International Business Residency Report

Sinopec

(China Petroleum and Chemical Corporation)

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General Company Information

Sinopec, officially known as the China Petroleum & Chemical Corporation, was founded in 1983 by the Chinese government with the specific intent to refine and market petroleum products. It is the largest listed company in China and the second largest Oil & Gas and crude oil producer in the People’s Republic of China.

The Chinese government established the China National Petroleum Corporation (CNPC) in 1988 to manage petroleum exploration and production off and on shore. Both Sinopec and CNPC were re-organized in 1998 to vertically integrate their responsibilities along geographical boundaries rather than functional ones, although CNPC is dominant in upstream operations and Sinopec is dominant in downstream operations. Direct marketing of their petroleum products was given to both companies at the same time (China Petroleum & Chemical Corp. Investor Fact Sheet. 2008).

Sinopec is the largest Chinese owned oil refiner and petrochemical producer and distributor with 334,376 employees and 80 subsidiaries (China Petroleum & Chemical Corp. Investor Fact Sheet. 2008) and has a management structure that is de-centralized to the independent business units. The company’s principal operations are related to upstream and downstream activities of both the oil and gas industry and the chemical industry.

Sinopec was rated in the top 20 Fortune Global 500 (No. 17) for the first time in 2007 and holds the number one spot for all of China business based on its annual operating revenue. "China, the world's fourth-largest economy by GDP, added four companies to the list, more than any other country, bringing its total to 24. Four years ago there were only 11" (Demos, Telis,
The company is considering investing approximately $3 billion US dollars to upgrade and build additional refineries this year, which will increase their crude oil throughput rate to 3.49 million barrels a day compared to 3.13 million in 2007. The company also plans to increase oil output 5.5%, to increase production of natural gas by 12%, and expects capital expenditures to total about $17.5 billion US dollars in 2008.

According to the China briefing news, China imports approximately 50% of the needed supplies of crude oil for their economy. As global oil prices go beyond US$100 a barrel it becomes a very big problem. “By 2020, it is estimated that China will need to import 70 percent of its domestic oil needs and 50 percent of its gas requirements, much of it from the Middle East.” (Scott, Andy. 2008).

The Chinese government has adopted policies to strengthen the state owned oil companies’ profits and to ensure a continuous oil product supply to the country. Sinopec will receive a subsidy of $1.7 Billion USD in 2008 from the government to offset losses due to the increase in crude oil prices (China Economic Review. 2008a.). They have received a government subsidy for the last three years. There is a major disconnect between the price controlled domestic petroleum prices under state control and the rising crude oil prices. Beijing raised prices on gasoline and diesel fuel by 10% in November 2007, but this has not kept up with cost increases and the government is not willing to raise the prices due to rising inflation (Or, Amy & Poon, Aries. 2008).

In March 2008 the Chinese National People’s Congress established a National Energy Commission which is a cabinet level regulatory body for energy. This action consolidated all agencies responsible for oil, gas, coal, nuclear power and other renewable energy sources into
one body. The decisions to liberalize investment in the energy industry should help to provide a solid framework to address the economic needs of China in all energy sectors (China Briefing News. 2008). Sinopec’s exploration and production segment only produces approximately 20% of its crude oil requirements so it does not face much competition for crude oil customers. It does compete with PetroChina and CNOOC for the acquisition of prospects related to crude oil and natural gas. After the government opened its refined petroleum products market to the globe at the end of 2006, Sinopec’s refining business has faced an increase of competition by the foreign competitors.

In April 2008, the Ministry of Finance announced a 17% VAT (Value Added Tax) refund incentive on gasoline and diesel imports between April and June for the state oil companies to offset refining losses and to minimize the supply shortage. This rebate could total $343.2 Million USD for Sinopec if they import up to the rebate quota allowed (Chenghao, Fu. 2008a, b).

