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We are exposed to risks associated with price fluctuations of crude oil and refined oil products and petrochemical products.

Our continued business success depends in part on our ability to replace reserves and develop newly discovered reserves.

We rely on our collaboration relationship with PipeChina for the use of certain oil and gas storage and pipeline facilities. Any adverse change to our collaboration with PipeChina may materially impact our business operation and financial status.

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The oil and natural gas reserves data in this annual report are only estimates, and our actual production, revenues and expenditures with respect to our reserves may differ materially from these estimates.

Oilfield exploration and drilling involves numerous risks, including risks that no commercially productive crude oil or natural gas reserves can be discovered and risks of failure to acquire or retain reserves.

Our exploration, development and production activities and our refining and petrochemical business require substantial expenditure and investments and our plans for and ability to make such expenditures and investments are subject to various risks.

Our development projects and production activities involve many uncertainties and operating risks that can prevent us from realizing profits and cause substantial losses.

Our business may be adversely affected by actions and regulations prompted by global climate changes.

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Our overseas businesses may be adversely affected by changes of overseas government policies and business environment.

We may be classified as a passive foreign investment company for United States federal income tax purposes, which could result in adverse United States federal income tax consequences to United States investors in the H shares or ADSs.

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Our operations may be adversely af

We face strong competition from domestic and foreign competitors.

We engage in related party transactions with Sinopec Group from time to time which may create potential conflict of interest.

Government regulations may limit our activities and affect our business operations.

The PRC governmental authorities, from time to time, audit or inspect our ultimate controlling shareholder. We cannot predict the impact, if any, of their outcome on our reputation, business and financial condition as well as the trading prices of our ADSs and H shares.

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Our business operations may be adversely affected by present or future environmental regulations.

Some of our development plans require compliance with state policies and governmental regulation.

Government control of currency conversion and exchange rate fluctuation may adversely affect our operations and financial results.

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Our auditor, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by Public Company Accounting Oversight Board, and as such, investors may be deprived of the benefits of such inspection. Our ADSs may be delisted under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect auditors who are located in China. The delisting of our ADSs, or the threat of their being delisted, may materially affect the value of your investment.

Additional remedial measures imposed on certain PRC-based accounting firms, including our independent registered public accounting firm, in proceedings brought by the SEC alleging the firms' failure to meet specific criteria, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act.

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Oil and Natural Gas Production

Production volumes in million barrels per day (mmbbl/d) from 1970 to 2010. The chart shows a significant increase in oil production starting around 1980, peaking around 2005, and then declining. Natural gas production shows a steady increase over the period.

Lifting Cost & Realized Prices

The chart displays the lifting cost (dashed line) and realized prices (solid line) for oil and natural gas. The lifting cost for oil is relatively stable, while the realized price shows a sharp increase starting around 2000, peaking around 2008, and then declining. Natural gas prices also show a similar trend, with a sharp increase starting around 2000 and peaking around 2008.

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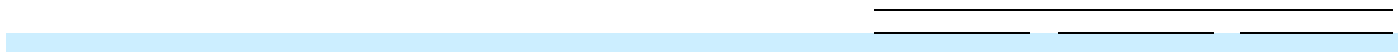
Age Group	Number of People
18-24	350
25-34	250
35-44	150
45-54	100
55-64	80
65-74	50
75-84	20
85-94	10
95-100	5

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Overview

Products

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Competition

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Overview

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Investment

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Taxation, Fees and Royalty

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Oil and gas properties and reserves

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Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

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Sales of crude oil and natural gas

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Sales of refined petroleum products

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Sales of chemical products

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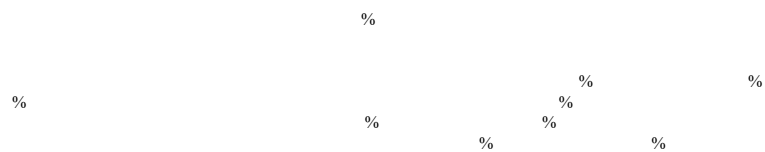
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Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

