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中国石油化工股份有限公司

CHINA PETROLEUM & CHEMICAL CORPORATION

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

(Stock Code: 00386)

Annual Results for the Year Ended 31 December 2018

1. Important Notice

- 1.1** The board of directors, the board of supervisors, directors, supervisors and senior management of China Petroleum & Chemical Corporation (“Sinopec Corp.”) warrant that there are no false representations, misleading statements or material omissions in this announcement, and jointly and severally accept full responsibility for the authenticity, accuracy and completeness of the information contained in this announcement.

This announcement is a summary of the annual report of Sinopec Corp. for the year ended 31 December 2018 (the “Annual Report”). The full Annual Report was published on the websites of The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) (www.hkexnews.hk) and Sinopec Corp. (www.sinopec.com/Listco/). Investors should read the Annual Report for more details.

- 1.2** The Annual Report has been approved unanimously at the 5th Meeting of the Seventh Session of the Board of Directors of Sinopec Corp. No Director has any disagreement as to, or the inability to warrant, the authenticity, accuracy and completeness of the Annual Report.
- 1.3** The annual financial statements for the year ended 31 December 2018 (the “reporting period”) of Sinopec Corp. and its subsidiaries (together, the “Company”) prepared in accordance with the China Accounting Standards for Business Enterprises (“CASs”) and International Financial Reporting Standards (“IFRS”) have been audited by Pricewaterhousecoopers Zhong Tian LLP and Pricewaterhousecoopers respectively. Both firms have issued standard unqualified auditor’s reports.
- 1.4** Mr. Dai Houliang, Chairman of the Board of Directors, Mr. Ma Yongsheng, President, and Mr. Wang Dehua, Chief Financial Officer and Head of the Financial Department warrant the authenticity and completeness of the financial statements contained in the Annual Report.

2. Basic Information about Sinopec Corp.

2.1 Basic information of Sinopec Corp.

Stock name	SINOPEC CORP	SINOPEC CORP	SINOPEC CORP	SINOPEC CORP
Stock code	00386	SNP	SNP	600028
Place of listing	Hong Kong	New York	London	Shanghai
	Stock Exchange	Stock Exchange	Stock Exchange	Stock Exchange

2.2 Contacts of Sinopec Corp.

	Authorised representatives		Secretary to the Board of Directors	Representative on Securities Matters
Name	Mr. Ma Yongsheng	Mr. Huang Wensheng	Mr. Huang Wensheng	Mr. Zheng Baomin
Address	22 Chaoyangmen North Street, Chaoyang District, Beijing, China			
Tel	86-10-5996 0028	86-10-5996 0028	86-10-5996 0028	86-10-5996 0028
Fax	86-10-5996 0386	86-10-5996 0386	86-10-5996 0386	86-10-5996 0386
E-mail	ir@sinopec.com			

3 Principal Financial Data and Indicators

3.1 Principal Financial Data and Indicators Prepared in Accordance with China Accounting Standards for Business Enterprises (“CASs”) for the year ended 31 December 2018 of the Company

Items	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million	Changes from the end of the last year %	As at 1 January 2017 RMB million
Total assets	1,592,308	1,595,504	(0.2)	1,498,609
Total equity attributable to shareholders of the Company	718,355	727,244	(1.2)	712,232

Items	Year ended 31 December			
	2018 RMB million	2017 RMB million	Changes over the same period of preceding year %	2016 RMB million
Net cash flow from operating activities	175,868	190,935	(7.9)	214,543
Operating income	2,891,179	2,360,193	22.5	1,930,911
Net profit attributable to shareholders of the Company	63,089	51,119	23.4	46,416
Net profit attributable to shareholders of the Company excluding extraordinary gains and loss	59,630	45,582	30.8	29,713
Weighted average return on net assets (%)	8.67	7.14	1.53 percentage points	6.68
Basic earnings per share (RMB)	0.521	0.422	23.4	0.383
Diluted earnings per share (RMB)	0.521	0.422	23.4	0.383

3.2 Principal Financial Data and Indicators Prepared in Accordance with International Financial Reporting Standards (“IFRS”) for the year ended 31 December 2018 of the Company

Items	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB million	RMB million	RMB million	RMB million	RMB million
Turnover and other operating revenues	2,891,179	2,360,193	1,930,911	2,020,375	2,827,566
Operating profit	82,264	71,470	77,193	56,822	73,439
Profit before taxation	99,110	86,697	80,151	56,411	65,818
Net profit attributable to shareholders of the Company	61,618	51,244	46,672	32,512	46,639
Basic earnings per share (RMB)	0.509	0.423	0.385	0.269	0.399
Diluted earnings per share (RMB)	0.509	0.423	0.385	0.269	0.399
Return on capital employed (%)	9.25	8.26	7.30	5.23	6.06
Return on net assets (%)	8.59	7.06	6.56	4.81	7.84
Net cash generated from operating activities per share (RMB)	1.453	1.577	1.772	1.371	1.267
Items	As at 31 December				
	2018	2017	2016	2015	2014
	RMB million	RMB million	RMB million	RMB million	RMB million
Non-current assets	1,088,188	1,066,455	1,086,348	1,113,611	1,094,035
Net current liabilities	60,978	50,397	73,282	129,175	242,892
Non-current liabilities	170,675	163,168	181,831	196,275	201,540
Non-controlling interests	139,251	126,770	120,241	111,964	54,348
Total equity attributable to shareholders of the Company	717,284	726,120	710,994	676,197	595,255
Net assets per share (RMB)	5.924	5.997	5.873	5.585	5.033
Adjusted net assets per share (RMB)	5.741	5.868	5.808	5.517	4.969

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

4.1 Changes in the share capital

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

4.2 Number of shareholders and their shareholdings

As at 31 December 2018, the total number of shareholders of Sinopec Corp. was 490,808 including 484,996 holders of domestic A shares and 5,812 holders of overseas H shares. As at 28 February 2019, the total number of shareholders of Sinopec Corp. was 464,131. Sinopec Corp. has complied with requirement for minimum public float under the Rules Governing the Listing of Securities of the Main Board of the Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”).

(1) Shareholdings of top ten shareholders

The shareholdings of top ten shareholders as of 31 December 2018 are listed as below:

Name of shareholders	Nature of Shareholders	Percentage of shareholdings %	Total number of shares held	Changes of shareholding ¹	Number of shares subject to pledges or lock-up
China Petrochemical Corporation	State-owned Share	68.31	82,709,227,393	(3,083,443,708)	0
HKSCC Nominees Limited ²	H Share	20.97	25,390,660,438	10,853,566	Unknown
中國證券金融股份有限公司	A Share	2.16	2,609,312,057	(722,418,086)	0
國新投資有限公司	A Share	1.04	1,253,177,754	1,253,177,754	0
香港中央結算有限公司	A Share	0.84	1,021,782,160	620,799,215	0
北京誠通金控投資有限公司	A Share	0.78	947,604,254	947,604,254	0
招商銀行股份有限公司- 博時中證央企結構調整交易型 開放式指數證券投資基金 ³	A Share	0.33	397,446,193	397,446,193	0
中央匯金資產管理有限責任公司	A Share	0.27	322,037,900	0	0
中國人壽保險股份有限公司-分紅- 個人分紅-005L-FH002滬	A Share	0.15	181,957,660	128,785,037	0
中國農業銀行股份有限公司- 華夏中證央企結構調整交易型 開放式指數證券投資基金 ³	A Share	0.13	154,958,200	154,958,200	0

Note 1: As compared with the number of shares held as of 31 December 2017.

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

Note 3: China Petrochemical Corporation subscribed for the shares of 博時中證央企結構調整交易型開放式指數證券投資基金 and 華夏中證央企結構調整交易型開放式指數證券投資基金 with 600 million A shares of Sinopec Corp. in October 2018.

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

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

(2) Information disclosed by the shareholders of H shares in accordance with the Securities and Futures Ordinance (SFO) as of 31 December 2018

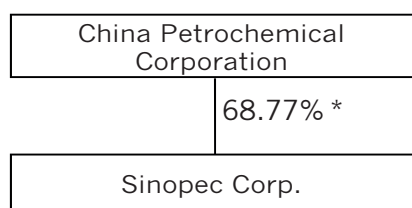
Name of shareholders	Status of shareholders	Number of shares interested	% of Sinopec Corp.'s issued voting shares (H Share)
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	2,320,644,807(L)	9.10(L)
		1,244,000(S)	0.00(S)
Citigroup Inc.	Person having a security interest in shares Interest of corporation controlled by the substantial shareholder Approved lending agent	618,800(L)	0.00(L)
		152,698,359(L)	0.60(L)
		101,037,238(S)	0.40(S)
		1,736,184,160(L)	6.80(L)
JPMorgan Chase & Co.	Beneficial owner	478,700,855(L)	1.88(L)
		157,452,151(S)	0.62(S)
	Investment manager	103,077,862(L)	0.40(L)
	Trustee (exclusive of passive trustee)	1,006,400(L)	0.00(L)
	Approved lending agent	956,876,795(L)	3.75(L)
Schroders Plc.	Investment manager	1,516,334,573(L)	5.94(L)

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

4.3 Changes in the controlling shareholder and the de facto controller

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

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



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

5. Business Review and Prospects

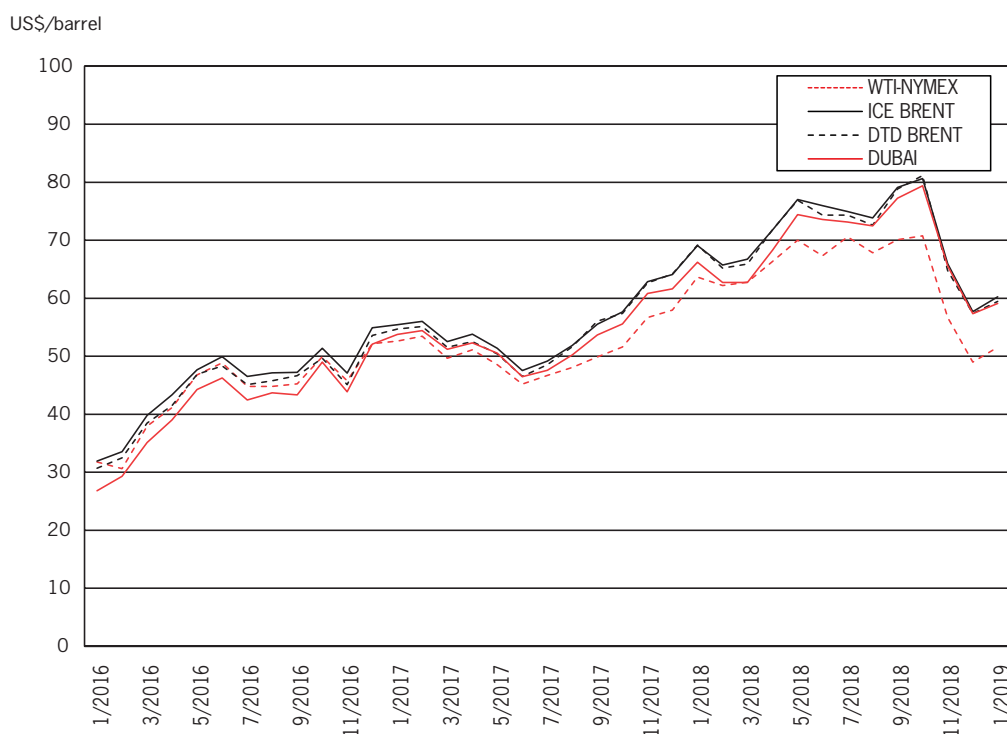
Business Review

In 2018, the global economic recovery was slow while China maintained an overall stable economic performance with its gross domestic product (GDP) up by 6.6%. International oil prices fluctuated in a wide range. Domestic demand for natural gas grew rapidly. Domestic oil products market saw fierce competition because of oversupply, and demand for chemicals increased steadily. Meanwhile, China's environmental regulations became more stringent. The Company actively coped with market changes by focusing on reform, management, innovation and development. We coordinated all aspects of our work by pressing ahead measures for optimised operation, market expansion, cost reduction, risk control, reform promotion, and management enforcement, which helped the company achieve solid operating results.

