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CHINA PETROLEUM & CHEMICAL CORP  
Form 6-K  
March 30, 2005

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the month of March, 2005

China Petroleum & Chemical Corporation  
A6, Huixindong Street,  
Chaoyang District Beijing, 100029  
People's Republic of China  
Tel: (8610) 6499-0060

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

Form 20-F  Form 40-F  
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(Indicate by check mark whether the registrant by furnishing the  
information contained in this form is also thereby furnishing the information  
to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act  
of 1934. )

Yes  No   
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(If "Yes" is marked, indicate below the file number assigned to  
registrant in connection with Rule 12g3-2(b):  
82-\_\_\_\_\_.)

N/A

This Form 6-K consists of:

An Announcement on the results for the year ended December 31, 2004 made by  
China Petroleum & Chemical Corporation ("Registrant") in English on March 25,  
2005.

[GRAPHIC OMITTED]

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(a joint stock limited company incorporated in the People's Republic  
of China with limited liability)  
(Stock Code : 0386)

Results for the Year Ended 31 December 2004

### ss.1. Important Notice

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

This announcement is a summary of the annual report. The entire report can be downloaded from the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and Sinopec Corp. ([www.sinopec.com](http://www.sinopec.com)). Investors should read the annual report for the year 2004 for more details.

- 1.2 The annual report for this year has been approved unanimously at the fifteenth meeting of the Second Session of the Board. No Director has any doubt as to, or the inability to warrant, the truthfulness, accuracy and completeness of the annual report.
- 1.3 Messrs. Mou Shuling, Gao Jian, Fan Yifei, Ho Tsu Kwok, Charles and Zhang Youcai, Directors of Sinopec Corp., could not attend the fifteenth meeting of the Second Session of the Board for reasons of official duties. Mr. Mou Shuling, Director of Sinopec Corp., authorised Mr. Cao Xianghong, Mr. Fan Yifei, Director of Sinopec Corp., authorised Mr. Wang Jiming, Vice Chairman and President and Messrs. Gao Jian, Ho Tsu Kwok, Charles and Zhang Youcai, Directors of Sinopec Corp., authorised Mr. Chen Qingtai, respectively, to vote on their behalf in respect of the resolutions put forward in the fifteenth meeting of the Second Session of the Board.
- 1.4 The financial statements for the year ended 31 December 2004 of Sinopec Corp. and its subsidiaries ("the Company") prepared in accordance with the PRC Accounting Rules and Regulations and International Financial Reporting Standards ("IFRS") have been audited by KPMG Huazhen and KPMG, respectively, and both firms have issued unqualified opinions on the financial statements.

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- 1.5 Mr. Chen Tonghai (Chairman of the Board), Mr. Wang Jiming (Vice Chairman and President), Mr. Zhang Jiaren (Director, Senior Vice President and Chief Financial Officer) and Mr. Liu Yun (Head of the Accounting Department) warrant the authenticity and completeness of the financial statements contained in the annual report for the year ended 31 December 2004.

### ss.2. Basic Information about Sinopec Corp.

#### 2.1 Basic information

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Stock name	SINOPEC CORP	SINOPEC CORP	SINOPEC CORP	SINOPEC CORP
Stock code	0386	SNP	SNP	600028
Place of listing	Hong Kong	New York	London	Shanghai
	Stock Exchange	Stock Exchange	Stock Exchange	Stock Exchange
Registered address and office address	6A Huixindong Street, Chaoyang District, Beijing, China			
Postcode	100029			
Website	<a href="http://www.sinopec.com">http://www.sinopec.com</a>			
E-mail	ir@sinopec.com.cn / media@sinopec.com.cn			

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

	Authorised representatives		Secretary to the Board	Representative for Securities
Name	Mr. Wang Jiming	Mr. Chen Ge	Mr. Chen Ge	Mr. Hua
Address	6A Huixindong Street, Chaoyang District, Beijing, China			
Tel	86-10-6499 0060	86-10-6499 0060	86-10-6499 0060	86-10-6
Fax	86-10-6499 0022	86-10-6499 0022	86-10-6499 0022	86-10-6
E-mail	ir@sinopec.com.cn / media@sinopec.com.cn			

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### ss.3. Summary of Accounting Data and Financial Indicators

#### 3.1 Principal accounting data and financial indicators prepared under the PRC Accounting Rules and Regulations for the year 2004

##### 3.1.1 Principal accounting data

Item	For the year ended 31 December 2004	For the year ended 31 December 2003	Increase/ decrease (%)	For the year ended 31 December After Adjustment*
Income from principal operations (RMB million)	590,632	417,191	41.57	324,184
Profit before taxation (RMB million)	53,535	30,015	78.36	22,012
Net Profit (RMB million)	32,275	19,011	69.77	14,121
Net profit before non-operating profits/losses (RMB million)	35,996	22,307	61.37	14,582
Net cash flow from operating activities (RMB million)	70,139	64,448	8.83	60,069

  

Item	At 31 December 2004	At 31 December 2003	Increase/ decrease (%)	At 31 Dec After Adjustment*
Total assets (RMB million)	460,081	390,213	17.91	368,375

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Shareholders' funds (excluding minority interests) (RMB million)	186,350	162,946	14.36	151,717
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### 3.1.2 Principal financial indicators

Item	For the year ended 31 December 2004	For the year ended 31 December 2003	Increase/ decrease (%)	For the y 31 Decem After Adjustment*
Earnings per share (RMB) (Fully diluted)	0.372	0.219	69.77	0.163
Return on net assets (%) (Fully diluted)	17.320	11.667	5.653 percentage points	9.307
Return (adjusted for non-operating profits/losses) on net assets (%) Fully diluted	19.316	13.690	5.626 percentage points	9.611
Weighted average	20.524	14.137	6.387 percentage points	9.787
Net cash flow from operating activities per share (RMB)	0.809	0.743	8.83	0.693

  

Item	For the year ended 31 December 2004	For the year ended 31 December 2003	Increase/ decrease (%)	For the y 31 Decem After Adjustment*
Net assets per share (RMB) (Fully diluted)	2.149	1.879	14.36	1.750
Adjusted net assets per share (RMB)	2.102	1.850	13.62	1.736

\* The Company adopted the revised "Accounting Standard for Business Enterprises - Post Balance Sheet Events" that resulted in a change in accounting policy which has been applied retrospectively.

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### 3.1.3 Items under non-operating profits/losses and corresponding amounts:

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Gain on disposal of long-term equity investments  
 Written back of provisions for impairment losses  
     in previons years  
 Non-operating expenses (excluding normal provisions  
     on assets provided in accordance with the Accounting  
     Regulations for Business Enterprises)  
 Of which:     Loss on disposal of fixed assets  
               Employee reduction expenses  
               Donations  
 Non-operating income  
 Tax effect  
  
 Total

### 3.2 Principal accounting data and financial indicators prepared under International Financial Reporting Standards ("IFRS") for the year 2004

Item	For the year ended 31 December 2004	For the year ended 31 December 2003	Increase/ decrease (%)
Operating profit (RMB million)	63,069	38,883	62.20
Profit attributable to shareholders (RMB million)	36,019	22,424	60.63
Return on capital employed* (%)	12.84	9.01	3.83 percentage points
Basic earnings per share (RMB)	0.415	0.259	60.63
Net cash flow from operating activities per share (RMB)	0.797	0.716	11.31

\* Return on capital employed = operating profit x (1-income tax rate)/capital employed

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Item	As at 31 December 2004	As at 31 December 2003	Increase/ decrease (%)
Current assets (RMB million)	120,271	103,039	16.72
Current liabilities (RMB million)	146,277	129,272	13.15
Total assets (RMB million)	474,594	420,184	12.95
Shareholders' funds (excluding minority interests) (RMB million)	193,040	171,515	12.55
Net assets per share (RMB)	2.226	1.978	12.55
Adjusted net assets per share (RMB)	2.187	1.950	12.15

### 3.3 Material differences between the PRC Accounting Rules and Regulations and IFRS

X Applicable                                   |\_ | Not applicable

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The PRC  
Accounting Rules and Regulations

Net profit (RMB million) 32,275  
Explanation on the differences See Subsection 9.2.3

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

4.1 Statement of changes in structure of share capital

X Applicable | \_ | Not applicable

	Opening balance	Placing	Increase/ Decrease Capitalization of surplus Bonus reserves	IPO
1 Shares not listed				
(i) Promoter shares	47,742,561	--	--	-- 1
Of which: State-owned shares	47,742,561	--	--	-- 1
(ii) Others	19,379,390	--	--	-- (1
Total number of shares not in circulation	67,121,951	--	--	--
2 Shares listed and in circulation				
(i) Publicly listed domestic shares ("A Shares")	2,800,000	--	--	--
(ii) Overseas listed foreign shares ("H Shares")	16,780,488	--	--	--
Total number of shares listed and in circulation	19,580,488	--	--	--
3 Total number of shares	86,702,439	--	--	--

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4.2 Shareholding of top ten shareholders and top ten shareholders with tradable shares

Number of shareholders of Sinopec Corp. as at 31 December 2004:  
282,724, including 272,125 holders of A Shares and 10,599 holders  
of H Shares.

Top ten shareholders as at 31 December 2004

Increase/ Decrease	Number of shares held at the end of the	Percentage at the end of the reporting period	Type of
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Name of shareholders	during the reporting period	reporting period	Among total shares held	shares held or trusts	of
	(1,000 shares)	(1,000 shares)	(%)		(1
China Petrochemical Corporation	11,143,000	58,885,561	67.92	Non tradable	
HKSCC (Nominees) Limited	5,039,172	16,678,790	19.24	Tradable	
China Cinda Asset Management Corp.	(5,000,000)	3,720,650	4.29	Non tradable	
China Development Bank	(6,143,000)	2,632,570	3.04	Non tradable	
China Orient Asset Management Corp.	0	1,296,410	1.50	Non tradable	
Guo Tai Jun An Corp.	(10,428)*	586,760	0.68	Non tradable	
EFUND 50 Securities Investment Fund	73,105	73,109	0.08	Tradable	
Xinghe Securities Investment Fund	24,390	64,387	0.07	Tradable	
Qingdao Port Authority	0	60,000	0.07	Tradable	
Harvest Service Sector Fund	59,745	59,749	0.07	Tradable	

Explanation for the relationships among the above shareholders or other holders of shares in activities in concert	There are no connections among corporate shareholders. The Company is not aware of any connection or activities in concert among circulation and is not aware of any pledges, lock-ups or trust of shareholdings of holders of H Shares
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\* The shares sold by Guo Tai Jun An Corp. were tradable A shares previously purchased on the secondary market by Guo Tai Jun An Corp..

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### Top ten shareholders with tradable shares

Name of shareholders	Type of shares held (10,000 shares)	Number of shares held at the end of 2004
HKSCC (Nominees) Limited	H Shares	1,667,879.0
EFUND 50 Securities Investment Fund	A Shares	7,310.9
Xinghe Securities Investment Fund	A Shares	6,438.7
Qingdao Port (Group) Co., Ltd.	A Shares	6,000.0
Harvest Service Sector Fund	A Shares	5,974.9
CITIC Classic Securities Co., Ltd.	A Shares	5,870.5
Xinghua Securities Investment Fund	A Shares	5,061.0
China Southern Sustaining Growth Fund	A Shares	4,300.0
Haifutong Profits Securities	A Shares	4,298.0
Tai He Securities Investment Fund	A Shares	4,100.0

Explanation for the relationships among the above shareholders or activities in concert	Except for Xinghe Securities Investment Fund and Xinghua Securities Investment Fund, both of which belong to China Asset Management Co., Ltd., and Harvest Service Sector Fund and Tai He Fund,
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both of which belong to Harvest Fund Management Co., Ltd., Sinopec Corp. is not aware of any connections among the top 10 holders of shares in circulation. Sinopec Corp. is not aware of any connection or activities in concert among other holders of shares in circulation and is not aware of any pledges, lock-ups or trust of shareholdings of holders of H Shares.

### 4.3 Information about the controlling shareholder and the effective controller

#### 4.3.1 Changes of the controlling shareholder and the effective controller in the reporting period

Applicable                       Not applicable

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#### 4.3.2 Basic information about the controlling shareholder and the other effective controller

##### (1) Controlling shareholder

The controlling shareholder of Sinopec Corp. is China Petrochemical Corporation ("Sinopec Group Company"). Established in July 1998, Sinopec Group Company is a State authorized investment organization and a principally State-owned company. Its registered capital is RMB 104.9 billion, and the legal representative is Mr. Chen Tonghai. Through reorganization in 2000, Sinopec Group Company injected its principal petroleum and petrochemical operations into Sinopec Corp. and retained certain petrochemical facilities and small-scale refineries. It provides well-drilling services, oil testing services, downhole operation services, services in connection with manufacturing and maintenance of production equipment, engineering construction, utility services and social services.

##### (2) Basic information of other legal person shareholders holding 10% or more of shares of Sinopec Corp. other than HKSCC (Nominees) Limited

Not Applicable.

##### (3) Basic information of the effective controller

China Petrochemical Corporation is the effective controller of Sinopec Corp.

