



中国石油化工股份有限公司

CHINA PETROLEUM & CHEMICAL CORPORATION

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

(Stock Code : 386)

Announcement of the 2008 Interim Results

§ 1 Important Notice

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

This announcement is a summary of the interim report. The entire report is also contained in the website of the Shanghai Stock Exchange (www.sse.com.cn) and Sinopec Corp. (www.sinopec.com). The investors should read the interim report for more details.

1.2 No Director, supervisors and senior management has any doubt as to, or the inability to warrant, the truthfulness, accuracy and completeness of the interim report.

1.3 Mr. Shi Wanpeng, Mr. Li Deshui, Mr. Yao Zhongmin and Mr. Fan Yifei, Directors of Sinopec Corp., did not attend the meeting of the Board for reasons of official duties. Mr. Shi Wanpeng and Mr. Li Deshui, Director of Sinopec Corp., authorised Mr. Liu Zhongli and Mr. Yao Zhongmin and Mr. Fan Yifei, Directors of Sinopec Corp., authorised Mr. Wang Tianpu to vote on their behalf in respect of the resolutions put forward in the meeting of the Board.

1.4 The financial statements for the six-month period ended 30 June 2008 of Sinopec Corp. and its subsidiaries (“the Company”) prepared in accordance with the PRC Accounting Standards for Business Enterprises (“ASBE”), and International Financial Reporting Standards (“IFRS”) have been audited by KPMG Huazhen and KPMG, respectively, and both firms have issued standard unqualified opinions on the financial statements.

1.5 There is no occupancy of non-operating funds by the substantial shareholders of Sinopec Corp.

1.6 Mr. Su Shulin, Chairman of the Board, Mr. Wang Tianpu, President, Mr. Dai Houliang, 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 this announcement.

§ 2 Basic Information of Sinopec Corp.

2.1 Basic Information of Sinopec Corp.

| | | | | |
|-------------------------|---|----------------------------|--|---|
| Stock name | SINOPEC CORP | SINOPEC CORP | SINOPEC CORP | 中國石化 |
| Stock code | 386 | SNP | SNP | 600028 |
| Place of listing | Hong Kong Stock Exchange | New York Stock Exchange | London Stock Exchange | Shanghai Stock Exchange |
| | Authorized Representatives | | Secretary to the Board of Directors | Representative on Securities Matters |
| Name | Mr. Wang Tianpu | Mr. Chen Ge | Mr. Chen Ge | Mr. Huang Wensheng |
| Address | 6A Huixindong Street, Chaoyang District, Beijing, PRC | | | |
| Tel | 64990060 | 64990060 | 64990060 | 64990060 |
| Fax | 64990022 | 64990022 | 64990022 | 64990022 |
| E-mail | ir@sinopec.com/media@sinopec.com | | | |

2.2 Principal accounting data and financial indicators

2.2.1 Principal accounting data and financial indicators for the first half of 2008 prepared in accordance with ASBE

2.2.1.1 Principal accounting data and financial indicators

| Items | At 30 June | At 31 December | Changes from the |
|--|---------------------|---------------------|--------------------|
| | 2008 | 2007 | end of last year |
| | <i>RMB millions</i> | <i>RMB millions</i> | (%) |
| Total assets | 820,556 | 718,572 | 14.2 |
| Shareholders' equity attributable to equity | | | |
| shareholders of the Company | 305,471 | 300,949 | 1.5 |
| Net assets per share (RMB) (Fully diluted) | 3.523 | 3.471 | 1.5 |
| Adjusted net assets per share (RMB) | 3.437 | 3.391 | 1.4 |
| Items | Six-month periods | | Changes over the |
| | ended 30 June | | same period of |
| | 2008 | 2007 | the preceding year |
| | <i>RMB millions</i> | <i>RMB millions</i> | (%) |
| Operating (loss) / profit | (23,784) | 53,285 | (144.6) |
| Profit before taxation | 9,516 | 52,701 | (81.9) |
| Net profit attributable to equity shareholders | | | |
| of the Company | 9,339 | 35,110 | (73.4) |
| Net (loss) / profit before extraordinary gain and loss | (17,445) | 34,924 | (150.0) |
| Return on net assets (%) | 3.06 | 12.31 | (9.25) |
| | | | percentage points |
| Basic earnings per share (RMB) | 0.108 | 0.405 | (73.4) |
| Basic (loss) / earnings per share before | | | |
| extraordinary gain and loss (RMB) | (0.201) | 0.403 | (150.0) |
| Diluted earnings per share (RMB) | 0.076 | 0.405 | (81.0) |
| Net cash flow from operating activities | 5,986 | 64,700 | (90.7) |
| Net cash flow from operating activities | | | |
| per share (RMB) | 0.069 | 0.746 | (90.7) |

2.2.1.2 Extraordinary items

applicable inapplicable

Extraordinary items and corresponding amounts:

| Items | Six-month period ended 30 June 2008 (Income)/expense <i>RMB millions</i> |
|--|---|
| Loss on disposal of fixed assets | 23 |
| Employee reduction expenses | 199 |
| Donations | 77 |
| Gain on disposal of investments | (198) |
| Other non-operating income and expenses | 2 |
| Written back of provisions for impairment losses made in previous years | (159) |
| Grants | (33,402) |
| Subtotal | (33,458) |
| Tax effect | 5,572 |
| | <hr/> |
| Total | (27,886) |
| | <hr/> <hr/> |
| Attributable to: Equity shareholders of the Company | (26,784) |
| Minority interests | (1,102) |

2.2.2 Principal accounting data and financial indicators of the Company for the first half of 2008 from the financial statements prepared in accordance with IFRS

| Items | Six-month periods ended 30 June | | Changes over the same period of the preceding year |
|---|---------------------------------|-----------------------------|---|
| | 2008 <i>RMB millions</i> | 2007 <i>RMB millions</i> | (%) |
| Operating profit | 7,222 | 53,584 | (86.5) |
| Profit attributable to equity shareholders of the Company | 8,255 | 36,375 | (77.3) |
| Return on capital employed (%) ^{Note} | 1.33 | 8.21 | (6.88) |
| | | | percentage points |
| Basic earnings per share (RMB) | 0.095 | 0.420 | (77.3) |
| Diluted earnings per share (RMB) | 0.064 | 0.420 | (84.8) |
| Net cash flow generated from operating activities | 2,640 | 62,295 | (95.8) |
| Net cash flow generated from operating activities per share (RMB) | 0.030 | 0.718 | (95.8) |

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

| Items | At 30 June | At 31 December | Changes from the end of last year |
|---|-----------------------------|-----------------------------|---|
| | 2008 <i>RMB millions</i> | 2007 <i>RMB millions</i> | (%) |
| Total assets | 838,469 | 732,725 | 14.4 |
| Total equity attributable to equity shareholders of the Company | 310,871 | 307,433 | 1.1 |
| Net assets per share (RMB) | 3.586 | 3.546 | 1.1 |
| Adjusted net assets per share (RMB) | 3.499 | 3.466 | 1.0 |

2.2.3 Differences between financial statements prepared under ASBE and IFRS

applicable inapplicable

2.2.3.1 Analysis of effects of major differences between the net profit under ASBE and the profit for the period under IFRS

| Items | Six-month periods ended 30 June | |
|---|--|---------------------|
| | 2008 | 2007 |
| | <i>RMB millions</i> | <i>RMB millions</i> |
| Net profit under ASBE | 9,415 | 36,574 |
| Adjustments: | | |
| Oil and gas properties | (1,334) | 91 |
| Reduced amortisation on revaluation of land use rights | 15 | 15 |
| Effects of the above adjustments on taxation | 237 | 1,162 |
| | <hr/> | <hr/> |
| Profit for the period under IFRS | 8,333 | 37,842 |
| | <hr/> <hr/> | <hr/> <hr/> |

2.2.3.2 Analysis of effects of major differences between the shareholders' funds under ASBE and total equity under IFRS:

| Items | At 30 June | At 31 December |
|--|---------------------|-----------------------|
| | 2008 | 2007 |
| | <i>RMB millions</i> | <i>RMB millions</i> |
| Shareholders' equity under ASBE | 331,299 | 326,347 |
| Adjustments: | | |
| Oil and gas properties | 10,005 | 11,339 |
| Revaluation of land use rights | (1,027) | (1,042) |
| Effects of the above adjustments on taxation | (3,649) | (3,886) |
| | <hr/> | <hr/> |
| Total equity under IFRS | 336,628 | 332,758 |
| | <hr/> <hr/> | <hr/> <hr/> |

§ 3 Changes in share capital and shareholdings of the principal shareholders

3.1 Statement of changes in share capital

applicable inapplicable

3.2 Top ten shareholders and shareholders of shares without selling restrictions

As at 30 June 2008, there were a total of 1,290,016 shareholders of Sinopec Corp., of which 1,283,242 were holders of A Shares and 6,774 were holders of H Shares. The public float of Sinopec Corp. satisfied the minimum requirements under The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”).