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Year Ended December 31, 2019 Compared with Year Ended December 31, 2018



Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

	2019	2018	2017	2016
Operating income	(1,000)	(1,000)	(1,000)	(1,000)
Operating expenses	(1,000)	(1,000)	(1,000)	(1,000)
Operating loss	(2,000)	(2,000)	(2,000)	(2,000)
Other income	(1,000)	(1,000)	(1,000)	(1,000)
Other expenses	(1,000)	(1,000)	(1,000)	(1,000)
Other loss	(2,000)	(2,000)	(2,000)	(2,000)
Net loss	(4,000)	(4,000)	(4,000)	(4,000)

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Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

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Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

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Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

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Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

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Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

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Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

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Taxation of Dividends

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Taxation of Capital Gains

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PRC Stamp Tax Considerations

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Passive Foreign Investment Company Considerations

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Dividends

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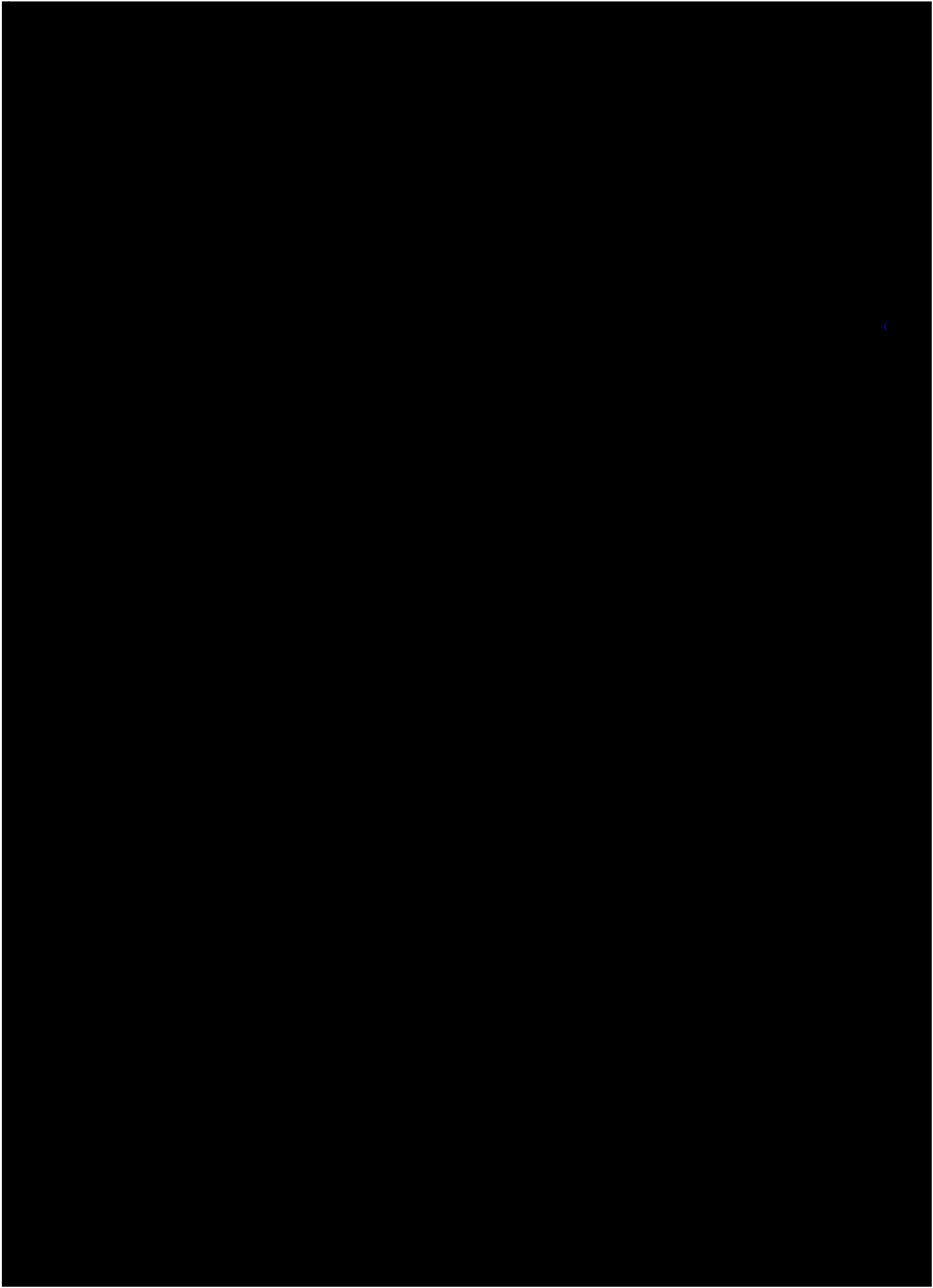
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Opinions on the Financial Statements and Internal Control over Financial Reporting