#### 4.3.3 Diagram of the equity and controlling relationship between Sinopec Corp and the effective controller

[GRAPHIC OMITTED]



## ss.5. Directors, Supervisors and Senior Management and Employees

## 5.1 Information on the changes in the shares held by the directors, supervisors and senior management and employees

Applicable                       Not applicable

## 5.1.1 Information of Directors

Name	Gender	Age	Position with Sinopec Corp.	Term of Office
Chen Tonghai	Male	56	Chairman	Apr. 2003-Apr. 2006
Wang Jiming	Male	62	Vice Chairman, President	Apr. 2003-Apr. 2006
Mou Shuling	Male	60	Director, Senior Vice President	Apr. 2003-Apr. 2006
Zhang Jiaren	Male	60	Director, Senior Vice President and Chief Financial Officer	Apr. 2003-Apr. 2006
Cao Xianghong	Male	59	Director, Senior Vice President	Apr. 2003-Apr. 2006
Liu Genyuan	Male	59	Director	Jun. 2003-Apr. 2006
Gao Jian	Male	55	Director	May 2004-Apr. 2006
Liu Kegou	Male	57	Director	Jun. 2003-May 2004
Fan Yifei	Male	41	Director	Apr. 2003-Apr. 2006
Chen Qingtai	Male	67	Independent Non-executive Director	Apr. 2003-Apr. 2006
Ho Tsu Kwok, Charles	Male	55	Independent Non-executive Director	Apr. 2003-Apr. 2006
Shi Wanpeng	Male	67	Independent Non-executive Director	Apr. 2003-Apr. 2006
Zhang Youcai	Male	63	Independent Non-executive Director	Apr. 2003-Apr. 2006
Cao Yaofeng	Male	51	Employee Representative Director	Apr. 2003-Apr. 2006

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## 5.1.2 Information of Supervisors

Name	Gender	Age	Position with Sinopec Corp.	Term of Office
Wang Zuoran	Male	54	Chairman of the Supervisory Committee	Apr. 2003-Apr. 2006
Zhang Chongqing	Male	60	Supervisor	Apr. 2003-Apr. 2006
Wang Peijun	Male	59	Supervisor	Apr. 2003-Apr. 2006
Wang Xianwen	Male	60	Supervisor	Apr. 2003-Apr. 2006
Zhang Baojian	Male	60	Supervisor	Apr. 2003-Apr. 2006
Kang Xianzhang	Male	56	Supervisor	Apr. 2003-Apr. 2006
Cui Jianmin	Male	72	Independent Supervisor	Apr. 2003-Apr. 2006
Li Yonggui	Male	64	Independent Supervisor	Apr. 2003-Apr. 2006
Su Wensheng	Male	48	Employee Representative	

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			Supervisor	Apr. 2003-Apr. 2006
Cui Guoqi	Male	51	Employee Representative	
			Supervisor	Apr. 2003-Apr. 2006
Zhang Xianglin	Male	58	Employee Representative	
			Supervisor	Apr. 2003-Apr. 2006
Zhang Haichao	Male	47	Employee Representative	
			Supervisor	Apr. 2003-Apr. 2006

### 5.1.3 Other Members of the Senior Management

Name	Gender	Age	Position with Sinopec Corp.	Sinopec Corp Term of Office (as at 31st Dec 2004)
Wang Tianpu	Male	42	Senior Vice President	Apr. 2003- 0
Wang Zhigang	Male	48	Vice President	Apr. 2003- 0
Zhang Jianhua	Male	41	Vice President	Apr. 2003- 0
Cai Xiyu	Male	43	Vice President	Apr. 2003- 0
Li Chunguang	Male	49	Vice President	Apr. 2003- 0
Chen Ge	Male	43	Secretary to the Board of Directors	Apr. 2003-Apr. 2006 0

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### 5.2 Information about the directors and supervisors that are also employed by any shareholder unit

Applicable  Not applicable

Name	Name of employing shareholder	Position with employing shareholder unit	Term of office
Chen Tonghai	Sinopec Group Company	President	Apr.2003-Apr.2006
Liu Genyuan	Sinopec Group Company	Managing Vice President	Jun.2003-Apr.2006
Gao Jian	China Development Bank	Vice President	May.2004-Apr.2006
Liu Kegou	China Development Bank	Vice President	Jun.2003-May.2006
Fan Yifei	China Cinda Asset Management Corp.	Assistant to the Governor of China Construction Bank	Apr.2003-Apr.2006
Wang Zuoran	Sinopec Group Company	Director of Disciplinary Supervisory Committee	Apr.2003-Apr.2006
Zhang Chongqing		Sinopec Group Company Director of General Administrative Office	Apr.2003-Apr.2006
Wang Peijun	Sinopec Group Company	Director of Human Resources Department	Apr.2003-Apr.2006

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Zhang Baojian Sinopec Group Company Deputy Chief Accountant

Apr.2003-Apr.2

### 5.3 Annual remunerations for the directors, supervisors and senior management and employees

Total annual remuneration  
Total annual remuneration for the three highest paid directors  
Total annual remuneration for the three highest paid senior management and employees  
Total allowances for independent directors  
Other benefits for independent directors  
Names of the directors and supervisors who do not receive any remuneration and allowance from Sinopec Corp.

Levels of remunerations  
Above RMB300 thousand  
RMB200 to 300 thousand

Numb

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### 5.4 Information on new appointment or removal of directors, supervisors and senior management and employees

Since Mr. Liu Keguo, an ex-director of Sinopec Corp., resigned from the Board of Directors of Sinopec Corp., the China Development Bank nominated Mr. Gao Jian as a candidate to the Board on 29 April 2004. At the Annual General Meeting for the year 2003 held on 18 May 2004, Mr. Gao Jian was elected as a member of the Second Session of the Board of Directors of Sinopec Corp.

## ss.6. Report of the Board of Directors

### 6.1 Business review in the reporting period

#### 6.1.1 Business Review

The global economy witnessed sound growth in 2004. Stable and rapid growth was also experienced in the domestic economy. In 2004, international oil prices continued its climb, the domestic demand for petrochemical products increased significantly, the petrochemical industry was on the rising trend in a new cycle. All of these factors provided favourable conditions for the Company to increase its market shares and profitability. The controlled prices of refined oil products set by the government as a result of the macro-economy control measures, however, posed higher requirements on our efforts and abilities to enhance operating profit. Facing the complex and ever-changing market situations, the Company closely monitored the changes to the international and domestic markets, adjusted its production and operation strategies accordingly, reinforced safety in production, carefully organized and arranged for production and operation, increased production efficiency and expanded market shares. Meanwhile, the Company reinforced its

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internal management, pushed forward reform implementations and accelerated structural adjustments. With the joint efforts made by all the staff, the operating results once again reached a new high level.

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### 6.1.1.1 Review of Market Environment

#### (1) Crude oil market

In 2004, the international crude oil prices continued its climb to a higher level, and the price spread between sweet and sour crude oil widened. The Platts Global Brent spot price averaged USD 38.27 per barrel, up by 32.73% over 2003. The trend of domestic crude oil prices basically followed the trend in the international market. However, as the increase in international benchmark prices for some of the Company's self-produced oil was not significant, in 2004, the average realized price of crude oil produced by the Company was USD 33.28 per barrel, up by 20.74% over 2003.

[GRAPHIC OMITTED]

#### Price Trend of International Crude Oil

#### (2) Refined oil products market

In 2004, domestic demand for refined oil products surged dramatically as a result of China's rapid economic growth, increase in the number of automobiles and power supply shortage in certain parts of the country. According to the Company's estimation, the apparent domestic consumption of refined oil products (inclusive of gasoline, diesel and kerosene) in 2004 was 157.06 million tonnes, up by 19.0% over last year. The trend of domestic refined oil product prices in principle followed the rising trend of international refined oil product prices, however, due to the control imposed by the government over prices of refined oil products as a result of the macro-economy control measures, the increase in domestic prices was less than the international prices.

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#### (3) Chemicals market

In 2004, China's domestic demands for chemical products continued to grow significantly. The total apparent consumption of synthetic resins, synthetic fibres and synthetic rubber was 48.24 million tonnes, representing an increase of 11% over 2003. Domestic consumption of ethylene equivalent was 16.38 million tones, up by 5.8% over 2003. With the gradual recovery of the global chemical industry, the margin of chemical production increased remarkably and new price records of most

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chemical products were repeatedly achieved.

### 6.1.1.2 Production and Operation

#### (1) Exploration and Production Segment

In 2004, by seizing the opportunity of high oil prices, the Company made great efforts in exploration and achieved relatively good results in exploration, development and production of crude oil and natural gas.

In connection with exploration activities, the Company completed a two dimensional seismic study of 31,750 kilometers, a three-dimensional seismic study of 7,030 square kilometers and drilled 590 test wells with a drilling footage of 1,484 kilometers. The proved oil and gas reserves in new exploration blocks in western China increased significantly, a breakthrough was made in southern marine phase sedimentary blocks and remarkable results were attained in terms of exploration in mature blocks and new areas in eastern China. At the end of 2004, the Company's proved reserves of crude oil were 3,267 million barrels and natural gas were 3,033 billion cubic feet, up by 0.31% and 5.04%, respectively, compared with 2003. In terms of development, the Company continually reinforced the comprehensive management in mature oil fields and development in new blocks in western China. In 2004, the Company drilled 2,365 development wells, with a drilling footage of 5,125.2 kilometers and newly built crude oil and natural gas production capacity were 6.09 million tonnes per year and 1.015 billion cubic meters per year, respectively. In 2004, the Company's production of crude oil and natural gas reached 274.15 million barrels and 207.0 billion cubic feet, respectively, representing an increase of 1.18% and 10.29%, respectively, over 2003.

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

	2004	2003	2002
Crude oil production (mmbbls)	274.15	270.96	269.80
Natural gas production (bcf)	207.0	187.7	178.8
Newly added proved reserves of crude oil (mmbbls)	284	208	375
Newly added proved reserves of natural gas (bcf)	352.0	(254.3)	20.2
Year end proved reserves of crude oil (mmbbls)	3,267	3,257	3,320
Year end proved reserves of natural gas (bcf)	3,033.0	2,887.6	3,329.4
Year end proved reserves of crude oil and natural gas (mmbboe)	3,773	3,738	3,875

#### (2) Refining Segment

In 2004, according to the international market condition of widened price spread between sweet and sour crude oil, the

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Company strived to reduce crude oil procurement costs by raising sour crude processing volume and optimising crude oil mix and transportation costs. Meanwhile, the Company enhanced operational performance of its facilities and brought their production capacity into full play, thus setting a new throughput record of crude oil and production record of refined oil products and light chemical feedstock. The Company processed 132.95 million tonnes of crude oil in 2004, an increase of 14.36% over 2003. The Company actively adjusted its product mix, increased the production of diesel and high value-added products to meet market demands. The Company put emphasis on market analysis and marketing management and, as a result, both the prices and volume of refined petroleum products sold by this segment had risen. The Company made efforts to revamp its existing oil refining facilities and improve product quality so that the production of high-grade gasoline amounted to 12.39 million tonnes, up by 34.2% over 2003. In addition, with enhanced management and scientific and technological advancement, all major economic and technical indicators of the Refining Segment were improved. The light products yield reached 74.02%, up by 0.22 percentage point over 2003, and the refining yield reached 93.09%, up by 0.46 percentage point over 2003.

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### Summary of Production of the Refining Segment

Except 2002, the following operation data of 2003 and 2004 both include those of Xi'an Petrochemical and Tahe Petrochemical.

	2004	2003	2002
Crude throughput (mbbls/day)	2,677.2	2,350.0	2,114.6
of which: sour crude throughput (mbbls/day)	551.1	478.7	402.8
Refinery utilization rate (%)	93.43	88.10	79.3
Gasoline, diesel and kerosene (million tonnes)	80.83	69.01	62.42
of which: Gasoline (million tonnes)	23.58	21.79	19.62
Diesel (million tonnes)	50.89	41.91	37.74
Kerosene including jet fuel (million tonnes)	6.36	5.31	5.06
Light chemical feedstock (million tonnes)	17.70	16.46	15.04
Light products yield (%)	74.02	73.80	73.22
Refining yield (%)	93.09	92.63	92.50

Notes: Crude oil processing volume is converted at 1 tonne = 7.35 barrels.

## (3) Marketing and Distribution Segment

In 2004, the Company paid close attention to the changes of the market, balanced resources allocation, reinforced and improved construction of marketing network. The net increase in the number of company-owned and company-operated (COCO) petrol stations in 2004 was 2,075, of which, we have won the bid to establish 5 petrol stations in Hong Kong Special Administrative Region. The Company strengthened service awareness and improved service quality to expand both retail and direct sales volume, which had resulted in an increase in sales volume, and optimised structure of refined oil products. In 2004, the total domestic sales volume of refined oil products reached 94.59 million tonnes, representing an increase of 24.59% over 2003, of which the retail volume achieved an increase of 37.07% over the previous year. The efficiency of petrol stations continued to improve with the annual throughput per petrol station exceeding 2,000 tonnes, up by 18.8% compared with that in the previous year. The retail sales volume together with direct distribution volume of refined oil products accounted for 77.07% of the total domestic sales volume, up by 5.67 percentage points over 2003. In 2004, the Company reasonably adjusted its export volume to keep in line with market demand with a total export volume of 3.5156 million tonnes of refined oil products, down by 12% compared with that in 2003.

## Summary of Operations of Marketing and Distribution Segment

	2004	2003	2002
Total domestic sales of refined oil products (million tonnes)	94.59	75.92	70.09
of which:			
Retail volume (million tonnes)	53.25	38.85	34.73
Direct sales volume (million tonnes)	19.65	15.33	12.63
Wholesale volume (million tonnes)	21.69	21.74	22.73
Average annual throughput per petrol station (tonne/station)	2,003	1,686	1,560
Total number of petrol stations under SINOPEC brand	30,063	30,242	28,127
Of which:			
Number of COCO petrol stations	26,581	24,506	24,000
Number of franchised petrol stations	3,482	5,736	4,127
Retail volume/total domestic sales volume (%)	56.3	51.2	49.6

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### (4) Chemicals Segment

In 2004, the Company strengthened the management of its chemicals operation to ensure safe, stable, sustained, full-load and optimal operations. It also optimised allocation of resources, such as chemical feedstock resources, to ensure the timely supply of raw materials and increased utilisation rate. As a result, the production of most chemical products increased significantly. In 2004, the Company produced 3.637 million tones of ethylene, up by 14.77% over 2003. The production of major chemical products, such as synthetic resins, synthetic fibres, monomers and polymers for synthetic fibres and synthetic rubbers, all increased significantly. As a result of the Company's endeavors to improve product mix and increase the production of market-adapted and high value-added products, ratio of performance compound of synthetic resin and differential fibre were increased significantly. Furtherm ore, the Company actively tapped the market and accomplished the targeted production and sales volumes. In addition, the Company achieved remarkable results in improving the marketing network of acrylic fibre, optimising allocation of resources and customers, improving the quality of customer services and unifying marketing mode. This enabled the Company to collect valuable experiences for the future reform of its chemical marketing system.