Top ten shareholders

Unit: 1,000 Shares

| Name of Shareholders | Nature of shareholders | As a percentage | Number of | Number of shares with selling restrictions | Number of pledges or lock-ups |
|---|------------------------|--|--|--|-------------------------------|
| | | of total shares at the end of reporting period (%) | shares held at the end of reporting period | | |
| China Petrochemical Corporation | State-owned shares | 75.84 | 65,758,044 | 61,422,922 | 0 |
| HKSCC (Nominees) Limited | H shares | 19.26 | 16,700,144 | 0 | N/A |
| Guotai Junan Securities Co., Ltd | A Shares | 0.44 | 377,906 | 0 | 38,230 |
| E Fund 50 Stock Index Investment Fund | A Shares | 0.12 | 104,190 | 0 | 0 |
| Bosera Thematic Sector Stock Investment Fund | A Shares | 0.11 | 95,519 | 0 | 0 |
| Huabao Xingye Selected Sector Stock Investment Fund | A Shares | 0.06 | 53,998 | 0 | 0 |
| Shanghai Stock Exchange 50 Tradable Open-ended Securities Index Investment Fund | A Shares | 0.05 | 46,797 | 0 | 0 |
| Tongde Securities Investment Fund | A Shares | 0.05 | 45,606 | 0 | 0 |
| National Social Security Fund 106 Portfolio | A Shares | 0.05 | 40,000 | 0 | 0 |
| Shanghai Stock Exchange Dividend Tradable Open-ended Securities Index Investment Fund | A Shares | 0.04 | 34,890 | 0 | 0 |

**Top ten shareholders of shares
without selling restrictions**

Unit: 1,000 shares

| Name of Shareholders | Number of shares held | Type of shares |
|--|----------------------------------|---------------------------|
| HKSCC (Nominees) Limited | 16,700,144 | H shares |
| China Petrochemical Corporation | 4,335,122 | A Shares |
| Guotai Junan Securities Co., Ltd. | 377,906 | A Shares |
| E Fund 50 Stock Index Investment Fund | 104,190 | A Shares |
| Bosera Thematic Sector Stock Investment Fund | 95,519 | A Shares |
| Huabao Xingye Selected Sector Stock Investment Fund | 53,998 | A Shares |
| Shanghai Stock Exchange 50 Tradable Open-ended Securities Index Investment Fund | 46,797 | A Shares |
| Tongde Securities Investment Fund | 45,606 | A Shares |
| National Social Security Fund 106 Portfolio | 40,000 | A Shares |
| Shanghai Stock Exchange Dividend Tradable Open-ended Securities Index Investment Fund | 34,890 | A Shares |

Statement on the connected relationship or activity in concert among the
aforementioned shareholders:

We are not aware of any connection or activities in concert among the top ten
shareholders of floating stock.

3.3 Changes in the controlling shareholders and the effective controllers in the reporting period

applicable inapplicable

§ 4. Information about the directors, supervisors and senior management

4.1 The engagement or dismissal of Directors, Supervisors and Other Members of the Senior Management

applicable inapplicable

4.2 Information about the changes in the shares held by the directors, supervisors and senior management

applicable inapplicable

As at 30 June 2008, none of the directors, supervisors or senior management of Sinopec Corp. had any interest in any shares of Sinopec Corp.

During the reporting period, none of Sinopec Corp.'s directors, supervisors or senior management or any of their respective associates had any interests or short positions in any shares, debentures or related shares of Sinopec Corp. or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) which were required to be notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part XV of the Securities and Futures Ordinance or which were required pursuant to section 352 of the Securities and Futures Ordinance to be entered in the register referred to therein, or which were required to be notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions Entered by Directors of Listed Companies as specified in the Listing Rules of The Stock Exchange of Hong Kong Limited (including those interests and short positions that are deemed to be such, or are regarded to be owned in accordance with the relative provisions under the Securities and Futures Ordinance). All of the directors of Sinopec Corp. confirmed that they have complied with the Model Code for Securities Transactions.

§ 5. Business Review and Prospects and Management's Discussion and Analysis

5.1 Business Review

In the first half of 2008, the Chinese economy continued to grow steadily and rapidly, with a GDP growth rate of 10.4%. Apparent domestic consumption of oil products (inclusive of gasoline, diesel and kerosene) and ethylene equivalent consumption increased by 13.9% and 2.5% respectively over the same period last year.

In the first half of 2008, confronted with complicated and severe business conditions featured by soaring crude oil prices and tight control on price of oil products in domestic market, the Company managed to increase oil and gas production, speed up structure adjustment, and took a variety of measures to increase the supply of oil products and made efforts to guarantee the domestic market supply of oil products through optimised production and operation activities, improved management, increased profitability through tapping potentials, conserving energy and reducing emissions, and realised steady growth in oil and gas production, refinery throughput, sales volume of oil products and the production of major chemical products.

5.1.1 Production and Operations

(1) Exploration and Production Segment

In the first half of 2008, the international crude oil prices soared, and the average price of Platt's Brent spot price was US\$ 109.14/barrel, increased by 72.53% over the same period last year.

In exploration, the Company made new progress in petroleum exploration in Tahe oil field, in natural gas exploration in the surrounding areas of Puguang gas field in northeastern Sichuan, western Sichuan and the southern area in Songlao basin, and in the exploration of concealed oil and natural gas reserves in the matured fields in the east of China.

With respect to development, through such measures as strengthening the comprehensive adjustments in the matured fields, optimising the construction process of production capacity in the new blocks and enhancing the development of low-grade reserves and speeding up the pace of increasing recovery rate, the Company has yielded marked achievements in increasing both oil and gas reserves and production. Moreover, the construction of

Sichuan-East China Gas project has been progressing smoothly. In the first half of this year, the Company produced 147.38 million barrels of crude oil, increased by 2.4%, and produced 144.2 billion cubic feet of natural gas, increased by 3.3% over the same period last year.

Summary of Operations of Exploration and Production Segment

| | Six-month periods | | Changes (%) |
|---|--------------------------------|------------------------------------|------------------------|
| | ended 30 June | | |
| | 2008 | 2007 | |
| Crude oil production (mmbbls) | 147.38 | 143.88 | 2.4 |
| Natural gas production (bcf) | 144.2 | 139.6 | 3.3 |
| Newly added proved reserve of crude oil (mmbbls) | 158.74 | 147.88 | 7.3 |
| Newly added proved reserve of natural gas (bcf) | 186.9 | 158.6 | 17.8 |
| | At 30 June 2008 | At 31 December 2007 | Changes (%) |
| Proved reserve of crude oil (mmbbls) | 3,035 | 3,024 | 0.4 |
| Proved reserve of natural gas (bcf) | 6,373.6 | 6,330.8 | 0.7 |

Note: Crude oil production is converted at 1 tonne = 7.1 barrels, and natural gas production is converted at 1 cubic meter = 35.31 cubic feet.

(2) Refining Segment

In the first half of 2008, in order to meet market demand, the Company made efforts to keep refinery facilities running safely and at full capacity and increased the output of oil products. It also optimised crude oil resources and tried to reduce the purchasing cost of crude oil, reinforced structural adjustment of products mix and increased the production of high value-added products such as high-grade gasoline, vigorously promoted the sales of petroleum products other than gasoline, diesel or kerosene, produced clean oil products meeting national IV standard. Being a cooperation partner of 2008 Beijing Olympic Games, the Company provides oil products in major hosting cities. In the first half of 2008, the refinery throughput increased by 6.7% over the same period last year, and the output of oil products increased by 10.1%, among which, gasoline had a 7.7% increase and diesel with an increase of 13.0% over the same period last year.

Summary of Operations of Refining Segment

| | Six-month periods | | Changes (%) |
|--|-------------------|-------|---------------------|
| | ended 30 June | | |
| | 2008 | 2007 | |
| Refinery throughput (million tonnes)* | 84.25 | 78.94 | 6.7 |
| Gasoline, diesel and kerosene production (million tonnes) | 51.52 | 46.80 | 10.1 |
| Of which: Gasoline (million tonnes) | 13.78 | 12.79 | 7.7 |
| Diesel (million tonnes) | 33.80 | 29.91 | 13.0 |
| Kerosene, including jet fuel (million tonnes) | 3.94 | 4.10 | (3.9) |
| Light chemical feedstock (million tonnes) | 12.07 | 12.26 | (1.5) |
| Light products yield (%) | 74.68 | 73.93 | 0.75 |
| | | | percentage point |
| Refinery yield (%) | 93.87 | 93.73 | 0.14 |
| | | | percentage point |

* Refinery throughput is converted at 1 tonne = 7.35 barrels.

(3) Marketing and Distribution Segment

In the first half of 2008, the Company constantly optimise its sales networks, intensified awareness of service and improved service quality, collected resources through various channels and timely arranged the imports of oil products, optimised the allocation and transport of oil products, reduced transportation cost and managed to guarantee sufficient supply of oil products in the domestic market and actively promoted sales of oil products with high octane number. The total sales volume of refined oil products reached 63 million tonnes, increased by 8.8% compared with that of the same period last year, among which retail had a 19.2% increase than that of the same period last year. In its coping with the rare snow storm in South China as well as the earthquake in Wenchuan, the Company promptly initiated its contingency plan, made all-out efforts to guarantee the supply of refined oil products, and adopted such means as movable gas-filling and manual delivery of oil products, thus ensuring the supply of refined oil products in the disaster-stricken areas.

Summary of Operations of Marketing and Distribution Segment

| | Six-month periods | | Changes (%) |
|--|-----------------------|--------|----------------|
| | ended 30 June 2008 | 2007 | |
| Total domestic sales volume of refined oil products (million tonnes) | 63.02 | 57.92 | 8.8 |
| Of which: Retail volume (million tonnes) | 42.91 | 36.01 | 19.2 |
| Direct sales volume (million tonnes) | 10.37 | 10.15 | 2.2 |
| Wholesale volume (million tonnes) | 9.73 | 11.77 | (17.3) |
| Total number of service stations | 29,188 | 28,898 | 1.0 |
| Of which: Number of company-operated service stations | 28,551 | 28,153 | 1.4 |
| Number of franchised service stations | 637 | 745 | (14.5) |
| Average annual throughput per station (tonne) | 3,006 | 2,558 | 17.5 |

(4) Chemicals Segment

In the first half of 2008, the Company took the advantage of concentrated sales and made great efforts to expand the chemical market, coped with the market changes in a flexible way and organised the production and sales of products with market appeals, endeavored to increase profits, improved management, consolidated the raw material optimisation and product structure optimisation, vigorously promoted new technologies and tried hard to increase the output of high added-value products. Ethylene production reached 3.307 million tonnes, a 1.0% increase on a year-on-year basis, and the production of synthetic resin reached 4.923 million tonnes, an increase of 3.1% over the same period last year. Synthetic rubber production reached 0.46 million tonnes, increased by 27.8% over the same period last year

**Summary of Production of
Major Chemical Products**

Unit: 1000 tonnes

| | Six-month periods | | Changes (%) |
|-------------------------------------|--------------------------|-------------|------------------------|
| | ended 30 June | | |
| | 2008 | 2007 | |
| Ethylene | 3,307 | 3,273 | 1.0 |
| Synthetic resin | 4,923 | 4,774 | 3.1 |
| Synthetic fiber monomer and polymer | 3,768 | 3,938 | (4.3) |
| Synthetic fiber | 681 | 721 | (5.5) |
| Synthetic rubber | 460 | 360 | 27.8 |
| Urea | 685 | 813 | (15.7) |

Note: 100% production of two ethylene joint ventures, namely BASF-YPC and SHANGHAI SECCO was included.

