year	5,530	4,109	9,316	4,865
Total current liabilities	<u>325,627</u>	<u>257,902</u>	<u>303,864</u>	<u>243,380</u>
Non-current liabilities:				
Long-term loans	58,895	58,377	58,962	51,549
Debentures payable	115,180	115,180	93,763	93,763
Provisions	15,573	14,462	11,860	10,883
Deferred tax liabilities	15,017	7,951	9,707	4,544
Other non-current liabilities	2,415	1,045	2,192	959
Total non-current liabilities	<u>207,080</u>	<u>197,015</u>	<u>176,484</u>	<u>161,698</u>
Total liabilities	<u>532,707</u>	<u>454,917</u>	<u>480,348</u>	<u>405,078</u>

Items	31 December 2010		31 December 2009	
	The Group	The Company	The Group	The Company
Shareholders' equity:				
Share capital	86,702	86,702	86,702	86,702
Capital reserve	29,414	37,922	38,202	38,234
Special reserve	1,325	1,025	—	—
Surplus reserves	141,711	141,711	115,031	115,031
Retained profits	163,132	118,059	140,596	94,414
Foreign currency translation difference	(1,157)	—	(70)	—
Total equity attributable to shareholders of the Company	421,127	385,419	380,461	334,381
Minority interests	31,555	—	26,087	—
Total shareholders' equity	<u>452,682</u>	<u>385,419</u>	<u>406,548</u>	<u>334,381</u>
Total liabilities and shareholders' equity	<u>985,389</u>	<u>840,336</u>	<u>886,896</u>	<u>739,459</u>

Consolidated Income Statement and Income Statement

Amounts in RMB millions

Items	2010		2009	
	The Group	The Company	The Group	The Company
Operating income	1,913,182	1,188,495	1,345,052	876,303
Less: Operating costs	1,537,131	900,404	1,029,443	638,169
Sales taxes and surcharges	157,189	124,586	132,884	105,741
Selling and distribution expenses	31,981	26,291	27,644	23,327
General and administrative expenses	57,774	48,336	46,821	38,527
Financial expenses	6,847	6,096	7,248	5,317
Exploration expenses, including dry holes	10,955	10,955	10,545	10,545
Impairment losses	15,445	14,410	7,453	6,693
Loss from changes in fair value	179	222	365	281
Add: Investment income	5,671	23,073	3,589	12,456
Operating profit	101,352	80,268	86,238	60,159
Add: Non-operating income	2,108	1,803	1,275	1,100
Less: Non-operating expenses	1,282	1,016	1,401	1,208
Profit before taxation	102,178	81,055	86,112	60,051
Less: Income tax expense	25,335	14,257	19,591	10,526
Net profit	76,843	66,798	66,521	49,525

Items	2010		2009	
	The Group	The Company	The Group	The Company
Including: Net profit of acquiree before the consolidation	3,043	—	2,583	—
Attributable to:				
Equity shareholders of the Company	70,713	—	62,677	—
Minority interests	6,130	—	3,844	—
	<u>76,843</u>	<u>66,798</u>	<u>66,521</u>	<u>49,525</u>
Basic earnings per share	0.816	—	0.723	—
Diluted earnings per share	0.808	—	0.718	—
	<u>0.816</u>	<u>—</u>	<u>0.723</u>	<u>—</u>
Net profit	76,843	66,798	66,521	49,525
Other comprehensive income:				
Cash flow hedges	(221)	—	54	—
Available-for-sale financial assets	(9)	(9)	(175)	24
Share of other comprehensive income of associates	(533)	(533)	806	806
Foreign currency translation difference	(1,360)	—	(4)	—
	<u>(2,123)</u>	<u>(542)</u>	<u>681</u>	<u>830</u>
Total other comprehensive income	(2,123)	(542)	681	830
Total comprehensive income	74,720	66,256	67,202	50,355
	<u>74,720</u>	<u>66,256</u>	<u>67,202</u>	<u>50,355</u>
Attributable to:				
Equity shareholders of the Company	68,706	—	63,397	—
Minority interests	6,014	—	3,805	—
	<u>68,706</u>	<u>—</u>	<u>63,397</u>	<u>—</u>