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#### Production of Major Chemicals

The operating data of 2003 and 2004 listed in the table below include the data of Maoming Ethylene and the chemical assets acquired from Sinopec Group in 2004, while those of 2002 do not.

	2004	2003	2002	Unit:
Ethylene	4,074	3,982	2,716	
Synthetic resins	6,221	5,805	4,005	
of which: performance compound resins	3,034	2,707	1,847	
Synthetic rubbers	561	553	458	
Monomers and polymers for Synthetic fibres	6,021	5,633	3,834	
Synthetic fibres	1,654	1,659	1,153	
of which: differential fibres	753	623	402	
Urea	2,630	2,028	2,666	

### (5) Research and development

In 2004, the Company proactively developed core technology and proprietary technology for its principal operations and



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achieved fruitful results of 639 domestic patents and 48 foreign patents being authorised. Breakthrough was achieved in exploration in marine phase sedimentary structure in southern China. Additionally, the Company successfully developed technologies to improve recovery rate in oil fields with complex faultage, flexible and diversified FCC technology (FDFCC), sulfur removal and olefin content reduction technology through selective hydrofining of catalytic gasoline (RIDOS), and 150 thousand tonnes per year three-reactor PET technology.

New progress was made in the construction of information system. The ERP system was deployed at 23 entities and its integrated advantage became more prominent. The comprehensive oil field management system and the Ningbo-Shanghai-Nanjing crude oil pipeline transportation and distribution management system were completed and put into operation. Moreover, the application of IC cards at petrol stations achieved remarkable progress with total number of customers exceeded 2 million. Over 10,000 COCO petrol stations have been equipped with IC card facilities and the vision of "One card in hand, fueling nationwide" becomes more accessible.

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### (6) Cost saving

In 2004, the Company adopted a series of measures to reduce costs: optimising the allocation of resources and logistics system to reduce the transportation costs, increasing processing volume of sour crude to reduce procurement cost of crude oil and optimising the operation of facilities to cut down material and energy consumption. In 2004, the Company's cost reduction totalled RMB 2.951 billion, which is RMB 451 million more than the original target of RMB 2.5 billion. The breakdown is as follows: RMB 660 million from the Exploration and Production Segment, RMB 660 million from the Refining Segment, RMB 731 million from the Chemicals Segment and RMB 900 million from the Marketing and Distribution Segment.

### (7) Capital expenditure

In 2004, according to the prevailing market conditions and our continued focus on our development strategies and core business, the Company adjusted and improved its investment structure, strictly followed investment decision making procedures and management methods and strengthened management of key construction projects. As a result of the above efforts, projects construction was accelerated. In 2004, the Company's total capital expenditure was RMB 64.759 billion, among which the capital expenditure of the Exploration and Production Segment was RMB 21.234 billion. The Company enhanced oil reserves as well as production of crude oil and natural gas, and further improved its profile of the possible, probable and proved reserves. As a result, remarkable achievements were made in the exploration and development projects in the matured fields in eastern China, newly developed fields in western China and marine phase blocks in southern China. In addition,

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the Company's proved reserves of crude oil increased by 284 million barrels, and natural gas increased by 352 billion cubic feet. The capital expenditure of the Refining Segment was RMB 14.272 billion. The newly added primary refining capacity was 8.3 million tonnes/year, the newly added hydro-refining capacity was 4 million tonnes/year, and the newly added delayed coking capacity was 3.9 million tonnes/year. The upgrading projects for improving oil product quality were progressing smoothly and the Ningbo-Shanghai-Nanjing crude oil pipeline was completed and put into operation. The capital expenditure of the Marketing and Distribution Segment was RMB16.678 billion, which was principally used for the construction of pipelines for refined oil products and further optimising marketing networks for refined oil products by acquiring, building and upgrading petrol stations. As a result, in 2004, the number of COCO petrol stations was up by 2,075, securing the Company's leading position in its principal market and raising brand awareness and customer loyalty. The capital expenditure of the Chemicals Segment was RMB 11.025 billion. With the investment, our ethylene capacity was increased by 270,000 tonnes/year, synthetic resin capacity increased by 700,000 tonnes/year, and capacity of monomers and polymers for synthetic fibres increased by 360,000 tonnes/year. The coal gasification

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projects for chemical fertiliser facilities progressed smoothly. The capital expenditure of the Company's headquarters and others totalled RMB 1.55 billion, with which the construction of information system achieved new progress.

In addition, such joint venture projects as Shanghai Secco progressed smoothly, capital expenditure was RMB 6.5 billion in total.

### (8) Cooperation with foreign partners

In 2004, the Company's major joint ventures progressed smoothly. The ethylene joint venture with BP in Shanghai has been successfully commissioned, and that with BASF in Nanjing is currently in the commissioning phase. The joint venture with Shell for coal gasification in Hunan province is under construction and estimated to be completed by the end of 2005. The joint venture with ExxonMobil and Saudi Aromco for an integrated oil refining and chemical project in Fujian is under preparation. The joint ventures for the retail of refined oil products with BP and Shell in Jiangsu and Zhejiang, respectively, were formally put into operation.

### 6.1.2 Management's Discussion And Analysis

The financial information presented in the following discussion and analysis is derived from the Company's audited financial statements that have been prepared in accordance with International Financial Reporting Standard ("IFRS").

#### 6.1.2.1 Consolidated Results of Operations

In 2004, the Company's turnover and other operating revenues were

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RMB 619.8 billion and the operating profit was RMB 63.1 billion, representing an increase of 38.0% and 62.2% over those in the previous year respectively. These results are largely attributable to a number of factors. First, the international crude oil prices continued to be volatile and remained at a high level, the chemical industry was on the up trend cycle, and the domestic economy consistently maintained fast growth, all of which resulted in strong demand for chemical products and high prices of chemical products, which, in turn, provided favorable conditions for the Company to maximise its returns. Second, by taking the advantage of the favorable opportunities, the Company proactively developed the market, increased the sales of refined oil products, maintained steady growth in oil and gas production and increased the throughput of crude oil and production of chemical products. In addition, the Company continued to strive for better operating results through strengthening internal management, furthering corporate reforms and improving asset structure.

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The following table sets forth the major items in the consolidated income statement of the Company for the indicated periods.

	Year ended 31 December	
	2004	2003
RMB millions	RMB millions	(%)
Turnover and other operating revenues	619,783	449,001
Of which: Turnover	597,197	429,949
Other operating revenues	22,586	19,052
Operating expenses	(556,714)	(410,118)
Of which:		
Purchased crude oil, products and operating supplies and expenses	(443,590)	(313,238)
Selling, general and administrative expenses	(31,843)	(27,228)
Depreciation, depletion and amortization	(32,342)	(27,951)
Exploration expenses (including dry holes)	(6,396)	(6,133)
Personnel expenses	(18,634)	(16,972)
Employee reduction expenses	(919)	(1,040)
Taxes other than income tax	(16,324)	(13,581)
Other operating expenses, net	(6,666)	(3,975)
Operating profit	63,069	38,883
Net finance costs	(4,371)	(4,463)
Investment income, share of profit less losses from associates and gain from issuance of shares by a subsidiary	908	621
Profit from ordinary activities before taxation	59,606	35,041
Taxation	(17,815)	(10,645)
Profit from ordinary activities after taxation	41,791	24,396
Minority interests	(5,772)	(1,972)
Profit attributable to shareholders	36,019	22,424

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### (1) Turnover and other operating revenues

In 2004, the Company's turnover and other operating revenues were RMB 619.8 billion, of which, the turnover was RMB 597.2 billion, representing an increase of 38.9% compared with 2003. In 2004, the Company captured the opportunity of the increased prices of crude oil and petrochemical products in the international market, expanded the sales volume of its major petrochemical products and optimized marketing structure. In 2004, the Company's other operating revenues went up to RMB 22.6 billion, representing an increase of 18.5% compared with 2003. The increase in "other operating revenues" were mainly due to the increase in sales revenue from its sale of raw and auxiliary materials to Sinopec Group Company and third parties.

The following table sets forth the Company's external sales volume, average realized prices and their changes in percentage from 2003 to 2004.

	Sales volume (thousand tonnes)			Averaged prices (R RMB/th cubic 2	2
	2004	2003	Changes (%)		
Crude oil	6,012	7,219	(16.7)	1,872	1,
Natural gas (million cubic meters)	3,775	3,405	10.9	609	
Gasoline	27,353	23,356	17.1	3,765	3,
Diesel	60,419	47,290	27.8	3,221	2,
Kerosene	5,680	4,810	18.1	2,923	2,
Basic chemical feedstock	6,664	5,712	16.7	4,429	3,
Synthetic resin	5,401	5,097	6.0	7,986	6,
Synthetic fibre	556	555	0.2	10,238	8,
Synthetic rubber	1,741	1,720	1.2	10,818	9,
Monomers and polymers for synthetic fibre	2,704	2,622	3.1	8,022	5,
Chemical fertilizer	2,622	2,001	31.0	1,355	1,

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Most of the crude oil and a small portion of the natural gas produced by the Company were internally used for refining and chemicals production. The remaining was sold to the refineries of Sinopec Group Company and other customers. In 2004, the turnover from crude oil and natural gas that were sold externally amounted to RMB 16.0 billion, accounting for 2.6% of the Company's turnover and other operating revenues, representing an increase of 6.9% compared with that in 2003. The increase was mainly due to the increase in crude oil price and expansion of natural gas business.

The Company's Refining Segment and Marketing and Distribution Segment sell petroleum products (mainly consisting of gasoline,

diesel, jet fuel, kerosene and other refined petroleum products) to third parties. In 2004, the external sales revenue of petroleum products by these two segments were RMB 406.2 billion, accounting for 65.5% of the Company's turnover and other operating revenues, representing an increase of 40.2% compared with that in 2003. The increase was mainly due to the rise of gasoline and diesel prices and also due to the Company's proactive efforts in increasing sales volume, optimising marketing structure and expanding the market of other refined petroleum products. The sales revenue of gasoline, diesel and kerosene was RMB 314.2 billion, accounting for 77.4% of the total sales revenue of petroleum products, representing an increase of 42.5% over that in 2003. The sales revenue of other refined petroleum products was RMB 92 billion, accounting for 22.6% of the total sales revenue of petroleum products, representing an increase of 33.2% compared with 2003.

The Company's external sales revenue of chemical products was RMB 126 billion, accounting for 20.3% of its turnover and other operating revenues, representing an increase of 37% compared with that in 2003. The increase was mainly due to the fact that the Company captured the opportunity of the significant increase of chemical product prices and the increase of sales volume by the Company.

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(2) Operating expenses

In 2004, the Company's operating expenses amounted to RMB 556.7 billion, representing an increase of 35.7% compared with 2003. The operating expenses mainly consisted of the following:

Purchased Crude Oil, Products, and Operating Supplies and Expenses

In 2004, the Company's costs for purchased crude oil, products and operating supplies and expenses were RMB 443.6 billion, accounting for 79.7% of the total operating expenses, representing an increase of 41.6% compared with 2003. The costs of purchased crude oil was RMB 232.6 billion, accounting for 41.8% of the total operating expenses, representing an increase of 41.5% compared with 2003. To meet the increasing demands in the market associated with the rapid growth of the Chinese economy, the Company increased its throughput of crude oil purchased from third parties. In 2004, the throughput of the Company's crude oil purchased externally was RMB 100.62 million tonnes (excluding amounts processed for third parties), representing an increase of 13.6% compared with 2003. Average cost for crude oil purchased externally in 2004 was RMB 2,312 per tonne, representing an increase of 24.6% compared with 2003.

In 2004, the Company's other purchase expenses were RMB 211 billion, accounting for 37.9% of the total operating expenses, up by 41.7% compared with 2003. This increase was mainly due to the increase in costs of refined oil products and chemical feedstock purchased externally.

Selling, general and administrative expenses

In 2004, the Company's selling, general and administrative expenses totalled RMB 31.8 billion, representing an increase of 16.9% compared with 2003. Such an increase was largely due to:

- o An increase in the total sales volume of refined oil products and an increase of sales through retail and direct distribution. The increase in sales volume resulted in an increase of selling expenses, such as transportation cost, by RMB 1.9 billion compared with 2003.
- o An increase in repairing and maintenance expenses by RMB 1.1 billion compared with 2003 due to the additions of property, plant and equipment and the increase in maintenance activities related to petrol stations.

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- o An increase in operating lease rentals by RMB 700 million compared with that in 2003. The increase was mainly due to the increase in rental of operating facilities such as petrol stations from third parties and rental of land and buildings from related parties.
- o Active promotion of Sinopec's overall image, which resulted in increased advertising expenses by RMB 700 million compared with 2003.

Depreciation, depletion and amortization

In 2004, the Company's depreciation, depletion and amortization were RMB 32.3 billion, up by 15.7% over 2003. The increase was mainly because of the additions of property, plant and equipment as a result of capital expenditure.

Exploration expenses

In 2004, the Company's exploration expenses were RMB 6.4 billion, representing an increase of 4.3% compared with 2003. The increase was principally due to the increase by the Company of its investment in exploration activities in major new blocks in the western and southern parts of China.

Personnel expenses

In 2004, the Company's personnel expenses were RMB 18.6 billion, representing an increase of 9.8% compared with 2003. The increase was largely due to the implementing by the Company of the market-rate based employee compensation system resulting in increased employee wages and salaries. The new compensation system also resulted in an increase of contribution to staff retirement plans accordingly.

Employee reduction expenses

In 2004, in accordance with the Company's voluntary employee

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reduction plan, and in connection with the acquisition of petrochemical and catalyst assets from and the disposal of downhole assets to Sinopec Group Company, the Company recorded employee reduction expenses of approximately RMB 0.9 billion relating to the reduction of approximately 24,000 employees, down by RMB 0.1 billion compared with that in 2003.