5.1.2 Cost Saving

In the first half of 2008, the Company took various measures to reduce costs, including: fully leveraging the modern logistics system to optimise resources allocation and reduce transportation costs, tapping the potentials of refining capacities for lower quality crude, reducing purchasing costs of crude oil, optimising operation of facilities and reducing energy and material consumption. In the first half of 2008, the Company effectively saved RMB 1.703 billion in cost. Of the total cost saved, the exploration and production segment, the refining segment, the marketing and distribution segment and the chemicals segment achieved cost saving of RMB 577 million, RMB 341 million, RMB 315 million and RMB 470 million respectively.

5.1.3 Energy Saving and Emission Reduction

In the first half of 2008, the Company made remarkable achievements in energy saving and emission reduction. We established SINOPEC Energy-saving Monitoring Center and Energy-saving Technical Service Center, introduced reporting system on energy-saving activities, initiated benchmarking activities for assessing energy efficiencies within the industry, continued to conduct the publicising and education work of energy-saving and emission reduction, vigorously promoted such advanced energy-saving technologies as pulsed electric desalting, and aromatics extraction of pygas. In the first half of this year, our energy intensity, industrial water consumption and COD in discharged waste water dropped by 6.6%, 11.8% and 15.0% respectively over the same period last year.

5.1.4 Capital Expenditures

In the first half of 2008, the Company's total capital expenditure was RMB 36.536 billion. Among which, capital expenditure for exploration and development was RMB 20.981 billion. The newly-built production capacity of crude oil and natural gas was 2.79 million tonnes per year and 480 million cubic-meters per year respectively. The capital expenditure for refining segment was RMB 3.849 billion, green-field and expansion refinery projects in Qingdao, Gaoqiao, Wuhan and Luoyang have been put into production. Caofeidian crude oil jetty project has realised mechanical completion. The capital expenditure in chemicals segment was RMB 5.907 billion. Yangzi Petrochemicals Butadiene project with a capacity of 100,000 tonnes per year was put into operation, and Tianjin, Zhenhai ethylene and Jinling PX project are underway as scheduled. The capital expenditure in marketing and distribution segment was RMB 4.548 billion. The sales network of oil products was furthered optimised and 195 service stations were newly built. The capital expenditure for corporate and others amounted to RMB 1.251 billion.

5.2 Principal Operations categorised by business segments

The following table sets out the principal operations categorised by business segments and the details of the connected transactions, including income from principal operations and cost of sales for each business segment, extracted from the Company's financial statements prepared under ASBE:

| Segment | Income from principal operations (RMB millions) | Cost of principal operations (RMB millions) | Gross profit margin (%) ^{note} | Increase/ decrease of Income from principal operations on a year- on-year basis (%) | Increase/ decrease of Cost of principal operations on a year- on-year basis (%) | Increase/ decrease of gross profit margin (%) |
|---------------------------------------|--|--|---|--|--|---|
| | | | | | | |
| Exploration and production | 96,659 | 43,341 | 29.5 | 54.1 | 18.9 | (6.7) |
| Refinery | 392,200 | 460,239 | (18.8) | 27.4 | 57.8 | (20.7) |
| Marketing and distribution | 390,939 | 373,425 | 4.3 | 26.7 | 28.4 | (1.3) |
| Chemicals | 132,005 | 127,389 | 3.4 | 14.1 | 19.5 | (4.1) |
| Corporate and others | 411,237 | 411,873 | (0.2) | 103.2 | 103.4 | (0.1) |
| Elimination of inter segment sales | (688,257) | (685,177) | N/A | N/A | N/A | N/A |
| Total | 734,783 | 731,090 | (3.4) | 23.3 | 47.6 | (10.4) |

Note: Gross profit margin= (income from principal operations - cost of principal operations, taxes and surcharges) / income from principal operations

The total amount of connected transactions of products sold and the services provided by the Company to Sinopec Group Company was RMB42.132 billion in this reporting period.

5.3 Principal operations in different regions

applicable inapplicable

5.4 Operations of associate companies

applicable inapplicable

5.5 Reasons of material changes in the principal operations and their structure

applicable inapplicable

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

applicable inapplicable

5.7 Reasons of changes in profit composition as compared to that in the preceding year

applicable inapplicable

Part of the financial information discussed below is extracted from the audited financial statements prepared in accordance with IFRS.

In the first half of 2008, the Company's turnover, other operating revenues and other income were RMB 768.2 billion, and the operating profit was RMB 7.2 billion, representing an increase of 36.2%, and a decrease of 86.5% respectively over the same period of 2007. This was mainly because of the sharp increase in crude oil prices which resulted in significant losses in the Company's refining business.

5.7.1 Turnover, other operating revenues and other income

In the first half of 2008, the Company's turnover, other operating revenues and other income were RMB 768.2 billion, of which turnover was RMB 722.4 billion, representing an increase of 31.0% over the first half of 2007. This was mainly due to the increase in prices of crude oil, refined oil and chemical products and the Company's efforts in expanding the sales volume of petroleum and petrochemical products and optimized the sales and marketing structure. In the first half of 2008, the Company's other operating revenues were RMB 12.4 billion, representing a decrease of 1.2% over the first half of 2007. In the first half of 2008, the Company recognised a subsidy of RMB 33.4 billion.

The following table lists the Company's external sales volume of major products, their average realised prices and the respective rate of changes between the first half of 2008 and the first half of 2007 for the Company's major products:

| | Sales Volume (thousand tonnes) | | | Average realised price (RMB/tonne, RMB/ thousand cubic meters) | | |
|--|-----------------------------------|--------|---------------|--|--------|---------------|
| | Six-month periods | | | Six-month periods | | |
| | ended 30 June 2008 | 2007 | Change (%) | ended 30 June 2008 | 2007 | Change (%) |
| Crude oil | 2,344 | 2,034 | 15.2 | 4,275 | 2,807 | 52.3 |
| Natural gas (million cubic meters) | 3,034 | 2,863 | 6.0 | 886 | 794 | 11.6 |
| Gasoline | 19,019 | 17,103 | 11.2 | 5,976 | 5,282 | 13.1 |
| Diesel | 41,420 | 37,222 | 11.3 | 5,350 | 4,595 | 16.4 |
| Kerosene, including jet fuel | 4,383 | 3,467 | 26.4 | 5,719 | 4,663 | 22.6 |
| Basic chemical feedstock | 4,956 | 5,082 | (2.5) | 6,817 | 6,081 | 12.1 |
| Synthetic fiber monomer and polymer | 1,856 | 1,990 | (6.7) | 9,324 | 8,837 | 5.5 |
| Synthetic resin | 3,895 | 3,858 | 1.0 | 11,210 | 10,026 | 11.8 |
| Synthetic fiber | 710 | 768 | (7.6) | 11,268 | 11,562 | (2.5) |
| Synthetic rubber | 535 | 431 | 24.1 | 17,703 | 13,239 | 33.7 |
| Chemical fertiliser | 692 | 785 | (11.8) | 1,759 | 1,685 | 4.4 |

Most of crude oil and a small portion of natural gas produced by the Company were internally used for refining and chemical production and the remaining were sold to other customers. In the first half of 2008, turnover from crude oil and natural gas that were sold externally by the exploration and production segment amounted to RMB 13.9 billion, representing an increase of 58.5% compared with the first half of 2007, accounting for 1.8% of the Company's turnover, other operating revenues and other income. The change was mainly due to the increase in price and sales volume of crude oil compared to the first half 2007.

The Company's refining segment, marketing and distribution segment sell petroleum products (mainly consisting of gasoline, diesel, kerosene, which are referred to as oil products and other refined petroleum products) to third parties. In the first half of 2008, the external sales revenue of petroleum products by these two segments were RMB 459.3 billion, representing an increase of 27.5% compared with that in the first half of 2007, accounting for 59.8% of the Company's turnover, other operating revenues and other income. The increase was mainly due to the increased prices of oil products and our proactive efforts in increasing sales volume, optimising the marketing structure, and expanding the markets of other refined petroleum products. The sales revenue of gasoline, diesel and kerosene was RMB 360.3 billion, representing an increase of 29.8% over the same period in 2007, accounting for 78.4% of the sales revenue of petroleum products. Turnover of other refined petroleum products was RMB 99.0 billion, representing an increase of 19.6% compared with the first half of 2007, accounting for 21.6% of the sales revenue of petroleum products.

The Company's external sales revenue of chemical products was RMB 115.4 billion, representing an increase of 10.3% compared with the first half of 2007, accounting for 15.0% of its turnover, other operating revenues and other income. The increase was mainly due to the increase in the price of chemical products.

5.7.2 Operating expenses

In the first half of 2008, the Company's operating expenses were RMB 761.0 billion, representing an increase of 49.1% over the first half of 2007. The operating expenses mainly consisted of the following:

Purchased crude oil, products and operating supplies and expenses

In the first half of 2008, purchased crude oil, products and operating supplies and expenses were RMB 674.1 billion, representing an increase of 53.3% over the first half of 2007, accounting for 88.6% of the total operating expenses, of which:

Purchased crude oil expenses were RMB 355.2 billion, representing an increase of 70.4% over the first half of 2007, accounting for 46.7% of the total operating expenses, increased by 5.8 percentage points over the first half of 2007.

With the rapid growth of economy and market demand in China, the processing volume of crude oil purchased from the third parties increased accordingly. Throughput of crude oil that was purchased externally in the first half of 2008 was 66.7 million tonnes (excluding the amount processed for third parties), increased by 10.4% over the first half of 2007; average cost of crude oil purchased externally is RMB 5,326 per tonne, increased by 54.4% over the first half of 2007.

The Company's other purchasing expenses were RMB 318.9 billion, representing an increase of 37.8% over the first half of 2007, accounting for 41.9% of the total operating expenses. This was mainly due to the significant increase in the cost of gasoline, diesel and other feedstock purchased externally.