5.1 Market Review

(1) Crude Oil & Natural Gas Market

In 2018, international crude oil prices fluctuated upward in the first three quarters, but slid rapidly in the fourth quarter. The spot price of Platt's Brent for the year averaged USD 71.03 per barrel, up by 31.1%. Along with the changes in China's energy mix, domestic demand for natural gas remained strong. Domestic apparent consumption of natural gas reached 280.3 billion cubic meters, up by 18.1% year on year.



Trend of International Crude Oil Prices

(2) Refined Oil Products Market

In 2018, domestic demand for refined oil products maintained its growth while market supply was in surplus, which led to intense competition. According to statistics released by the NDRC, the apparent consumption of refined oil products (including gasoline, diesel and kerosene) was 325 million tonnes, up by 6.0% from the previous year, with gasoline up by 7.8%, kerosene up by 8.4% and diesel up by 4.1%. Prices for domestic refined oil products were adjusted timely with the international oil prices. There were 24 price adjustments throughout the year with 13 increases and 11 decreases.

(3) Chemical Products Market

Domestic demand for chemicals kept strong momentum in 2018. Based on our statistics, domestic consumption of ethylene equivalent was up by 9.2% from the previous year, and the apparent consumption of synthetic resin, synthetic fibre and synthetic rubber rose by 7.7%, 7.6% and 0.6%, respectively. Domestic chemical product prices followed the same trend with international chemical product prices.

5.2 Production & Operations Review

(1) Exploration and Production

In 2018, we pressed ahead with high-efficiency exploration and profit-oriented development. Measures were taken to accelerate the formation of an integrated value chain of natural gas business including production, supply, storage and marketing and continuously reduce cost and expenditure on all fronts. Tangible results were achieved in maintaining oil production, increasing gas output and reducing cost. We reinforced preliminary exploration in new areas and strengthened integrated detailed evaluation in mature fields, which led to new discoveries in Tarim, Yin'e and Sichuan basins. The Company's newly added proved reserves in China reached 458.2 million barrels of oil equivalent, with crude oil reserve replacement ratio at 131.7%. In crude oil development, we made a full-fledged push to build profitable production capacity, deepen the structural adjustment of mature fields, reduce natural decline rate and ensure steady production. In natural gas development, we constantly pushed forward capacity building in Hangjinqi of Neimongol, the eastern slope of west Sichuan Depression and Weirong shale gas fields. We optimised production and distribution and promoted a coordinated growth along the value chain. The Company's production of oil and gas reached 451.46 million barrels of oil equivalent, with domestic crude production registering 248.93 million barrels and natural gas production totaling 977.32 billion cubic feet, up by 7.1%.

Summary of Operations for the Exploration and Production Segment

	2018	2017	2016	Change from 2017 to 2018(%)
Oil and gas production (mmboe)	451.46	448.79	431.29	0.6
Crude oil production (mmbbls)	288.51	293.66	303.51	(1.8)
China	248.93	248.88	253.15	0.02
Overseas	39.58	44.78	50.36	(11.6)
Natural gas production (bcf)	977.32	912.50	766.12	7.1

(2) Refining

In 2018, with market-oriented approach, we optimised product mix to produce more gasoline, jet fuel and chemical feedstock, production of high value-added products further increased, and diesel-to-gasoline ratio declined to 1.06. We proactively promoted structural adjustment and quality upgrading projects, the GB VI standard upgrading is completed successfully. We moderately increased the export of oil products to keep a relatively high utilisation rate. Optimisation of resources allocation were carried out to reduce crude oil cost. In 2018, the Company processed 244 million tonnes of crude oil, up by 2.3% and produced 155 million tonnes of refined oil products, up by 2.7%, with gasoline up by 7.2% and kerosene up by 7.6% year on year.

Summary of Operations for the Refining Segment

Unit: million tonnes				
	2018	2017	2016	Change from 2017 to 2018 (%)
Refinery throughput	244.01	238.50	235.53	2.3
Gasoline, diesel and kerosene production	154.79	150.67	149.17	2.7
Gasoline	61.16	57.03	56.36	7.2
Diesel	64.72	66.76	67.34	(3.1)
Kerosene	28.91	26.88	25.47	7.6
Light chemical feedstock production	38.52	38.60	38.54	(0.2)
Light product yield (%)	76.00	75.85	76.33	0.15 percentage points
Refinery yield (%)	94.93	94.88	94.70	0.05 percentage points

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

(3) Marketing and Distribution

In 2018, confronted with fierce market competition, the Company aimed to achieve a balance between sales volume and profits. We brought our advantages of integrated business and distribution network into full play, and increased marketing efforts, thus, achieved sustained growth in both total domestic sales volume and retail scale. We adopted a flexible and targeted marketing strategy and upgraded our distribution network to further strengthen our existing advantages. We proactively promoted vehicle natural gas business and accelerated the construction and operation of CNG stations. Total sales volume of refined oil products for the year was 198 million tonnes, of which domestic sales volume accounted for 180 million tonnes. Meanwhile, we strengthened development and marketing of self-owned brands to speed up the growth of non-fuel business.

Summary of Operations for the Marketing and Distribution Segment

	2018	2017	2016	Change from 2017 to 2018 (%)
Total sales volume of oil products (million tonnes)	198.32	198.75	194.84	(0.2)
Total domestic sales volume of oil products (million tonnes)	180.24	177.76	172.70	1.4
Retail sales (million tonnes)	121.64	121.56	120.14	0.1
Direct sales and distribution (million tonnes).	58.61	56.20	52.56	4.3
Annual average throughput per station (tonne/station)	3,979	3,969	3,926	0.3
	31 December 2018	31 December 2017	31 December 2016	Change from the end of the previous year to the end of the reporting period (%)
Total number of service stations under the Sinopec brand	30,661	30,633	30,603	0.1
Number of company-operated stations	30,655	30,627	30,597	0.1

(4) Chemicals

In 2018, the Company stuck to the development philosophy of “basic plus high-end” to enhance effective supply. We persistently fine-tuned chemical feedstock mix to lower cost. We optimised products slate and increased high-end products output. The ratio of new and specialty products in synthetic resin reached 64.3%, the ratio of high-value-added products in synthetic rubber amounted to 26.3%, and our differential ratio of synthetic fibre reached 90.4%. By optimising utilisation rate and production plan based on market demand, we improved the operation of chemical units. To reinforce the capacity structural adjustment, we actively promoted several key projects. Annual ethylene production was 11.51 million tonnes. The Company also intensified its efforts to enhance the efficiency of the integration among production, marketing, R&D, and application as well as promoted targeted marketing and servicing to further expand our business, with total chemical sales volume increased by 10.3% to 86.6 million tonnes, hitting a record high.

Summary of Operations for the Chemicals Segment

Unit: thousand tonnes				
	2018	2017	2016	Change from 2017 to 2018 (%)
Ethylene	11,512	11,610	11,059	(0.8)
Synthetic resin	15,923	15,938	15,201	(0.1)
Synthetic rubber	896	848	857	5.7
Synthetic fiber monomer and polymer	9,343	9,439	9,275	(1.0)
Synthetic fiber	1,218	1,220	1,242	(0.2)

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

(5) Research and Development

In 2018, with the emphasis on reinforcing innovation-driven strategy, the Company accomplished notable results in R&D, deepened reform of R&D mechanism and pushed ahead with efforts in key and frontier technologies. In upstream segment, further advancement in evaluation technology of buried hill bedrock and deep carbonate reservoir and fracturing technology of deep shale gas field brought the breakthroughs in the exploration of Guaizihu Depression in Yin'e Basin and new series of strata in Maokou Formation in Yuanba area as well as the discovery of Weirong deep shale gas field. The pilot test of 185 °C high temperature measurement while drilling was successfully conducted in the ultra-deep well in Shunbei. In refining, we realised the industrialisation of technologies including new sulfuric acid alkylation and hydro-isomerisation dewaxing for producing high grade base oil. In chemicals, the industrial demonstration unit of HPPO achieved stable operation and new products like PE film turned into commercial production. In addition, SOR, the framework type code of a novel structured zeolite synthesized by us, has been approved by the Structure Commission of International Zeolite Association, making us the first Chinese company to achieve a breakthrough in this area. In 2018, the Company had 6,074 patent applications at home and abroad, among which 4,434 were granted. The Company also won one second prize of National Technology Invention and three second prizes of National Sci-tech Progress, four silver and four excellent prizes of National Patent Awards.

(6) Health, Safety, Security and Environment

In 2018, the Company constantly promoted the HSSE management. We implemented the concept of “Comprehensive Health” by integrating the management of occupational, physical and mental health of our employees. The Company took stringent measures to control risks and supervise the safety and operations of contractors. We also strengthened safety measures at all levels, removing potential hazards and enhancing our emergency response capability, all achieved sound and reliable production and operation. Public security management capability was strengthened with improvement in risk evaluation, monitoring and early warning and emergency response mechanism. The green and low-carbon growth strategy was further carried out by promoting clean energy and green development, such as steadily pushing forward our Green Enterprise Campaign and Efficiency Doubling Plan. We accomplished all emission reduction targets by pursuing clean production and preventing pollutions. For more detailed information, please refer to “Communication on Progress for Sustainable Development 2018 of Sinopec Crop”.