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Basis for Opinions

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Definition and Limitations of Internal Control over Financial Reporting

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Critical Audit Matters

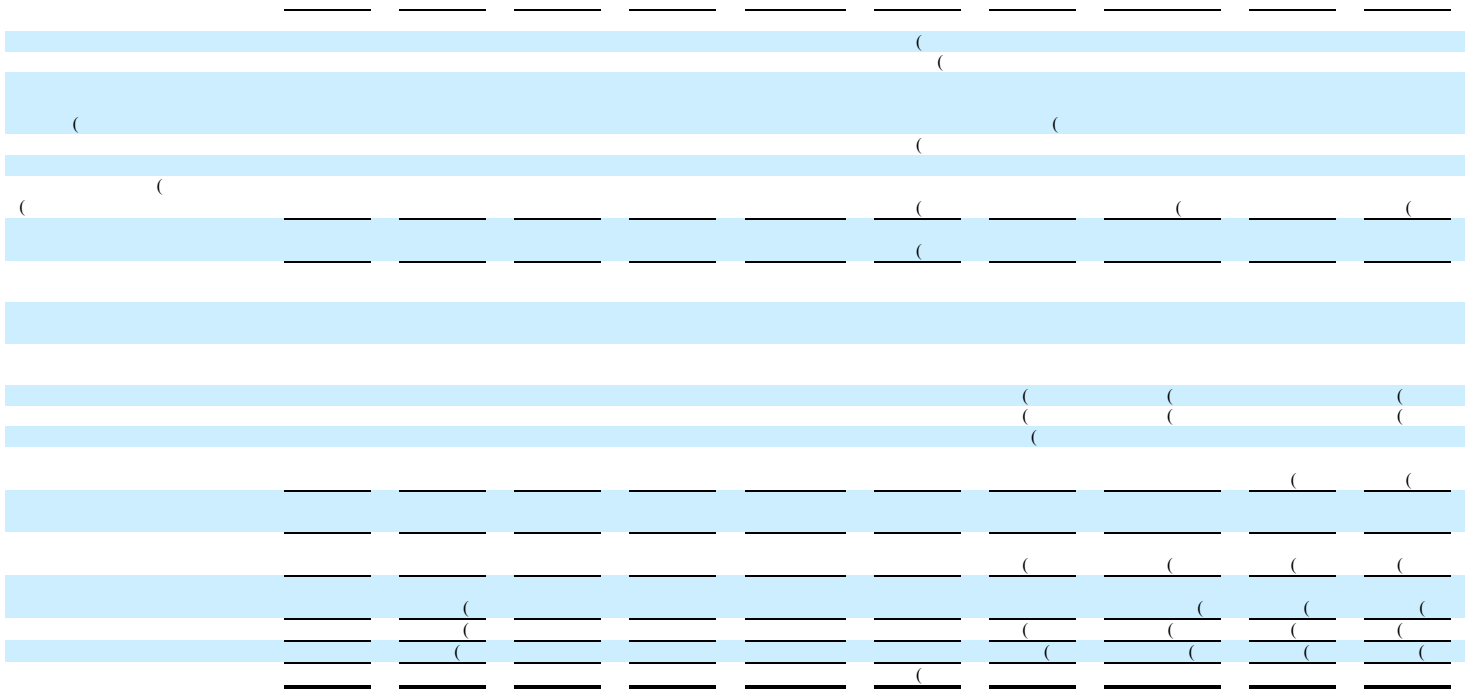
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	2019	2020	2021	2022
1. Sales	100	100	100	100
2. Cost of sales	(40)	(40)	(40)	(40)
3. Gross profit	60	60	60	60
4. Operating expenses	(20)	(20)	(20)	(20)
5. Operating income	40	40	40	40
6. Interest expense	(10)	(10)	(10)	(10)
7. Income before taxes	30	30	30	30
8. Income taxes	(10)	(10)	(10)	(10)
9. Net income	20	20	20	20
10. Dividends	(10)	(10)	(10)	(10)
11. Retained earnings	10	10	10	10
12. Total assets	100	100	100	100
13. Total liabilities	80	80	80	80
14. Total equity	20	20	20	20