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### Taxes other than income tax

In 2004, the Company's taxes other than income tax were RMB 16.3 billion, representing an increase of 20.2% compared with 2003. The increase was largely due to the increase of consumption tax and associated city construction taxes and education surcharges as a result of the increased sales volume of gasoline and diesel of the Company.

### Other operating expenses, net

In 2004, the Company's other operating expenses, net were RMB 6.7 billion, representing an increase of 67.7% compared with 2003. The increase was largely due to the following reason: In order to allocate its internal resources more efficiently, the Company revised the production plans in 2004, and accordingly made a provision for impairment loss on certain less efficient chemical facilities, petrol stations and depots on the difference between the estimated recoverable value and the net book value of these assets amounting RMB 3.9 billion, representing an increase of RMB 3 billion compared with 2003. Meanwhile, disposals of assets decreased in 2004.

### (3) Operating profit

In 2004, the Company's operating profit was RMB 63.1 billion, representing an increase of 62.2% compared with 2003.

### (4) Net finance costs

In 2004, the Company's net finance costs were RMB 4.4 billion, down by 2.1% compared with 2003.

### (5) Profit from ordinary activities before taxation

In 2004, the Company's profit from ordinary activities before taxation was RMB 59.6 billion, representing an increase of 70.1% compared with 2003.

### (6) Taxation

In 2004, the Company's taxation was RMB 17.8 billion, representing an increase of 67.4% compared with 2003.

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### (7) Minority interests

In 2004, the Company's minority interests were RMB 5.8 billion, representing an increase of 192.7% compared with 2003. The increase was mainly due to the return of the subsidiaries of the Company increased as compared with 2003.

### (8) Profit attributable to shareholders

In 2004, the Company's profit attributable to shareholders was RMB 36 billion, representing an increase of 60.6% compared with 2003.

### 6.1.2.2 Assets, Liabilities, Shareholders' Funds, and Working Capital

The Company's primary sources of funding were from operating activities, short-term and long-term borrowings, and primary uses of funds were for operating expenses, capital expenditures and repayments for short-term and long-term loans.

#### (1) Assets, liabilities and shareholders' funds

	2004	As at 31 December 2003
Total assets	474,594	420,184
Current assets	120,271	103,039
Non-current assets	354,323	317,145
Total liabilities	250,508	222,618
Current liabilities	146,277	129,272
Non-current liabilities	104,231	93,346
Minority interests	31,046	26,051
Net assets	193,040	171,515
Shareholders' fund	193,040	171,515
Share capital	86,702	86,702
Reserves	106,338	84,813

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The Company's total assets were RMB 474.594 billion, up by RMB 54.41 billion compared with those at the end of 2003, of which the current assets were RMB 120.271 billion, up by RMB 17.232 billion compared with those at the end of 2003. The change was mainly due to the increase in inventories as a result of price and volume increase of crude oil and petrochemical products. The Company's non-current assets were RMB 354.323 billion, up by RMB 37.178 billion compared with those at the end of 2003. The change was primarily attributable to the additions of property, plant and equipment which were up by RMB 13.392 billion in value, while the construction in progress were up by RMB 16.831 billion in value.

Total liabilities were RMB 250.508 billion, up by RMB 27.89



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billion compared with those at the end of 2003, of which the current liabilities were RMB 146.277 billion, up by RMB 17.005 billion compared with those at the end of 2003. The change was mainly due to the increase in accounts payable and bills payable in total by RMB 7.003 billion to cope with increased production volume, and the increase of the Company's short-term debt by RMB 6.975 billion. Non-current liabilities were RMB 104.231 billion at the end of 2004, up by RMB 10.885 billion compared with those at the end of 2003. The change was mainly due to the fact that long-term loans of the Company were up by RMB 10.291 billion compared with those at the end of 2003.

Shareholders' funds were RMB 193.04 billion at the end of 2004, up by RMB 21.525 billion compared with that at the end of 2003, representing an increase in the reserves by RMB 21.525 billion.

### (2) Cash flow

In 2004, net increase in cash and cash equivalent was RMB 117 million (i.e. an increase from RMB 16,263 billion as at 31 December 2003 to RMB 16.381 billion as at 31 December 2004).

The following table shows the major items on the consolidated cash flow statements.

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	(Unit:
	Years
	31 Dec
	2004
Major items of cash flows	
Net cash flow from operating activities	69,081
Net cash flow from investing activities	(73,992)
Net cash flow from financing activities	5,028
Net increase/(decrease) in cash and cash equivalents	117

o Net cash inflow from operating activities was RMB 69.081 billion.

In 2004, profit from ordinary activities before taxation was RMB 59.606 billion; depreciation, depletion and amortization were RMB 32.342 billion; after adjusting the non-cash expense items, the adjusted cash flow from operating activities was RMB 100.529 billion. Major non-cash expense items were: costs of dry holes of RMB 2.976 billion, losses from disposals of properties, plants and equipment of RMB 1.686 billion, and impairment losses on long-lived assets of RMB 3.919 billion.

The changes in operating-related account receivable and payable items reduced cash inflow by RMB 14.565 billion. In order to meet the market demand, the Company expanded production and operation, as a result, the working capital

required by the ordinary business increased, of which, the increase of inventory led to a decreased cash inflow of RMB 16.526 billion, the increase of bill receivable, accounts receivable and other current assets contributed to a decreased cash inflow of RMB 7.855 billion. Due to the expanded business activities and increased purchasing costs, cash inflow of accounts payable and bill payable increased by RMB 7.129 billion, and other operating-related account receivables and payables increased the cash inflow by RMB 2.687 billion.

After adjusting the non-cash expense items and account receivable and payable items with regard to the profit from ordinary activities before taxation, and deducting the cash outflow for payment of income tax totaling RMB 16.883 billion, the net cash flow from operating activities was RMB 69.081 billion.

- o Net cash flow for investing activities was RMB 73.992 billion.

The net cash outflow for investing activities mainly represented the cash outflow for capital expenditure by the Company of RMB 67.583 billion and by the Company's joint ventures of RMB 6.035 billion.

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- o Net cash flow from financing activities was RMB 5.028 billion.

The net cash inflow from financing activities increased because the amount of newly added bank loans and other loans by the Company and its joint ventures was larger than the amount of repayments of bank loans and other loans, resulting in a cash inflow of RMB 13.645 billion. However, the effect was partly offset by the final dividend for 2003 and interim dividend for 2004 distributed by the Company, which resulted in a cash outflow of RMB 8.67 billion.

During 2004 the Company captured the opportunity of robust market demand resulting in such a remarkable increase in cash flow from operating activities. At the same time, in order to enhance its market-leading position, the Company increased its capital expenditure. In addition, the Company tightened its control on cash management and strictly controlled the scale of cash and cash equivalent, as a result, the overall efficiency of the Company improved.

- (3) Contingent liabilities

Refer to the descriptions under paragraph 7.3 "Major Guarantees" in the section headed "Significant Events".

- (4) Capital expenditure

Refer to the descriptions under paragraph 6.1.1 "Business Review" in the section headed "Report of the Board of

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Directors".

- (5) Research and development expenses and environmental expenses

Research and development expenses refer to the expenses that have been recognized during the period in which they incurred. In 2004, the Company's research and development expenses were RMB 1.518 billion.

Environmental expenses refer to the normal routine pollutant discharge fees paid by the Company, excluding any capitalised costs of pollutant discharge facilities. In 2004, the Company's environmental expenses were RMB 248 million.

- (6) Analysis of financial statements prepared under the PRC Accounting Rules and Regulations

The following table sets forth each of its segments' income and profit from principal operations, costs of principal operations, taxes and surcharges, as prepared under the PRC Accounting Rules and Regulations.

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	Years Decemb 2004 RMB millions
Income from principal operations	
Exploration and Production Segment	76,023
Refining Segment	352,548
Marketing and Distribution Segment	345,671
Chemicals Segment	122,118
Others	79,145
Elimination of inter-segment sales	(384,873)
Income from principal operations	590,632
Cost of sales, sales taxes and surcharges	
Exploration and Production Segment	36,073
Refining Segment	340,360
Marketing and Distribution Segment	306,309
Chemicals Segment	96,994
Corporate and Others	78,410
Elimination of the cost of inter-segment sales	(382,736)
Cost of sales, sales taxes and surcharges	475,410
Profit from principal operations	
Exploration and Production Segment	37,997
Refining Segment	12,005
Marketing and Distribution Segment	39,362
Chemicals Segment	25,123
Corporate and Others	735

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Profit from principal operations 115,222

Financial data prepared under the PRC Accounting Rules and Regulations:

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	As at 31 December / Years ended 31 December		Unit:
	2004	2003	
Total assets	460,081	390,213	
Long-term liabilities	98,407	80,109	
Shareholders' fund	186,350	162,946	
Profit from principal operations	115,222	80,716	
Net profit	32,275	19,011	

### Reason for changes

**Total assets:** At the end of 2004, the Company's total assets were RMB 460.081 billion, up by RMB 69.868 billion compared with 2003. This change was mainly due to the increase of investments in fixed assets by the Company during 2004 in order to meet the market demands. As a result, fixed assets increased by RMB 40.81 billion. Current assets were up by RMB 20.138 billion, which was mainly due to the increased prices and quantity of crude oil and petrochemical products which, in turn, contributed to the increase in the value of inventory of RMB 19.003 billion. Other non-current assets were up by RMB 8.92 billion, which was mainly due to the increase in deferred tax assets and long-term deferred expenses.

**Long-term liabilities:** At the end of 2004, the Company's long-term liabilities were RMB 98.407 billion, up by RMB 18.298 billion compared with 2003. This change was largely due to the issuance of RMB 3.5 billion corporate bonds and the increase of RMB 14.866 billion in long-term loans pursuant to the Company's investment plans for various projects.

**Shareholders' funds:** At the end of 2004, shareholders' funds of the Company was RMB 186.35 billion, up by RMB 23.404 billion compared with 2003. This increase was principally due to: firstly, the realized net profit in 2004 reached RMB 32.275 billion; secondly, in 2004 the distribution of its final dividend for the second half of 2003 amounted to RMB 5.202 billion and the interim dividend for 2004 totalled RMB 3.468 billion.

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Profit from principal operations: In 2004, the realised profit from principal operations was RMB 115.222 billion, up by RMB 34.506 billion, representing a growth of 42.75% compared with 2003. This increase was mainly because in 2004, with the robust market demand and the rising prices of crude oil and petrochemical products, the Company captured market opportunities, expanded the total volume of production and sales, optimized marketing structure and managed to improve its operating results at a steady pace.

Net profit: In 2004, the net profit realized by the Company was RMB 32.275 billion, up by RMB 13.264 billion, representing a growth of 69.77% compared with 2003. The increase was mainly due to the increase in the Company's profit from its principal operations.

- (7) Significant differences between the financial statements prepared under IFRS and U.S. GAAP

The major differences between the Company's financial statements prepared under IFRS and US GAAP are set out in the annual report of Sinopec Corp. for the year ended 31 December 2004.

### 6.2 The Principal Operations Categorized by Business Segments and the Status of the Connected Transactions

The following data are extracted from the financial statements prepared under the PRC Accounting Rules and Regulations.

Categorized by business segments (points)	Income from principal operations (RMB millions)	Cost of principal operations (RMB millions)	Gross profit (%) *	Increase/ decrease of income from principal operations compared with the same period of preceding year (%)	Increase/ decrease of income from principal operations compared with the same period of preceding year (%)
Exploration and production	76,023	34,929	49.98%	22.18%	
Refining	352,548	326,590	3.41%	32.41%	
Marketing and distribution	345,671	305,690	11.39%	43.54%	
Chemicals	122,118	96,339	20.57%	48.32%	
Others	79,145	78,395	0.93%	30.60%	
Elimination of inter-segment sales	(384,873)	(382,736)	N/A	N/A	
Total	590,632	459,207	19.51%	41.57%	
Of which: Connected transactions	58,732	54,197	7.35%	85.58%	

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Details of connected transactions  
 Refer to descriptions under paragraph 7.4 "Connected Transactions Entered into by the Company during the Year" in the section headed "Significant Events"

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

Of which:  
 During the period of the annual report, Sinopec Corp. provided goods and services to itscontrolling shareholder, and to its own subsidiaries, which constituted connected transactions amounted to RMB 51.279 billion

\* Gross profit = Profit from principal operations/income from principal operations

### 6.3 Principal operations in different regions

Applicable                      X Not applicable

### 6.4 Information about suppliers and customers

Total amount of purchase from the top five suppliers (RMB million)	80,600	Percentage in Sinopec Corp.'s total amount of purchase
Total amount of sales to the top five customers (RMB million)	58,700	Percentage in Sinopec Corp.'s total amount of sales

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

Applicable                      X Not applicable

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

Applicable                      X Not applicable

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

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Applicable                      X Not applicable

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

Applicable                      X Not applicable

See 6.1.1 "Business Review" and 6.1.2 "Management's Discussion And Analysis" under the section headed "Report of the Board of Directors".

Analyze the reason of material changes in the overall financial position as compared to the preceding year

X Applicable                       Not applicable

See 6.1.1 "Business Reveiw" and 6.1.2 "Management's Discussion And Analysis" under the section headed "Report of the Board of Directors".

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

Applicable                      X Not applicable

- 6.10 Fulfillment of the predicted profit

Applicable                      X Not applicable

- 6.11 Fulfillment of the operating plan

Applicable                      X Not applicable

The Company has not disclosed the Operating Plan for year 2004 (e.g. revenue, cost and expenses etc), and therefore it is not applicable.