(7) Capital Expenditures

In 2018, focusing on quality and profitability of investment, the Company continuously optimised its capital projects, with total capital expenditures of RMB 118 billion. Capital expenditure for the exploration and production segment was RMB 42.2 billion, mainly for Fuling and Weirong shale gas development projects, Hangjinqi natural gas development project, Shengli and Northwest crude oil development projects, phase I of Xinjiang gas pipeline, phase I of Erdos-Anping-Cangzhou gas pipeline, Wen 23 and Jintan gas storages, as well as overseas projects. Capital expenditure for the refining segment was RMB 27.9 billion, mainly for Zhongke Refining and Petrochemical project, Zhenhai, Tianjin, Maoming and Luoyang refineries, the gasoline and diesel GB VI quality upgrading projects and the construction of Rizhao-Puyang-Luoyang crude pipeline. Capital expenditure for the marketing and distribution segment was RMB 21.4 billion, mainly for construction of oil products depots, pipelines, service stations, non-fuel business and the renovation of underground oil tanks to remove potential safety hazards. Capital expenditure for the chemicals segment was RMB 19.6 billion, mainly for ethylene projects in Zhongke, Zhenhai and Gulei, Phase II of Hainan high-efficiency and environmentally-friendly aromatics project, Sinopec-SABIC Polycarbonate project and Zhongan coal chemical project. Capital expenditure for corporate and others was RMB 6.9 billion, mainly for setting up the joint-venture of Sinopec Capital Company with Sinopec Group, R&D facilities and information technology projects.

5.3 Business Prospects

(1) Market Outlook

Looking ahead to 2019, the international economy is expected to show a slower growth rate in the midst of a complex and uncertain global political and economic environment. Meanwhile, continued growth of China's economy will further drive up domestic demand for high-end refined oil products and petrochemicals. As the adjustment of China's energy mix deepens, demand for natural gas will continue to grow at a rapid pace. Considering uncertainties of supply capacity of major oil producing countries, global oil demand and geopolitical issues, etc., the international oil price is expected to fluctuate within a wide range.

(2) Operations

In 2019, adhering to the general principle of seeking progress while maintaining stability, the new development philosophy and the operating guidelines of "specialised development, market-based operation, internationalisation and overall coordination". The following activities will be prioritized during the year.

Exploration and Production, by fully implementing the action plan of redoubling efforts in oil and gas exploration and production, we will advance high-efficiency exploration, continuously increase proved reserves and expand resource base. In crude oil development, more efforts will be made in promoting the capacity building of the Tahe Oilfield, making technological breakthrough for undeveloped oil-bearing reservoirs, improving refined reservoir characterization of mature fields in order to increase reserve development rate and recovery rate. In natural gas development, we will accelerate the capacity construction of key projects, optimise the system of natural gas production, supply, storage and marketing as well as the market layout so as to foster coordinated development of the whole business value chain. In 2019, we plan to produce 288 million barrels of crude oil, among which overseas production will be 39 million barrels, and 1,019.1 billion cubic feet of natural gas.

Refining, with integrated planning, we will optimise crude oil allocation, reinforce inventory management, and push forward the high-efficiency operation of the refining value chain. Maintenance will be arranged according to market changes so as to achieve maximum overall profit. We will further optimise product mix by lowering diesel-to-gasoline ratio and increasing the production of gasoline, jet fuel and light chemical feedstock. The quality upgrading plan for new spec marine fuel oil will be implemented to raise capacity utilisation ratio. Marketing mechanisms will be improved to push up the total trading volume of other refined oil products. In 2019, we plan to process 246 million tonnes of crude oil and produce 157 million tonnes of refined oil products.

Marketing and Distribution, insisting the marketing strategy of balancing profits and sales volume, we will continue to optimise resources allocation, expand market, and increase operation profit. We will carry out targeted and differential marketing with customers at its core so as to constantly improve service quality. The marketing and distribution network will be further improved to amplify the existing advantages. We will accelerate the construction and operation of natural gas stations and expand natural gas market for automobiles. Substantial progress will be made in hydrogen refueling stations and charging and battery swap stations. We will explore the new business mode of “Internet + service stations + convenience stores + comprehensive services” to advance the development and marketing of self-owned brands and to advance the growth of non-fuel business. In 2019, we plan to sell 182 million tonnes of refined oil products in the domestic market.

Chemicals, we will further adjust feedstock mix, product slate and facilities structure to constantly strengthen competitiveness. The continuous feedstock mix optimisation will diversify feedstock procurement channels and reduce costs. More efforts will be made in adjusting product slate and coordinating production, marketing, research and application to raise the proportion of high-end products. We will enhance the dynamic optimisation of facilities and product chain, and improve the utilisation and production scheduling based on market demand. We will strengthen market analysis to actively expand market, thus increasing market shares. Meanwhile, advantages cultivation and production capacity building will be accelerated to produce high-end products and create more value. In 2019, we plan to produce 12.12 million tonnes of ethylene.

Research and Development, we will continue to fully implement the innovation-driven development strategy, deepen the reform of scientific and technological systems, accelerate key technological breakthroughs, push ahead with frontier research on leading technologies, and step up the commercial application of technological achievement so as to strive for sustainable development in an all-round way. With the emphasis on constantly advancing oil and gas exploration and production technologies, we will focus on achieving breakthroughs in oil and gas exploration and production and resource evaluation technologies. In refining, more efforts will be made in making progress in refined oil product quality upgrading technologies, enhancing the technology development of self-owned refined oil product, and reinforcing the research on refinery total process optimisation technology. In chemicals, we will continue to improve the technological system for chemical products and strengthen development of high-value-added new materials. Technological breakthrough in safety and environmental protection will be stepped up. At the same time, prospective and basic research will be carried out on such leading and new areas including new energy, new materials, artificial intelligence and low-carbon so as to boost innovation.

Capital Expenditures, in 2019, we will further focus on investment quality and profitability through constantly optimising capital projects. Capital expenditures for the year are budgeted at RMB 136.3 billion. Of which RMB 59.6 billion will be invested in exploration and production with focuses on the production capacity building of Shengli Oilfield, Northwest Oilfield, Leikou Slope in western Sichuan, Fuling Shale Gas Field and Weirong Shale Gas Field, and the construction of natural gas pipelines and storage facilities as well as overseas oil and gas projects. The capital expenditure for refining will amount to RMB 27.9 billion which will be spent on the construction of Zhongke and Zhenhai Projects, and the refining structural adjustment projects of Tianjin, Maoming, Luoyang, Wuhan, Beihai and Yangzi. RMB 21.8 billion are budgeted for marketing and distribution with emphases on the construction of depots and storage facilities for refined oil products, pipelines and service stations, non-fuel business development, as well as renovation of underground oil storage tanks. The share for chemicals will be RMB 23.3 billion which will be used on Zhongke, Zhenhai, Gulei, Hainan and Wuhan, coal chemical projects of Bijie and Zhongan, and comprehensive resource utilisation and structural adjustment projects of Yangzi and SSTPC. The capital expenditure for corporate and others will reach RMB 3.7 billion, mainly for R&D facilities and information technology projects.

In 2019, adhering to the concept of innovative, coordinated, green, open and share development, we will continue to consolidate development foundation, focus on long term strategies and push forward high-quality development in an all-round way to achieve sound results.

6. Management Discussion and Analysis

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

6.1 Consolidated Results of Operations

In 2018, the Company's turnover and other operating revenues was RMB 2,891.2 billion, increased by 22.5% compared with that of 2017. The operating profit was RMB 82.3 billion, representing a year on year increase of 15.1%.

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

	Year ended 31 December		
	2018	2017	Change (%)
	RMB million	RMB million	
Turnover and other operating revenues	2,891,179	2,360,193	22.5
Turnover	2,825,613	2,300,470	22.8
Other operating revenues	65,566	59,723	9.8
Operating expenses	(2,808,915)	(2,288,723)	22.7
Purchased crude oil, product and operating supplies and expenses	(2,292,983)	(1,770,651)	29.5
Selling, general and administrative expenses	(65,642)	(64,973)	1.0
Depreciation, depletion and amortisation	(109,967)	(115,310)	(4.6)
Exploration expenses, including dry holes	(10,744)	(11,089)	(3.1)
Personnel expenses	(77,721)	(74,854)	3.8
Taxes other than income tax	(246,498)	(235,292)	4.8
Other operating expense, net	(5,360)	(16,554)	(67.6)
Operating profit	82,264	71,470	15.1
Net finance costs	1,001	(1,560)	(164.2)
Investment income and share of profits less losses from associates and joint ventures	15,845	16,787	(5.6)
Profit before taxation	99,110	86,697	14.3
Income tax expense	(20,213)	(16,279)	24.2
Profit for the year	78,897	70,418	12.0
Attributable to:			
Shareholders of the Company	61,618	51,244	20.2
Non-controlling interests	17,279	19,174	(9.9)

(1) Turnover and other operating revenues

In 2018, the Company's turnover was RMB 2,825.6 billion, representing an increase of 22.8% over 2017. This was mainly attributed to the prices increase of major products. Meanwhile, sales volume also increased as a result of the Company's efforts in bringing our advantages in distribution network into full play, constantly promoting targeted marketing, optimising allocation of internal and external resources and reinforcing market expansion.

The following table sets forth the external sales volume, average realised prices and respective rates of change of the Company's major products in 2018 and 2017:

	Sales volume (thousand tonnes)			Average realised price (RMB/tonne, RMB/thousand cubic meters)		
	Year ended 31 December			Year ended 31 December		
	2018	2017	Change (%)	2018	2017	Change (%)
Crude oil	6,595	6,567	0.4	3,100	2,390	29.7
Natural gas (million cubic meters)	24,197	22,529	7.4	1,400	1,290	8.5
Gasoline	88,057	83,933	4.9	7,870	6,941	13.4
Diesel	84,630	88,848	(4.7)	5,996	5,038	19.0
Kerosene	25,787	25,557	0.9	4,562	3,531	29.2
Basic chemical feedstock	40,520	35,964	12.7	5,488	4,855	13.0
Monomer and polymer for synthetic fibre	11,127	10,267	8.4	6,971	6,038	15.5
Synthetic resin	14,433	13,199	9.3	8,634	8,155	5.9
Synthetic fibre	1,314	1,304	0.8	9,712	8,556	13.5
Synthetic rubber	1,114	1,128	(1.2)	10,619	11,913	(10.9)
Chemical fertiliser	794	698	13.8	2,096	2,010	4.3

Most crude oil and a small portion of natural gas produced by the Company were internally used for refining and chemical production, with the remaining sold to external customers. In 2018, the turnover from crude oil, natural gas and other upstream products sold externally amounted to RMB 93.5 billion, an increase of 35.2% over 2017. The change was mainly due to the company seized opportunities of the prices increase in crude oil and natural gas to maintain steady crude oil production and rapidly expanded production of natural gas.

In 2018, petroleum products (mainly consisting of refined oil products and other refined petroleum products) sold by Refining Segment and Marketing and Distribution Segment achieved external sales revenues of RMB 1,557.9 billion (accounting for 53.9% of the Company's turnover and other operating revenues), representing an increase of 17.6% over 2017, mainly due to the increase in petroleum products' prices, as well as the Company actively coped with market challenge caused by resources oversupply, optimised production and operation with the market-oriented approach and maintained high utilisation rate. The sales revenue of gasoline, diesel and kerosene was RMB 1,318.1 billion, representing an increase of 17.6% over 2017, and accounting for 84.6% of the total sales revenue of petroleum products. Turnover of other refined petroleum products was RMB 239.8 billion, representing an increase of 17.6% compared with 2017, accounting for 15.4% of the total sales revenue of petroleum products.