	2019	2020	2021	2022
1. Operating income	1,234	1,345	1,456	1,567
2. Operating expenses	876	987	1,098	1,209
3. Operating profit	358	358	358	358
4. Non-operating income	123	123	123	123
5. Non-operating expenses	56	56	56	56
6. Profit before taxes	425	425	425	425
7. Taxes	106	106	106	106
8. Net income	319	319	319	319
9. Other income	10	10	10	10
10. Other expenses	5	5	5	5
11. Profit after taxes	324	324	324	324
12. Dividends	152	152	152	152
13. Retained earnings	172	172	172	172

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The diagram consists of 12 horizontal bars, each with a unique pattern of blue and white segments. The bars are arranged in a grid-like fashion, with some bars having a light blue background and others having a white background. The patterns of blue segments vary across the bars, representing different data points or categories.

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Principal activities

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Organization

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Basis of preparation

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(a) New and amended standards and interpretations adopted by the Group

Basis of preparation

(a) New and amended standards and interpretations adopted by the Group

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Basis of preparation

(b) New and amended standards and interpretations not yet adopted by the Group

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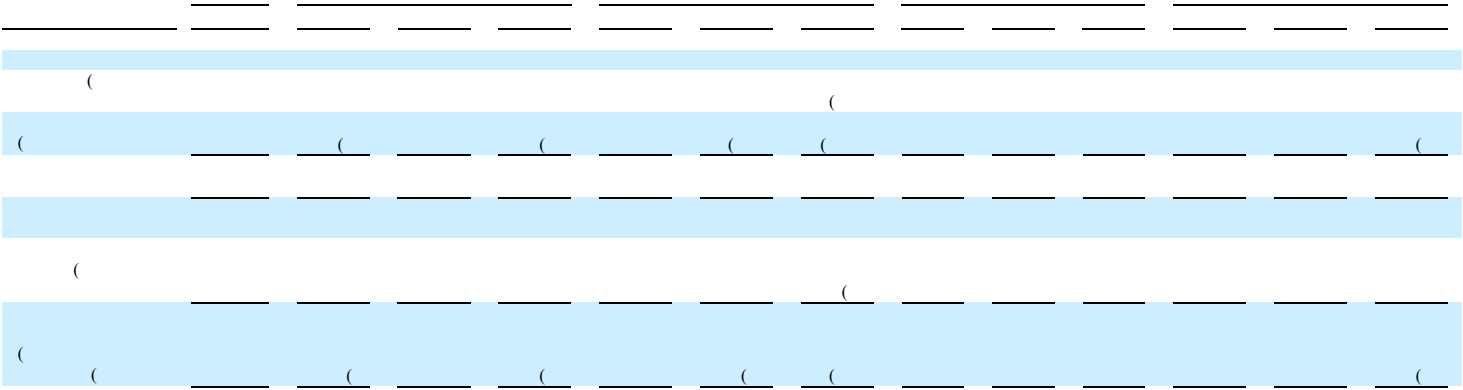
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Diagram illustrating a sequence of 10 horizontal bars, each with a light blue top half and a white bottom half. The bars are arranged in a descending staircase pattern from top-left to bottom-right. Each bar has a small black parenthesis '(' at its right end. The bars are labeled with numbers 1 through 10 at their left ends. The bars are connected by a series of horizontal and vertical lines, with some lines having double horizontal bars at their ends.