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- 6.12 Use of the proceeds from share issue

X Applicable                       Not applicable

- 6.12.1 Use of the proceeds from A share issue

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Total proceeds from share issue after deducting the issuance expenses  
 Total amount of proceeds used in this year  
 Total amount of proceeds already used

Projects under commitment	Proposed investment in this year	Any change	Actual investment	Yield	W the p progr sat
Southwest refined oil product pipeline project	1.061	No	1.061	--	
Reason of failure to satisfy the planned progress and expected return	Southwest retained oil product pipeline is e operation in 2005. The project is on schedul				
Reason and procedure of change	No				

### 6.12.2 Change of projects

Applicable  Not applicable

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### 6.13 Projects not funded by proceeds from share issue

Applicable  Not applicable

Project name	Capital investment in project (RMB billion)	Project progress	Pro
Exploration and production segment: Development in Shengli Oilfields and capacity building in Xinjiang Tahe oilfield	21.234	progressing smoothly	Realiz growth reinf resou possi
Refining segment: Expansion of refining capacity and projects for improving product quality	14.272	a batch of upgrading projects, which aimed to improve the product quality, have been built and put into production	Newly 4mmta delay
Marketing and distribution segment: Mainly for construction of new pipeline for refined oil products and acquisition, construction and renovation of petrol stations	15.617	Net increase in number of petrol stations is 2,075	Furt netw posi and furt
Chemicals segment:			



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Revamping of Qilu Ethylene Plant and fertilizers facilities	11.025	Qilu Ethylene is expected to commence operation in the third quarter of 2004; fertilizer facilities revamping progressing smoothly	Newl capa 360m poly
Corporate and others segment: Mainly for construction of the Company's information system	1.55	progressing smoothly	The was
Total	63.698	--	--
Construction of joint ventures such as BASF-YPC and Secco	6.500	progressing smoothly	Mech real BASD

6.14 Explanation of the board of directors about the accounting firm's "non-standard comment

Applicable                       Not applicable

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6.15 Operating plan for the new fiscal year formulated by the Board of Directors

Business Prospect

6.15.1 Market Outlook

In 2005, it is estimated that the global economy will remain in stable growth. International crude oil prices will remain high and is expected to be at a fluctuating state, and the global chemical industry will still stay at a cyclical upturn. China's economy is expected to continue to grow rapidly, which will in turn drive the growth of the domestic demands for refined oil products and petrochemical products, creating rooms for the development of petroleum and petrochemical industries. Meanwhile, the openness of domestic retail market for refined oil products and the decrease of the import duty for chemical products will give rise to competitions in the domestic market.

6.15.2 Production and Operation

Faced with the opportunities and challenges in 2005, the Company intends to adopt a flexible operating strategy and focus on the following areas:

Exploration and Production Segment The Company will make further efforts in exploration and development and increasing types of supplemental resources to ensure the stable growth of oil and gas production. Moreover, the Company will strive hard to increase production and efficiency by enhancing the recovery rate and commodity rate of oil and gas. In 2005, the Company plans to produce 39 million tonnes of crude oil and 6.07 billion cubic meters of natural gas. The Company also intends to increase its production

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capacity of crude oil by 6.05 million tonnes per year and natural gas by 2.3 billion cubic meters per year.

Refining Segment The Company will reinforce management and ensure safe, stable, sustained, full-load and optimal operation of its facilities. The projected processing volume of crude oil in 2005 is 143 million tonnes. The Company will strive to increase production of refined oil products and light chemical feedstock. Optimisation of resource allocation, adjustment to structure and improvement of quality will be our main focus in 2005. The Company also proposes to raise production of LPG, propylene, aromatics and high-grade road asphalt. The Company will further increase the major techno-economic indicators of oil refining with target for light products yield at 74.1% and refining yield at 92.9%.

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Marketing and Distribution Segment The Company will further improve marketing networks and optimise marketing structure. Meanwhile, the Company will adjust its marketing strategies, make efforts to expand its total sales volume based on the market demands, and optimise resource allocation and logistics network. In 2005, the Company plans to achieve a total domestic sales of refined oil products of 102 million tonnes, including retail sales of 57.50 million tonnes and direct distribution of 22.50 million tonnes.

Chemicals Segment Efforts will be made to ensure safe, stable, sustained, full-load and optimal operation of facilities and put the two ethylene joint venture projects into operation. The Company will speed up the reform of the chemical marketing system to improve the competitiveness of chemical products. The Company will resort to scientific and technological advancement to increase the production of high value-added products, performance compound resins and differential fibres. In 2005, the Company plans to produce 5.19 million tonnes of ethylene, 7.47 million tonnes of synthetic resins, 0.55 million tonnes of synthetic rubbers, 1.61 million tonnes of synthetic fibre and 6.69 million tonnes of synthetic fibre monomers and polymers.

Scientific and Technological Development The Company will accelerate the development of core technology and proprietary technology and further build up technological advantages for core businesses development. The Company will carefully arrange for the development of key technologies, involving increase in reserves and stable production in oil fields in eastern China, exploration and development of new oil fields, natural gas development in Ordos and Sichuan, upgrading of oil product quality, construction of Qingdao Refinery and the second round revamping of Maoming Ethylene. In addition, the Company will attach great importance to the development of new high value-added products and the promotion of scientific and technological research results to serve as the technological support for reduction of costs and sharpening of products competitive edge.

Cost Saving In 2005, the Company will, depending on scientific and technological advancement, reinforce management practices, deepen reforms and enhance operating efficiency. It plans to achieve a cost saving of RMB 2.5 billion, among which Exploration and Production Segment plans to achieve a cost saving by RMB 600 million, Refining

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Segment RMB 600 million, Chemicals Segment RMB 700 million, and Marketing and Distribution Segment RMB 600 million.

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Capital Expenditure In 2005, the Company's capital expenditure is planned to be RMB 62 billion. The projected expenditure for Exploration and Production Segment is RMB 22.9 billion, Refining Segment is RMB 16.127 billion, Chemicals Segment is RMB 10.373 billion, Marketing and Distribution Segment is RMB 11 billion, Corporate and Others is RMB 1.6 billion. In 2005, capital expenditure will be engaged in the following areas: In Exploration and Production Segment, the Company will carry out the operation notion of oil reserves and strive to expand qualified resources, improve the profile of oil and gas reserves and increase production of oil and gas. In Refining Segment, the Company intends to complete the second-phase of Ningbo-Shanghai-Nanjing crude oil pipeline, construct the crude oil pipeline along the Yangtze River, and speed up the revamping of selected refining projects. In Chemicals Segment, the Company will focus on the revamping and construction of large-scale ethylene, aromatics and PTA facilities and accelerate the coal gasification projects. In Marketing and Distribution Segment, the Company will improve the marketing networks continually, build, acquire and upgrade petrol stations, optimise layout of depots, promote pipeline transportation, improve operating efficiency, and put the southwest refined oil product pipeline into operation in the first half of 2005. Moreover, the Company will speed up the application of petrol IC cards to increase marketing level based on information technologies.

Workforce downsize The company plans to reduce the number of employees by more than 15,000 in 2005 (including the downhole operation workers). By the end of 2005, the workforce size is expected to be around 370,000. In this case, the accumulative number of persons laid-off by the end of 2005 will amount to 140,000.

In addition, the Company will continue to improve foreign cooperation. The two ethylene joint ventures with BASF and BP will be put into commercial operation in the first half of 2005 and progress of Fujian integrated project will be accelerated. The Company will, according to the schedule and scale of construction determined by the board of directors of the two joint ventures and the Company's percentage of shareholdings in the joint ventures, inject investment in a timely manner. These investments will be accounted for as the Company's investment in associates as appropriate.

With the practical and down-to-earth efforts made by our employees, we are confident that, in the forthcoming year, the Company will improve its production and operating results, deepen corporate reform, strengthen structural adjustment and realize the sustained and effective development.

Profit forecast for the new fiscal year

Applicable

Not applicable

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6.16 Plan of the board of directors for profit appropriation or transfer of statutory surplus reserve to capital for this year

According to the consolidated income statement prepared pursuant to the PRC Accounting Rules and Regulations and the consolidated income statement prepared pursuant to IFRS, the Company's audited net profit in 2004 was RMB 32.275 billion and RMB 36.019 billion respectively. In accordance with the provisions of the Sinopec Corp.'s Articles of Association, the appropriation of the profit after tax for the relevant fiscal year would be conducted on the basis of the net profit as determined in accordance with the PRC Accounting Rules and Regulations or under IFRS, whichever is lower. Thus, on the basis of the net profit of Sinopec Corp. of RMB 32.275 billion, after the transfer of 10% to the statutory surplus reserve (RMB 3.228 billion) and 10% to the statutory public welfare fund (RMB 3.228 billion) from Sinopec Corp.'s net profit, adding the undistributed profit brought forward from the preceding year from and the deduction of the final dividend for year 2003 (RMB 5.202 billion) and the interim dividend for 2004 (RMB 3.468 billion) distributed in 2004, the amount of distributable profit of Sinopec Corp. of 2004 was RMB 37.124 billion. On the basis of the total number of 86,702,439,000 issued shares at the end of 2004, the proposed dividends to be distributed in cash would be RMB 0.12 per share (including tax) or RMB 10.404 billion in total. After the deduction of the cash dividends of RMB 0.04 per share distributed in the interim of 2004 (totalled RMB 3.468 billion), the final cash dividends for year 2004, declared after the balance sheet date, would be RMB 0.08 per share (totalled RMB 6.936 billion). This preliminary plan for profit appropriation will be subject to the consideration and approval at the Annual General Meeting of Shareholders for year 2004 to be convened on Wednesday, 18 May 2005.

The proposed final dividend will be distributed on or before Monday, 27 June 2005 to those shareholders whose names appear on the register of members of Sinopec Corp. at the close of business on Friday, 3 June 2005. The register of members of Sinopec Corp.'s H shares will be closed from Monday, 30 May 2005 to Friday 3 June 2005 (both dates are inclusive). In order to qualify for the year end dividend for H shares, the shareholders must lodge all share certificates accompanied by the transfer materials with Hong Kong Registrars Limited, at Shops 1712 to 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:00 p.m. on Friday, 27 May 2005 for registration.

Dividend will be denominated and declared in Renminbi. The dividend for holders of domestic shares will be paid in Renminbi and the dividend for holders of foreign shares will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to Renminbi as announced by the People's Bank of China during the week prior to the date of declaration of dividend.

The Company recorded profit during the period of the annual report but no profit appropriation proposal has been declared.

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Applicable  Not applicable

ss.7. Significant events

7.1 Acquisition of assets

Applicable  Not applicable

Counterpart of transaction and the assets acquired	Date of Acquisition	Acquisition price	Net profit contributed to the listed company in the period from the date of acquisition to the end of this year	Connected transaction or not (If yes, explain the principal price of determination)
1. Acquisition of 100% shares of Yanhua Group Tianjin Lubricant & Grease Company Limited (Jinzhi Company)	Jun. 30, 2004	RMB0.23 billion	RMB0.027 billion	Yes Appraised price
2. Acquisition of petrochemicals, catalyst, petrol station assets from the parent company	Dec. 31, 2004	RMB4.578 billion*	--	Yes Appraised price

\* The consideration in acquisition agreement was RMB 4,578 billion, RMB 5.36 million was paid on the completion date. The amount of RMB 782 million represents the profits/losses of such assets for the period between the evaluation date and completion date.

7.2 Sales of assets

Applicable  Not applicable

Counterpart of transaction and the assets sold	Date of settlement	Sales price	Net profit contributed to the listed company in the period from the date of settlement to the end of this year	Profit or loss from Sales	Connected transaction or not (If yes, explain the principle of price determination)
Sales of downhole	Dec. 31 2004	RMB1.748bn*	N/A	0	Yes, appraised price

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operation assets to  
the parent company

\*Note: The consideration in sales agreement was RMB 1.748 billion. RMB 1.712 billion was paid on the completion date. The amount of RMB 36 million represents the profits/losses of such assets for the period between the evaluation date and completion date.

The above do not have a significant impact on the continuity of operation and the management stability of Sinopec Corp.

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### 7.3 Material guarantees

X Applicable                       Not applicable

Guarantees provided by the Company (excluding the guarantee provided for subsidiaries)

Obligors	Date of occurrence (date of execution of agreement)	Guaranteed amount (RMB million)	Type	Term	Whether completed or not	Wh con (Yes
Shanghai Secco Petrochemical Co., Ltd.	2002.2.9	2,930	Joint and several liability guarantee	2002.2.9 D2021.12.20	No	
Shanghai Secco Petrochemical Co., Ltd.	2002.2.9	4,062	Joint and several liability guarantee	2002.2.9 D2013.12.20	No	
BASF-YPC Co., Ltd.	2003.3.7	4,680	Joint and several liability guarantee	2003.3.7 D2008.12.31	No	
Yueyang Sinopec Shell Coal Gasification Co., Ltd.	2003.12.10	377	Joint and several liability guarantee	2003.12.10 D2017.12.10	No	
Fujian Zhangzhao Expressway Service Company Limited	2003.1.21	10	Joint and several liability guarantee	2003.1.21 D2007.10.31	No	
Others 2		84				

Total amount of guarantee provided during the reporting period 3 RMB 29 million  
Total amount of guarantee outstanding at the end of the reporting period 3 RMB 12,143 million

Guarantees for subsidiaries

Total amount of guarantee provided for subsidiaries during the

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reporting period RMB 2,483 million Total amount of guarantee for subsidiaries outstanding at the end of the reporting period

RMB

Total amount of guarantee (including those provided for subsidiaries)  
Total guarantee amount 4

RMB 1

Total amount of guarantee as a percentage of the Sinopec Corp. net assets

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Guarantees not in compliance with the requirements of Document Zheng Jian Fa [2003] No. 56 5

Amount of guarantee provided for the holding shareholder or the other connected parties of which less than 50% (not include 50%) shares are owned by Sinopec Corp.

Amount of debt guarantee provided directly or indirectly for the companies with liabilities to assets ratio of over 70%

RM

Whether the total guaranteed amount is over 50% of the net assets

Total amount of guarantee not in compliance with the requirements of Document Zheng Jian Fa [2003] No. 56

RM

Note 1: All the guarantees listed above fulfilled the specified review procedures.

Note 2: It is the guarantee sum provided by the Company's subsidiaries in the indicated period multiplying the shareholdings held by Sinopec Corp. in the respective subsidiaries.