Chemical products sold by Chemicals Segment achieved external sales revenue of RMB 457.4 billion, representing an increase of 22.4% over 2017, accounting for 15.8% of the Company's total turnover and other operating revenues. This was mainly due to the increase in price and sales volume of chemical products, which resulting from the Company seized good market opportunities and strengthened the coordination between production and marketing to positively expand market share and trading scale.

(2) Operating expenses

In 2018, the Company's operating expenses was RMB 2,808.9 billion, increased by 22.7% compared with 2017. The operating expenses mainly consisted of the following:

Purchased crude oil, products and operating supplies and expenses was RMB 2,293.0 billion, representing an increase of 29.5% over the same period of 2017, accounting for 81.6% of the total operating expenses, of which:

Crude oil purchasing expenses was RMB 701.3 billion, representing an increase of 41.1% over the same period of 2017. Throughput of crude oil purchased externally in 2018 was 227.19 million tonnes (excluding the volume processed for third parties), representing an increase of 7.7% over the same period of 2017. The average cost of crude oil purchased externally was RMB 3,452 per tonne, representing an increase by 30.0% over 2017.

The Company's purchasing expenses of refined oil products was RMB 355.5 billion, representing an increase of 18.3% over the same period of 2017. This was mainly due to the increase in prices of externally purchased refined oil products, which were in line with the increase in prices of crude oil.

The Company's purchasing expense related to trading activities was RMB 655.4 billion, representing an increase of 30.1% over the same period of 2017. This was mainly due to the increase in prices of externally purchased crude oil and refined oil products in the trading business.

The Company's other purchasing expenses was RMB 580.7 billion, representing an increase of 23.8% over the same period of 2017. This was mainly due to the increase in prices of externally purchased oil related products in line with the increase in prices of crude oil.

Selling, general and administrative expenses was RMB 65.6 billion, representing an increase of 1.0% over 2017 as a result of the increase in R&D expenses.

Depreciation, depletion and amortisation was RMB 110.0 billion, representing a decrease of 4.6% compared with 2017. That was mainly due to the Company reinforced efficient exploration, enhanced profit-oriented production of refined reservoir with an emphasis on increasing proved reserves of crude oil and natural gas. Meanwhile, its depreciation and depletion decreased as a result of the Company's proved reserves increased in line with the increase in crude oil price.

Exploration expenses was RMB 10.7 billion, representing a decrease of 3.1% year on year. That was mainly due to the Company constantly reinforced the management of exploration investment, improved exploration success rate.

Personnel expenses was RMB 77.7 billion, representing an increase of 3.8% over 2017.

Taxes other than income tax was RMB 246.5 billion, representing an increase of 4.8% compared with 2017. That was mainly because of increased consumption tax as a result of the increase in the sales volume of refined oil products, as well as resource tax and special oil income levy increased resulting from increase in crude oil price.

Other operating expense, net was RMB 5.4 billion, decreased 67.6% over the same period of 2017. That was mainly due to the decrease in impairment during the year.

- (3) **Operating profit** was RMB 82.3 billion, representing an increase of 15.1% compared with 2017. Loss from upstream business greatly reduced and downstream business achieved good profit under the fierce market competition, as the Company persistently centralised on value-oriented operation, focused on improving asset quality, increasing asset efficiency, and upgrading asset structure.
- (4) **Profit before taxation** was RMB 99.1 billion, representing an increase of 14.3% compared with 2017.
- (5) **Income tax expense** was RMB 20.2 billion, representing an increase of 24.2% year on year, mainly due to the increase in profit and the decrease in exempt investment income.
- (6) **Profit attributable to non-controlling interests** was RMB 17.3 billion, representing an decrease of RMB 1.9 billion compared with 2017.
- (7) **Profit attributable to shareholders of the Company** was RMB 61.6 billion, representing an increase of 20.2% year on year.

6.2 Assets, Liabilities, Equity and Cash Flows

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

(1) Assets, liabilities and equity

Unit: RMB million

	As at 31 December 2018	As at 31 December 2017	Change
Total assets	1,592,308	1,595,504	(3,196)
Current assets	504,120	529,049	(24,929)
Non-current assets	1,088,188	1,066,455	21,733
Total liabilities	735,773	742,614	(6,841)
Current liabilities	565,098	579,446	(14,348)
Non-current liabilities	170,675	163,168	7,507
Total equity attributable to shareholders of the Company	717,284	726,120	(8,836)
Share capital	121,071	121,071	—
Reserves	596,213	605,049	(8,836)
Non-controlling interests	139,251	126,770	12,481
Total equity	856,535	852,890	3,645

As of 31 December 2018, the Company's total assets was RMB 1,592.3 billion, representing a decrease of RMB 3.2 billion compared with that of the end of 2017, of which:

Current assets was RMB 504.1 billion, representing a decrease of RMB 24.9 billion compared with that of the end of 2017, mainly because the financial assets at fair value through profit and loss and trade accounts receivable and bills receivable decreased by RMB 25.5 billion and RMB 19.8 billion respectively, as well as the prepayments and other current assets increased by RMB 13.1 billion.

Non-current assets was RMB 1,088.2 billion, representing an increase of RMB 21.7 billion as compared with that of the end of 2017. This was mainly due to the depreciation and depletion of property, plant and equipment decreased by RMB 33.0 billion, construction in progress increased by RMB 18.3 billion. Equity of associates and joint ventures increased by RMB 9.8 billion, deferred tax assets increased by RMB 6.6 billion, lease prepayments increased by RMB 6.0 billion, long-term prepayment and other assets increased by RMB 9.4 billion.

The Company's total liabilities was RMB 735.8 billion, representing a decrease of RMB 6.8 billion compared with that of the end of 2017, of which:

Current liabilities was RMB 565.1 billion, representing a decrease of RMB 14.3 billion as compared with that of the end of 2017. This was mainly due to the short-term debts and loans from Sinopec Group decreased by RMB 19.5 billion, derivative financial liabilities and liabilities from contracts and other payables increased by RMB 10.9 billion and RMB 14.4 billion respectively, trade accounts payable and bills payable and taxes payable decreased by RMB 13.8 billion and RMB 6.3 billion respectively.

Non-current liabilities was RMB 170.7 billion, representing an increase of RMB 7.5 billion compared with that of the end of 2017. This was mainly due to long-term debts decreased by RMB 4.8 billion, provisions increased by RMB 2.8 billion, and other non-current liabilities increased by RMB 10.8 billion.

Total equity attributable to owners of the Company was RMB 717.3 billion, representing a decrease of RMB 8.8 billion compared with that of the end of 2017, which was mainly due to the capital reserve was RMB 596.2 billion, representing a decrease of RMB 8.8 billion. Minority interests was RMB 139.3 billion, representing an increase of RMB 12.5 billion.

(2) Cash Flow

The following table sets forth the major items in the consolidated cash flow statements for 2018 and 2017.

Unit: RMB million

Major items of cash flows	Year ended 31 December	
	2018	2017
Net cash generated from operating activities	175,868	190,935
Net cash used in investing activities	(66,422)	(145,323)
Net cash used in financing activities	(111,260)	(56,509)

In 2018, the net cash generated from operating activities of the company was RMB 175.9 billion, representing a decrease of RMB 15.1 billion as compared with 2017. Of which: profit before taxation increased by RMB 12.4 billion, depreciation, depletion & amortization and assets impairment loss decreased by RMB 15.5 billion, accounts receivable and net change for other current assets decreased by RMB 30.1 billion, net change for inventory decreased by RMB 25.6 billion, accounts payable and net change for other current liabilities decreased by RMB 57.1 billion, and the paid income tax increased by RMB 13.0 billion as compared with 2017.

In 2018, the net cash used in investing activities was RMB 66.4 billion, representing a decrease of RMB 78.9 billion over 2017. Of which: capital expenditure increased by RMB 31.2 billion, income from the change of structured deposit increased by RMB 76.6 billion, outcome from in time deposit with maturities over three months decreased by RMB 30.5 billion.

In 2018, the net cash used in the Company's financing activities was RMB 111.3 billion, representing an increase of cash out flow by RMB 54.8 billion over 2017. This was mainly due to the cash paid for dividends increased by RMB 35.1 billion, cash repayments of borrowings increased by RMB 13.9 billion, and distributions by subsidiaries to non-controlling interests increased by RMB 6.2 billion.

At the end of 2018, the cash and cash equivalents was RMB 111.9 billion.

(3) Contingent Liabilities

Please refer to "Material Guarantee Contracts and Their Performances" in the "Significant Events" section of the Annual Report.

(4) Capital Expenditures

Please refer to "Capital Expenditures" in the "Business Review and Prospects" section of the Annual Report.

(5) Research & development and environmental expenditures

R&D expenditures occurred in the period including R&D expenses, expenditures for wildcat exploration, seismic data interpretation, and pilot demonstration project in upstream, expenditures for pilot test and relevant utilities of initial commercial trial in refining segment, as well as expenditures for research equipment. In 2018, the expenditures for R&D was RMB 12.876 billion, of which expense was RMB 7.96 billion (In 2017, the expenditures for R&D was RMB 11.533 billion, of which expense was RMB 6.423 billion).

Environmental expenditures refer to the normal routine pollutant discharge fees paid by the Company, excluding capitalised cost of pollutant treatment properties. In 2018, the Company paid environmental expenditures of RMB 7.94 billion.

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

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

Items relevant to measurement of main fair values

Unit: RMB million

Items	End of last year	Beginning of the year	End of the year	Profits and	Accumulated	mpairment	Funding source
				losses from	variation of fair	loss provision	
				variation of fair	variation of fair	of the	
				values in the	values recorded	current year	
				current year	as equity		
Financial assets at fair value through profit							
or loss of the reporting period	51,196	51,196	25,732	885	—	—	Self-owned fund
Structured Deposit	51,196	51,196	25,550	880	—	—	—
Stock	—	—	182	5	—	—	—
Available for sale financial assets	178	—	—	—	—	—	—
Stock	178	—	—	—	—	—	—
Derivative financial instruments	(522)	(522)	1,584	191	—	—	Self-owned fund
Cash flow hedges	(1,617)	(1,617)	(7,268)	(1,978)	(12,500)	—	Self-owned fund
Other equity instruments investment	—	1,676	1,450	—	(53)	—	Self-owned fund
Total	49,235	50,733	21,498	(902)	(12,553)	—	—

6.3 Analysis of financial statements prepared under CASs

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

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Operating income		
Exploration and Production Segment	200,191	157,505
Refining Segment	1,263,407	1,011,853
Marketing and Distribution Segment	1,446,637	1,224,197
Chemicals Segment	546,733	437,743
Corporate and Others	1,368,583	974,850
Elimination of inter-segment sales	(1,934,372)	(1,445,955)
Consolidated operating income	2,891,179	2,360,193
Operating (loss)/profit		
Exploration and Production Segment	(11,557)	(47,399)
Refining Segment	53,703	64,047
Marketing and Distribution Segment	24,106	32,011
Chemicals Segment	25,970	22,796
Corporate and Others	(8,151)	(3,160)
Elimination of inter-segment sales	(3,634)	(1,655)
Financial expenses, investment income, gains/ (losses) from changes in fair value, asset disposal expense and other income	21,037	20,325
Consolidated operating profit	101,474	86,965
Net profit attributable to equity shareholders of the Company	63,089	51,119

Operating profit: In 2018, the operating profit of the Company was RMB 101.5 billion, representing an increase of RMB 14.5 billion as compared with 2017.