Selling, general and administrative expenses

The Company's selling, general and administrative expenses totaled RMB 18.2 billion in the first half of 2008, representing an increase of 3.3% over the first half of 2007.

Depreciation, depletion and amortisation

Depreciation, depletion and amortisation were RMB 22.4 billion, representing an increase of 15.2% compared with the first half of 2007. This was mainly due to the expansion of the Company's investment scale and the additions in property, plant and equipment.

Exploration expenses

In the first half of 2008, exploration expenses were RMB 4.7 billion, representing a decrease of 17.3% compared with the first half of 2007.

Personnel expenses

In the first half of 2008, personnel expenses were RMB 12.6 billion, representing an increase of 17.1% compared with the first half of 2007.

Employee reduction expenses

In the first half of 2008, according to the Company's voluntary employee reduction plan, the Company undertook employee reduction expenses of approximately RMB 0.2 billion for 3,600 employees.

Taxes other than income tax

In the first half of 2008, the Company's taxes other than income tax were RMB 28.5 billion, an increase of 96.8% compared with the first half of 2007, and this was mainly due to an increase of special levy on crude oil income by RMB 13.3 billion; meanwhile, consumption tax increased by RMB 1 billion as a result of the sales increase of gasoline and diesel, etc.

Other operating expenses (net)

In the first half of 2008, Company's other operating expenses (net) were RMB 0.2 billion, representing a decrease of 89.4%, compared with the first half of 2007. This was mainly due to the decrease in impairment losses on long-lived assets compared with the first half of 2007.

5.7.3 Operating profit

In the first half of 2008, the Company's operating profit was RMB 7.2 billion, representing a decrease of 86.5% over the first half of 2007.

5.7.4 Net finance costs

In the first half of 2008, the Company's net finance costs were RMB 0.7 billion, representing a decrease of 80.8% compared with the first half of 2007. This was mainly due to an increase of RMB 3.9 billion on the unrealised gain on embedded derivatives component of convertible bonds and an increase of RMB 0.9 billion in exchange gain (net) compared with the first half of 2007.

5.7.5 Profit before tax

In the first half of 2008, the Company's profit before taxation was RMB 8.2 billion, representing a decrease of 84.5% over the first half of 2007.

5.7.6 Tax benefit/(expense)

In the first half of 2008, the Company's tax benefit was RMB 0.1 billion.

5.7.7 Profit attributable to minority interests

In the first half of 2008, the Company's profit attributable to minority interests were RMB 0.1 billion, representing a decrease of 94.7% compared with the first half of 2007. This was mainly due to the decrease of profit from consolidated subsidiaries such as Sinopec Shanghai Petrochemical Company Limited, Sinopec Hainan Refining and Chemical Company Limited and Sinopec Qingdao Refining and Chemical Company.

5.7.8 Profit attributable to equity shareholders of the Company

In the first half of 2008, the Company's profit attributable to equity shareholders of the Company was RMB 8.26 billion, representing a decrease of 77.3% against the first half of 2007.

5.8 Use of the proceeds from share issue

5.8.1 Use of the proceeds from share issue

applicable inapplicable

5.8.2 Change of projects

applicable inapplicable

5.9 Business prospects and operating plan for the second half

applicable inapplicable

Looking into the second half of 2008, the Company believes China's economy is expected to maintain growth momentum. It is expected that in the second half of this year the international prices of crude oil will remain high, the domestic refining business will still be under pressure and the demand growth for chemical products may slow down.

In the second half of this year, the Company shall continue to take flexible operational strategies, intensify management and make optimal arrangement for various production and operation activities.

In exploration and development segment, the Company will speed up the exploration in such key regions as Tahe and northeastern Sichuan, actively tap the potentials of the existing oil fields, and further improve recovery rate. In the second half of 2008, the Company plans to produce 21.24 million tonnes of crude oil and 4.2 billion cubic meters of natural gas.

In refining segment, the Company shall continue to operate at its full capacity on the basis of ensuring safe and stable production to ensure market supplies, optimise the purchase and allocation of crude oil resources, make efforts to reduce the costs of crude oil, further adjust product structure and increase the output of high value-added products. In the second half of 2008, the Company plans to refine 89.75 million tonnes of crude oil.

In marketing and distribution segment, the Company will continue to meticulously organise the allocation and transport of refined oil products, make efforts to guarantee the market supplies of refined oils products and ensure the oil supplies for the Olympic games and the reconstruction of disaster-stricken areas and key industries. Meanwhile, the Company shall intensify the arrangement of resources, optimise the flow and storage and transportation of resources and improve profitability from the sales. In the second half of 2008, the Company plans to a total domestic sales volume of oil products at 64 million tonnes.

In chemicals segment, the Company shall optimise raw materials, product structure and unit operation, intensify the implementation of energy-saving and material consumption, consolidate the linkage of production, sales and research, promote developments of new products, and increase the production of high value-added products. In the second half of 2008, the Company plans to produce 3.26 million tonnes of ethylene.

In the second half of 2008, we shall continue to optimise our production and operation activities, improve management, increase profit through tapping potentials, reducing energy consumption and reducing emissions, and strive to fulfill the production and business goals of the whole year.

5.10 Caution and explanation as to the anticipated loss of accumulated net profits from the beginning of the year to the end of the next reporting period or significant changes over the same period of last year

Since the beginning of the year, with the soaring international crude oil prices and the tight control over domestic oil products prices, prices of crude oil and oil products were inverted, which, resulted in significant losses of the Company's refining segment. The Company's overall profitability dropped substantially. Through preliminary estimation by the finance division, the Company expects that net profit for the first three quarters of this year shall drop more than 50 percent compared with the same period last year.

5.11 Explanation of the management about the auditors' "non-standard opinion" for the reporting period

applicable inapplicable

5.12 Explanation of the management about the subsequent changes and the follow up actions of the matters in connection with the auditors' "non-standard opinion" in the last financial year

applicable inapplicable

§ 6 Significant events

6.1 Acquisition, sale of assets and assets reorganisation

6.1.1 Acquisition and purchase of assets

| Counterparty and/or ultimate controlling party | To trade and to be acquired or placement | Since the date of purchase | The date of purchase | Trading price | To the end of the reporting period, net profit contributed to the listed company | Whether Affiliate Transaction or not (if yes, give pricing principle) | Whether all the associated property right has been transferred or not | Whether all the associated debtor and creditor has been shifted or not |
|--|--|----------------------------|----------------------|------------------|--|---|---|--|
| China Petroleum Corporation | Asset of oilfield downhole maintenance | | June 30th, 2008 | RMB1.624 billion | No | yes, assessed Price | yes | yes |

6.1.2 Disposition and sale of assets

applicable inapplicable

6.1.3 Progress and impact on financial position and operating results of the relevant event after the issue of asset reorganisation report or announcement of acquisition and sale of assets

applicable inapplicable

6.2 Material guarantee contracts and status of implementation

External guarantees provided by the Company (not including guarantees provided for its controlled subsidiaries)

| Obligors | Date of Occurrence (Date of Execution of the Agreement) | Guarantee Amount (RMB million) | Type of Guarantee | Term | Whether Completed or not | Whether for a Connected Party ¹ |
|--|--|-----------------------------------|-----------------------------|---------------------------------------|--------------------------|--|
| Yueyang SINOPEC Shell Coal Gasification Corporation Co., Ltd. | 10 December 2003 | 377 | Joint and Several Liability | 10 December 2003 - 10 December 2017 | No | Yes |
| Shanghai Gaoqiao-SK Solvent Co., Ltd. | 22 September 2006 | | | 22 September 2006 - 22 September 2011 | | |
| | 24 November 2006 | | | 24 November 2006 - 24 November 2011 | | |
| | 30 March 2007 | | | 30 March 2007 - 30 March 2012 | | |
| | 16 April 2007 | Total 75 | Joint and Several Liability | 16 April 2007 - 16 April 2012 | No | Yes |
| Fujian Refining and Petrochemical Company Limited | 6 September 2007 | 9,166 | Joint and Several Liability | 6 September 2007 - 31 December 2015 | No | Yes |
| Balance of guarantee by Sinopec Yangzi Petrochemical for its associates and joint ventures | | 114 | | | No | Yes |
| Balance of guarantee by Sinopec Shanghai Petrochemical for its associates and joint ventures | | 17 | | | No | Yes |
| Balance of guarantee by Sinopec Sales Company Limited for its associates and joint ventures | | 75 | | | No | Yes |
| Total amount of guarantee provided during the reporting period ² | | | | | | 26 |
| Total amount of guarantee outstanding at the end of the reporting period ² | | | | | | 9,824 |
| Guarantees provided by Sinopec Corp. for its controlled subsidiaries | | | | | | |
| Total amount of guarantee for the controlling subsidiaries during the reporting period | | | | | | None |
| Total amount of guarantee for the controlling subsidiaries outstanding at the end of the reporting period | | | | | | 2,228 |
| Total amount of guarantee by the Company (including those provided for the controlling subsidiaries) | | | | | | |
| Total amount of guarantee ³ | | | | | | 12,052 |
| Total amount of guarantee as a percentage of the Company's net assets | | | | | | 3.6% |
| Amount of guarantee provided for shareholders, effective controllers and connected parties | | | | | | None |
| Amount of debt guarantee provided directly or indirectly for the companies with liabilities to asset ratio of over 70% | | | | | | 82 |
| Amount of guarantee in excess of 50% of the total net assets | | | | | | None |
| Total amount of guarantee of the above three items⁴ | | | | | | 82 |

Note 1: As defined in the Listing Rules of the Shanghai Stock Exchange.

Note 2: Total amount of guarantee provided during the reporting period and total amount of guarantees outstanding at the end of the reporting period include the guarantees provided by the controlled subsidiaries to external parties. The amount of guarantees assumed by Sinopec Corp. is the amount of the external guarantees provided by each controlling subsidiary multiplied by Sinopec Corp.'s respective shareholding in the controlled subsidiary.

Note 3: Total amount of guarantee is the aggregate of the amount of guarantee outstanding at the end of the reporting period (excluding the guarantees provided for controlling subsidiaries) and the amount of guarantees for controlling subsidiaries outstanding at the end of the reporting period.