Consolidated Cash Flow Statement and Cash Flow Statement

Amounts in RMB millions

Items	2010		2009	
	The Group	The Company	The Group	The Company
Cash flows from				
operating activities:				
Cash received from sale of goods and rendering of services	2,215,212	1,383,041	1,550,786	1,019,516
Rentals received	392	163	388	192
Other cash received relating to operating activities	8,279	12,635	7,481	19,646
	2,223,883	1,395,839	1,558,655	1,039,354
	2,223,883	1,395,839	1,558,655	1,039,354
Cash paid for goods and services	(1,758,556)	(1,034,940)	(1,155,786)	(730,312)
Cash paid for operating leases	(12,414)	(9,948)	(8,189)	(6,351)
Cash paid to and for employees	(30,754)	(24,742)	(29,182)	(24,040)
Value added tax paid	(63,125)	(48,521)	(41,166)	(32,671)
Income tax paid	(14,158)	(8,420)	(6,045)	(111)
Taxes paid other than value added tax and income tax	(154,716)	(123,684)	(133,859)	(109,150)
Other cash paid relating to operating activities	(18,898)	(19,399)	(18,419)	(18,617)
	(2,052,621)	(1,269,654)	(1,392,646)	(921,252)
	(2,052,621)	(1,269,654)	(1,392,646)	(921,252)
Net cash flow from operating activities	171,262	126,185	166,009	118,102
	171,262	126,185	166,009	118,102

Items	2010		2009	
	The Group	The Company	The Group	The Company
Cash flows from investing activities:				
Cash received from disposal of investments	1,687	146	504	16
Dividends received	1,335	19,815	1,133	10,976
Net cash received from disposal of fixed assets and intangible assets	16,145	16,137	692	527
Cash received on maturity of time deposits with financial institutions	3,626	73	1,820	57
Cash received from derivative financial instruments	4,646	—	3,253	—
Other cash received relating to investing activities	660	290	277	107
Sub-total of cash inflows	<u>28,099</u>	<u>36,461</u>	<u>7,679</u>	<u>11,683</u>
Cash paid for acquisition of fixed assets and intangible assets	(114,711)	(104,495)	(116,789)	(99,362)
Cash paid for acquisition of investments	(11,310)	(26,539)	(3,240)	(7,394)
Cash paid for acquisition of time deposits with financial institutions	(3,522)	(50)	(2,304)	(50)
Cash paid for derivative financial instruments	(5,273)	—	(3,197)	—
Sub-total of cash outflows	<u>(134,816)</u>	<u>(131,084)</u>	<u>(125,530)</u>	<u>(106,806)</u>
Net cash flow from investing activities	<u>(106,717)</u>	<u>(94,623)</u>	<u>(117,851)</u>	<u>(95,123)</u>

Items	2010		2009	
	The Group	The Company	The Group	The Company
Cash flows from financing activities:				
Cash received from issuance of shares	2	2	—	—
Cash received from borrowings	663,491	292,370	781,212	581,704
Cash received from issuance of corporate bonds	21,000	20,000	61,000	60,000
Cash received from contribution from minority shareholders of subsidiaries	408	—	714	—
Sub-total of cash inflows	<u>684,901</u>	<u>312,372</u>	<u>842,926</u>	<u>641,704</u>
Cash repayments of borrowings	(672,804)	(284,918)	(850,683)	(626,552)
Cash repayments of corporate bonds	(31,000)	(30,000)	(15,000)	(15,000)
Cash paid for acquisition of minority interests from subsidiaries, net	—	—	(213)	(213)
Cash paid for dividends, profits distribution or interest	(23,130)	(21,802)	(21,321)	(19,183)
Dividends paid to minority shareholders of subsidiaries	(1,051)	—	(858)	—
Distributions to Sinopec Group Company	(13,210)	(33)	(1,262)	(1,262)
Sub-total of cash outflows	<u>(741,195)</u>	<u>(336,753)</u>	<u>(889,337)</u>	<u>(662,210)</u>
Net cash flow from financing activities	<u>(56,294)</u>	<u>(24,381)</u>	<u>(46,411)</u>	<u>(20,506)</u>
Effects of changes in foreign exchange rate	<u>(25)</u>	<u>—</u>	<u>(5)</u>	<u>—</u>
Net increase in cash and cash equivalents	<u>8,226</u>	<u>7,181</u>	<u>1,742</u>	<u>2,473</u>