Net profit: In 2018, the net profit attributable to the equity shareholders of the Company was RMB 63.1 billion, representing an increase of RMB 12.0 billion or 23.4% comparing with 2017.

(2) Financial data prepared under CASs

	As of 31 December 2018 RMB million	As of 31 December 2017 RMB million	Change
Total assets	1,592,308	1,595,504	(3,196)
Non-current liabilities	169,551	161,988	7,563
Shareholders' equity	857,659	854,070	3,589

At the end of 2018, the Company's total assets was RMB 1,592.3 billion, representing a decrease of RMB 3.2 billion compared with that of the end of 2017.

At the end of 2018, the Company's non-current liabilities was RMB 169.6 billion, representing an increase of RMB 7.6 billion compared with that of the end of 2017.

At the end of 2018, the shareholders' equity of the Company was RMB 857.7 billion, representing an increase of RMB 3.6 billion compared with that of the end of 2017.

(3) The results of the principal operations by segments

Segments	Operation income RMB million	Operation cost RMB million	Gross profit margin* (%)	Increase/ (decrease) of operation income on a year-on-year basis (%)	Increase/ (decrease) of operation cost on a year-on- year basis (%)	Increase/ (decrease) of gross profit margin on a year-on-year basis (%)
Exploration and Production	200,191	165,444	11.6	27.1	7.3	15.1
Refining	1,263,407	952,577	6.4	24.9	35.4	(2.2)
Marketing and Distribution	1,446,637	1,355,391	6.1	18.2	20.2	(1.5)
Chemicals	546,733	492,991	9.4	24.9	27.7	(1.7)
Corporate and Others	1,368,583	1,365,348	0.2	40.4	41.7	(1.0)
Elimination of inter-segment sales	(1,934,372)	(1,930,738)	N/A	N/A	N/A	N/A
Total	2,891,179	2,401,013	8.4	22.5	27.0	(1.5)

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

7. Report of the Board of Directors

7.1 Proposals for dividend distribution

At the 5th meeting of the seventh session of the Board, the Board approved the proposal to distribute a final cash dividend of RMB 0.26 (tax inclusive) per share, combining with an interim distributed dividend of RMB 0.16 (tax inclusive) per share, the total dividend for the whole year is RMB 0.42 (tax included) per share.

The final cash dividend will be distributed on or before 21 June 2019 (Friday) to all shareholders whose names appear on the register of members of Sinopec Corp. on the record date of 10 June 2019 (Monday). In order to qualify for the final dividend for H shares, the holders of H shares must lodge all share certificates accompanied by the transfer documents with Hong Kong Registrars Limited located at 1712-1716 17th Floor Hopewell Centre, 183 Queen's Road East, Wan Chai Hong Kong before 4:30 p.m. on 3 June 2019 (Monday) for registration. The H shares register of members of Sinopec Corp. will be closed from 4 June 2019 (Tuesday) to 10 June 2019 (Monday) (both dates inclusive).

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

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

If the individual holders of the H shares who are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends or bonus shares by way of capitalisation from retained earnings with China under the relevant tax agreement,

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

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

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

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

7.2 Core competitiveness analysis

The Company is a large scale integrated energy and petrochemical company with upstream, mid-stream and downstream operations. The Company is a large scaled oil and gas producer in China; in respect of refining capacity, it ranks first in China; equipped with a well-developed refined oil products sales network, the Company is the largest supplier of refined oil products in China; and in terms of ethylene production capacity, the Company rank first in China, and has a well-established marketing network for chemical products.

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

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

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

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

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

7.3 Major suppliers and customers

During this reporting period, the total value of the purchasing from the top five crude oil suppliers of the Company accounted for 46.6% of the total value of the crude oil purchasing by the Company, of which the total value of the purchasing from the largest supplier accounted for 14.8% of the total value of the crude oil purchasing by the Company.

The total sales value to the five largest customers of the Company in 2018 was RMB 231,305 million, accounted for 8% of the total sales value of the Company, of which the sales value to the connected party (Sinopec group) among the five largest customers was RMB 92,475 million, accounted for 3.2% of the total sales value for the year.

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

8 Financial statements

8.1 Auditors' opinion

Financial statements ☐ Unaudited ☒ Audited
Auditors' opinion ☒ Standard unqualified opinion ☐ Not standard opinion

8.2 Financial Statements

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

Consolidated and Parent Balance Sheets

Unit:RMB million

Items	At 31 December 2018		At 31 December 2017		At 1 January 2017	
Assets	Consolidated	Parent	Consolidated	Parent	Consolidated	Parent
Current assets						
Cash at bank and on hand	167,015	82,879	165,004	92,545	142,497	98,250
Financial Assets held						
for trading	25,732	22,500	51,196	48,179	—	—
Derivative financial assets	7,887	—	526	—	762	—
Bills receivable and						
accounts receivable	64,879	30,145	84,701	37,766	63,486	38,803
Prepayments	5,937	2,488	4,901	4,429	3,749	3,454
Other receivables	25,312	57,432	15,941	63,820	24,834	45,643
Inventories	184,584	45,825	186,693	44,933	156,511	46,942
Other current assets	22,774	15,835	20,087	27,189	20,422	32,743
Total current assets	504,120	257,104	529,049	318,861	412,261	265,835
Non-current assets						
Available-for-sale						
financial assets	—	—	1,676	395	11,408	297
Long-term equity						
investments	145,721	289,207	131,087	275,557	116,812	268,451
Other equity instrument						
investments	1,450	395	—	—	—	—
Fixed assets	617,812	302,082	650,920	329,814	690,594	373,020
Construction in progress	136,963	51,598	118,645	50,046	129,581	49,277
Intangible assets	103,855	8,571	97,126	8,340	85,023	7,913
Goodwill	8,676	—	8,634	—	6,353	—
Long-term deferred						
expenses	15,659	2,480	14,720	1,958	13,537	1,980
Deferred tax assets	21,694	11,021	15,131	6,834	7,214	—
Other non-current assets	36,358	9,145	28,516	10,690	25,826	10,952
Total non-current assets	1,088,188	674,499	1,066,455	683,634	1,086,348	711,890
Total assets	1,592,308	931,603	1,595,504	1,002,495	1,498,609	977,725

Unit:RMB million

Items	At 31 December 2018		At 31 December 2017		At 1 January 2017	
	Consolidated	Parent	Consolidated	Parent	Consolidated	Parent
Liabilities and shareholders' equity						
Current liabilities						
Short-term loans	44,692	3,961	54,701	17,330	30,374	9,256
Derivative financial liabilities	13,571	967	2,665	—	4,472	—
Bills payable and accounts payable	192,757	84,418	206,535	86,604	180,129	78,548
Advances from customers	—	—	120,734	3,413	95,928	2,360
Contract liabilities	124,793	4,230	—	—	—	—
Employee benefits payable	7,312	4,294	7,162	4,854	1,618	312
Taxes payable	87,060	54,764	71,940	42,549	52,886	32,423
Other payables	77,463	119,514	89,028	143,274	75,164	113,841
Short-term debentures payable	—	—	—	—	6,000	6,000
Non-current liabilities due within one year	17,450	16,729	26,681	19,539	38,972	38,082
Total current liabilities	565,098	288,877	579,446	317,563	485,543	280,822
Non-current liabilities						
Long-term loans	61,576	48,104	67,754	63,667	62,461	58,448
Debentures payable	31,951	20,000	31,370	20,000	54,985	36,000
Provisions	42,800	33,094	39,958	31,405	39,298	29,767
Deferred tax liabilities	5,948	—	6,466	—	7,661	505
Other non-current liabilities	27,276	4,332	16,440	2,591	16,136	2,607
Total non-current liabilities	169,551	105,530	161,988	117,663	180,541	127,327
Total liabilities	734,649	394,407	741,434	435,226	666,084	408,149

Items	At 31 December 2018		At 31 December 2017		At 1 January 2017	
	Consolidated	Parent	Consolidated	Parent	Consolidated	Parent
Liabilities and shareholders' equity						
Shareholders' equity						
Share capital	121,071	121,071	121,071	121,071	121,071	121,071
Capital reserve	119,192	68,795	119,557	68,789	119,525	68,769
Other comprehensive income	(6,774)	(485)	(4,413)	196	(932)	263
Specific reserve	1,706	989	888	482	765	393
Surplus reserves	203,678	203,678	199,682	199,682	196,640	196,640
Retained earnings	279,482	143,148	290,459	177,049	275,163	182,440
Total equity attributable to shareholders of the Company	718,355	537,196	727,244	567,269	712,232	569,576
Minority interests	139,304	—	126,826	—	120,293	—
Total shareholders' equity	857,659	537,196	854,070	567,269	832,525	569,576
Total liabilities and shareholders' equity	1,592,308	931,603	1,595,504	1,002,495	1,498,609	977,725

Consolidated and Parent Income Statement

Unit:RMB million

Items	Year ended 31 December			
	2018		2017	
	Consolidated	Parent	Consolidated	Parent
Operating income	2,891,179	1,058,493	2,360,193	857,478
Less: Operating costs	2,401,012	812,355	1,890,398	633,114
Taxes and surcharges	246,498	168,905	235,292	158,480
Selling and distribution expenses	59,396	3,078	56,055	2,670
General and administrative expenses	73,390	36,169	72,505	39,537
Research and development expenses	7,956	7,453	6,423	5,445
Financial expenses	(1,001)	1,029	1,560	2,642
Exploration expenses, including dry holes	10,744	9,796	11,089	10,614
Impairment losses	11,605	6,766	21,791	14,372
Credit impairment losses	141	42	—	—
Add: Other income	6,694	2,777	4,356	1,784
Investment income	11,428	28,336	19,060	38,058
Gains/(Losses) from changes in fair value	2,656	(20)	(13)	179
Asset disposal (expense)/income	(742)	12	(1,518)	(887)
Operating profit	101,474	44,005	86,965	29,738
Add: Non-operating income	2,070	599	1,317	474
Less: Non-operating expenses	3,042	1,687	1,709	725
Profit before taxation	100,502	42,917	86,573	29,487
Less: Income tax expense	20,213	2,960	16,279	(928)
Net profit	80,289	39,957	70,294	30,415
Classification by going concern:				
Continuous operating net profit	80,289	39,957	70,294	30,415
Termination of net profit	—	—	—	—
Classification by ownership:				
Equity shareholders of the Company	63,089	39,957	51,119	30,415
Minority interests	17,200	—	19,175	—
Basic earnings per share (RMB)	0.521	N/A	0.422	N/A
Diluted earnings per share (RMB)	0.521	N/A	0.422	N/A
Net profit	80,289	39,957	70,294	30,415