Note 3: Total amount of guarantee provided during the reporting period and total amount of guarantee outstanding at the end of the reporting period include the external guarantees provided by the subsidiaries and associates. The amount of the guarantee provided by these subsidiaries and associates is the aggregate of guaranteed amount provided by these subsidiaries and associates multiplied by the respective shareholdings held by Sinopec Corp.

Note 4: Total guarantee amount is the sum of the amount of guarantee outstanding at the end of the reporting period (excluding the guarantee provided for subsidiaries) and the total amount of guarantee for subsidiaries outstanding at the end of the reporting period.

Note 5: It refers to Notice on Certain Issues Relating to Regulating Fund Transfers between a Listed Company and Connected Parties and the External Guarantees of Listed Company (Zheng Jian Fa [2003] No.56) promulgated by CSRC and SASAC.

Performing Material Guarantees

At the fourteenth meeting of the First Session of the Board of Directors of Sinopec Corp., the Board approved Sinopec Corp. to

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provide conditional guarantee in both domestic and foreign currency for the Shanghai Secco project loan, and the amount of guarantee equals to RMB 6.992 billion. For further details, please refer to Sinopec Corp.'s announcement published in China Securities, Shanghai Securities and Securities Times in Mainland China on 2 April 2002 and the results announcement for the year 2001 published in South China Morning Post and Hong Kong Economic Times in Hong Kong.

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At the fourteenth meeting of the First Session of the Board of Directors of Sinopec Corp., the Board approved the proposal regarding Sinopec Corp.'s provision of guarantee for the BASF-YPC projects. On 7 March 2003, Sinopec Corp. entered into guarantee agreements for the completion of construction of the BASF-YPC project with domestic and foreign banks, whereby it guaranteed 40% of a domestic and foreign currencies denominated loan equivalent to around RMB 11.7 billion provided by these banks to BASF-YPC Co., Ltd. for completion of construction.

At the twenty-second meeting of the First Session of the Board of Directors of Sinopec Corp., the Board approved the proposal regarding Sinopec Corp.'s provision of equity pledge for the BASF-YPC project loan on the condition that BASF should provide equity pledge on the same terms. On 12 August 2004, Sinopec Corp. officially entered into the equity pledge agreement.

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

At the thirteenth meeting of the Second Session of the Board of Directors of Sinopec Corp, the Board approved Sinopec Corp. in providing China International United Petroleum & Chemical Co., Ltd. with credit line guarantee equivalent to RMB 2.483 billion.

### 7.4 Connected Transactions Entered into by the Company during the Year

The aggregate amount of connected transactions actually occurred in relation to the Company during the year was RMB 131.589 billion, of which, incoming trade amounted to RMB 67.982 billion, and outgoing trade amounted to RMB 63.603 billion (including, RMB 63.507 billion of sales of products and services, RMB 59 million of interest earned, RMB 41 million of income from agency fee). All of these transactions satisfied the conditions of waiver imposed by the Hong Kong Stock Exchange. In 2004, the products and services provided by Sinopec Group Company (purchase, storage and transportation, exploration and production services and production-related services) to the Company amounted to RMB 62.313 billion, representing 11.19% of the Company's annual operating expenses, a decrease of 2.42% compared with those in 2003, which were within the cap of 18% for waiver. The auxiliary and community services provided by Sinopec Group Company to the Company amounted to RMB 1.740 billion, representing 0.31% of operating expenses, with a slight decrease compared with 0.43% in the preceding year, which were within the cap of 2% for waiver. In 2004, the product sales from the Company to Sinopec Group Company amounted to RMB 63.507 billion, representing 10.25% of the Company's operating revenue, which were within the cap of 14% for waiver. With regard to the Leasing Agreement of Land Use



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Rights, the amount of rent paid by the Company for the year ended 31 December 2004 was approximately RMB 2.146 billion. With regard to the premium payable under the SPI Fund Document, the amount of fund paid by the Company in 2004 was not less than the amount specified in the SPI Fund Document.

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### Other Material Connected Transactions during The Year

- (1) Connected transactions for new leasing of Sinopec Group Company's land use rights

At the third meeting of the Second Session of the Board of Directors of Sinopec Corp., the Board approved the Proposal Regarding the New Leasing of Land Use Rights from Sinopec Group Company, and approved the lease of the land use rights by Sinopec Corp. of an area of 51.71 million square meters from Sinopec Group Company. The parties entered into an Agreement on Lease of Land Use Rights in August 2003. The amount of rent under the leasing agreement incurred in this reporting period was approximately RMB 300 million.

- (2) Acquisition of shares of Jinzhi Company

Please refer to the section headed "Disclosure of Significant Events" in the Annual Report.

- (3) Acquisition of petrochemical, catalyst and petrol stations assets from parent company and the disposal of downhole operation assets

Please refer to the section headed "Disclosure of Significant Events" in the Annual Report.

#### 7.4.1 Connected sales and purchases

Applicable       Not applicable

Connected party	Sales of goods and provision of services to connected party		Purchase of goods and services from connected party	
	Transaction amount	Percentage of the total amount of the type of transaction	Transaction amount	Percentage of the total amount of the type of transaction
Sinopec Group Company and its subsidiaries	51,279	8.7%	68,259	7.7%
Other connected parties	20,736	3.5%	0	0%
Total	72,015	12.2%	68,259	7.7%

Unit: RMB million

7.4.2 Connected obligatory rights and debts

Applicable       Not applicable

Connected party	Funds provided to connected party Occurrence		Fund provide Company by conn Occur
	amount	Balance	amount
Sinopec Group Company and			
its subsidiaries	(2,759)	6,135	(4,836)
Other connected parties	(23)	308	0
Total	(2,782)	6,443	(4,836)

7.5 Entrusted Money Management

Applicable       Not applicable

7.6 Performance of commitments

Applicable       Not applicable

(1) At the end of the reporting period, the undertakings made by Sinopec Corp. include:

- i Carrying out the reorganization of its three wholly-owned subsidiaries, namely, Sinopec Shengli Oilfield Company Limited, Sinopec Sales Company Limited and China Petrochemical International Company Limited in accordance with the PRC Company Law within a specified period of time;
- ii Changing the logo currently used by the petrol stations within a specified period of time;
- iii Setting up separate office buildings for Sinopec Group Company and Sinopec Corp. within a specified period of time; and
- iv Complying with the relevant applicable provisions and rules of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") regarding the waiver of continuing connected transactions.

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(2) At the end of the reporting period, the major undertakings given by Sinopec Group Company to the Company include:

- i Complying with the agreements concerning continuing connected transactions;
- ii Solving the issues arising from the land use rights certificates and property ownership rights certificates within a specified period of time;
- iii Implementing the Reorganization Agreement (as defined in the Prospectus for the Issuance of H Shares);
- iv Granting licenses for intellectual property rights;
- v Avoiding competition within the industry; and
- vi Withdrawing from the business competition and conflict of interests with Sinopec Corp.

Details of the above commitments were included in the Prospectus for the Issuance of A Shares published by Sinopec Corp. in China Securities, Shanghai Securities and Securities Times on 22 June 2001.

During the reporting period, Sinopec Corp. was not aware of any beach of above commitments by itself or the above principal shareholder.

### 7.7 Litigation and arbitration of significant importance

Applicable                       Not applicable

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### 7.8 Independent directors' performance of their duties

Presence of Independent Directors at Board of Directors Meetings

Name of the independent director	Number of meetings		Counts of commissioned presence (times)
	Counts of held during the reporting period	Counts of presence (times)	
Chen Qingtai	9	9	0
Ho Tsu Kwok, Charles	9	6	3
Shi Wanpeng	9	8	1
Zhang Youcai	9	8	1

Independent director's adverse opinions on matters related to Sinopec Corp.

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Applicable

Not applicable

### 7.9 Other significant events

#### 7.9.1 Issuance and Listing of Corporate Bonds

On 8 March 2004, Sinopec Corp. successfully issued domestic 10-year term corporate bonds which amounted to RMB 3.5 billion with a fixed coupon rate of 4.61%. On 28 September 2004, the said corporate bonds were listed on the Shanghai Stock Exchange. For further details, please refer to Sinopec Corp.'s announcement published in China Securities, Shanghai Securities, and Securities Times in Mainland China, and South China Morning Post and Hong Kong Economic Times in Hong Kong on 24 February 2004 and 28 September 2004. As at 31 December 2004, the outstanding principal balance of the said corporate bonds was RMB 3.5 billion. On 24 February 2005, Sinopec Corp. repaid coupon interests for the first year in full.

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#### 7.9.2 The transfer of state-owned shares from CDB and Cinda to Sinopec Group Company

China Development Bank ("CDB") and China Cinda Asset Management Corporation ("Cinda"), entered into a share transfer agreement with Sinopec Group Company during the reporting period pursuant to which Cinda transferred 5 billion state-owned shares of Sinopec Corp. (representing 5.767% of the total issued shares of Sinopec Corp.) to Sinopec Group Company and CDB transferred 6.143 billion state-owned shares of Sinopec Corp. (representing 7.085% of the total issued shares of Sinopec Corp.) to Sinopec Group Company. The total cash considerations of RMB 9 billion and RMB 11.0574 billion were paid to Cinda and CDB respectively by Sinopec Group Company. The said share transfers were completed on 29 December 2004. Please refer to the announcement published in China Securities, Shanghai Securities, and Securities Times in Mainland China, and South China Morning Post and Hong Kong Economic Times in Hong Kong on 15 October 2004 for further details.

#### 7.9.3 Major Cooperation Projects

- (1) Establishment of Sinopec-Shell (Jiangsu) Petroleum Marketing Co., Ltd.

On 13 July 2004, the Ministry of Commerce approved the establishment of Sinopec-Shell (Jiangsu) Petroleum Sales Co., Ltd., a Sino-foreign joint venture by Sinopec Corp., Royal Dutch/Shell (China) Holding BV and Shell (China) Ltd. The total investment in the said joint venture was RMB 1.55 billion and the registered capital was RMB 830 million. The parties contributed to the registered capital of the said joint venture in the proportion of 60%, 30% and 10% respectively. On 28 August 2004, Sinopec Shell (Jiangsu) Petroleum Marketing Co., Ltd was officially established in Nanjing.

- (2) Establishment of BP Sinopec (Zhejiang) Petroleum Co., Ltd.

On 3 September 2004, the Ministry of Commerce approved the

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establishment of a Sino-foreign joint venture, Sinopec BP (Zhejiang) Petroleum Co. Ltd., by Sinopec Corp. and BP Global Investments Limited. The total investments of the said joint venture amounted to RMB 2.188 billion and its registered capital was RMB 800 million. Sinopec Corp. and BP Global Investments Limited contributed 60% and 40% of the registered capital of the said joint venture respectively. Sinopec BP (Zhejiang) Petroleum Co., Ltd. was officially established on 4 November 2004.

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### (3) Foreign Partners Exits the Natural Gas Project in East China Sea

On 19 August 2003, Sinopec Corp., CNOOC, Shell and Unocal reached an agreement to jointly explore for, develop and sales natural gas, oil and condensate in the East China Sea. Pursuant to the terms of the agreement, the foreign partners were required to reach a formal decision on whether to continue to participate in the said project after 12 months from the date of signing of the agreement. On 24 September 2004, Shell and Unocal made an announcement of their decision to end their involvement in the exploration, production and sales of products in five different areas of the Xihu district and to exit the said project based on commercial reasons.

#### 7.9.4 The Transfer of State-Owned legal person shares of China Phoenix held by Sinopec Corp.

At the ninth meeting of the Second Session of the Board of Directors of Sinopec Corp. held on 6 July 2004, the proposal to transfer 211,423,651 state-owned legal person shares held by Sinopec Corp. in Sinopec Wuhan Phoenix Company Limited ("China Phoenix") (representing 40.72% of the total issued share capital of China Phoenix) to Hubei Qingjiang Water Power Investment Limited ("Qingjiang Investment") and China Guodian (Group) Corporation ("Guodian Group") was approved. The total consideration for the said transfer was approximately RMB 621 million. The proposed acquisition of petrochemicals assets of China Phoenix (including production facilities, inventories and corresponding accounts receivables) from Qingjiang Investment and Guodian Group which they would acquire through asset swaps with China Phoenix was also approved by the Board of Directors of Sinopec Corp. at the same meeting. The total consideration payable for the acquisition was RMB 548 million. Please refer to Sinopec Corp.'s announcement published in China Securities, Shanghai Securities, and Securities Times in Mainland China, and South China Morning Post and Hong Kong Economic Times in Hong Kong on 7 July 2004 for further details. The proposed asset swaps are pending the approval of China Securities Regulatory Commission (CSRC) and such acquisition and asset swaps are being modified to satisfy the requirements of CSRC.

#### 7.9.5 Acquisition of 40.5% shares held by Hong Kong Huarun in Qingdao Qirun

Qingdao Qirun Petrochemical Company Limited (Qingdao Qirun) is a Sino-foreign joint venture established by Qingdao Petroleum General

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Company Limited, Qilu Petrochemical Company Limited and Hong Kong Huarun Petrochemical (Group) Company Limited (Hong Kong Huarun) on 27 April 1993. The parties contributed 21%, 38.5% and 40.5% respectively to the total registered capital of USD 27.38 million. Qingdao Qirun is mainly engaged in storing, transporting and transferring crude oil and refined oil and is equipped with 500,000 cubic meters of crude/refined oil storage tanks, four pipelines linking to Qingdao oil terminal, dedicated railways connecting to the Jiaoji railway and road delivery and transport system for crude/refined oil.

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To facilitate oil products storage and transportation for Qingdao Refining Project, Sinopec Corp. and Hong Kong Huarun entered into a share transfer agreement on 17 November 2004, pursuant to which Sinopec Corp. acquired 30% interest in Qingdao Qirun from Hong Kong Huarun. On 21 January 2005, the parties entered into another share transfer agreement, pursuant to which Sinopec Corp. acquired the remaining 10.5% interest in Qingdao Qirun from Hong Kong Huarun. The shares transfer represented an aggregate of 40.5% interest in Qingdao Qirun and the total consideration for the transfer amounted to RMB 480 million.