Sinopec has more than 30,000 company operated service stations and is the third largest retail network in the world. They spent $200 million USD renovating filling stations in 2007 across the country to add dining, shopping and car repair shops across the country (China Economic Review. 2007b). Sinopec established an alliance with McDonalds in 2006 to include drive through restaurants with their service stations. In the last two years, the number of drive-through outlets in China has quadrupled and there are plans to open an additional 125 outlets in 2008 which is 18% more than 2007. "The McDonald's drive-through service is called De Lai Su -- which translates roughly from Mandarin as "Come and Get It Fast" (Fong, Mei. 2008).
SINOPEC'S BUSINESS MODEL

Sinopec Corp. is China's largest petroleum refiner and oil products producer, with its refining capacity ranking the 3rd in the world. The Company has 30 branches, mainly located in China's southeast coastal area, the middle and lower reaches of Yangtze River and North China (Sinopec.com. 2008c). These regions represent the most dynamic and developed economies in China. Sinopec Corp. is the largest oil products producer and supplier in China. Its major oil products include gasoline, kerosene, diesel, lube oil, chemical light feedstock, fuel oil, solvent oil, petroleum wax, asphalt, petroleum coke, sulfur, LPG, propylene, polypropylene and benzene products for refining. The principal market of Sinopec Corp. covers 20 provinces, autonomous regions, municipalities and special administrative regions (SARs) in the northern, eastern, central and southern parts of China including Hong Kong SAR. In addition, the Company's marketing network extends further to 11 provinces, autonomous regions and municipalities in the northeastern and northwestern parts of China as well as Chuanyu (Sichuan-Chongqing) region, which have become important components to Sinopec oil products sales segment. Sinopec Corp. has been operating a number of retail stations in Macao SAR also (Sinopec.com. 2008c).

The Oil products sales business consists of 5 parts: The first part is Sinopec Oil Products Sales Company, a wholly owned subsidiary of Sinopec Corp., and its 4 major regional branch companies in the principal market of Sinopec. This part is responsible for the overall balancing of oil product resources, coordination of product allocation and transportation, and the supply to subsidiaries and special customers. The second part is a marketing network consisting of 20 provincial oil companies, including Sinopec (Hong Kong) Limited, which are directly under Sinopec Oil Products Sales Company and their 191 regional subsidiaries. The third part is the 37 branches of Sinopec Oil Products Sales Company in the northeastern and northwestern parts of
China as well as in the Chuanyu region. The fourth part is the retail network in Macao SAR.
The fifth part is a network comprising joint ventures established with other oil products sales companies and franchised stations throughout China. Sinopec Corp.'s sales companies have access to well-developed oil products storage and transportation facilities, most of which are owned by Sinopec. The Company has its wholesale centers linked to its refineries through railways, waterways as well as oil products pipelines in some circumstances. The Company also owns a number of dedicated railway lines, crude terminals, oil barges and railway tankers. Sinopec Corp. owns approximately 30,000 retail stations, among which 657 sites are under franchise agreement (Sinopec.com. 2008c).

Oil products (mainly gasoline, diesel, lamp kerosene and jet fuel) sales business consists of 4 parts. Firstly, the Company supplies oil products to customers through its retail network which includes retail sites, oil products stores, and countryside and water front sites. This network serves as the principal channel for oil products sales, which accounts for 64.2% of the Company's total sales volume. Secondly, oil products are distributed directly to end customers (non service stations), accounting for 16.9% of the total sales volume. Thirdly, the Company directly sells oil products to key accounts, which represents 7.9% of its total sales volume. Fourthly, oil products are sold through wholesale centers (oil depots) to local marketers and independent retailers, representing 11% of the total (Sinopec.com. 2008c).

Sinopec Corp. is the largest producer and distributor of petrochemicals in China with petrochemical production sites located throughout China's eastern, central and southern areas featuring dynamic economies and strong market demand. It produces and distributes a great variety of petrochemical products, including intermediates, synthetic resin, synthetic fiber
monomers and polymers, synthetic fiber, synthetic rubber and chemical fertilizer, etc. The retail and direct sales volume of oil products accounted for 81.1% of the company's total domestic sales volume (Sinopec.com. 2008d).

The raw materials that are used in intermediate products include synthetic resin, rubber and fiber, as well as fertilizer. The Company integrates its petrochemical production with its refining business. Feedstock for petrochemical production including light hydrocarbon and some oil products (e.g. naphtha) is mainly supplied by its refineries. In view of the robust demand of China's domestic market, the Company distributes most of its petrochemical products in its domestic market. Sinopec Corp. has 24 synthetic resin plants, 8 synthetic fiber plants 5 synthetic rubber plants and 6 urea plants (Sinopec.com. 2008d).

Sinopec Chemical Products Sales Company, established in May 2005, is the largest specialized chemical products sales company in China. In 2007 when the changing market situation became more complicated, Sinopec Chemical Products Sales Company took IT construction as its foundation and adopted a profit-focused strategy. The Company has intensified its market study and internal management, speeding up logistics system construction and gradually improving marketing service network. The Company has prominently enhanced its competitiveness of chemical products and improved its capability of overall planning and all-round consideration for both internal and external resources as well as the ability of market control (Sinopec.com. 2008d).