Consolidated Statement of Changes In Equity

Amounts in RMB millions

Items	2010								
	Share capital	Capital reserve	Special reserve	Surplus reserves	Retained profits	Foreign currency translation difference	Total shareholders' equity attributable to equity shareholders of the Company	Minority shareholders' interests	Total equity
Balance at 1 January 2010	86,702	38,202	—	115,031	140,596	(70)	380,461	26,087	406,548
Changes for the year									
1. Net profit	—	—	—	—	70,713	—	70,713	6,130	76,843
2. Other comprehensive income:									
- Cash flow hedges	—	(221)	—	—	—	—	(221)	—	(221)
- Available-for-sale financial assets	—	(9)	—	—	—	—	(9)	—	(9)
- Share of other comprehensive income of associates	—	(533)	—	—	—	—	(533)	—	(533)
- foreign currency translation difference	—	—	—	—	—	(1,244)	(1,244)	(116)	(1,360)
Total other comprehensive income	—	(763)	—	—	—	(1,244)	(2,007)	(116)	(2,123)
Total comprehensive income	—	(763)	—	—	70,713	(1,244)	68,706	6,014	74,720
Transactions with owners, recorded directly in shareholders' equity:									
3. Appropriations of profits:									
- Appropriation for surplus reserves	—	—	—	26,680	(26,680)	—	—	—	—
- Distributions to shareholders	—	—	—	—	(16,473)	—	(16,473)	—	(16,473)
4. Warrants exercised	—	2	—	—	—	—	2	—	2
5. Consideration for the combination of entities under common control	—	(13,177)	—	—	—	—	(13,177)	—	(13,177)
6. Acquisition of minority interests	—	(9)	—	—	—	—	(9)	—	(9)
7. Distributions to minority interests, net of contributions	—	—	—	—	—	—	—	(643)	(643)
8. Net increase in special reserve for the year	—	—	1,325	—	—	—	1,325	60	1,385
9. Government Grants	—	321	—	—	—	—	321	37	358
10. Reclassification	—	4,867	—	—	(5,024)	157	—	—	—
11. Others	—	(29)	—	—	—	—	(29)	—	(29)
Total transactions with owners	—	(8,025)	1,325	26,680	(48,177)	157	(28,040)	(546)	(28,586)
Balance at 31 December 2010	86,702	29,414	1,325	141,711	163,132	(1,157)	421,127	31,555	452,682

Amounts in RMB millions

Items	2009							
	Share capital	Capital reserve	Surplus reserves	Retained profits	Foreign currency translation difference	Total shareholders' equity attributable to equity shareholders of the Company	Minority interests	Total shareholders' equity
Balance at 31 December 2008	86,702	40,848	90,078	111,672	—	329,300	20,866	350,166
Adjustment for the combination of entities under common control	—	—	—	1,962	(68)	1,894	1,552	3,446
Balance at 1 January 2009	86,702	40,848	90,078	113,634	(68)	331,194	22,418	353,612
Change for the year								
1. Net profit	—	—	—	62,677	—	62,677	3,844	66,521
2. Other comprehensive income								
– Cash flow hedges	—	54	—	—	—	54	—	54
– Available-for-sale financial assets	—	(138)	—	—	—	(138)	(37)	(175)
– Share of other comprehensive income of associates	—	806	—	—	—	806	—	806
– Foreign currency translation difference	—	—	—	—	(2)	(2)	(2)	(4)
Total other comprehensive income	—	722	—	—	(2)	720	(39)	681
Total comprehensive income	—	722	—	62,677	(2)	63,397	3,805	67,202
Transactions with owners, recorded directly in shareholders' equity:								
3. Appropriations of profits:								
– Appropriation for surplus reserves	—	—	24,953	(24,953)	—	—	—	—
– Distributions to shareholders	—	—	—	(13,872)	—	(13,872)	—	(13,872)
4. Consideration for the combination of entities under common control	—	(771)	—	—	—	(771)	—	(771)
5. Acquisition of minority interests	—	(18)	—	—	—	(18)	(4)	(22)
6. Distributions to minority interests, net of contributions	—	—	—	—	—	—	(144)	(144)
7. Distribution to Sinopec Group Company	—	(49)	—	—	—	(49)	—	(49)
8. Government grants	—	580	—	—	—	580	12	592
9. Reclassification	—	(3,110)	—	3,110	—	—	—	—
Total transactions with owners	—	(3,368)	24,953	(35,715)	—	(14,130)	(136)	(14,266)
Balance at 31 December 2009	86,702	38,202	115,031	140,596	(70)	380,461	26,087	406,548

Statement of Changes In Equity

Amounts in RMB millions

Items	2010					Total
	Share capital	Capital reserve	Special reserve	Surplus reserves	Retained shareholders' profits	equity
Balance at 1 January 2010	86,702	38,234	—	115,031	94,414	334,381
Change for the year						
1. Net profit	—	—	—	—	66,798	66,798
2. Other comprehensive income						
– Available-for-sale financial assets	—	(9)	—	—	—	(9)
– Share of other comprehensive income of associates	—	(533)	—	—	—	(533)
Total other comprehensive income	—	(542)	—	—	—	(542)
Total comprehensive income	—	(542)	—	—	66,798	66,256
Transactions with owners, recorded directly in shareholders' equity:						
3. Appropriations of profits:						
– Appropriation for surplus reserves	—	—	—	26,680	(26,680)	—
– Distributions to shareholders	—	—	—	—	(16,473)	(16,473)
4. Warrants exercised	—	2	—	—	—	2
5. Net increase in special reserve for the year	—	—	1,025	—	—	1,025
6. Government Grants	—	257	—	—	—	257
7. Others	—	(29)	—	—	—	(29)
Total transactions with owners	—	230	1,025	26,680	(43,153)	(15,218)
Balance at 31 December 2010	86,702	37,922	1,025	141,711	118,059	385,419