Items	Year ended 31 December			
	2018		2017	
	Consolidated	Parent	Consolidated	Parent
Other comprehensive income				
<i>Items that may not be reclassified</i>				
<i>subsequently to profit or loss:</i>				
Changes in fair value of other equity				
instrument investments	(53)	—	—	—
<i>Items that may be reclassified subsequently</i>				
<i>to profit or loss</i>				
Other comprehensive income that can be				
converted into profit or loss				
under the equity method	(229)	(64)	1,053	(120)
Changes in fair value of				
available-for-sale financial assets	—	—	(57)	—
Cash flow hedges	(9,741)	(617)	(1,580)	53
Foreign currency translation differences	3,399	—	(3,792)	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other comprehensive income	<u>(6,624)</u>	<u>(681)</u>	<u>(4,376)</u>	<u>(67)</u>
 Total comprehensive income	 <u>73,665</u>	 <u>39,276</u>	 <u>65,918</u>	 <u>30,348</u>
 Attributable to:				
Equity shareholders of the Company	55,471	39,276	47,638	30,348
Minority interests	18,194	—	18,280	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Consolidated and Parent Cash Flow Statement

Unit: RMB million

Items	Year ended 31 December			
	2018		2017	
	Consolidated	Parent	Consolidated	Parent
Cash flows from operating activities:				
Cash received from sale of goods and rendering of services	3,189,004	1,228,816	2,644,126	1,000,467
Refund of taxes and levies	1,681	1,481	2,158	1,304
Other cash received relating to operating activities	90,625	19,380	57,287	42,913
Sub-total of cash inflows	3,281,310	1,249,677	2,703,571	1,044,684
Cash paid for goods and services	(2,565,392)	(867,259)	(2,041,977)	(653,412)
Cash paid to and for employees	(77,048)	(41,770)	(68,260)	(37,054)
Payments of taxes and levies	(329,387)	(206,305)	(328,304)	(200,995)
Other cash paid relating to operating activities	(133,615)	(26,211)	(74,095)	(35,502)
Sub-total of cash outflows	(3,105,442)	(1,141,545)	(2,512,636)	(926,963)
Net cash flow from operating activities	175,868	108,132	190,935	117,721

Items	Year ended 31 December			
	2018		2017	
	Consolidated	Parent	Consolidated	Parent
Cash flows from investing activities:				
Cash received from disposal of investments	56,546	65,930	4,729	18,919
Cash received from returns on investments	10,720	43,693	8,506	23,842
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	9,666	2,838	1,313	252
Other cash received relating to investing activities	87,696	28,724	52,304	23,270
Net cash received from disposal of subsidiaries and other business entities	11	—	80	1
Sub-total of cash inflows	164,639	141,185	66,932	66,284
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	(103,014)	(54,792)	(70,948)	(37,139)
Cash paid for acquisition of investments	(39,666)	(40,169)	(57,627)	(66,913)
Other cash paid relating to investing activities	(85,193)	(28,759)	(82,392)	(30,116)
Net cash paid for the acquisition of subsidiaries and other business entities	(3,188)	—	(1,288)	—
Sub-total of cash outflows	(231,061)	(123,720)	(212,255)	(134,168)
Net cash flow from investing activities	(66,422)	17,465	(145,323)	(67,884)

Unit:RMB million

Items	Year ended 31 December			
	2018		2017	
	Consolidated	Parent	Consolidated	Parent
Cash flows from financing activities:				
Cash received from capital contributions	1,886	—	946	—
Including: Cash received from minority shareholders' capital contributions to subsidiaries	1,886	—	946	—
Cash received from borrowings	746,655	109,915	524,843	106,407
Other cash received relating to financing activities	190	—	—	—
Sub-total of cash inflows	748,731	109,915	525,789	106,407
Cash repayments of borrowings	(772,072)	(176,757)	(536,380)	(133,663)
Cash paid for dividends, profits distribution or interest	(87,483)	(71,944)	(45,763)	(38,392)
Including: Subsidiaries' cash payments for distribution of dividends or profits to minority shareholders	(13,700)	—	(7,539)	—
Other cash paid relating to financing activities	(436)	—	(155)	—
Sub-total of cash outflows	(859,991)	(248,701)	(582,298)	(172,055)
Net cash flow from financing activities	(111,260)	(138,786)	(56,509)	(65,648)
Effects of changes in foreign exchange rate	518	—	(353)	—
Net decrease in cash and cash equivalents	(1,296)	(13,189)	(11,250)	(15,811)

Consolidated Statement of Changes in Equity

							Total shareholders' equity attributable to equity		Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	shareholders of the Company	Minority interests	
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2017	121,071	119,525	(932)	765	196,640	275,163	712,232	120,293	832,525
Change for the year									
1. Net profit	—	—	—	—	—	51,119	51,119	19,175	70,294
2. Other comprehensive income	—	—	(3,481)	—	—	—	(3,481)	(895)	(4,376)
Total comprehensive income	—	—	(3,481)	—	—	51,119	47,638	18,280	65,918
Transactions with owners, recorded directly in shareholders' equity:									
3. Appropriations of profits:									
– Appropriation for surplus reserves	—	—	—	—	3,042	(3,042)	—	—	—
– Distributions to shareholders	—	—	—	—	—	(32,689)	(32,689)	—	(32,689)
4. Transaction with minority interests	—	(13)	—	—	—	—	(13)	724	711
5. Distributions to minority interests	—	—	—	—	—	—	—	(12,501)	(12,501)
Total transactions with owners, recorded directly in shareholders' equity	—	(13)	—	—	3,042	(35,731)	(32,702)	(11,777)	(44,479)
6. Net increase in specific reserve for the year	—	—	—	123	—	—	123	3	126
7. Others	—	45	—	—	—	(92)	(47)	27	(20)
Balance at 31 December 2017	121,071	119,557	(4,413)	888	199,682	290,459	727,244	126,826	854,070

							Total shareholders' equity attributable to equity shareholders of the Company	Minority interests	Total shareholders' equity
	Share capital RMB million	Capital reserve RMB million	Other comprehensive income RMB million	Specific reserve RMB million	Surplus reserves RMB million	Retained earnings RMB million	RMB million	RMB million	RMB million
Balance at 31 December 2017	121,071	119,557	(4,413)	888	199,682	290,459	727,244	126,826	854,070
Change in accounting policy	—	—	(12)	—	—	12	—	—	—
Balance at 1 January 2018	121,071	119,557	(4,425)	888	199,682	290,471	727,244	126,826	854,070
Change for the year									
1. Net profit	—	—	—	—	—	63,089	63,089	17,200	80,289
2. Other comprehensive income	—	—	(7,618)	—	—	—	(7,618)	994	(6,624)
Total comprehensive income	—	—	(7,618)	—	—	63,089	55,471	18,194	73,665
Amounts transferred to cash flow hedge reserves initially recognised by hedged items:	—	—	5,269	—	—	—	5,269	—	5,269
Transactions with owners, recorded directly in shareholders' equity:									
3. Appropriations of profits:									
– Appropriation for surplus reserves	—	—	—	—	3,996	(3,996)	—	—	—
– Distributions to shareholders	—	—	—	—	—	(67,799)	(67,799)	—	(67,799)
4. Transaction with minority interests	—	—	—	—	—	—	—	2,060	2,060
5. Contributions to subsidiaries from non-controlling interests	—	(12)	—	—	—	—	(12)	(299)	(311)
6. Distributions to minority interests	—	—	—	—	—	—	—	(7,476)	(7,476)
Total transactions with owners, recorded directly in shareholders' equity	—	(12)	—	—	3,996	(71,795)	(67,811)	(5,715)	(73,526)
7. Net increase in specific reserve for the year	—	—	—	818	—	—	818	91	909
8. Others	—	(353)	—	—	—	(2,283)	(2,636)	(92)	(2,728)
Balance at 31 December 2018	121,071	119,192	(6,774)	1,706	203,678	279,482	718,355	139,304	857,659

Statement of Changes in Equity

	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Total shareholders' equity
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2017	121,071	68,769	263	393	196,640	182,440	569,576
Change for the year							
1. Net profit	—	—	—	—	—	30,415	30,415
2. Other comprehensive income	—	—	(67)	—	—	—	(67)
Total comprehensive income	—	—	(67)	—	—	30,415	30,348
Transactions with owners, recorded directly in shareholders' equity:							
3. Appropriations of profits:							
– Appropriation for surplus reserves	—	—	—	—	3,042	(3,042)	—
– Distributions to shareholders	—	—	—	—	—	(32,689)	(32,689)
Total transactions with owners, recorded directly in shareholders' equity	—	—	—	—	3,042	(35,731)	(32,689)
4. Net increase in specific reserve for the year	—	—	—	89	—	—	89
5. Others	—	20	—	—	—	(75)	(55)
Balance at 31 December 2017	121,071	68,769	196	482	199,682	177,049	567,269

	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Total shareholders' equity
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 31 December 2017	121,071	68,789	196	482	199,682	177,049	567,269
Change in accounting policy	—	—	—	—	—	—	—
Balance at 1 January 2018	121,071	68,789	196	482	199,682	177,049	567,269
Change for the year							
1. Net profit	—	—	—	—	—	39,957	39,957
2. Other comprehensive income	—	—	(681)	—	—	—	(681)
Total comprehensive income	—	—	(681)	—	—	39,957	39,276
Transactions with owners, recorded directly in shareholders' equity:							
3. Appropriations of profits:							
– Appropriation for surplus reserves	—	—	—	—	3,996	(3,996)	—
– Distributions to shareholders	—	—	—	—	—	(67,799)	(67,799)
Total transactions with owners, recorded directly in shareholders' equity	—	—	—	—	3,996	(71,795)	(67,799)
4. Net increase in specific reserve for the year	—	—	—	507	—	—	507
5. Others	—	6	—	—	—	(2,063)	(2,057)
Balance at 31 December 2018	121,071	68,795	(485)	989	203,678	143,148	537,196

8.2.2 Statements prepared under International Financial Reporting Standards

Consolidated Income Statement

Unit: RMB million

	Year ended 31 December	
	2018	2017
Turnover and other operating revenues		
Turnover	2,825,613	2,300,470
Other operating revenues	65,566	59,723
	<u>2,891,179</u>	<u>2,360,193</u>
Operating expenses		
Purchased crude oil, products and operating supplies and expenses	(2,292,983)	(1,770,651)
Selling, general and administrative expenses	(65,642)	(64,973)
Depreciation, depletion and amortisation	(109,967)	(115,310)
Exploration expenses, including dry holes	(10,744)	(11,089)
Personnel expenses	(77,721)	(74,854)
Taxes other than income tax	(246,498)	(235,292)
Other operating expense, net	(5,360)	(16,554)
Total operating expenses	<u>(2,808,915)</u>	<u>(2,288,723)</u>
Operating profit	<u>82,264</u>	<u>71,470</u>