Sinopec has a complete system for technology development, and intellectual property management, and has strong capabilities in technological research and development. The R&D Department is in charge of technology development, promotion and application, intellectual
property rights, technology licensing, international technological exchange and cooperation, development of new products, development of catalysts, additives and auxiliary agents, quality supervision, standards and measurement management. Among the Company staff, 19 members are academicians of China Academy of Sciences and China Academy of Engineering. In 2007, the Company applied for 905 domestic patents with 616 granted and 122 foreign patents with 61 granted (Sinopec.com. 2008e).

In recent years, with the principle of "attaching importance to both system construction and application with application as the focus", the Company steadily pushed ahead IT construction, standardization and application. The ERP System for Sinopec Corp. was established with remarkable efficiency. The Company made important progress in development and application of its supply chain system, E-Commerce system, operation command system and refueling IC card system. The IT application among the Company's subsidiaries has been greatly improved. The IT construction and application development has spread from individual subsidiary vertically throughout the Company on a larger scale, which plays a vital role in supporting the Company to enhance reform, optimize resources, reduce cost, enhance efficiency, and improve its marketing flexibility (Sinopec.com. 2008f).

Corporate Governance

Sinopec revamped its corporate governance strategy in 2007. In accordance with the requirements of the CSRC, Sinopec Corp. developed a comprehensive review on its corporate governance, rectified the problems discovered in the evaluation and prepared self-evaluation
According to the relevant laws and regulations and taking into account of the actual circumstances of the company, Sinopec formulated the "Rules governing Transactions of Shares of Sinopec Corp. by Directors, Supervisors and Senior Management Officers" and the "Working Rules for the Independent Directors". They also amended and improved the "Information Disclosure Rules of Sinopec Corp." and further improved its internal control systems (Sinopec 2007 annual report. 2008). The "Report on Sustainable Development of the Year 2006" was developed and released as well. These reports and others have been a vast improvement for investor relations and the overall information availability and disclosure by the company who is committed to continuously improve the way in which information is disseminated.

Sinopec's directors are all independent in accordance with Rule 3.13 of the Listing Rules as required by the Hong Kong Stock Exchange. Sinopec Corp. makes the following confirmations concerning the independence of its independent directors: "Sinopec Corp. has received annual confirmations from all the independent non-executive directors acknowledging full compliance with the relevant requirements in respect of their independence pursuant to Rule 3.13 of the Listing Rules. Sinopec Corp. takes the view that all independent non-executive directors are independent" (China Petroleum & Chemical Corp. Investor Fact Sheet. 2008).

Sinopec Corp. is independent from its controlling shareholder, Sinopec Group Company, with respect to business, personnel, asset, organizational structure and finance, and has its own independent and comprehensive business operations and management capabilities (Sinopec 2007 annual report. 2008). In accordance with the changes in domestic and overseas
regulatory requirements and needs for improving management standards of the company, in 2007, Sinopec Corp. added and optimized the internal control processes, regulated the authority management, amended the information disclosure rules and fully utilized the online control of the ERP information system to improve the internal control management. Meanwhile, the company improved the code of conduct for employees, aiming to create a more favorable internal control environment.

The Sinopec governing board is comprised of eleven directors, including four who are independent. The board has one chairman and one vice-chairman. The chairman and vice-chairman are directors of the Company and are elected and removed by a majority vote of members of the board of directors (Sinopec 2007 annual report. 2008). The term for all the directors is three years, renewable upon election. The current Chairman of the board for Sinopec is Su Shulin, elected August 10, 2007. The Board of Directors has a business strategy of "resources expansion, markets development, costs reduction and disciplined investments". Sinopec is aware of the need for improvements in this area, promoting more transparency to the shareholders (Sinopec 2007 annual report. 2008).

Sinopec intends to focus on improving the internal control systems and accepting supervision from different stakeholders. Senior management compensation is comprised of three components including a basic salary, a performance bonus and stock appreciation rights (SAR's). The performance bonus and the SAR's represent 75% of the total compensation received All senior managers have individual performance evaluations that establish key performance indexes (KPI's) that are used as performance evaluation points to determine the performance bonuses earned (Sinopec 2007 annual report. 2008).
Health and Safety

Health Safety and Environmental protection (HSE) management is practiced by all Sinopec branch companies and affiliates. Sinopec established occupational health administrations in 2006 and coined the phrase: "Safety as a priority, prevention as main method, all staff involved and comprehensive management" to be the motto of their commitment to health and safety in the workplace. Warning signs were installed and monitoring of hazardous material exposure was increased. Training programs were instituted for all employees to increase not only safety awareness but personal and career development as well (Sinopec 2007 annual report. 2008).