Amounts in RMB millions

Items	2009				Total shareholders' equity
	Share capital	Capital reserve	Surplus reserves	Retained profits	
Balance at 1 January 2009	86,702	38,464	90,078	83,714	298,958
Change for the year					
1. Net profit	—	—	—	49,525	49,525
2. Other comprehensive income					
– Available-for-sale financial assets	—	24	—	—	24
– Share of other comprehensive income of associates	—	806	—	—	806
Total other comprehensive income	—	830	—	—	830
Total comprehensive income	—	830	—	49,525	50,355
Transactions with owners, recorded directly in shareholders' equity:					
3. Appropriations of profits:					
– Appropriation for surplus reserves	—	—	24,953	(24,953)	—
– Distributions to shareholders	—	—	—	(13,872)	(13,872)
4. Distributions to Sinopec Group Company	—	(1,600)	—	—	(1,600)
5. Government Grants	—	540	—	—	540
Total transactions with owners	—	(1,060)	24,953	(38,825)	(14,932)
Balance at 31 December 2009	86,702	38,234	115,031	94,414	334,381

9.2.2 Financial statements prepared in accordance with IFRS

Consolidated Income Statement

Amounts in RMB millions

Items	2010	2009
Turnover and other operating revenues		
Turnover	1,876,758	1,315,915
Other operating revenues	36,424	29,137
	<u>1,913,182</u>	<u>1,345,052</u>
Operating expenses		
Purchased crude oil, products and operating supplies and expenses	(1,482,484)	(980,564)
Selling, general and administrative expenses	(51,048)	(40,539)
Depreciation, depletion and amortisation	(59,223)	(54,016)
Exploration expenses, including dry holes	(10,955)	(10,545)
Personnel expenses	(33,672)	(28,895)
Taxes other than income tax	(157,189)	(132,884)
Other operating expenses, net	(13,607)	(6,910)
	<u>(1,808,178)</u>	<u>(1,254,353)</u>
Operating profit	<u>105,004</u>	<u>90,699</u>

Items	2010	2009
Finance costs		
Interest expense	(7,972)	(7,609)
Interest income	660	277
Unrealized loss on embedded derivative component of the Convertible Bonds	(127)	(218)
Foreign currency exchange losses	(609)	(345)
Foreign currency exchange gains	1,074	429
	<hr/>	<hr/>
Net finance costs	<u>(6,974)</u>	<u>(7,466)</u>
Investment income	<u>273</u>	<u>374</u>
Share of profits less losses from associates and jointly controlled entities	<u>5,390</u>	<u>2,997</u>
Profit before taxation	103,693	86,604
Tax expense	<u>(25,689)</u>	<u>(19,599)</u>
Profit for the year	<u><u>78,004</u></u>	<u><u>67,005</u></u>
Attributable to:		
Equity shareholders of the Company	71,800	63,147
Non-controlling interests	<u>6,204</u>	<u>3,858</u>
Profit for the year	<u><u>78,004</u></u>	<u><u>67,005</u></u>
Earnings per share:		
Basic	<u>0.828</u>	<u>0.728</u>
Diluted	<u>0.820</u>	<u>0.724</u>

Consolidated Statement of Comprehensive Income

Items	2010	2009
Profit for the year	<u>78,004</u>	<u>67,005</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
Cash flow hedges	(221)	54
Available-for-sale securities	(9)	(175)
Share of other comprehensive income of associates	(533)	806
Foreign currency translation differences	<u>(1,360)</u>	<u>(4)</u>
Total other comprehensive income	<u>(2,123)</u>	<u>681</u>
Total comprehensive income for the year	<u>75,881</u>	<u>67,686</u>
Attributable to:		
Equity shareholders of the Company	69,793	63,867
Non-controlling interests	<u>6,088</u>	<u>3,819</u>
Total comprehensive income for the year	<u>75,881</u>	<u>67,686</u>