### 7.9.6 Purchasing Stake in China Gas

Sinopec Corp. and China Gas Holdings Ltd. ("China Gas") entered into a strategic cooperation agreement on 1 November 2004 in Beijing. Pursuant to the agreement, Sinopec Corp. subscribed for 210 million newly issued shares of China Gas at the price of HK\$ 0.61 per share. Sinopec Corp. undertakes not to sell the shares within 12 months since the completion date of such shares subscription.

### 7.9.7 Merger by Absorption of Beijing Yanhua

Sinopec Corp. plans to privatise Beijing Yanhua Petrochemical Company Limited (Beijing Yanhua) by way of merger by absorption through Beijing Feitian Petrochemical Company Limited (Beijing Feitian), a wholly-owned subsidiary of Sinopec Corp. established for the purpose of such merger. Pursuant to the agreement entered into between Beijing Feitian and Beijing Yanhua on 29 December 2004, Beijing Feitian will purchase the listed shares of Beijing Yanhua from shareholders at a unit price of HK\$ 3.80 per share in cash, the total consideration involved amounts to approximately HK\$ 3.846 billion. The proposed merger has been approved by relevant shareholders at the general meeting or independent shareholders at the general meeting of independent shareholders of Beijing Yanhua and the general meeting of shareholders of Beijing Feitian, but is subject to the approvals of domestic and overseas regulators of securities markets. Please refer to Sinopec Corp.'s announcement published in China Securities, Shanghai Securities and Securities Times in Mainland China and South China Morning Post and Hong Kong Economic Times in Hong Kong on 30 December 2004 and 7 March 2005 for details.

### 7.9.8 Reduction of Employees

Sinopec Corp. plans to reduce the number of employees by 100,000

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persons through retirement, voluntary resignation and/or redundancy within the period of 5 years from 2001 to 2005 to enhance its efficiency and operating profit. By the end of 2004, the accumulative net reduction during the past four years had amounted to 119,000 persons. In 2004, the Company has recorded employees reduction expenses of approximately RMB 920 million for about 24,000 employees (including 13,000 downhole operation staff to be reduced in 2005). The net reduction of number of employees in 2004 was 11,000.

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### 7.9.9 Changes in senior management

At the sixteenth meeting of the Second Session of the Board of Directors of Sinopec Corp., the Board approved the resignation applications of Mr. Wang Jiming from the President position and Mr. Mou Shuling from the Senior Vice President position. The Board of Directors also approved the appointment of Mr. Wang Tianpu as President and Mr. Zhang Jianhua and Mr. Wang Zhigang as Senior Vice President of Sinopec Corp.

### ss.8. Report of the Supervisory Committee

The Supervisory Committee considers that Sinopec Corp. has complied with relevant regulations. There were no irregularities identified in Sinopec Corp.'s financial conditions, use of proceeds from issuance of A shares, acquisitions and disposal of assets or connected transactions.

### ss.9. Financial statements

#### 9.1 Auditors' opinion

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

#### 9.2 The Group's and the Company's balance sheets and income statements with comparatives, and cash flow statements for the year

##### 9.2.1 Financial statements prepared in accordance with the PRC Accounting Rules and Regulations

###### (1) Balance Sheet

	At 31 December 2004		At 31 Decem
	The Group RMB millions	The Company RMB millions	The Group RMB millions
Current assets:			
Cash at bank and in hand	18,280	6,299	17,405
Bills receivable	7,812	1,597	5,953
Trade accounts receivable	9,756	8,245	9,284
Other receivables	12,462	19,625	15,457
Advance payments	4,828	4,358	3,904

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Inventories	63,918	33,951	44,915
Total current assets	117,056	74,075	96,918

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Long-term equity investment: (Including the Group's and the Company's equity investment differences of RMB 383 million and RMB 400 million respectively (2003: RMB 400 million and 395 million))	13,409	124,211	11,150
Fixed assets:			
Fixed assets, at cost	519,462	271,120	461,128
Less: Accumulated depreciation	243,510	113,572	213,804
Net book value of fixed assets before impairment losses	275,952	157,548	247,324
Less: Provision for impairment losses on fixed assets	5,816	4,038	1,331
Net book value of fixed assets	270,136	153,510	245,993
Construction materials	430	93	1,226
Construction in progress	45,976	28,779	28,513
Total fixed assets	316,542	182,382	275,732
Intangible assets and other assets:			
Intangible assets	5,345	4,261	4,564
Long-term deferred expenses	3,563	2,530	97
Total intangible assets and other assets	8,908	6,791	4,661
Deferred taxation:			
Deferred tax assets	4,166	3,708	1,752
Total assets	460,081	391,167	390,213

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Current liabilities:



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Short-term loans	26,723	16,254	20,904
Bills payable	30,797	21,589	23,958
Trade accounts payable	23,792	21,137	22,704
Receipts in advance	8,605	6,106	5,908
Wages payable	3,223	1,854	1,850
Staff welfare payable	1,101	498	1,230
Taxes payable	6,741	3,170	6,986
Other payables	1,519	442	1,237
Other creditors	26,459	34,156	27,537
Accrued expenses	652	430	303
Current portion of long-term liabilities	14,298	11,506	8,175
Total current liabilities	143,910	117,142	120,792
Long-term liabilities:			
Long-term loans	94,087	82,332	79,221
Debentures payable	3,500	3,500	--
Other long-term payables	820	438	888
Total long-term liabilities	98,407	86,270	80,109
Deferred taxation:			
Deferred tax liabilities	198	16	289
Total liabilities	242,515	203,428	201,190
Minority interests	31,216	--	26,077

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Shareholders' funds:

Share capital	86,702	86,702	86,702
Capital reserve	37,121	37,797	36,852
Surplus reserves (Including statutory public welfare fund of RMB 9,558 million (2003: RMB 6,330 million))	26,116	26,116	19,660
Unrecognised investment losses (713)		--	(243)
Undistributed profits (Including dividend declared after the balance sheet date in respect of the year 2004 of RMB 6,936 million (2003: RMB 5,202 million))	37,124	37,124	19,975
Total shareholders' funds	186,350	187,739	162,946
Total liabilities and shareholders' funds	460,081	391,167	390,213

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(2) Income statement and profit appropriation statement

	For the year ended		For the year
	31 December 2004		31 December
	The Group	The Company	The Group
	RMB millions	RMB millions	RMB millions
Income from principal			
operations	590,632	397,789	417,191
Less: Cost of sales	459,207	336,089	323,104
Sales taxes and surcharges	16,203	10,094	13,371
Profit from principal			
operations	115,222	51,606	80,716
Add: Profit from other operations	1,102	108	856
Less: Selling expenses	19,477	13,055	14,582
Administrative expenses	23,167	15,523	21,219
Financial expenses	4,331	2,770	4,129
Exploration expenses, including dry holes	6,396	4,951	6,133
Operating profit	62,953	15,415	35,509
Add: Investment income	1,088	39,374	548
Non-operating income	665	377	292
Less: Non-operating expenses	11,171	7,879	6,334
Profit before taxation	53,535	47,287	30,015
Less: Taxation	16,060	14,769	9,361
Minority interests	5,670	--	1,886
Add: Unrecognised investment losses	470	--	243
Net profit	32,275	32,518	19,011
Add: Undistributed profits at the beginning of year	19,975	19,732	12,569
Distributable profits	52,250	52,250	31,580
Less: Transfer to statutory surplus reserve	3,228	3,228	1,901
Transfer to statutory public welfare fund	3,228	3,228	1,901
Distributable profits to shareholders	45,794	45,794	27,778
Less: Ordinary shares' final dividend	5,202	5,202	5,202
Ordinary shares' interim dividend	3,468	3,468	2,601

Undistributed profits  
at the end of the year  
(Including dividend declared  
after the balance sheet date in  
respect of the  
year 2004 of  
RMB 6,936 million

(2003: RMB 5,202 million))	37,124	37,124	19,975
----------------------------	--------	--------	--------

## (3) Cash Flow Statement

	Note	For the year 31 December The Group RMB millions
Cash flows from operating activities		
Cash received from sale of goods and		
rendering of services		712,682
Rentals received		368
Other cash received relating to operating activities		3,640
Sub-total of cash inflows		716,690
Cash paid for goods and services		(549,408)
Cash paid for operating leases		(6,871)
Cash paid to and on behalf of employees		(16,304)
Value added tax paid		(25,961)
Income tax paid		(16,858)
Taxes paid other than value added tax and		
income tax		(16,045)
Other cash paid relating to operating activities		(15,104)
Sub-total of cash outflows		(646,551)
Net cash flows from operating activities	(a)	70,139

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Cash flows from investing activities	
Cash received from sales of investments	186
Dividend received	322
Net cash received from sales of fixed assets and intangible assets	315
Maturity of time deposits with financial institutions	2,217
Other cash received relating to investing activities	359
Sub-total of cash inflows	3,399
Cash paid for acquisition of fixed assets and intangible assets	(66,693)
Cash paid for acquisition of fixed assets and intangible assets of jointly controlled entities	(6,035)
Cash paid for purchases of investments	(1,225)
Increase in time deposits with financial institutions	(1,932)
Cash paid for acquisition of Sinopec Maoming, Xi'an Petrochemical and Tahe Petrochemical	(3,652)
Sub-total of cash outflows	(79,537)
Net cash flows from investing activities	(76,138)
Cash flows from financing activities	
Proceeds from contribution from minority shareholders	1,008
Proceeds from issuance of corporate bonds, net of issuing expenses	3,472
Proceeds from borrowings	391,832
Proceeds from borrowings of jointly controlled entities	3,014
Sub-total of cash inflows	399,326
Repayments of borrowings	(377,855)
Cash paid for dividends, distribution of profit or interest	(13,538)
Dividend paid to minority shareholders by subsidiaries	(775)
Sub-total of cash outflows	(392,168)
Net cash flows from financing activities	7,158
Effect of foreign exchange rate	1
Net increase/(decrease) in cash and cash equivalents	(b) 1,160

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## Note to the cash flow statement

	For the year 31 December The Group RMB millions
(a) Reconciliation of net profit to cash flows from operating activities	
Net profit	32,275
Add: Allowance for doubtful accounts	2,050
Provision for diminution in value of inventories	433
Depreciation of fixed assets	30,766
Amortisation of intangible assets	476
Impairment losses on fixed assets	4,628
Impairment losses on long-term investments	88
Net loss on disposal of fixed assets and intangible assets	3,989
Financial expenses	4,331
Dry hole costs	2,976
Investment income	(843)
Deferred tax liabilities (less: assets)	(2,439)
Increase in inventories	(16,927)
Increase in operating receivables	(4,245)
Increase in operating payables	6,911
Minority interests	5,670
Net cash inflow from operating activities	70,139
(b) Net increase/(decrease) in cash and cash equivalents	
Cash and cash equivalents at the end of the year	16,381
Less: Cash and cash equivalents at the beginning of the year	15,221
Net increase/(decrease) in cash and cash equivalents	1,160

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### 9.2.2 Financial statements prepared in accordance with IFRS

#### Consolidated income statements

	For the year ended 31 December 2004 RMB millions
Turnover and other operating revenues	
Turnover	597,197
Other operating revenues	22,586
	619,783
Operating expenses	
Purchased crude oil, products and operating supplies and expenses	(443,590)
Selling, general and administrative expenses	(31,843)

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Depreciation, depletion and amortisation	(32,342)
Exploration expenses, including dry holes	(6,396)
Personnel expenses	(18,634)
Employee reduction expenses	(919)
Taxes other than income tax	(16,324)
Other operating expenses, net	(6,666)
<b>Total operating expenses</b>	<b>(556,714)</b>
Operating profit	63,069
Finance costs	
Interest expense	(4,583)
Interest income	374
Foreign exchange losses	(223)
Foreign exchange gains	61
<b>Net finance costs</b>	<b>(4,371)</b>
Gain from issuance of shares by a subsidiary	--
Investment income	111
Share of profits less losses from associates	797

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Profit from ordinary activities before taxation	59,606
Taxation	(17,815)
Profit from ordinary activities after taxation	41,791
Minority interests	(5,772)
Profit attributable to shareholders	36,019
Basic earnings per share (RMB)	0.42
Dividends attributable to the year:	
Interim dividend declared during the year	3,468
Final dividend proposed after the balance sheet date	6,936
	10,404

### Balance Sheet

	At 31 December 2004		At 31 Decem
	The Group RMB millions	The Company RMB millions	The Group RMB millions
Non-current assets			
Property, plant and equipment	284,123	158,011	270,731
Construction in progress	46,185	28,948	29,354
Interest in subsidiaries	--	118,451	--
Investments	2,538	158	2,709

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Interests in associates	10,222	7,540	8,121
Interests in jointly controlled entities	--	3,568	--
Deferred tax assets	4,558	3,724	3,067
Lease prepayments	750	--	810
Long-term prepayments and other assets	5,947	3,660	2,353
Total non-current assets	354,323	324,060	317,145

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Current assets			
Cash and cash equivalents	16,381	6,051	16,263
Time deposits with financial institutions	1,899	248	2,184
Trade accounts receivable	9,756	8,245	9,479
Bills receivable	7,812	1,597	6,283
Inventories	64,329	34,044	47,916
Prepaid expenses and other current assets	20,094	26,471	20,914
Total current assets	120,271	76,656	103,039
Current liabilities			
Short-term debts	32,307	20,033	29,181
Loans from Sinopec Group Company and fellow subsidiaries	8,714	7,727	4,865
Trade accounts payable	23,792	21,137	23,319
Bills payable	30,797	21,589	24,267
Accrued expenses and other payables	45,276	45,565	43,561
Income tax payable	5,391	3,142	4,079
Total current liabilities	146,277	119,193	129,272
Net current liabilities	(26,006)	(42,537)	(26,233)
Total assets less current liabilities	328,317	281,523	290,912
Non-current liabilities			
Long-term debts	60,822	49,515	48,257
Loans from Sinopec Group Company and fellow subsidiaries	36,765	36,317	39,039
Deferred tax liabilities	5,636	2,025	4,599
Other liabilities	1,008	626	1,451
Total non-current liabilities	104,231	88,483	93,346
Minority interests	31,046	--	26,051
Net assets	193,040	193,040	171,515