In an effort to be more "green", Sinopec took action to improve energy conservation standards through technical advances and organizational restructuring. The results in 2007 reduced the energy usage by 6.1%, chemical Oxygen demand in discharged water was decreased by 5.4% and the industrial water consumption was reduced by 4.3% (Sinopec 2007 annual report. 2008).

Sinopec led philanthropic efforts in 2007 with a "Health Express" program to assist 9,000 cataract patients in rural, poverty areas with needed cataract surgery to restore eyesight. They responded again early in 2008 when they donated to the rescue and rebuilding efforts after the weather disaster in China and has actively supported the upcoming Summer Olympic Games in Beijing. A new rule implemented in December 2007 requires all state owned oil companies to give 10% of their profits to the Ministry of Finance for social programs (China Economic Review. 2008b).
Partnerships and Joint Ventures

Sinopec purchased ConocoPhillips S Zorb Sulfur Removal Technology (SRT) in 2005 for use in their refineries. ConocoPhillips developed the proprietary technology in Pasadena, Texas and this was first installed in China at the Yanshan Refinery in Beijing, which is wholly owned by Sinopec. This technology removes sulfur from gasoline to comply with increasingly tighter restrictions to improve refining for cleaner burning fuels. This was the first refinery outside of the US to build an SRT unit (Energy News. 2005).

Sinopec was approved to pursue a joint venture with Kuwait Petroleum Corporation to build the new Nansha refinery and ethylene petrochemical plant in the southern Guangdong province in December 2007. Plans are to stop the ethylene expansion at its Guangzhou refinery as a result of the new project. Nansha should be online by 2010 and is intended to help relieve chronic shortages of oil products in the booming region (The Economic Times. 2007).

Sinopec and Icelandic company Glitnir have been partners since 2005 and are set to increase geothermal energy investments and technology in China. Geothermal energy is an environmentally friendly energy to the traditional coal energy which produces 70% of the total energy produced for China.

The National Iranian Oil Company (NIOC) negotiated a $2 Billion contract with Sinopec to develop the Yadavaran oil field in Khuzestan, Iran (Nasr, Sherene. 2008).

Sino Tharwa Drilling Company is enjoying a joint venture between Sinopec Star petroleum Corporation (a subsidiary of Sinopec) and the Egyptian Tharwa Petroleum Company
begun in 2005. Sinopec is becoming one of Egypt's biggest economic partners. Trade between the countries was estimated at $4.6 billion in 2007, which is a 44% increase over the year before. "The volume of trade is expected to reach $5 billion in 2008," said Ambassador Chunhua. He added that Chinese investment in Egypt has reached $400 million, which provided more than 6,000 job opportunities (Nasr, Sherene. 2008).

Saudi Aramco, Exxon Mobil and Sinopec entered into a joint venture which is expanding the Fujian refinery and has included new construction of an oil dock and auxiliary utilities expected to be completed in 2009. The marketing joint venture will manage approximately 750 service stations and oil depots in the Fujian province. The China Briefing News stated that according to Exxon Mobile, this deal marked the first fully integrated refining, petrochemical and fuels marketing joint venture project in China with foreign participation.

The Rub al Khali or commonly called the "Empty Quarter" in Saudi Arabia is the backdrop for the partnership between Aramco and Sinopec international (Sino Saudi Gas) where it was announced that initial gas flow has been located from one of its exploratory wells, but no comments have been made regarding the amount discovered (Chazan, Guy & King Jr, Neil. 2008).

Sonangol, Angola's state owned oil company joined in a $2.2 billion USD partnership with Sinopec in 2006 to develop oil blocks in that country. It was estimated at the time of the partnership that production supply to China of two million barrels per day from Angola would top China's other main sources of crude oil from Iran, Nigeria and Saudi Arabia. Sinopec's relationship with Africa and Angola in particular has not been without controversy due to social and environmental issues in Sudan, Darfur and Zimbabwe (Cristensen, Thomas. 2008),
however, Africa has become central to their strategic plans to provide enough crude oil to the
growing Chinese economy and Beijing is encouraging its companies to find oil wherever they
can. Sinopec planned to invest $3.7 billion USD in an oil factory upgrade in Angola, but those
plans were cancelled by Sonangol in March 2007 because they chose to conduct it independently (China Economic Review. 2007a).