Consolidated Balance Sheet and Balance Sheet

Amounts in RMB millions

Items	31 December 2010		31 December 2009	
	The Group	The Company	The Group	The Company
Non-current assets				
Property, plant and equipment, net	540,700	436,870	484,815	380,979
Construction in progress	89,599	76,830	120,375	112,217
Goodwill	8,207	—	14,072	—
Investments in subsidiaries	—	81,686	—	67,574
Interest in associates	22,815	12,160	18,162	9,076
Interest in jointly controlled entities	20,199	9,330	13,928	6,011
Investments	2,075	895	2,174	769
Deferred tax assets	15,516	11,789	13,975	8,815
Lease prepayments	19,464	12,412	16,238	9,570
Long-term prepayments and other assets	16,350	13,304	13,045	11,333
Total non-current assets	734,925	655,276	696,784	606,344
Current assets				
Cash and cash equivalents	17,008	11,881	8,782	4,700
Time deposits with financial institutions	1,132	1	1,236	24
Trade accounts receivable, net	43,093	16,660	26,592	10,990
Bills receivable	15,950	11,093	2,110	123
Inventories	156,546	103,170	141,727	88,993
Prepaid expenses and other current assets	26,500	44,205	21,032	33,235
Total current assets	260,229	187,010	201,479	138,065

Items	31 December 2010		31 December 2009	
	The Group	The Company	The Group	The Company
Current liabilities				
Short-term debts	17,019	6,359	59,350	39,755
Loans from Sinopec Group Company and fellow subsidiaries	18,809	4,979	15,866	838
Trade accounts payable	132,528	87,244	96,762	63,067
Bills payable	3,818	2,670	23,111	14,084
Accrued expenses and other payables	153,478	158,901	117,798	134,526
Income tax payable	10,754	7,620	3,034	1,953
Total current liabilities	<u>336,406</u>	<u>267,773</u>	<u>315,921</u>	<u>254,223</u>
Net current liabilities	<u>(76,177)</u>	<u>(80,763)</u>	<u>(114,442)</u>	<u>(116,158)</u>
Total assets less current liabilities	<u>658,748</u>	<u>574,513</u>	<u>582,342</u>	<u>490,186</u>
Non-current liabilities				
Long-term debts	136,465	136,090	110,918	108,312
Loans from Sinopec Group Company and fellow subsidiaries	37,610	37,467	41,807	37,000
Deferred tax liabilities	15,017	7,951	9,707	4,544
Provisions	15,573	14,462	11,860	10,883
Other liabilities	3,715	1,909	3,234	1,625
Total non-current liabilities	<u>208,380</u>	<u>197,879</u>	<u>177,526</u>	<u>162,364</u>
	<u>450,368</u>	<u>376,634</u>	<u>404,816</u>	<u>327,822</u>
Equity				
Share capital	86,702	86,702	86,702	86,702
Reserves	332,345	289,932	292,238	241,120
Total equity attributable to equity shareholders of the Company	<u>419,047</u>	<u>376,634</u>	<u>378,940</u>	<u>327,822</u>
Non-controlling interests	<u>31,321</u>	<u>—</u>	<u>25,876</u>	<u>—</u>
Total equity	<u>450,368</u>	<u>376,634</u>	<u>404,816</u>	<u>327,822</u>

9.2.3 Differences between financial statements prepared under ASBE and IFRS
(Unaudited)

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

Items	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>
Net profit under ASBE	76,843	66,521
Adjustments:		
Revaluation of land use rights	30	30
Government grants	100	462
Safty production fund	1,385	—
Tax effects of the above adjustments	(354)	(8)
	<u>78,004</u>	<u>67,005</u>
Profit for the year under IFRS	<u>78,004</u>	<u>67,005</u>

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

Items	As at 31 December	
	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>
Shareholders' equity under ASBE	452,682	406,548
Adjustments:		
Revaluation of land use rights	(952)	(982)
Government grants	(1,300)	(1,042)
Tax effects of the above adjustments	(62)	292
	<u>450,368</u>	<u>404,816</u>
Total equity under IFRS	<u>450,368</u>	<u>404,816</u>

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

applicable inapplicable

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

There is no material error in the current report period.