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

6.3 Non-operating funds provided between connected parties

applicable inapplicable

6.4 Material litigation and arbitration

applicable inapplicable

6.5 Explanations of other significant events, their impact and proposed solutions

applicable inapplicable

6.5.1 The shares of other listed companies held by the Company and status of investments in shares and securities

applicable inapplicable

| Item | Stock Code | Abbreviation | Number of shares held | Amount of initial investment | Book value at the end of reporting period | Book value at the beginning of reporting period | Accounting items |
|-------|----------------|-------------------|-----------------------|------------------------------|---|---|-----------------------------|
| 1 | 384(Hong Kong) | China Gas Holding | 210 million | HK\$ 128 million | RMB 136 million | RMB 136 million | Long-term equity investment |
| Total | | | — | HK\$ 128 million | RMB 136 million | RMB 136 million | — |

6.5.2 Stocks of unlisted finance enterprises and companies to be listed held by the Company

applicable inapplicable

6.5.3 5% above shareholders additional commitments regarding the restricted A Shares

applicable inapplicable

6.5.4 Significant Events

Sichuan-to-East China Gas Project

Sichuan-to-East China Gas Project is an important project in the State's Eleventh Five-Year Plan. This project consists of two parts. One part is Puguang gas field exploration, development and gas treatment project, the other part is the pipeline project between Puguang gas field and Shanghai. It is expected that the major part of the project will be completed in 2009.

Qingdao refinery project

The Qingdao refinery, with 10 million tpa of refining capacity, commenced construction in June 2005, and was put into production on May 24, 2008.

Tianjin one million tpa ethylene project

Tianjin ethylene project includes 12.5 million tpa of refining technical innovation project, 1 million tpa ethylene project and downstream ancillary facilities. The total investment expects to be RMB 26.8 billion. The project construction started in June 2006. It is proceeding smoothly now and will be completed by the end of 2009.

Zhenhai one million tpa ethylene project

Zhenhai ethylene project with an investment of RMB 21.9 billion, which mainly consists of 1 million tpa ethylene and downstream supporting facilities and auxiliary utilities. The construction of the project commenced in November 2006 and is currently progressing smoothly. The project is expected to be completed in 2010.

6.5.5 Issuance of bonds with warrants in domestic market

Sinopec Corp. issued RMB 30 billion bonds with warrants on 20 February 2008. The Bonds with Warrants have a 6-year term and 0.8% per annum fixed coupon rate, and the 3.03 billion warrants were distributed with exercise ratio of 2 for 1 and a term of 2 years. The bonds and warrants were listed on Shanghai Stock Exchange on 4 March 2008. The proceeds from issuance will be used to fund the Sichuan-East China Gas Project, Tianjin 1 million tonnes per annum (tpa) ethylene project, Zhenhai 1 million tpa ethylene project and repayment of bank loans. The proceeds from the exercise of warrants, if exercised, will be used to fund Tianjin 1 million tpa ethylene project, Zhenhai 1 million tpa ethylene project, Wuhan ethylene project, repayment of bank loans or replenishment of working capital of Sinopec Corp.

6.5.6 Subsidies

In recent years, the international crude oil prices rose sharply and the prices of domestic oil products are controlled tightly, which brought about the situation that oil products and crude oil prices had inverted. To ensure stable supply to the oil products market, the Company proactively adopted various measures to increase the supply of oil products in the market, which has achieved remarkable effect and has also led to the significant loss in the Company's refining business. In March 2008, the Company received subsidies of RMB 12.3 billion, of which RMB 4.9 billion has been included in the income of 2007, and RMB 7.4 billion was included in the income of the first quarter of 2008.

From April 1, 2008, the government began to subsidise the Company for the losses suffered from processing of imported crude oil, and put into effect the VAT refund policy for the Company for imported refined oil products. In the second quarter, the Company recorded a total subsidy of RMB 22.93 billion, and RMB 3.07 billion of VAT refund for imported refined oil products.

6.5.7 Dividend distribution for the year ended 31 December 2007

As approved at the 2007 Annual General Meeting of Sinopec Corp., a final cash dividend of RMB 0.115 (inclusive of tax) per share for 2007 was distributed, which amounted to a total cash dividend of RMB 9.971 billion. On 30 June 2008, Sinopec Corp. distributed the final dividend for 2007 to shareholders whose names appeared on the register of members of Sinopec Corp. on 13 June 2008.

For the year of 2007, total cash dividend of RMB 0.165 (inclusive of tax) per share was distributed and the total cash dividend amounted to RMB 14.306 billion.

6.5.8 Interim dividend distribution plan for the six-month period ended 30 June 2008

With the authorisation of 2007 Annual General Meeting, the interim dividend distribution plan for the six-month period ended 30 June 2008 was approved at the twenty third meeting of the Third Session of the Board of Directors. An interim cash dividend of RMB 0.03 (inclusive of tax) per share will be distributed based on the total number of shares of 86,702.439 million as at 30 June 2008. The total cash dividend amounts to RMB2.601 billion.

The interim dividend will be distributed on or before Monday, 29 September 2008 to the shareholders whose names appear on the register of members of Sinopec Corp. on Friday, 19 September 2008.

To be entitled to the interim dividend, holders of H shares shall lodge their share certificate(s) and transfer documents with Hong Kong Registrars Limited at the 46th floor., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration of transfer, by no later than 4:00pm on Friday, 12 September 2008. The register of members of the H shares of Sinopec Corp. will be closed from Monday, 15 September 2008, to Friday, 19 September 2008 (both dates inclusive).

Dividends will be denominated and declared in Renminbi. Dividends for domestic shares will be paid in Renminbi and dividends for foreign shares will be paid in Hong Kong dollars. The exchange rate for dividends to be paid in Hong Kong dollars is the average of the basic exchange rate of Hong Kong dollar to Renminbi published by the People's Bank of China during the week prior to the date of declaration of dividends, being Friday, 22 August 2008.

§ 7 Financial Statements

The followings are the financial statements of China Petroleum & Chemical Corporation ("the Company") and its subsidiaries ("the Group") for the six months ended 30 June 2008, which are extracted from the audited interim financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises and International Financial Reporting Standards ("IFRS") with 2007 comparatives.

7.1 Auditors' opinion

| | | |
|----------------------|--|---|
| Financial statements | <input type="checkbox"/> Unaudited | <input checked="" type="checkbox"/> Audited |
| Auditors' opinion | <input checked="" type="checkbox"/> Standard unqualified opinion | <input type="checkbox"/> Not Standard opinion |

**To the Shareholders of
China Petroleum & Chemical Corporation:**

We have audited the accompanying financial statements of China Petroleum & Chemical Corporation (the “Company”), which comprise the consolidated balance sheet and balance sheet as at 30 June 2008, and the consolidated income statement and income statement, consolidated statement of changes in equity and statement of changes in equity, consolidated cash flow statement and cash flow statement for the six-month period ended 30 June 2008, and notes to the financial statements.

1. MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company’s management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People’s Republic of China. This responsibility includes: (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable.

2. AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China’s Auditing Standards for the Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. OPINION

In our opinion, the financial statements comply with the requirements of the Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China and present fairly, in all material respects, the Company's consolidated financial position and financial position as at 30 June 2008, and the consolidated results of operations, results of operations, consolidated cash flows and cash flows for the six-month period ended 30 June 2008.

KPMG Huazhen

Certified Public Accountants

Registered in the People's Republic of China

Zhang Jingjing

Zhang Yansheng

Beijing, The People's Republic of China

22 August 2008

7.2 The Group's and the Company's financial statements with comparatives

7.2.1 Financial statements prepared under the PRC Accounting Standards for Business Enterprises

Balance Sheet

| | At 30 June 2008 | | At 31 December 2007 | |
|---------------------------------|----------------------------------|------------------------------------|----------------------------------|------------------------------------|
| | The Group <i>RMB millions</i> | The Company <i>RMB millions</i> | The Group <i>RMB millions</i> | The Company <i>RMB millions</i> |
| Assets | | | | |
| Current assets | | | | |
| Cash at bank and in hand | 9,774 | 3,974 | 8,364 | 3,105 |
| Bills receivable | 8,938 | 3,264 | 12,851 | 6,377 |
| Trade accounts receivable | 43,084 | 15,639 | 22,947 | 13,547 |
| Other receivables | 20,224 | 18,234 | 11,822 | 18,209 |
| Advance payments | 14,406 | 13,441 | 9,402 | 9,252 |
| Inventories | 163,488 | 113,537 | 116,049 | 65,901 |
| Other current assets | 127 | 80 | 100 | 23 |
| Total current assets | <u>260,041</u> | <u>168,169</u> | <u>181,535</u> | <u>116,414</u> |
| Non-current assets | | | | |
| Long-term equity investments | 31,189 | 84,240 | 31,335 | 85,784 |
| Fixed assets | 365,785 | 291,729 | 361,148 | 290,082 |
| Construction in progress | 105,503 | 98,598 | 95,408 | 80,720 |
| Intangible assets | 16,730 | 11,371 | 15,232 | 10,322 |
| Goodwill | 15,707 | — | 15,690 | — |
| Long-term deferred expenses | 6,348 | 5,273 | 5,842 | 4,995 |
| Deferred tax assets | 18,037 | 16,205 | 10,192 | 9,418 |
| Other non-current assets | 1,216 | 90 | 2,190 | 735 |
| Total non-current assets | <u>560,515</u> | <u>507,506</u> | <u>537,037</u> | <u>482,056</u> |
| Total assets | <u><u>820,556</u></u> | <u><u>675,675</u></u> | <u><u>718,572</u></u> | <u><u>598,470</u></u> |