Sinopec is among four Chinese oil firms qualified to participate in the licensing round for
Oil and Gas contracts in 2008 in Iraq (Shanghai Daily.com. 2008). Synenco Energy Inc threw in
the towel in February 2008 on a joint venture project with Sinopec in Alberta Canada due to
escalating costs, labor shortages, tax increases and increased "green" regulation. All of those
factors have made the bitumen mining venture unprofitable (Chazan, Guy. 2008).

**Wholly Owned Projects**

The Sichuan-to-East China gas project is expected to be completed in 2008 and involves
the exploration, development and gas processing of the Puguang gas field and transportation
from that point through a newly constructed pipeline to Shanghai. Total investment for this
project is estimated at $63.2 billion RMB. The Qingdao refinery project also expected to be
completed in 2008 and is the complete construction of a new refinery which began in 2005. The
Tianjin ethylene project started in 2006 and expected to be completed in 2009 is a refinery and
thermal power utility expansion project estimated at $26 Billion RMB. The Zhenhai ethylene
project is a new construction of an ethylene unit and downstream utilities facilities expected to
be online by 2010 and costing approximately $21.9 Billion RMB. Finally, the Wuhan ethylene
project includes construction of 10 facilities including a hydro treating unit and a butadiene unit expected by 2011 (Sinopec 2007 Annual Report. 2008).

FINANCIALS

Sinopec is listed on four security exchanges around the world – Hong Kong (HKEx:0386), New York (SNP), London, and Shanghai (SSE:600028). The company made its IPO debut in October 2000 with 16.78 billion shares issued on the Hong Kong Stock Exchange (香港交易所, HKEX), the New York Stock Exchange (NYSE), and the London Stock Exchange. In the NYSE, Sinopec is traded under the ticker “SNP” with the official name “China Petroleum & Chemical Corp. (ADR)”. ADR stands for American Depositary Receipt. An ADR represents ownership in the shares of a foreign company trading in US financial markets. In July 2001, Sinopec floated another 2.8 billion A-shares on the Shanghai Stock Exchange (上海证券交易所, SSE). In the SSE, A-shares are restricted for domestic investors in the PRC.

Sinopec’s IPO on the NYSE on October 19, 2000 was at $20 and closed at $20.19. The share price started to climb in 2003, doubled the IPO price in 2004, and reached its high of $178.91 in October 2007.

Sinopec’s stock performed better than its competitors in its sector and the market in general. Since 2003, Sinopec’s stock performance is 239% better than its competitors in Dow Jones Integrated Oil and Gas Index. The members of the index averaged less than 175% gain for the same period. Sinopec’s stock price increase is roughly seven times better than Dow’s total Market Index.
Other statistics of Sinopec’s stock portfolio is detailed in the table below. Notables include 176 institutional investors holding about 7.32% of the outstanding shares. Sinopec is widely found in most major mutual fund and institutional investment portfolios with focus in Asia/Asia Pacific, emerging market, mid-sized energy and chemical companies, and international funds. Insiders own about 61.48 percent of the outstanding shares. Details of the insider ownership and activities are not publicly available.

<table>
<thead>
<tr>
<th>Current (February 20, 2008)</th>
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<tbody>
<tr>
<td>Shares Outstanding</td>
<td>867.02</td>
</tr>
<tr>
<td>Public Float</td>
<td>333.94</td>
</tr>
<tr>
<td>Percent Owned by Institutions</td>
<td>1.36</td>
</tr>
<tr>
<td>Number of Institutional shareholders</td>
<td>176</td>
</tr>
<tr>
<td>Percent Owned by Insiders</td>
<td>61.48</td>
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**TABLE 2: Current Market Data**