9.5 Notes on the financial statements prepared under IFRS

9.5.1 Turnover

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

9.5.2 Income tax expense

Taxation in the consolidated income statement represents:

	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>
Current tax		
– Provision for the year	22,177	19,229
– Over-provision in prior years	(299)	(512)
Deferred taxation	3,811	882
	<u>25,689</u>	<u>19,599</u>

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

	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>
Profit before taxation	<u>103,693</u>	<u>86,604</u>
Expected PRC income tax expense		
at a statutory tax rate of 25%	25,923	21,651
Tax effect of preferential tax rate (Note)	(1,525)	(1,621)
Effect of income taxes from foreign operations in excess of taxes		
at the PRC statutory tax rate (Note)	2,639	2,006
Tax effect of non-deductible expenses	2,361	326
Tax effect of non-taxable income	(1,839)	(1,686)
Tax effect of utilisation of previously unrecognised tax losses	(1,663)	(683)
Tax effect of tax losses not recognised	92	118
Over-provision in prior years	<u>(299)</u>	<u>(512)</u>
Actual income tax expense	<u>25,689</u>	<u>19,599</u>

Note: The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain entities of the Group in the PRC that are taxed at preferential rates of 15% or 22%, and the foreign operation in the Republic of Angola (“Angola”) that is taxed at 50% of the assessable income as determined in accordance with the relevant income tax rules and regulations of Angola.

9.5.3 Basic and diluted earnings per share

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the profit attributable to ordinary equity shareholders of the Company of RMB 71,800 million (2009: RMB 63,147 million) and the weighted average number of shares of 86,702,513,472 (2009: 86,702,439,000) during the year.

The calculation of diluted earnings per share for the year ended 31 December 2010 is based on the profit attributable to ordinary equity shareholders of the Company of RMB 72,021 million (2009: RMB 63,523 million) and the weighted average number of the shares of 87,789,874,067 (2009: 87,789,799,595) calculated as follows:

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

	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>
Profit attributable to ordinary equity shareholders of the Company	71,800	63,147
After tax effect of interest expense (net of exchange gain) of the Convertible Bonds	126	212
After tax effect of unrealised loss on embedded derivative component of the Convertible Bonds	95	164
	<hr/>	<hr/>
Profit attributable to ordinary equity shareholders of the Company (diluted)	<u>72,021</u>	<u>63,523</u>

(ii) Weighted average number of shares (diluted)

	2010	2009
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of shares at 31 December	86,702,513,472	86,702,439,000
Effect of conversion of the Convertible Bonds	<u>1,087,360,595</u>	<u>1,087,360,595</u>
Weighted average number of shares (diluted) at 31 December	<u><u>87,789,874,067</u></u>	<u><u>87,789,799,595</u></u>

The calculation of diluted earnings per share for the years ended 31 December 2009 excludes the effect of the Warrants since it did not have any dilutive effect.

9.5.4 Dividends

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

	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>
Dividends declared and paid during the year of RMB 0.08 per share		
(2009: RMB 0.07 per share)	6,936	6,069
Dividends declared after the balance sheet date of RMB 0.13 per share		
(2009: RMB 0.11 per share)	<u>11,271</u>	<u>9,537</u>
	<u><u>18,207</u></u>	<u><u>15,606</u></u>

Pursuant to the Company's Articles of Association and a resolution passed at the Directors' meeting on 20 August 2010, the directors declared an interim dividend for the year ended 31 December 2010 of RMB 0.08 (2009: RMB 0.07) per share totalling RMB 6,936 million (2009: RMB 6,069 million) and the dividends were paid on 30 September 2010.

Pursuant to a resolution passed at the director's meeting on 25 March 2011, a final dividend in respect of the year ended 31 December 2010 of RMB 0.13 (2009: RMB 0.11) per share totalling RMB 11,271 million (2009: RMB 9,537 million) was proposed for shareholders' approval at the Annual General Meeting. Final dividend of RMB 11,271 million (2009: RMB 9,537 million) proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>
Final dividends in respect of the previous financial year, approved and paid during the year of RMB 0.11 per share (2009: RMB 0.09 per share)	<u>9,537</u>	<u>7,803</u>

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

Pursuant to the shareholders' approval at the Annual General Meeting on 22 May 2009, a final dividend of RMB 0.09 per share totalling RMB 7,803 million in respect of the year ended 31 December 2008 was declared and paid on 30 June 2009.

9.5.5 Trade accounts receivable, net and bills receivable

	The Group		The Company	
	2010	2009	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>
Amounts due from third parties	33,681	27,481	2,293	2,326
Amounts due from subsidiaries	—	—	9,930	9,509
Amounts due from Sinopec Group Company and fellow subsidiaries	1,848	697	1,180	494
Amounts due from associates and jointly controlled entities	8,886	335	4,344	187
	<u>44,415</u>	<u>28,513</u>	<u>17,747</u>	<u>12,516</u>
Less: Impairment losses for bad and doubtful debts	<u>(1,322)</u>	<u>(1,921)</u>	<u>(1,087)</u>	<u>(1,526)</u>
Trade accounts receivable, net	43,093	26,592	16,660	10,990
Bills receivable	<u>15,950</u>	<u>2,110</u>	<u>11,093</u>	<u>123</u>
	<u><u>59,043</u></u>	<u><u>28,702</u></u>	<u><u>27,753</u></u>	<u><u>11,113</u></u>