| | At 30 June 2008 | | At 31 December 2007 | |
|---|---------------------|---------------------|---------------------|---------------------|
| | The Group | The Company | The Group | The Company |
| | <i>RMB millions</i> | <i>RMB millions</i> | <i>RMB millions</i> | <i>RMB millions</i> |
| Liabilities and shareholders' equity | | | | |
| Current liabilities | | | | |
| Short-term loans | 67,229 | 20,001 | 36,954 | 21,952 |
| Bills payable | 17,563 | 9,615 | 12,162 | 8,613 |
| Trade accounts payable | 126,669 | 90,363 | 93,049 | 58,932 |
| Receipts in advance | 27,448 | 23,325 | 25,082 | 23,412 |
| Staff costs payable | 7,091 | 6,234 | 5,905 | 5,282 |
| Taxes payable | 9,324 | 9,870 | 17,562 | 15,383 |
| Other payables | 65,617 | 111,658 | 47,503 | 65,729 |
| Short-term debentures payable | — | — | 10,074 | 10,074 |
| Current portion of non-current liabilities | 18,785 | 18,033 | 13,466 | 12,813 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total current liabilities | 339,726 | 289,099 | 261,757 | 222,190 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Non-current liabilities | | | | |
| Long-term loans | 75,920 | 55,554 | 77,708 | 67,055 |
| Debentures payable | 62,479 | 62,479 | 42,606 | 42,606 |
| Provisions | 8,168 | 7,714 | 7,613 | 7,002 |
| Deferred tax liabilities | 1,471 | 577 | 1,492 | 584 |
| Other non-current liabilities | 1,493 | 587 | 1,049 | 601 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total non-current liabilities | 149,531 | 126,911 | 130,468 | 117,848 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities | 489,257 | 416,010 | 392,225 | 340,038 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

| | At 30 June 2008 | | At 31 December 2007 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | The Group | The Company | The Group | The Company |
| | <i>RMB millions</i> | <i>RMB millions</i> | <i>RMB millions</i> | <i>RMB millions</i> |
| Shareholders' equity | | | | |
| Share capital | 86,702 | 86,702 | 86,702 | 86,702 |
| Capital reserve | 43,545 | 43,427 | 38,391 | 38,175 |
| Surplus reserves | 65,392 | 65,392 | 64,797 | 64,797 |
| Retained profits | | | | |
| (Including cash dividend declared after the balance sheet date of RMB 2,601 million (2007: Proposed cash dividend of RMB 9,971 million)) | 109,832 | 64,144 | 111,059 | 68,758 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Shareholders' equity attributable to equity shareholders of the Company | 305,471 | 259,665 | 300,949 | 258,432 |
| Minority interests | 25,828 | — | 25,398 | — |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total shareholders' equity | <u>331,299</u> | <u>259,665</u> | <u>326,347</u> | <u>258,432</u> |
| Total liabilities and shareholders' equity | <u>820,556</u> | <u>675,675</u> | <u>718,572</u> | <u>598,470</u> |

Income Statement

| | Six-month periods ended 30 June 2008 | | Six-month periods ended 30 June 2007 | |
|--|---|---------------------|---|---------------------|
| | The Group | The Company | The Group | The Company |
| | <i>RMB millions</i> | <i>RMB millions</i> | <i>RMB millions</i> | <i>RMB millions</i> |
| Operating income | 734,783 | 519,484 | 563,870 | 408,967 |
| Less: Cost of sales | 679,678 | 471,044 | 461,426 | 330,838 |
| Sales taxes and surcharges | 28,451 | 25,332 | 14,456 | 11,996 |
| Selling expenses | 11,885 | 9,667 | 9,535 | 8,122 |
| Administrative expenses | 18,721 | 15,384 | 17,139 | 13,478 |
| Financial expenses | 3,658 | 3,735 | 2,760 | 2,256 |
| Exploration expenses, including dry holes | 4,728 | 4,728 | 5,717 | 5,715 |
| Impairment losses | 16,079 | 15,758 | 1,535 | 1,577 |
| Add: Fair value gain/(loss) | 2,956 | 2,956 | (897) | (897) |
| Investment income | 1,677 | 4,806 | 2,880 | 9,264 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Operating (loss) / profit | (23,784) | (18,402) | 53,285 | 43,352 |
| Add: Non-operating income | 33,765 | 22,669 | 169 | 111 |
| Less: Non-operating expenses | 465 | 415 | 753 | 580 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Profit before taxation | 9,516 | 3,852 | 52,701 | 42,883 |
| Less: Income tax expense | 101 | (2,100) | 16,127 | 10,814 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net profit | <u>9,415</u> | <u>5,952</u> | <u>36,574</u> | <u>32,069</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Including: Net profit made by acquiree before the consolidation | <u> </u> | | <u>217</u> | |
| | <u> </u> | | <u> </u> | |
| Attributable to: | | | | |
| Equity shareholders of the Company | 9,339 | | 35,110 | |
| Minority interests | 76 | | 1,464 | |
| | <u> </u> | | <u> </u> | |
| | <u> </u> | | <u> </u> | |
| Basic earnings per share | <u>0.11</u> | | <u>0.40</u> | |
| | <u> </u> | | <u> </u> | |
| Diluted earnings per share | <u>0.08</u> | | <u>0.40</u> | |
| | <u> </u> | | <u> </u> | |

Cash Flow Statement

| | Six-month periods ended 30 June 2008 | | Six-month periods ended 30 June 2007 | |
|---|---|---------------------|---|---------------------|
| | The Group | The Company | The Group | The Company |
| | <i>RMB millions</i> | <i>RMB millions</i> | <i>RMB millions</i> | <i>RMB millions</i> |
| Cash flows from operating activities: | | | | |
| Cash received from sale of goods and rendering of services | 843,591 | 607,618 | 645,091 | 471,896 |
| Rentals received | 149 | 88 | 145 | 81 |
| Grants received | 28,308 | 20,384 | — | — |
| Other cash received relating to operating activities | 2,399 | 29,785 | 1,675 | 4,915 |
| | <u>874,447</u> | <u>657,875</u> | <u>646,911</u> | <u>476,892</u> |
| Sub-total of cash inflows | 874,447 | 657,875 | 646,911 | 476,892 |
| Cash paid for goods and services | (788,688) | (550,198) | (512,024) | (369,376) |
| Cash paid for operating leases | (3,116) | (2,792) | (3,000) | (2,874) |
| Cash paid to and on behalf of employees | (11,694) | (8,604) | (9,579) | (7,498) |
| Value added tax paid | (19,548) | (16,484) | (22,101) | (16,977) |
| Income tax paid | (13,326) | (10,517) | (16,787) | (12,798) |
| Taxes paid other than value added tax and income tax | (24,993) | (21,312) | (13,163) | (10,787) |
| Other cash paid relating to operating activities | (7,096) | (7,851) | (5,557) | (3,507) |
| | <u>(868,461)</u> | <u>(617,758)</u> | <u>(582,211)</u> | <u>(423,817)</u> |
| Sub-total of cash outflows | (868,461) | (617,758) | (582,211) | (423,817) |
| Net cash flow from operating activities | 5,986 | 40,117 | 64,700 | 53,075 |

| | Six-month periods ended 30 June 2008 | | Six-month periods ended 30 June 2007 | |
|---|---|---------------------|---|---------------------|
| | The Group | The Company | The Group | The Company |
| | <i>RMB millions</i> | <i>RMB millions</i> | <i>RMB millions</i> | <i>RMB millions</i> |
| Cash flows from investing activities: | | | | |
| Cash received from sale of investments | 1,049 | 771 | 758 | 173 |
| Dividends received | 1,192 | 7,021 | 1,668 | 8,744 |
| Net cash received from sale of fixed assets and intangible assets | 109 | 103 | 158 | 66 |
| Cash received on maturity of time deposits with financial institutions | 466 | 44 | 510 | 389 |
| Other cash received relating to investing activities | 197 | 102 | 370 | 199 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Sub-total of cash inflows | <u>3,013</u> | <u>8,041</u> | <u>3,464</u> | <u>9,571</u> |
| | ----- | ----- | ----- | ----- |
| Cash paid for acquisition of fixed assets and intangible assets | (44,880) | (41,469) | (40,756) | (31,506) |
| Cash paid for purchase of investments | (2,675) | (3,570) | (1,037) | (5,999) |
| Cash paid for purchase of time deposits with financial institutions | (1,106) | (45) | (3,178) | (468) |
| Cash paid for acquisition of subsidiaries, net | — | — | (7,116) | (3,500) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Sub-total of cash outflows | <u>(48,661)</u> | <u>(45,084)</u> | <u>(52,087)</u> | <u>(41,473)</u> |
| | ----- | ----- | ----- | ----- |
| Net cash flow from investing activities | <u>(45,648)</u> | <u>(37,043)</u> | <u>(48,623)</u> | <u>(31,902)</u> |
| | ----- | ----- | ----- | ----- |

| | Six-month periods ended 30 June 2008 | | Six-month periods ended 30 June 2007 | |
|--|---|---------------------|---|---------------------|
| | The Group | The Company | The Group | The Company |
| | <i>RMB millions</i> | <i>RMB millions</i> | <i>RMB millions</i> | <i>RMB millions</i> |
| Cash flows from financing activities: | | | | |
| Cash received from contribution | | | | |
| from minority shareholders | 1,065 | — | 194 | — |
| Cash received from issuance | | | | |
| of convertible bonds, | | | | |
| net of issuance costs | 29,850 | 29,850 | 11,368 | 11,368 |
| Cash received from issuance | | | | |
| of corporate bonds | — | — | 5,000 | 5,000 |
| Cash received from borrowings | 431,302 | 279,437 | 316,769 | 205,534 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Sub-total of cash inflows | <u>462,217</u> | <u>309,287</u> | <u>333,331</u> | <u>221,902</u> |
| | | | | |
| Cash repayments of corporate bonds | (10,000) | (10,000) | (10,000) | (10,000) |
| Cash repayments of borrowings | (396,247) | (287,551) | (323,035) | (218,890) |
| Cash paid for dividends, profits | | | | |
| distribution or interest expenses | (14,570) | (13,657) | (13,284) | (12,249) |
| Dividends paid to minority shareholders | | | | |
| by subsidiaries | (642) | — | (219) | — |
| Distributions to Sinopec Group Company | (285) | (285) | — | — |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Sub-total of cash outflows | <u>(421,744)</u> | <u>(311,493)</u> | <u>(346,538)</u> | <u>(241,139)</u> |
| | | | | |
| Net cash flow from financing activities | <u>40,473</u> | <u>(2,206)</u> | <u>(13,207)</u> | <u>(19,237)</u> |
| | | | | |
| Effects of changes in foreign exchange rate | (41) | — | (7) | — |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net increase in cash and cash equivalents | <u>770</u> | <u>868</u> | <u>2,863</u> | <u>1,936</u> |