Unit: RMB million

	Year ended 31 December	
	2018	2017
Finance costs		
Interest expense	(7,321)	(7,146)
Interest income	7,726	5,254
Foreign currency exchange gains, net	596	332
Net finance costs	1,001	(1,560)
Investment income	1,871	262
Share of profits less losses from associates and joint ventures	13,974	16,525
Profit before taxation	99,110	86,697
Income tax expense	(20,213)	(16,279)
Profit for the year	78,897	70,418
Attributable to:		
Owners of the Company	61,618	51,244
Non-controlling interests	17,279	19,174
Profit for the year	78,897	70,418
Earnings per share:		
Basic	0.509	0.423
Diluted	0.509	0.423

Consolidated Statement of Comprehensive Income

Unit: RMB million

	Year ended 31 December	
	2018	2017
Profit for the year	78,897	70,418
Other comprehensive income:		
<i>Items that may not be reclassified subsequently to profit or loss</i>		
Equity investments at fair value through other comprehensive income	(53)	—
Total items that may not be reclassified subsequently to profit or loss	(53)	—
<i>Items that may be reclassified subsequently to profit or loss</i>		
Share of other comprehensive (income)/loss of associates and joint ventures	(229)	1,053
Available-for-sale securities	—	(57)
Cash flow hedges	(9,741)	(1,580)
Foreign currency translation differences	3,399	(3,792)
Total items that may be reclassified subsequently to profit or loss	(6,571)	(4,376)
Total other comprehensive income	(6,624)	(4,376)
Total comprehensive income for the year	72,273	66,042
Attributable to:		
Shareholders of the Company	54,000	47,763
Non-controlling interests	18,273	18,279
Total comprehensive income for the year	72,273	66,042

Balance Sheet

Unit: RMB million

	At 31 December 2018		At 31 December 2017	
	Consolidated	Parent	Consolidated	Parent
Non-current assets				
Property, plant and equipment, net	617,762	302,048	650,774	329,814
Construction in progress	136,963	51,598	118,645	50,046
Goodwill	8,676	—	8,634	—
Investment in subsidiaries	—	251,970	—	245,156
Interest in associates	89,537	21,143	79,726	15,579
Interest in joint ventures	56,184	16,094	51,361	14,822
Available-for-sale financial assets	—	—	1,676	395
Financial assets at fair value through other comprehensive income	1,450	395	—	—
Deferred tax assets	21,694	11,021	15,131	6,834
Lease prepayments	64,514	7,101	58,526	6,916
Long-term prepayments and other assets	91,408	13,129	81,982	14,072
Total non-current assets	1,088,188	674,499	1,066,455	683,634
Current assets				
Cash and cash equivalents	111,922	59,120	113,218	72,309
Time deposits with financial institutions	55,093	23,759	51,786	20,236
Financial assets at fair value through profit or loss	25,732	22,500	51,196	48,179
Derivatives financial assets	7,887	—	526	—
Trade accounts receivable and bills receivable	64,879	30,145	84,701	37,766
Dividends receivable	—	2,313	—	16,327
Inventories	184,584	45,825	186,693	44,933
Prepaid expenses and other current assets	54,023	73,442	40,929	79,111
Total current assets	504,120	257,104	529,049	318,861

	At 31 December 2018		At 31 December 2017	
	Consolidated	Parent	Consolidated	Parent
Current liabilities				
Short-term debts	29,462	14,511	55,338	33,454
Loans from Sinopec Group Company and fellow subsidiaries	31,665	5,815	25,311	3,214
Derivatives financial liabilities	13,571	967	2,665	—
Trade accounts payable and bills payable	192,757	84,418	206,535	86,604
Contract liabilities	124,793	4,230	—	—
Other payables	166,151	178,936	276,582	194,291
Income tax payable	6,699	—	13,015	—
Total current liabilities	565,098	288,877	579,446	317,563
Net current liabilities	60,978	(31,773)	50,397	1,298
Total assets less current liabilities	1,027,210	642,726	1,016,058	684,932
Non-current liabilities				
Long-term debts	51,011	27,200	55,804	40,442
Loans from Sinopec Group Company and fellow subsidiaries	42,516	40,904	43,320	43,225
Deferred tax liabilities	5,948	—	6,466	—
Provisions	42,800	33,094	39,958	31,405
Other long-term liabilities	28,400	5,310	17,620	3,613
Total non-current liabilities	170,675	106,508	163,168	118,685
	856,535	536,218	852,890	566,247
Equity				
Share capital	121,071	121,071	121,071	121,071
Reserves	596,213	415,147	605,049	445,176
Total equity attributable to shareholders of the Company	717,284	536,218	726,120	566,247
Non-controlling interests	139,251	N/A	126,770	N/A
Total equity	856,535	536,218	852,890	566,247

8.2.3 Differences between consolidated financial statements prepared in accordance with the accounting policies complying with CASs and IFRS (UNAUDITED)

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

Items	Year ended 31 December	
	2018 RMB million	2017 RMB million
Net profit under CASs	80,289	70,294
Adjustments:		
Government grants	56	110
Safety production fund	909	126
Others	(2,357)	(112)
Profit for the year under IFRS*	78,897	70,418

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

Items	2018 31 December RMB million	2017 31 December RMB million
Shareholders' equity under CASs	857,659	854,070
Adjustments:		
Government grants	(1,124)	(1,180)
Total equity under IFRS*	856,535	852,890

* The figures are extracted from the consolidated financial statements prepared in accordance with the accounting policies complying with IFRS during the year ended 31 December 2017 and 2018 which have been audited by PricewaterhouseCoopers.

8.3 Changes in accounting policies

☒Applicable ☐Not applicable

(1). Changes in significant accounting policies of CASs:

- a) MOF issued Cai Kuai [2018] No. 15 “Announcement of the revision of general enterprise financial statements format for 2018”. The Group has adopted the above guidelines to prepare the financial statements of 2018. The comparative financial statements of 2017 have been adjusted.
- b) MOF issued revised “No.14 Accounting Standard for Business Enterprises - Revenue” (“New Revenue Standard”) in 2017 and the New Revenue Standard was effective on 1 January 2018. In accordance with the New Revenue Standard, the Group adjusted the first year’s retained earnings and other related items of the financial statements according to the cumulative impact of the New Revenue Standard for the first time, while the comparative financial statements have not been restated. The Group has adopted the above standard to prepare the financial statements of 2018, while the comparative financial statements of 2017 have not been restated.
- c) MOF issued revised “No.22 Accounting Standards for Business Enterprises - Financial instruments: recognition and measurement”, revised “No.23 Accounting Standards for Business Enterprises - Transfer of financial assets”, revised “No.24 Accounting Standards for Business Enterprises - Hedging” and revised “No.37 Accounting Standards for Business Enterprises - Presentation of financial instruments” (collectively referred to as “New Financial Instruments Standards”). The New Financial Instruments Standards were effective on 1 January 2018. In accordance with the New Financial Instruments Standards, the Group classified and measured financial instruments (including impairment), involving comparative financial statements which are not consistent with the requirements of this standard and need not be adjusted. The difference between the original book value of the financial instrument and the new book value on the date of execution of the New Financial Instruments Standards shall be included in the retained earnings or other comprehensive income at the beginning financial statements. The Group has adopted the above guidelines to prepare financial statements of the year ended 31 December 2018, while the comparative figures for 2017 have not been restated.
- At 1 January 2018, the comparatives of classification and measurement in the Group’s financial statements between the New Financial Instruments Standards and the Financial Instruments Standards before revision are disclosed at Annual Report.

- The Group has adopted the simplified expected credit loss model for its receivables and contract assets, and the general expected credit loss model for receivables and contract assets carried at amortised. The Group assessed the loss allowance for receivables under the expected credit loss model on 1 January 2018, no significant difference compared with the loss allowance under accounting policies applied until 31 December 2017.
- The Group has applied the hedging accounting prospectively to the derivatives held for hedging purpose.

(2). Changes in significant accounting policies in IFRS:

- a) The adoption of IFRS 9 'Financial Instruments' ('IFRS 9') from 1 January 2018 by the Group resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.
 - The Group has elected to apply the limited exemption in IFRS 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application:
 - The Group has adopted the simplified expected credit loss model for its trade receivables and contract assets, as required by IFRS 9, and the general expected credit loss model for receivables and contract assets carried at amortised. The Group assessed the loss allowance for receivables under the expected credit loss model on 1 January 2018, no significant difference compared with the loss allowance under accounting policies applied until 31 December 2017;
 - The Group has applied the hedging accounting prospectively to the derivatives held for hedging purpose.
- b) The adoption of IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15') from 1 January 2018 by the Group resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.
 - The Group has elected to apply the simplified transition method, retrospectively with the cumulative effect of initially applying IFRS 15 as an adjustment to the balance on 1 January 2018.
 - The Group has decided to reclassify contract assets and contract liabilities and present them as a separate line item in the balance sheet based on the significance of the item.

The adjustments arising from the new accounting policies are therefore recognised in the opening balance sheet on 1 January 2018, comparative figures have not been restated. The adoption of IFRS 9 and IFRS 15 has no significant impact on the Group's financial statements

8.4 The Group has no material accounting errors during the reporting period.

8.5 Changes in the scope of consolidation as compared with those for last annual report

☐ Applicable ☒ Not applicable

8.6 Notes on the financial statements prepared under IFRS

8.6.1 Turnover

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

	2018	2017
	RMB million	RMB million
Crude oil	519,910	421,585
Gasoline	711,236	600,113
Diesel	594,008	503,406
Basic chemical feedstock	250,884	205,722
Kerosene	168,823	115,739
Synthetic resin	124,618	107,633
Natural Gas	43,205	34,277
Synthetic fiber monomers and polymers	77,572	61,998
Others(i)	335,357	249,997
	<u>2,825,613</u>	<u>2,300,470</u>

(i) Others are primarily liquefied petroleum gas and other refinery and chemical by-products and joint products.

8.6.2 Income tax expense

Income tax expense in the consolidated income statement represents:

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Current tax		
Provision for the period	27,176	26,668
Adjustment of prior years	(719)	(72)
Deferred taxation	(6,244)	(10,317)
	<u>20,213</u>	<u>16,279</u>

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

Item	Year ended 31 December	
	2018 RMB million	2017 RMB million
Profit before taxation	<u>99,110</u>	<u>86,697</u>
Expected PRC income tax expense at a statutory tax rate of 25%	24,778	21,674
Tax effect of non-deductible expenses	2,351	1,905
Tax effect of non-taxable income	(5,033)	(5,939)
Tax effect of preferential tax rate (i)	(1,259)	(793)
Effect of income taxes at foreign operations	77	(1,394)
Tax effect of utilisation of previously unrecognised tax losses and temporary differences	(779)	(613)
Tax effect of tax losses not recognised	609	1,485
Write-down of deferred tax assets	188	26
Adjustment of prior years	<u>(719)</u>	<u>(72)</u>
Actual income tax expense	<u>20,213</u>	<u>16,297</u>

Note:

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

8.6.3 Basic and Diluted Earnings per Share

The calculation of basic earnings per share for the year ended 31 December 2018 is based on the profit attributable to ordinary shareholders of the Company of RMB 61,618 million (2017: RMB 51,244 million) and the weighted average number of shares of 121,071,209,646 (2017: 121,071,209,646) during the year.