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

	The Group		The Company	
	2010	2009	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>
Within one year	58,987	28,525	27,713	10,946
Between one and two years	36	154	15	150
Between two and three years	11	11	17	8
Over three years	9	12	8	9
	<u>59,043</u>	<u>28,702</u>	<u>27,753</u>	<u>11,113</u>

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

	The Group		The Company	
	2010	2009	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>
Balance at 1 January	1,921	2,406	1,526	1,983
Impairment losses recognised for the year	48	70	42	65
Reversal of impairment losses	(130)	(245)	(118)	(226)
Written off	(517)	(310)	(363)	(296)
	<u>1,322</u>	<u>1,921</u>	<u>1,087</u>	<u>1,526</u>
Balance at 31 December	<u>1,322</u>	<u>1,921</u>	<u>1,087</u>	<u>1,526</u>

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

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

9.5.6 Trade accounts and bills payable

	The Group		The Company	
	2010	2009	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>
Amounts due to third parties	120,224	92,949	37,998	32,887
Amounts due to Sinopec Group Company and fellow subsidiaries	6,613	2,127	3,465	1,190
Amounts due to associates and jointly controlled entities	5,691	1,686	1,341	731
Amounts due to subsidiaries	—	—	44,440	28,259
	<u>132,528</u>	<u>96,762</u>	<u>87,244</u>	<u>63,067</u>
Bills payable	3,818	23,111	2,670	14,084
	<u>3,818</u>	<u>23,111</u>	<u>2,670</u>	<u>14,084</u>
Trade account and bills payables measured at amortised cost	<u>136,346</u>	<u>119,873</u>	<u>89,914</u>	<u>77,151</u>

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

	The Group		The Company	
	2010	2009	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>
Due within 1 month or on demand	97,358	74,323	52,719	35,225
Due after 1 month but within 6 months	38,864	45,420	37,099	41,855
Due after 6 months	124	130	96	71
	<u>136,346</u>	<u>119,873</u>	<u>89,914</u>	<u>77,151</u>

9.5.7 Segment reporting

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

	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>
Turnover		
Exploration and production		
External sales	35,024	19,342
Inter-segment sales	133,691	97,981
	<hr/>	<hr/>
	168,715	117,323
Refining		
External sales	159,858	95,792
Inter-segment sales	805,704	603,870
	<hr/>	<hr/>
	965,562	699,662
Marketing and distribution		
External sales	1,032,900	778,417
Inter-segment sales	3,258	2,372
	<hr/>	<hr/>
	1,036,158	780,789
Chemicals		
External sales	285,596	192,735
Inter-segment sales	35,581	21,125
	<hr/>	<hr/>
	321,177	213,860
Corporate and others		
External sales	363,380	229,629
Inter-segment sales	432,415	291,396
	<hr/>	<hr/>
	795,795	521,025
Elimination of inter-segment sales	(1,410,649)	(1,016,744)
	<hr/>	<hr/>
Turnover	1,876,758	1,315,915
	<hr/>	<hr/>
Other operating revenues		
Exploration and production	18,430	17,485
Refining	6,015	3,909
Marketing and distribution	4,540	2,302
Chemicals	6,445	4,597
Corporate and others	994	844
	<hr/>	<hr/>
Other operating revenues	36,424	29,137
	<hr/>	<hr/>
Turnover and other operating revenues	1,913,182	1,345,052
	<hr/> <hr/>	<hr/> <hr/>

	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>
Result		
Operating profit/(loss)		
By segment		
– Exploration and production	47,149	23,894
– Refining	15,855	27,508
– Marketing and distribution	30,760	30,300
– Chemicals	15,037	13,805
– Corporate and others	(2,342)	(2,205)
– Elimination	(1,455)	(2,603)
	<hr/>	<hr/>
Total segment operating profit	105,004	90,699
	<hr/>	<hr/>
Share of profits less losses from associates and jointly controlled entities		
– Exploration and production	158	136
– Refining	557	478
– Marketing and distribution	864	690
– Chemicals	3,211	1,084
– Corporate and others	600	609
	<hr/>	<hr/>
Aggregate share of profits less losses from associates and jointly controlled entities	5,390	2,997
	<hr/>	<hr/>
Investment income/(loss)		
– Exploration and production	21	(1)
– Refining	26	(8)
– Marketing and distribution	169	47
– Chemicals	20	311
– Corporate and others	37	25
	<hr/>	<hr/>
Aggregate investment income	273	374
	<hr/>	<hr/>
Net finance costs	(6,974)	(7,466)
	<hr/>	<hr/>
Profit before taxation	103,693	86,604
	<hr/> <hr/>	<hr/> <hr/>