The diagram consists of 10 horizontal bars arranged vertically. The bars alternate in color: light blue, white, light blue, white, light blue, white, light blue, white, light blue, white. Above the bars, there are 10 horizontal lines, each with a single tick mark. Below the bars, there are 10 horizontal lines, each with a single tick mark. The bars and lines are aligned such that the tick marks on the top and bottom lines correspond to the boundaries of the bars. The bars have varying lengths, with some being shorter than others, creating a complex pattern of intervals.

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	2019	2020
Operating income	1,000	1,000
Depreciation and amortization	200	200
Change in working capital	(50)	(50)
Change in other non-cash items	10	10
Change in cash and cash equivalents	150	150
Free cash flow	1,000	1,000

Category	Percentage of respondents
100%	100%
90%	90%
80%	80%
70%	70%
60%	60%
50%	50%
40%	40%
30%	30%
20%	20%
10%	10%
0%	0%
0%	0%
0%	0%
0%	0%
0%	0%

	2019	2020	2021
Operating income	1,000	1,000	1,000
Depreciation and amortization	200	200	200
Provision for doubtful accounts	50	50	50
Change in accounts payable	100	100	100
Change in accounts receivable	(100)	(100)	(100)
Change in inventory	(50)	(50)	(50)
Change in prepaid expenses	(20)	(20)	(20)
Change in deferred revenue	100	100	100
Change in other assets and liabilities	(100)	(100)	(100)
Net change in cash	100	100	100
Cash at beginning of period	1,000	1,000	1,000
Cash at end of period	1,100	1,100	1,100

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	2019	2020	2021
Revenue	100	100	100
Operating expenses	(20)	(20)	(20)
Operating income	80	80	80
Interest expense	(10)	(10)	(10)
Income before taxes	70	70	70
Income taxes	(14)	(14)	(14)
Net income	56	56	56

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Operating lease commitments

Capital commitments

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Exploration and production licenses

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(a) *Transactions with Sinopec Group Company and fellow subsidiaries, associates and joint*

	2019	2020	2021
1. Sales	100	100	100
2. Cost of sales	60	60	60
3. Gross profit	40	40	40
4. Selling expenses	10	10	10
5. Administrative expenses	10	10	10
6. Depreciation	5	5	5
7. Interest	2	2	2
8. Income before taxes	13	13	13
9. Income taxes	3	3	3
10. Net income	10	10	10