The calculation of diluted earnings per share for the year ended 31 December 2018 is based on the profit attributable to ordinary shareholders of the Company (diluted) of RMB 61,618 million (2017: RMB 51,242 million) and the weighted average number of shares of 121,071,209,646 (2017: 121,071,209,646) calculated as follows:

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

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Profit attributable to ordinary shareholders of the Company	61,618	51,244
After tax effect of employee share option scheme of Shanghai Petrochemical	—	(2)
Profit attributable to ordinary shareholders of the Company (diluted)	61,618	51,242

(ii) Weighted average number of shares (diluted)

	Year ended 31 December	
	2018	2017
	Number of shares	Number of shares
Weighted average number of shares at 31 December	121,071,209,646	121,071,209,646
Weighted average number of shares (diluted) at 31 December	121,071,209,646	121,071,209,646

8.6.4 Dividends

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

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Dividends declared and paid during the year of RMB 0.16 per share (2017: RMB 0.10 per share)	19,371	12,107
Dividends declared after the balance sheet date of RMB 0.26 per share (2017: RMB 0.40 per share)	31,479	48,428
	50,850	60,535

Pursuant to the Company's Articles of Association and a resolution passed at the Directors' meeting on 24 August 2018, the directors authorised to declare the interim dividends for the year ending 31 December 2018 of RMB 0.16 (2017: RMB 0.10) per share totaling RMB 19,371 million (2017: RMB 12,107 million). Dividends were paid on 12 September 2018.

Pursuant to a resolution passed at the director's meeting on 22 March 2019, final dividends in respect of the year ended 31 December 2018 of RMB 0.26 (2017: RMB 0.40) per share totaling RMB 31,479 million (2017: RMB 48,428 million) were proposed for shareholders' approval at the Annual General Meeting. Final cash dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Final cash dividends in respect of the previous financial year, approved during the year of RMB 0.40 per share (2017: RMB 0.17 per share)	48,428	20,582

Pursuant to the shareholders' approval at the Annual General Meeting on 15 May 2018, a final dividend of RMB 0.40 per share totaling RMB 48,428 million according to total shares of 4 June 2018 was approved. All dividends have been paid in the year ended 31 December 2018.

Pursuant to the shareholders' approval at the Annual General Meeting on 28 June 2017, a final dividend of RMB 0.17 per share totaling RMB 20,582 million according to total shares of 18 July 2017 was approved. All dividends have been paid in the year ended 31 December 2017.

8.6.5 Trade Accounts Receivable and Bills Receivable

	31 December 2018 RMB million	31 December 2017 RMB million
Amounts due from third parties	50,108	56,203
Amounts due from Sinopec Group Company and fellow subsidiaries	3,170	7,941
Amounts due from associates and joint ventures	4,321	4,962
	57,599	69,106
Less: Impairment losses for bad and doubtful debts	(606)	(612)
Trade accounts receivable, net	56,993	68,494
Bills receivable	7,886	16,207
	64,879	84,701

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

	31 December 2018 RMB million	31 December 2017 RMB million
Within one year	64,317	83,984
Between one and two years	353	573
Between two and three years	124	43
Over three years	85	101
	64,879	84,701

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

	Year ended 31 December	
	2018 RMB million	2017 RMB million
Balance at 1 January	612	683
Provision for the year	83	49
Written back for the year	(77)	(100)
Written off for the year	(19)	(21)
Others	7	1
Balance at 31 December	606	612

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

Trade accounts receivable and bills receivable (net of impairment losses for bad and doubtful debts) primarily represent receivables that are not past due. These receivables relate to a wide range of customers for whom there is no recent history of default.

8.6.6 Trade Accounts and Bills Payables

	31 December 2018 RMB million	31 December 2017 RMB million
Amounts due to third parties	170,818	177,224
Amounts due to Sinopec Group Company and fellow subsidiaries	9,142	13,350
Amounts due to associates and joint ventures	6,381	9,499
	<hr/>	<hr/>
	186,341	200,073
Bills payable	6,416	6,462
	<hr/>	<hr/>
Trade accounts and bills payables measured at amortised cost	192,757	206,535
	<hr/> <hr/>	<hr/> <hr/>

The ageing analysis of trade accounts payables is as follows:

	31 December 2018 RMB million	31 December 2017 RMB million
Within 1 month or on demand	182,763	195,189
Between 1 month and 6 months	6,670	8,076
Over 6 months	3,324	3,270
	<hr/>	<hr/>
	192,757	206,535
	<hr/> <hr/>	<hr/> <hr/>

8.6.7 Segment Reporting

- (1) Information of reportable segmental revenues, profits or losses, assets and liabilities

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

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Turnover		
Exploration and production		
External sales	93,499	69,168
Inter-segment sales	95,954	77,804
	<u>189,453</u>	<u>146,972</u>
Refining		
External sales	148,930	132,478
Inter-segment sales	1,109,088	874,271
	<u>1,258,018</u>	<u>1,006,749</u>
Marketing and distribution		
External sales	1,408,989	1,191,902
Inter-segment sales	5,224	3,962
	<u>1,414,213</u>	<u>1,195,864</u>
Chemicals		
External sales	457,406	373,814
Inter-segment sales	73,835	49,615
	<u>531,241</u>	<u>423,429</u>
Corporate and others		
External sales	716,789	533,108
Inter-segment sales	650,271	440,303
	<u>1,367,060</u>	<u>973,411</u>
Elimination of inter-segment sales	<u>(1,934,372)</u>	<u>(1,445,955)</u>

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Turnover	2,825,613	2,300,470
Other operating revenues		
Exploration and production	10,738	10,533
Refining	5,389	5,104
Marketing and distribution	32,424	28,333
Chemicals	15,492	14,314
Corporate and others	1,523	1,439
Other operating revenues	65,566	59,723
Turnover and other operating revenues	2,891,179	2,360,193
Result		
Operating (loss)/profit		
By segment		
Exploration and production	(10,107)	(45,944)
Refining	54,827	65,007
Marketing and distribution	23,464	31,569
Chemicals	27,007	26,977
Corporate and Others	(9,293)	(4,484)
Elimination	(3,634)	(1,655)
Total segment operating profit	82,264	71,470
Share of profits from associates and joint ventures		
Exploration and production	2,598	1,449
Refining	109	989
Marketing and distribution	3,155	2,945
Chemicals	6,298	9,621
Corporate and Others	1,814	1,521
Aggregate share of profits from associates and joint ventures	13,974	16,525

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Investment income		
Exploration and production	(3)	40
Refining	315	28
Marketing and distribution	43	90
Chemicals	596	86
Corporate and Others	920	18
	<hr/>	<hr/>
Aggregate investment income	1,871	262
	<hr/>	<hr/>
Net finance costs	1,001	(1,560)
	<hr/>	<hr/>
Profit before taxation	99,110	86,697
	<hr/>	<hr/>

	At 31 December 2018 RMB million	At 31 December 2017 RMB million
Assets		
Segment assets		
Exploration and production	321,686	343,404
Refining	271,356	273,123
Marketing and distribution	317,641	309,727
Chemicals	156,865	158,472
Corporate and Others	152,799	170,045
Total segment assets	1,220,347	1,254,771
Interest in associates and joint ventures	145,721	131,087
Available-for-sale financial assets	—	1,676
Financial assets at fair value through other comprehensive income	1,450	—
Deferred tax assets	21,694	15,131
Cash and cash equivalents and time deposits with financial institutions	167,015	165,004
Other unallocated assets	36,081	27,835
Total assets	1,592,308	1,595,504
Liabilities		
Segment liabilities		
Exploration and production	94,170	99,568
Refining	103,809	101,429
Marketing and distribution	159,536	164,101
Chemicals	37,413	35,293
Corporate and Others	144,216	117,781
Total segment liabilities	539,144	518,172
Short-term debts	29,462	55,338
Income tax payable	6,699	13,015
Long-term debts	51,011	55,804
Loans from Sinopec Group Company and fellow subsidiaries	74,181	68,631
Deferred tax liabilities	5,948	6,466
Other unallocated liabilities	29,328	25,188
Total liabilities	735,773	742,614

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Capital expenditure		
Exploration and production	42,155	31,344
Refining	27,908	21,075
Marketing and distribution	21,429	21,539
Chemicals	19,578	23,028
Corporate and Others	6,906	2,398
	117,976	99,384
Depreciation, depletion and amortisation		
Exploration and production	60,331	66,843
Refining	18,164	18,408
Marketing and distribution	16,296	15,463
Chemicals	13,379	12,873
Corporate and Others	1,797	1,723
	109,967	115,310
Impairment losses on long-lived assets		
Exploration and production	4,274	13,556
Refining	353	1,894
Marketing and distribution	264	675
Chemicals	1,374	4,922
Corporate and Others	16	211
	6,281	21,258

(2) Geographical information

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

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
External sales		
Mainland China	2,119,580	1,758,365
Singapore	395,129	269,349
Others	376,470	332,479
	<u>2,891,179</u>	<u>2,360,193</u>
	31 December	31 December
	2018	2017
	RMB million	RMB million
Non-current assets		
Mainland China	989,668	979,329
Others	50,892	48,572
	<u>1,040,560</u>	<u>1,027,901</u>

9. Repurchase, Sales and Redemption of Shares

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

10. Model Code for Securities Transactions by Directors

Each of the directors of Sinopec Corp. confirmed that he has complied with the Model Code for Securities and Transactions by Directors of Listed Companies as set out in Appendix 10 of the Hong Kong Listing Rules during the year ended 31 December 2018. In addition, Sinopec Corp. formulated the “Rules Governing Shares Held by Company Directors, Supervisors and Senior Managers and Changes in Shares” and the “Model Code of Securities Transactions by Company Employees” to regulate the purchase and sale of Sinopec Corp.’s securities by Sinopec personnel.

11. Compliance with Corporate Governance Code

Sinopec Corp. complied with all code provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules during the reporting period.

12. Review of Annual Results

The annual results for the year ended 31 December 2018 have been reviewed with no disagreement by the audit committee of Sinopec Corp.

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

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

Beijing, the PRC, 22 March 2019

As of the date of this announcement, directors of the Company are: Dai Houliang, Li Yunpeng*, Yu Baocai*, Ma Yongsheng#, Ling Yiqun#, Liu Zhongyun#, Li Yong*, Tang Min+, Fan Gang+, Cai Hongbin+, Ng, Kar Ling Johnny+*

Executive Director

** Non-executive Director*

+ Independent Non-executive Director