Consolidated Statement of Changes In Equity

| | Share capital RMB millions | Capital reserve RMB millions | Surplus reserves RMB millions | Retained profits RMB millions | Total shareholders' equity attributable to equity shareholders of the Company RMB millions | Minority interests RMB millions | Total shareholders' equity RMB millions |
|--|----------------------------------|------------------------------------|-------------------------------------|-------------------------------------|---|---------------------------------------|--|
| Balance at 1 January 2007 | 86,702 | 38,553 | 59,519 | 74,608 | 259,382 | 22,417 | 281,799 |
| Changes in equity for the period | | | | | | | |
| 1. Net profit | — | — | — | 35,110 | 35,110 | 1,464 | 36,574 |
| 2. Gain and loss recognised directly in equity | | | | | | | |
| – Unrealised gain for the change in fair value of available-for-sale financial assets, net of deferred tax | — | 170 | — | — | 170 | 127 | 297 |
| Sub-total of 1&2 | — | 170 | — | 35,110 | 35,280 | 1,591 | 36,871 |
| 3. Appropriation: | | | | | | | |
| – Appropriation to surplus reserves | — | — | 3,207 | (3,207) | — | — | — |
| – Dividend declared | — | — | — | (9,537) | (9,537) | — | (9,537) |
| 4. Distributions to minority interests net of contributions | — | — | — | — | — | (25) | (25) |
| Balance at 30 June 2007 | <u>86,702</u> | <u>38,723</u> | <u>62,726</u> | <u>96,974</u> | <u>285,125</u> | <u>23,983</u> | <u>309,108</u> |

| | Share capital | Capital reserve | Surplus reserves | Retained profits | Total shareholders' equity attributable to equity shareholders of the Company | Minority interests | Total shareholders' equity |
|---|------------------|--------------------|---------------------|---------------------|---|-----------------------|----------------------------------|
| | RMB millions | RMB millions | RMB millions | RMB millions | RMB millions | RMB millions | RMB millions |
| Balance at 1 January 2008 | 86,702 | 38,391 | 64,797 | 111,059 | 300,949 | 25,398 | 326,347 |
| Changes in equity for the period | | | | | | | |
| 1. Net profit | — | — | — | 9,339 | 9,339 | 76 | 9,415 |
| 2. Gain and loss recognised directly in equity | | | | | | | |
| – Unrealised loss for the change in fair value of available-for- sale financial assets, net of deferred tax | — | (1,666) | — | — | (1,666) | (69) | (1,735) |
| – Issuance of the Bonds with Warrants | — | 6,879 | — | — | 6,879 | — | 6,879 |
| Sub-total of 1&2 | — | 5,213 | — | 9,339 | 14,552 | 7 | 14,559 |
| 3. Appropriation: | | | | | | | |
| – Appropriation to surplus reserves | — | — | 595 | (595) | — | — | — |
| – Dividend declared | — | — | — | (9,971) | (9,971) | — | (9,971) |
| 4. Contributions from minority interests, net of distributions | — | — | — | — | — | 423 | 423 |
| 5. Distribution to Sinopec Group Company | — | (59) | — | — | (59) | — | (59) |
| Balance at 30 June 2008 | 86,702 | 43,545 | 65,392 | 109,832 | 305,471 | 25,828 | 331,299 |

Statement of Changes In Equity

| | Share capital | Capital reserve | Surplus reserves | Retained profits | Total shareholders' equity |
|--|----------------------|----------------------|----------------------|----------------------|----------------------------------|
| | RMB millions | RMB millions | RMB millions | RMB millions | RMB millions |
| Balance at 1 January 2007 | 86,702 | 36,526 | 59,329 | 33,415 | 215,972 |
| Changes in equity for the period | | | | | |
| 1. Net profit (as previously reported) | — | — | — | 24,476 | 24,476 |
| 2. Investment income from subsidiaries | — | — | — | 7,593 | 7,593 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>7,593</u> | <u>7,593</u> |
| Sub-total of 1&2 (as restated) | — | — | — | 32,069 | 32,069 |
| 3. Appropriation: | | | | | |
| – Appropriation to surplus reserves | — | — | 3,207 | (3,207) | — |
| – Dividend declared | — | — | — | (9,537) | (9,537) |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>(9,537)</u> | <u>(9,537)</u> |
| Balance at 30 June 2007 | <u><u>86,702</u></u> | <u><u>36,526</u></u> | <u><u>62,536</u></u> | <u><u>52,740</u></u> | <u><u>238,504</u></u> |

| | Share capital | Capital reserve | Surplus reserves | Retained profits | Total shareholders' equity |
|---|------------------|--------------------|---------------------|---------------------|----------------------------------|
| | RMB millions | RMB millions | RMB millions | RMB millions | RMB millions |
| Balance at 1 January 2008 | 86,702 | 38,175 | 64,797 | 68,758 | 258,432 |
| Changes in equity for the period | | | | | |
| 1. Net profit | — | — | — | 5,952 | 5,952 |
| 2. Gain and loss recognised directly in equity | | | | | |
| – Unrealised loss for the change in fair value of available-for- sale financial assets, net of deferred tax | — | (1,568) | — | — | (1,568) |
| – Issuance of the Bonds with Warrants | — | 6,879 | — | — | 6,879 |
| | <u>—</u> | <u>6,879</u> | <u>—</u> | <u>—</u> | <u>6,879</u> |
| Sub-total of 1&2 | — | 5,311 | — | 5,952 | 11,263 |
| 3. Appropriation: | | | | | |
| – Appropriation to surplus reserves | — | — | 595 | (595) | — |
| – Dividend declared | — | — | — | (9,971) | (9,971) |
| 4. Distribution to Sinopec Group Company | — | (59) | — | — | (59) |
| | <u>—</u> | <u>(59)</u> | <u>—</u> | <u>—</u> | <u>(59)</u> |
| Balance at 30 June 2008 | <u>86,702</u> | <u>43,427</u> | <u>65,392</u> | <u>64,144</u> | <u>259,665</u> |

Consolidated income statement

| | Six-month periods | |
|--|--------------------------|---------------------|
| | ended 30 June | |
| | 2008 | 2007 |
| | <i>RMB millions</i> | <i>RMB millions</i> |
| Turnover and other operating revenues | | |
| Turnover | 722,429 | 551,361 |
| Other operating revenues | 12,354 | 12,509 |
| | <u>734,783</u> | <u>563,870</u> |
| Other income | 33,402 | — |
| Operating expenses | | |
| Purchased crude oil, products and operating supplies and expenses | (674,068) | (439,844) |
| Selling, general and administrative expenses | (18,221) | (17,637) |
| Depreciation, depletion and amortisation | (22,435) | (19,470) |
| Exploration expenses, including dry holes | (4,728) | (5,717) |
| Personnel expenses | (12,626) | (10,786) |
| Employee reduction expenses | (199) | (150) |
| Taxes other than income tax | (28,451) | (14,456) |
| Other operating expenses, net | (235) | (2,226) |
| Total operating expenses | <u>(760,963)</u> | <u>(510,286)</u> |
| Operating profit | <u>7,222</u> | <u>53,584</u> |
| Finance costs | | |
| Interest expense | (5,563) | (3,912) |
| Interest income | 212 | 372 |
| Unrealised gain/(loss) on embedded derivative component of the Convertible Bonds | 2,956 | (897) |
| Foreign exchange loss | (367) | (66) |
| Foreign exchange gain | 2,060 | 846 |
| Net finance costs | <u>(702)</u> | <u>(3,657)</u> |
| Investment income | 319 | 666 |

| | Six-month periods | |
|--|--------------------------|---------------------|
| | ended 30 June | |
| | 2008 | 2007 |
| | <i>RMB millions</i> | <i>RMB millions</i> |
| Share of profits less losses from associates and jointly controlled entities | 1,358 | 2,214 |
| | <u> </u> | <u> </u> |
| Profit before taxation | 8,197 | 52,807 |
| Tax benefit/(expense) | 136 | (14,965) |
| | <u> </u> | <u> </u> |
| Profit for the period | 8,333 | 37,842 |
| | <u> </u> | <u> </u> |
| Attributable to: | | |
| Equity shareholders of the Company | 8,255 | 36,375 |
| Minority interests | 78 | 1,467 |
| | <u> </u> | <u> </u> |
| Profit for the period | 8,333 | 37,842 |
| | <u> </u> | <u> </u> |
| Dividends payable to equity shareholders of the Company attributable to the period: | | |
| Interim dividend declared after the balance sheet date | 2,601 | 4,335 |
| | <u> </u> | <u> </u> |
| Earnings per share: | | |
| Basic earnings per share | 0.10 | 0.42 |
| | <u> </u> | <u> </u> |
| Diluted earnings per share | 0.06 | 0.42 |
| | <u> </u> | <u> </u> |