(2) *Geographical information*

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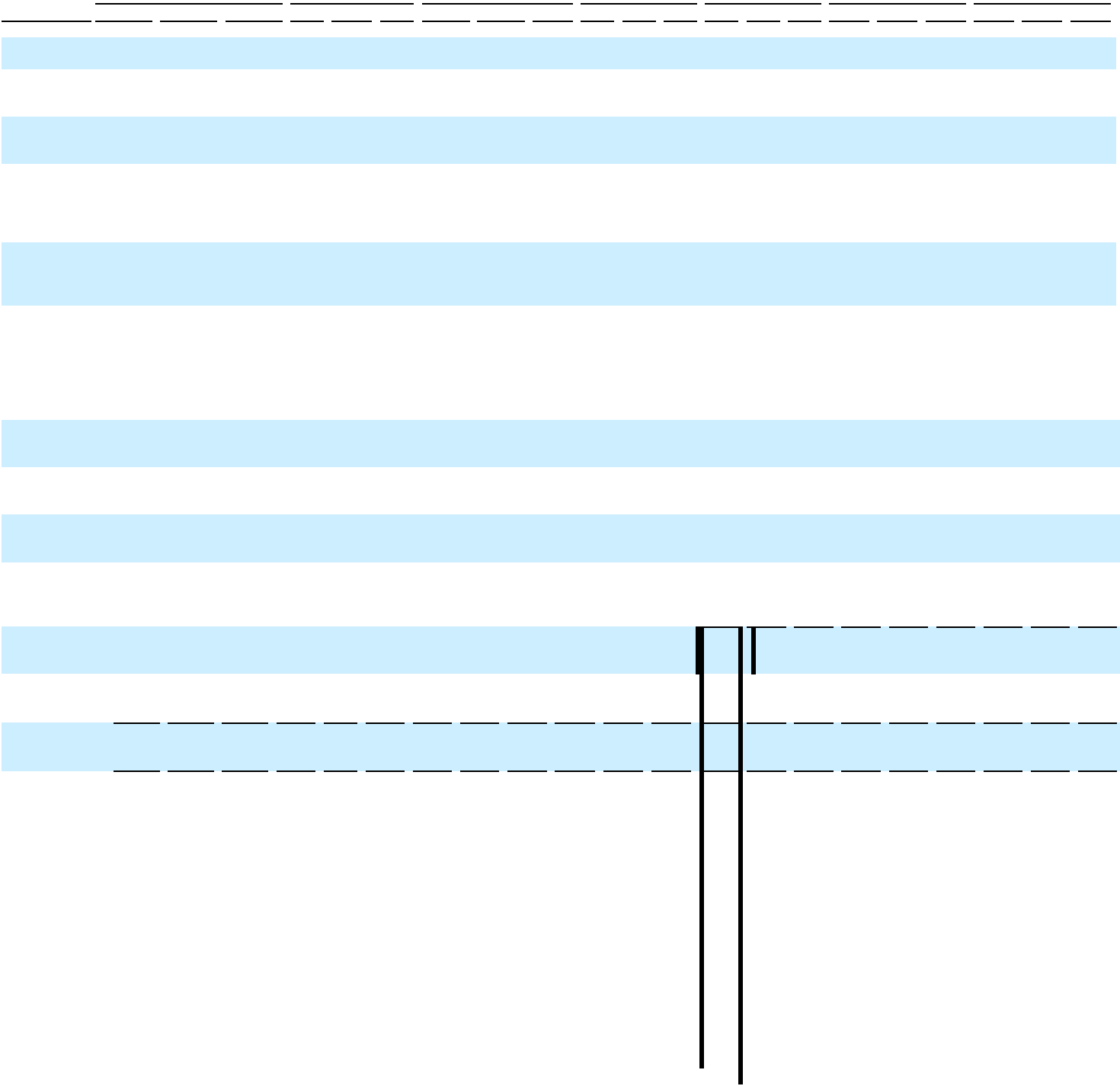
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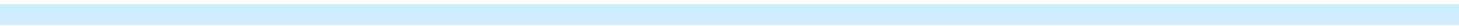
Liquidity risk

Market risk

Currency risk

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Currency risk



Interest rate risk

Commodity price risk

Fair values

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Oil and gas properties and reserves