As of April 11th 2008, Sinopec’s stock was trading at approximately $89 US dollars per share. The total outstanding shares equaled approximately 867 million. This translates into a total Market Value of Equity of $77 billion US dollars. After adding the total debt of $41.9 billion, the Market Value of the Firm totals $118.9 billion. The debt to value equals 35.2%, meanwhile the equity value ratio equals 64.8%. Concerning risk, the Equity Beta for Sinopec is currently measured at 2.54 which would indicate that investing in this stock is almost three times more risky than the overall market.
According to the Capital Asset Pricing Model and the assumptions that support it, the higher the Equity Beta is, the more investors will demand as a return on equity. The higher expected return from investors will increase the overall weighted average cost of capital for the company and impact the decisions made by corporate management around funding for projects (Standard & Poors Report. 2008). Sinopec's direct competitors are ExxonMobil, Royal Dutch Shell, British Petroleum, PetroChina, and CNOOC. The total Debt Ratio for Sinopec is 0.53. When compared to its competitors, Sinopec’s ratio is aligned with its international competitors; however, the ratio is much higher compared to its national competitors. PetroChina and CNOOC each show a ratio of approximately 0.30 (reference chart below) (Fidelity Financial Overview. 2008).

![Debt Ratio Chart](chart1.png)

**CHART 1: Debt Ratio**
Sinopec shows strong financials wherein the positives outweigh the negatives. From a valuation perspective, one positive aspect is that the P/E ratio of 10.2 is lower than the average for the industry group at 29.3. Secondly, the Price/Cash Flow ratio is 18.39. A low ratio shows a strong ability to generate cash and positively impacts the company’s stock price and liquidity. On the negative side, the Price/Book value is 1.85 where the average for the industry is 1.69.

From a profitability aspect, the operating margins have increased to 5.94% in the last quarter compared to 5.22% in the last twelve rolling months. The ROA is 12.12 which is considered a healthy ratio and reflects the ability of management to produce profits from each dollar of company assets. The average ROA for the industry is 1.70. Additionally, the cash flows have been positive during the last three years. Lastly, the ROE is 30.12% compared to the industry average of 19.15%. This ratio contributes to represent the company’s ability to grow earnings. As shown in the graph below, ROA and ROE have shown an upwards trend in the last years.

![Graph showing trend of ROA and ROE]

**TABLE 2: Return on Equity- Return on Assets**
From a Balance Sheet perspective, Sinopec’s Long Term Debt-to-Capital is 25.62% which is considered a healthy ratio and reflects well on the company’s financial stability. The average for the industry group is 38.05%. However, Short Term debts are higher than the Current Assets which weaken the overall financials. The Current Ratio is 0.77.

From the point of view of growth potential, the EPS for the last quarter of 2007 was $2.08. This meant an improvement compared to the EPS of the year over year quarter of $1.88. Also, earnings trends are positive for the last three quarters, on a year over year basis. On the negative side, the prior quarter EPS growth rate of 10.63% is smaller than the EPS growth rate of 58.69% observed during the last rolling twelve months. Furthermore, the EPS growth rate of 11.22% is less than the expected growth rate of the market (S&P 500) at 16.13%.

CHART 2: Quarterly Earnings Per Share for Sinopec Q1 2005-Q3 2007

Although financials appear to be sound and reflect several strengths, Sinopec stock appears to be overvalued when compared to its industry group. This overvaluation has steered investors away, as of late. High debt ratios are one of the biggest concerns. Sinopec management is effectively utilizing resources to generate profits when compared to the industry.
group. The operating margins continue to increase and the cash flows remain positive. Sales continue to be strong showing a growth of 34.23% in the last quarter (Market Edge Research 2008).

**Conclusion**

Since its beginning in 1983, the China Petroleum & Chemical Corporation has enjoyed steady positive growth. As the Chinese economy continues to grow at its robust pace, Sinopec’s role as a major player in the field of oil and gas will only be magnified. This leaves us with many questions to be answered.

The protection of the environment is one of the first thoughts on the minds of many people in this world, especially when thinking in terms of oil companies. With the Chinese economy booming, their demand for energy is growing. In meeting this energy demand, China has already surpassed the US in greenhouse gas emissions (Bloomberg.com. 2008). There is a tremendous amount of global concern and social and political pressure regarding environmental responsibility issues for all companies. How is Sinopec lowering their carbon footprint in all of the countries they operate in including China? How do they plan to meet the ever increasing domestic demands for energy? Is Sinopec planning to place more significance on increasing efficiency at their current well sites and refineries or are they going to put more of their efforts into finding and drilling additional wells?

More and more emphasis is being placed on alternative fuels as a means of controlling or even reducing greenhouse gases. How active is Sinopec in research and development of alternative fuels?
Lastly, what does Sinopec see as its main contributor to its future growth? Is it capitalizing on emerging markets, or is it possible for them to change their business strategy and place more importance on their chemicals division?
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