	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>
Assets		
Segment assets		
– Exploration and production	305,413	283,430
– Refining	230,925	213,027
– Marketing and distribution	190,368	153,777
– Chemicals	125,586	128,322
– Corporate and others	60,897	60,433
Total segment assets	<u>913,189</u>	<u>838,989</u>
Interest in associates and jointly controlled entities	43,014	32,090
Investments	2,075	2,174
Deferred tax assets	15,516	13,975
Cash and cash equivalents and time deposits with financial institutions	18,140	10,018
Other unallocated assets	3,220	1,017
Total assets	<u><u>995,154</u></u>	<u><u>898,263</u></u>
Liabilities		
Segment liabilities		
– Exploration and production	65,067	57,907
– Refining	51,554	56,277
– Marketing and distribution	76,981	50,540
– Chemicals	33,836	27,074
– Corporate and others	75,832	56,077
Total segment liabilities	<u>303,270</u>	<u>247,875</u>
Short-term debts	17,019	59,350
Income tax payable	10,754	3,034
Long-term debts	136,465	110,918
Loans from Sinopec Group Company and fellow subsidiaries	56,419	57,673
Deferred tax liabilities	15,017	9,707
Other unallocated liabilities	5,842	4,890
Total liabilities	<u><u>544,786</u></u>	<u><u>493,447</u></u>

	2010	2009
	<i>RMB millions</i>	<i>RMB millions</i>
Capital expenditure		
– Exploration and production	52,680	54,272
– Refining	20,015	15,468
– Marketing and distribution	26,168	16,283
– Chemicals	12,894	25,207
– Corporate and others	1,894	1,505
	<u>113,651</u>	<u>112,735</u>
Depreciation, depletion and amortisation		
– Exploration and production	31,515	28,177
– Refining	11,351	10,330
– Marketing and distribution	6,489	5,999
– Chemicals	8,838	8,574
– Corporate and others	1,030	936
	<u>59,223</u>	<u>54,016</u>
Impairment losses on long-lived assets		
– Exploration and production	3,250	1,595
– Refining	4,902	396
– Marketing and distribution	1,183	1,479
– Chemicals	5,121	3,807
– Corporate and others	21	8
	<u>14,477</u>	<u>7,285</u>

9.6 Changes in the scope of consolidation.

applicable inapplicable

For the year ended 31 December 2010, the Group acquired 55% equity interests of Sonangol Sinopec International Limited (“SSI”) from Sinopec Overseas Oil & Gas Limited (“SOOGL”), a subsidiary of Sinopec Group Company, and the shareholder’s loans of USD 292 million provided by SOOGL to SSI, at a total cash consideration of USD 2,259 million.

As the Group and SSI are under the common control of Sinopec Group Company, the Acquisition of SSI is considered as “combination of entities under common control”. Accordingly, the assets and liabilities of SSI have been accounted for at historical cost and the consolidated financial statements of the Company prior to this acquisition have been restated to include the results of operations and the assets and liabilities of SSI on a combined basis. The difference between the total considerations paid over the amount of the net assets of SSI was accounted for as an equity transaction.

§10. Repurchase, Sales and Redemption of Shares

Sinopec Corp. issued RMB 30 billion of bond with warrants tradable in separate markets in February of 2008, and the warrants were due on 3rd March, 2010. During the excising period, a total of 188,292 warrants were excised, the proportion between the warrant and the share is 2:1 and the excising price is RMB 19.15. The number of ordinary shares was increased by 88,774 so that the total balance of shares of Sinopec Corp. increased from 86,702,439,000 to 86,702,527,774.

Save for the warrant above, during the reporting period, neither Sinopec Corp. nor any of its subsidiaries repurchased, sold or redeemed any securities of Sinopec Corp. or its subsidiaries.

§11. Application of the Model Code

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

§12. Code on Corporate Governance Practice

Sinopec Corp. has complied with the code provisions of the code on Corporate Governance Practice. The Corporate Governance Report of Sinopec Corp. is continued in its 2010 Annual Report.

§13. Review of Financial Results

The financial results for the year ended 31 December 2010 have been reviewed with no disagreement by the Audit Committee of Sinopec Corp.

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

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

By order of the Board

Su Shulin

Chairman

Beijing, China, 25 March 2011

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

Executive Director

** Non-executive Director*

+ Independent Non-executive Director