Shareholders' funds			
Share capital	86,702	86,702	86,702
Reserves	106,338	106,338	84,813
Total shareholders' funds	193,040	193,040	171,515

Consolidated cash flow statement

				For t
				31
			Note	
Cash flows from operating activities			(a)	
Cash flow from investing activities				
Capital expenditure				
Capital expenditure of jointly controlled entities				
Purchase of investments and investments in associates				
Proceeds from disposal of investments and				
investments in associates				
Proceeds from disposal of property, plant and equipment				
Increase in time deposits with financial institutions				
Maturity of time deposits with financial institutions				
Net cash used in investing activities				
Cash flow from financing activities				
Proceeds from bank and other loans				
Proceeds from bank and other loans				
of jointly controlled entities				
Proceeds from issuance of corporate bonds,				
net of issuing expenses				
Repayments of bank and other loans				
Distributions to minority interests				
Contributions from minority interests				
Dividend paid				
Cash and cash equivalent distributed to				
Sinopec Group Company				
Net cash from financing activities				

Net increase in cash and cash equivalents
Effect of foreign exchange rate
Cash and cash equivalents at beginning of the year
Cash and cash equivalents at end of the year



- (a) Reconciliation of profit from ordinary activities before taxation to cash flows from operating activities

For t  
31

Profit from ordinary activities before taxation  
Adjustments for:  
Depreciation, depletion and amortisation  
Dry hole costs  
Share of profits less losses from associates  
Investment income  
Interest income  
Interest expense  
Unrealised foreign exchange losses  
Loss on disposal of property, plant and equipment, net  
Impairment losses on long-lived assets  
Increase in trade accounts receivable  
Increase in bills receivable  
Increase in inventories  
Decrease in prepaid expenses and other current assets  
Decrease in lease prepayments  
Increase in long-term prepayments and other assets  
Increase in trade accounts payable  
Increase in bills payable  
Decrease in accrued expenses and other payables  
Decrease in other liabilities  
  
Cash generated from operations  
Interest received  
Interest paid  
Investment and dividend income received  
Income tax paid  
  
Cash flows from operating activities

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9.2.3 Major differences between the financial statements prepared under the PRC Accounting Rules and Regulations and IFRS

Other than the differences in the classifications of certain financial statements captions and the accounting for the items described below, there are no material differences between the Group's financial statements prepared under the PRC Accounting Rules and Regulations and IFRS. The major differences are:

- (1) Effects of major differences between the PRC Accounting Rules and Regulations and IFRS on net profit are analysed as follows:

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	For the year ended 31 December 2004 RMB millions	For t 31
Net profit under the PRC		
Accounting Rules and Regulations	32,275	
Adjustments:		
Disposal of oil and gas properties, net of depreciation effect	2,110	
Acquisitions of Sinopec Maoming, Xi'an Petrochemical, Tahe Petrochemical, Tianjin Petrochemical, Luoyang Petrochemical, Zhongyuan Petrochemical and Catalyst Plants	1,499	
Acquisition of Sinopec National Star	117	
Depreciation of oil and gas properties	761	
Impairment losses on revalued assets	709	
Capitalisation of general borrowing costs	480	
Revaluation of land use rights	19	
Government grants	3	
Unrecognised losses of subsidiaries	(531)	
Pre-operating expenditures	(288)	
Gain from issuance of shares by a subsidiary	--	
Gain from debt restructuring	--	
Effects of the above adjustments on taxation	(1,135)	
Net profit under IFRS*	36,019	

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- (2) Effects of major differences between the PRC Accounting Rules and Regulations and IFRS on shareholders' funds are analysed as follows:

	At 31 December 2004 RMB millions	31
Shareholders' funds under the		
PRC Accounting Rules and Regulations	186,350	
Adjustments:		
Disposal of oil and gas properties	3,370	
Acquisitions of Tianjin Petrochemical, Luoyang Petrochemical, Zhongyuan Petrochemical and Catalyst Plants	--	
Acquisition of Sinopec National Star	(2,695)	

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Depreciation of oil and gas properties	11,646
Capitalisation of general borrowing costs	1,605
Revaluation of land use rights	(851)
Government grants	(592)
Effect of minority interests on unrecognised losses of subsidiaries	--
Pre-operating expenditures	(457)
Impairment losses on long-lived assets	(113)
Effects of the above adjustments on taxation	(5,223)
Shareholders' funds under IFRS *	193,040

\* The above figure is extracted from the financial statements prepared in accordance with IFRS which have been audited by KPMG.

### 9.2.4 Supplemental information for North American Shareholders

The Group's accounting policies conform with IFRS which differ in certain significant respects from accounting principles generally accepted in the United States of America ("US GAAP"). See the text of the Annual Report for details.

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The effect on profit attributable to shareholders of significant differences between IFRS and US GAAP is as follows:

	For the years ended 31	
	2004 US\$ millions	2004 RMB millions
Profit attributable to shareholders under IFRS	4,352	36,019
US GAAP adjustments:		
Foreign exchange gains and losses	7	57
Capitalisation of property, plant and equipment	1	12
Reversal of deficit on revaluation of property, plant and equipment, net of depreciation effect	(1)	(8)
Depreciation on revalued property, plant and equipment	462	3,825
Disposal of property, plant and equipment	228	1,891
Exchange of assets	3	23
Reversal of impairment of long-lived assets, net of depreciation effect	4	29
Capitalised interest on investments in associates	25	205
Goodwill amortisation for the year	1	7
Deferred tax effect of US GAAP adjustments	(252)	(2,085)
Profit attributable to shareholders under US GAAP	4,830	39,975
Basic and diluted earnings per share under US GAAP	US\$0.06	RMB0.46

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Basic and diluted earnings  
per ADS under US GAAP\* US\$5.57 RMB46.11

\* Basic and diluted earnings per ADS is calculated on the basis that one ADS is equivalent to one share of common stock.

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The effect on shareholders' funds of significant differences between IFRS and US GAAP is as follows:

	2004 US\$ millions	At 31 December 2004 RMB millions
Shareholders' funds under IFRS	23,324	193,040
US GAAP adjustments:		
Foreign exchange gains and losses	(36)	(295)
Capitalisation of property, plant and equipment	--	--
Revaluation of property, plant and equipment	(820)	(6,783)
Deferred tax adjustments on revaluation	254	2,101
Exchange of assets	(64)	(532)
Reversal of impairment of long-lived assets	(64)	(532)
Capitalised interest on investments in associates	64	526
Goodwill	3	24
Deferred tax effect of US GAAP adjustments	36	301
Shareholders' funds under US GAAP	22,697	187,850

Note: United States dollar equivalents

For the convenience of readers, amounts in Renminbi have been translated into United States dollars at the rate of US\$1.00 = RMB8.2765 being the noon buying rate in New York City on 31 December 2004 for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the Renminbi amounts could have been, or could be, converted into United States dollars at that rate.

### 9.3 Change in Accounting Policy

Applicable  Not applicable

### 9.4 As compared to the last annual report, there are no changes in the scope of consolidation.

Applicable  Not applicable

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### Section 10. Repurchase, Sales and Redemption of Shares

Applicable  Not applicable

### Section 11. Compliance with the Code of Best Practice

The Board of Directors believes that, during this reporting period, Sinopec Corp. complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange.

### Section 12. Application of the Model Code

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

ss.13. A detailed results announcement containing all the information required by Paragraphs 45 (1) to (3) of Appendix 16 to the Listing Rules of the Stock Exchange will be published on the website of the Hong Kong Stock Exchange in due course.

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

By order of the Board  
Chen Tonghai  
Chairman

Beijing, China, 25 March 2005

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### NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR 2004

NOTICE IS HEREBY GIVEN that the annual general meeting ("Annual General Meeting") of China Petroleum & Chemical Corporation ("Sinopec Corp.") for the year 2004 will be held at Crowne Plaza Beijing -D Park View Wuzhou, No. 8 North Si Huan Zhong Road, Chaoyang District, Beijing, China on Wednesday, 18 May 2005 at 9:00 a.m. for the following purposes:

By way of ordinary resolutions:

1. To consider and approve the report of the Board of Directors of Sinopec Corp. for the year ended 31 December 2004.
2. To consider and approve the report of the Supervisory Committee of Sinopec Corp. for the year ended 31 December 2004.
3. To consider and approve the audited accounts and audited consolidated accounts of Sinopec Corp. for the year ended 31 December 2004.
4. To consider and approve Plan for Profit Appropriation and the Final

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Dividend of Sinopec Corp. for the year ended 31 December 2004.

5. To appoint the PRC and international auditors, respectively, of Sinopec Corp. for the year 2005 and to authorise the Board of Directors to fix their remuneration.
6. To consider and approve the proposal regarding Sinopec Corp. Tianjin 1 million tonnes per annum ethylene and auxillary facilities project.

To improve the overall competitiveness and profitability of Sinopec Corp. in accordance with its overall strategic development and current market condition, the Board approved the feasibility study report of Tianjin 1 million tonnes per annum ethylene and auxillary facilities project and will submit the report for approval at the Annual General Meeting. This project includes an ethylene project with a capacity of 1 million tonnes per annum, a refining revamping project and an auxillary thermo power revamping project. The total investment of the project is estimated to be RMB20.1 billion.

By Order of the Board  
Chen Ge  
Secretary to the Board of Directors

Beijing, PRC, 25 March 2005

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### Notes:

#### 1. Eligibility for attending the Annual General Meeting

Holders of Sinopec Corp.'s H Shares whose names appear on the register of members maintained by Hong Kong Registrars Limited and holders of domestic shares whose names appear on the domestic shares register maintained by China Securities Registration and Clearing Company Limited Shanghai Branch Company at the close of business Monday, 25 April 2005 are eligible to attend the Annual General Meeting.

In order to be eligible to attend and vote at the Annual General Meeting to be held on Wednesday, 18 May 2005, all transfers accompanied by the relevant share certificates must be lodged with share registrars for H Shares of Sinopec Corp. in Hong Kong, Hong Kong Registrars Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Monday, 18 April 2005.

#### 2. Proxy

- (1) A member eligible to attend and vote at the Annual General Meeting is entitled to appoint, in written form, one or more proxies to attend and vote on its behalf. A proxy need not be a shareholder of Sinopec Corp.
- (2) A proxy should be appointed by a written instrument signed by the appointor or its attorney duly authorised in writing. If the form of proxy is signed by the attorney of the appointor, the power of attorney authorising that attorney to sign or the authorisation document(s) must be notarised.

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- (3) To be valid, the power of attorney or other authorisation document(s) which have been notarised together with the completed form of proxy must be delivered, in the case of holders of domestic shares, to the registered address of Sinopec Corp. and, in the case of holder of H Shares, to Hong Kong Registrars Limited, not less than 24 hours before the time designated for holding of the Annual General Meeting.
- (4) A proxy may exercise the right to vote by a show of hands or by poll. However, if more than one proxy is appointed by a shareholder, such proxies shall only exercise the right to vote by poll.

### 3. Registration procedures for attending the Annual General Meeting

- (1) A shareholder or his proxy shall produce proof of identity when attending the meeting. If a shareholder is a legal person, its legal representative or other persons authorised by the board of directors or other governing body of such shareholder may attend the Annual General Meeting by producing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such persons to attend the meeting.
- (2) Holders of H Shares and domestic shares intending to attend the Annual General Meeting should return the reply slip for attending the Annual General Meeting to Sinopec Corp. on or before Thursday, 28 April 2005.
- (3) Shareholder may send the above reply slip to Sinopec Corp. in person, by post or by fax.

### 4. Closure of Register of Members

The register of members of Sinopec Corp. will be closed from Tuesday, 19 April 2005 to Wednesday, 18 May 2005 (both days inclusive).

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### 5. Procedures for demanding a poll to vote on resolutions

Subject to the rules of the stock exchanges to which the shares of Sinopec Corp. are listed, the following persons may demand a resolution to be decided on a poll, before or after a vote is carried out by a show of hands:

- (1) the chairman of the meeting;
- (2) at least two shareholders present in person or by proxy entitled to vote thereat; or
- (3) one or more shareholders present in person or by proxy and representing 10% or more of all shares carrying the right to vote at the meeting singly or in aggregate.

Unless a poll is demanded, a declaration shall be made by the chairman that a resolution has been passed on a show of hands. The demand for a poll may be withdrawn by the person who demands the

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same.

### 6. Other Business

- (1) The Annual General Meeting will not last for more than one working day. Shareholders who attend shall bear their own travelling and accommodation expenses.
- (2) The address of the Share Registrar of H Shares of Sinopec Corp., Hong Kong Registrars Limited is at:

Rooms 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

- (3) The address of the Share Registrar for A Shares of Sinopec Corp., China Securities Registration and Clearing Company Limited Shanghai Branch Company is at:

72 Pu Jian Road  
Pudong District  
Shanghai

- (4) The registered address of Sinopec Corp. is at:

A6 Huixindong Street  
Chaoyang District  
Beijing 100029  
The People's Republic of China  
Telephone No.: (+86) 10 6499 0060  
Facsimile No.: (+86) 10 6499 0022

As at the date of this announcement, the directors of Sinopec Corp. are Messrs. Chen Tonghai, Wang Jiming, Mou Shuling, Zhang Jiaren, Cao Xianghong, Liu Cenyuan, Gao Jian and Fan Yifei; the independent non-executive directors of the Company are Messrs. Chen Qingtai, Ho Tsu Kwok Charles, Shi Wanpeng and Zhang Youcai; and the employee representative director of the Company is Mr. Cao Yaofeng.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

China Petroleum & Chemical Corporation

By: /s/ Chen Ge



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Name: Chen Ge

Title: Secretary to the Board of Directors

Date: March 25, 2005