Impairment for long-lived assets

Measurement of expected credit losses

Allowance for diminution in value of inventories

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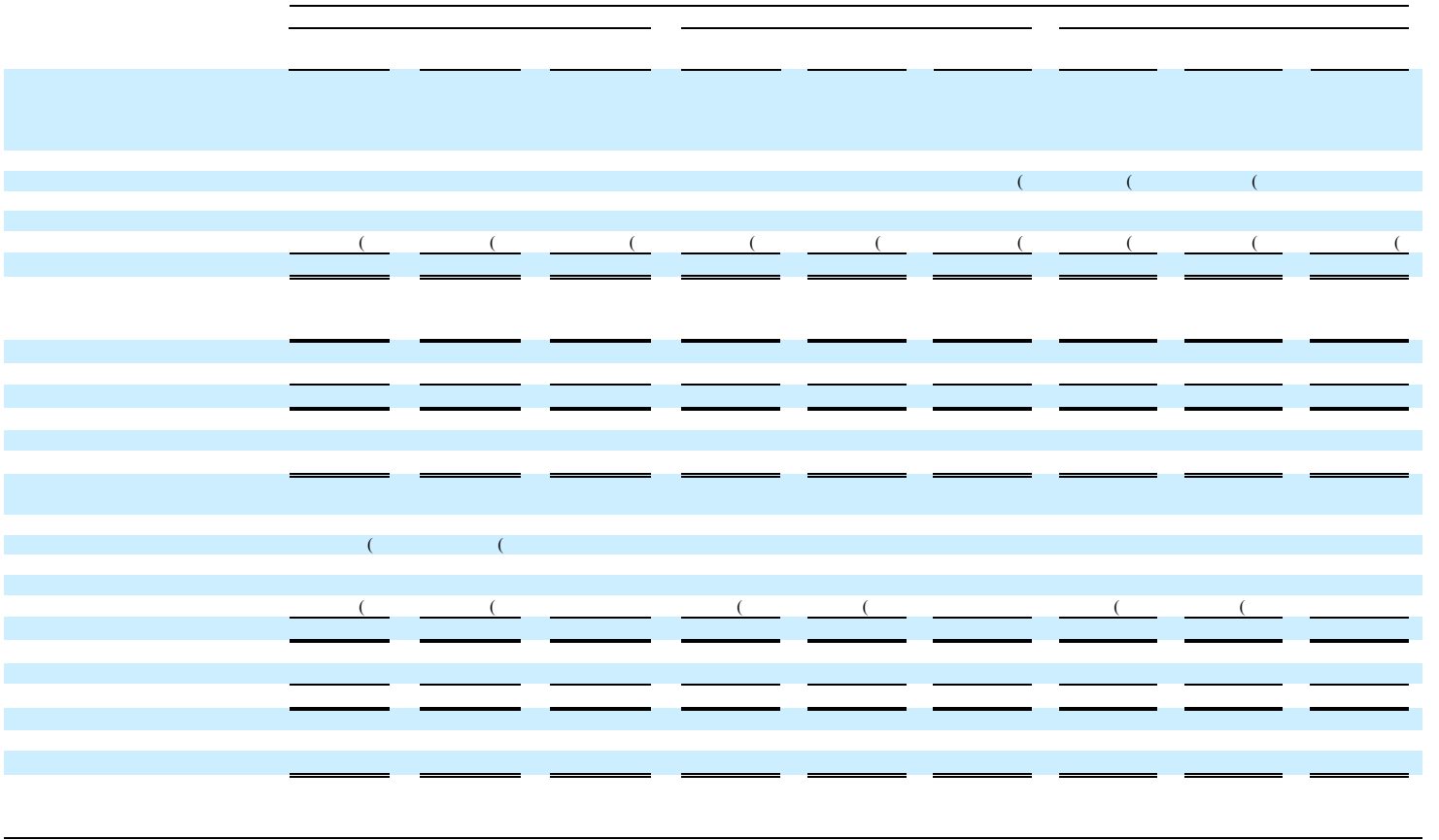
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Response	Percentage
Yes	100%

The diagram consists of 10 horizontal bars, each containing a single opening parenthesis '('.

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	2019	2020	2021
Operating income	(1,786)	(1,786)	(1,786)
Depreciation and amortization	(1,786)	(1,786)	(1,786)
Selling, general and administrative expenses	(1,786)	(1,786)	(1,786)
Interest expense	(1,786)	(1,786)	(1,786)
Income tax expense	(1,786)	(1,786)	(1,786)
Other non-recurring items	(1,786)	(1,786)	(1,786)
Net loss	(1,786)	(1,786)	(1,786)
Net loss attributable to common stockholders	(1,786)	(1,786)	(1,786)
Earnings per share - basic	(1,786)	(1,786)	(1,786)
Earnings per share - diluted	(1,786)	(1,786)	(1,786)
Weighted average shares outstanding - basic	(1,786)	(1,786)	(1,786)
Weighted average shares outstanding - diluted	(1,786)	(1,786)	(1,786)

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