Consolidated balance sheet

| | At 30 June | At 31 December |
|---|---------------------|-----------------------|
| | 2008 | 2007 |
| | <i>RMB millions</i> | <i>RMB millions</i> |
| Non-current assets | | |
| Property, plant and equipment | 378,384 | 375,142 |
| Construction in progress | 105,503 | 95,408 |
| Goodwill | 15,507 | 15,490 |
| Interest in associates | 15,981 | 16,865 |
| Interest in jointly controlled entities | 13,520 | 12,723 |
| Investments | 2,064 | 3,194 |
| Deferred tax assets | 18,278 | 10,439 |
| Lease prepayments | 9,730 | 8,224 |
| Long-term prepayments and other assets | 10,792 | 10,124 |
| | <hr/> | <hr/> |
| Total non-current assets | 569,759 | 547,609 |
| | <hr/> | <hr/> |
| Current assets | | |
| Cash and cash equivalents | 8,466 | 7,696 |
| Time deposits with financial institutions | 1,308 | 668 |
| Trade accounts receivable, net | 43,084 | 22,947 |
| Bills receivable | 8,938 | 12,851 |
| Inventories | 163,474 | 116,032 |
| Prepaid expenses and other current assets | 43,440 | 24,922 |
| | <hr/> | <hr/> |
| Total current assets | 268,710 | 185,116 |
| | <hr/> | <hr/> |
| Current liabilities | | |
| Short-term debts | 64,758 | 44,654 |
| Loans from Sinopec Group Company and fellow subsidiaries | 21,256 | 15,840 |
| Trade accounts payable | 126,669 | 93,049 |
| Bills payable | 17,563 | 12,162 |
| Accrued expenses and other payables | 113,093 | 89,171 |
| Income tax payable | 5,070 | 10,479 |
| | <hr/> | <hr/> |
| Total current liabilities | 348,409 | 265,355 |
| | <hr/> | <hr/> |
| Net current liabilities | (79,699) | (80,239) |
| | <hr/> | <hr/> |

| | At 30 June | At 31 December |
|--|-----------------------------|-----------------------------|
| | 2008 | 2007 |
| | <i>RMB millions</i> | <i>RMB millions</i> |
| Total assets less current liabilities | 490,060 | 467,370 |
| | <u> </u> | <u> </u> |
| Non-current liabilities | | |
| Long-term debts | 101,529 | 83,134 |
| Loans from Sinopec Group Company and fellow subsidiaries | 36,870 | 37,180 |
| Deferred tax liabilities | 5,372 | 5,636 |
| Other liabilities | 9,661 | 8,662 |
| | <u> </u> | <u> </u> |
| Total non-current liabilities | 153,432 | 134,612 |
| | <u> </u> | <u> </u> |
| | 336,628 | 332,758 |
| | <u> </u> | <u> </u> |
| Equity | | |
| Share capital | 86,702 | 86,702 |
| Reserves | 224,169 | 220,731 |
| | <u> </u> | <u> </u> |
| Total equity attributable to equity shareholders of the Company | 310,871 | 307,433 |
| Minority interests | 25,757 | 25,325 |
| | <u> </u> | <u> </u> |
| Total equity | 336,628 | 332,758 |
| | <u> </u> | <u> </u> |

Consolidated Statement of Changes in Equity

(Amounts in millions)

| | Share capital RMB | Capital reserve RMB | Share premium RMB | Revaluation reserve RMB | Statutory surplus reserve RMB | Discretionary surplus reserve RMB | Other reserves RMB | Retained earnings RMB | Total equity attributable to equity shareholders of the Company RMB | Minority interests RMB | Total equity RMB |
|--|-------------------------|---------------------------|-------------------------|-------------------------------|--|--|--------------------------|-----------------------------|---|------------------------------|------------------------|
| Balance at 1 January 2007 | 86,702 | (21,590) | 18,072 | 24,752 | 32,094 | 27,000 | 1,758 | 95,546 | 264,334 | 22,323 | 286,657 |
| Net income recognised directly in equity: | | | | | | | | | | | |
| Unrealised gain for the change in fair value of available-for-sale financial assets, net of deferred tax | — | — | — | — | — | — | 170 | — | 170 | 127 | 297 |
| Effect of change in tax rate | — | — | — | — | — | — | (54) | — | (54) | 17 | (37) |
| Profit for the period | — | — | — | — | — | — | — | 36,375 | 36,375 | 1,467 | 37,842 |
| Total recognised income for the period | — | — | — | — | — | — | 116 | 36,375 | 36,491 | 1,611 | 38,102 |
| Final dividend for 2006 | — | — | — | — | — | — | — | (9,537) | (9,537) | — | (9,537) |
| Adjustment to statutory surplus reserve | — | — | — | — | 235 | — | — | (235) | — | — | — |
| Appropriation | — | — | — | — | 3,207 | — | — | (3,207) | — | — | — |
| Revaluation surplus realised | — | — | — | (150) | — | — | — | 150 | — | — | — |
| Realisation of deferred tax on lease prepayments | — | — | — | — | — | — | (4) | 4 | — | — | — |
| Transfer from retained earnings to other reserves | — | — | — | — | — | — | 185 | (185) | — | — | — |
| Distributions to minority interests net of contributions | — | — | — | — | — | — | — | — | — | (25) | (25) |
| Balance at 30 June 2007 | 86,702 | (21,590) | 18,072 | 24,602 | 35,536 | 27,000 | 2,055 | 118,911 | 291,288 | 23,909 | 315,197 |

(Amounts in millions)

| | Share capital RMB | Capital reserve RMB | Share premium RMB | Revaluation reserve RMB | Statutory surplus reserve RMB | Discretionary surplus reserve RMB | Other reserves RMB | Retained earnings RMB | Total equity attributable to equity shareholders of the Company RMB | Minority interests RMB | Total equity RMB |
|--|-------------------------|---------------------------|-------------------------|-------------------------------|--|--|--------------------------|-----------------------------|---|------------------------------|------------------------|
| Balance at 1 January 2008 | 86,702 | (22,652) | 18,072 | 24,114 | 37,797 | 27,000 | 3,100 | 133,300 | 307,433 | 25,325 | 332,758 |
| Net income/(loss) recognised directly in equity: | | | | | | | | | | | |
| Unrealised loss for the change in fair value of available-for-sale financial assets, net of deferred tax | — | — | — | — | — | — | (1,666) | — | (1,666) | (69) | (1,735) |
| Profit for the period | — | — | — | — | — | — | — | 8,255 | 8,255 | 78 | 8,333 |
| Total recognised income and expenses for the period | — | — | — | — | — | — | (1,666) | 8,255 | 6,589 | 9 | 6,598 |
| Issuance of the Bonds with Warrants | — | 6,879 | — | — | — | — | — | — | 6,879 | — | 6,879 |
| Final dividend for 2007 | — | — | — | — | — | — | — | (9,971) | (9,971) | — | (9,971) |
| Appropriation | — | — | — | — | 595 | — | — | (595) | — | — | — |
| Revaluation surplus realised | — | — | — | (122) | — | — | — | 122 | — | — | — |
| Realisation of deferred tax on lease prepayments | — | — | — | — | — | — | (4) | 4 | — | — | — |
| Distribution to Sinopec Group Company | — | (59) | — | — | — | — | — | — | (59) | — | (59) |
| Contributions from minority interests net of distributions | — | — | — | — | — | — | — | — | — | 423 | 423 |
| Balance at 30 June 2008 | 86,702 | (15,832) | 18,072 | 23,992 | 38,392 | 27,000 | 1,430 | 131,115 | 310,871 | 25,757 | 336,628 |

Consolidated Cash Flow Statement

(Amounts in millions)

| | Six-month periods | |
|--|--------------------------|-------------|
| | ended 30 June | |
| | 2008 | 2007 |
| | <i>RMB</i> | <i>RMB</i> |
| Net cash generated from operating activities | 2,640 | 62,295 |
| | ----- | ----- |
| Investing activities | | |
| Capital expenditure | (41,837) | (35,707) |
| Exploratory wells expenditure | (2,907) | (4,320) |
| Purchase of investments, investments in associates and subsidiaries, net of cash acquired | (2,675) | (4,653) |
| Proceeds from disposal of investments and investments in associates | 1,049 | 758 |
| Proceeds from disposal of property, plant and equipment | 109 | 125 |
| Purchase of time deposits with financial institutions | (1,106) | (3,178) |
| Proceeds from maturity of time deposits with financial institutions | 466 | 510 |
| | ----- | ----- |
| Net cash used in investing activities | (46,901) | (46,465) |
| | ----- | ----- |
| Financing activities | | |
| Proceeds of issuance of convertible bonds, net of issuance costs | 29,850 | 11,368 |
| Proceeds of issuance of corporate bonds | — | 5,000 |
| Proceeds from bank and other loans | 431,302 | 316,769 |
| Repayments of corporate bonds | (10,000) | (10,000) |
| Repayments of bank and other loans | (396,247) | (323,035) |
| Distributions to minority interests | (642) | (219) |
| Contributions from minority interests | 1,065 | 194 |
| Dividend paid | (9,971) | (9,537) |
| Distributions to Sinopec Group Company | (285) | (3,500) |
| | ----- | ----- |
| Net cash generated from/(used in) financing activities | 45,072 | (12,960) |
| | ----- | ----- |

(Amounts in millions)

| | Six-month periods | |
|---|-------------------|-------------|
| | ended 30 June | |
| | 2008 | 2007 |
| | <i>RMB</i> | <i>RMB</i> |
| Net increase in cash and cash equivalents | 811 | 2,870 |
| Cash and cash equivalents at 1 January | 7,696 | 7,063 |
| Effect of foreign exchange rate changes | (41) | (7) |
| | <hr/> | <hr/> |
| Cash and cash equivalents at 30 June | 8,466 | 9,926 |
| | <hr/> <hr/> | <hr/> <hr/> |

7.3 In the reporting period, there was no change to the accounting policies, accounting estimate or audit methods.

7.4 In the reporting period, there was no adjustment to accounting errors.

7.5 In the reporting period, there was no significant change to the scope of consolidation of the financial statements.

§ 8 Repurchase, Sales and Redemption of shares

Apart from the disclosures above, Sinopec Corp. or any of its subsidiaries have not repurchased, sold or redeemed any listed securities of Sinopec Corp. or its subsidiaries during the reporting period.

§ 9 Application of the Model Code

In this reporting period, no director has infringed the requirements set out under the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules.

§ 10 Corporate Governance Practices

Sinopec Corp. has complied with the code provisions of the Code on Corporate Governance Practice contained in Appendix 14 to the Hong Kong Listing Rules.

§ 11 Review of Financial Results

The financial results for the six months ended 30 June 2008 have been reviewed with no disagreement by the Audit Committee of Sinopec Corp.

§ 12 The interim report containing all the information required by paragraphs 46(1) to (9) of Appendix 16 to the Hong Kong Listing Rules will be published on the website of the Hong Kong Stock Exchange in due course.

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

By Order of the Board

Su Shulin

Chairman

Beijing, the PRC, 22 August 2008

As at the date of this Announcement, the directors of Sinopec Corp are Messrs. Su Shulin, Zhou Yuan*, Wang Tianpu#, Zhang Jianhua#, Wang Zhigang#, Dai Houliang#, Fan Yifei*, Yao Zhongmin*, Shi Wanpeng+, Liu Zhongli+ and Li Deshui+.*

Executive Directors

** Non-executive Directors*

+ Independent Non-executive Directors