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中国石油化工股份有限公司

**CHINA PETROLEUM & CHEMICAL CORPORATION**

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

**(Stock Code : 386)**

## **Announcement of the 2009 Interim Results**

### **§ 1 Important Notice**

1.1 The Board of Directors and the Supervisory Committee 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](http://www.sse.com.cn)) and Sinopec Corp. ([www.sinopec.com](http://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. Mr. Zhang Yaocang, vice chairman of the Board of Sinopec Corp., and Mr. Cao Yaofeng, Director of Sinopec Corp., could not attend the meeting of the Board for reasons of official duties, and authorised Mr. Li Chunguang, Director of Sinopec Corp., to vote on their behalf in respect of the resolutions put forward in the meeting of the Board.

1.3 The financial statements for the six-month period ended 30 June 2009 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.

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

1.5 There is no breach of regulations, decisions or procedures in relation to provisions of external guarantees by Sinopec Corp.

1.6 Mr. Su Shulin, Chairman of the Board, Mr. Wang Tianpu, President, Mr. Wang Xinhua, Chief Financial Officer and Head of the Corporate Finance 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.

<b>Stock name</b>	<b>SINOPEC CORP</b>	<b>SINOPEC CORP</b>	<b>SINOPEC CORP</b>	中國石化
<b>Stock code</b>	386	SNP	SNP	600028
<b>Place of listing</b>	Hong Kong Stock Exchange	New York Stock Exchange	London Stock Exchange	Shanghai Stock Exchange
	<b>Authorized Representatives</b>		<b>Secretary to the Board of Directors</b>	<b>Representative on Securities Matters</b>
<b>Name</b>	Mr. Wang Tianpu	Mr. Chen Ge	Mr. Chen Ge	Mr. Huang Wensheng
<b>Address</b>	22 Chaoyanmen North Street, Chaoyang District, Beijing, the PRC			
<b>Tel</b>	86-10-59960028	86-10-59960028	86-10-59960028	86-10-59960028
<b>Fax</b>	86-10-59960386	86-10-59960386	86-10-59960386	86-10-59960386
<b>E-mail</b>	ir@sinopec.com/media@sinopec.com			

### 2.2 Principal accounting data and financial indicators

#### 2.2.1 Financial data and indicators prepared in accordance with the PRC Accounting Standards for Business Enterprises (“ASBE”)

Items	At 30 June	At 31 December	Changes
	2009	2008	from the end
	<i>RMB millions</i>	<i>RMB millions</i>	of last year
			(%)
Total assets	816,342	763,297	6.9
Total equity attributable to equity			
shareholders of the Company	354,494	329,300	7.7
Net assets per share (RMB) (Fully diluted)	4.089	3.798	7.7
Adjusted net assets per share (RMB)	4.002	3.706	8.0

Items	Six-month periods		Changes
	ended 30 June		over the same
	2009	2008	period of the
	<i>RMB millions</i>	<i>RMB millions</i>	preceding year
			(%)
Operating profit/(loss)	43,999	(26,023)	—
Profit before taxation	43,768	7,610	475.1
Net profit attributable to equity			
shareholders of the Company	33,190	7,673	332.6
Net profit before extraordinary gain and loss	33,285	8,351	298.6
Return on net assets (%)	9.36	2.46	6.90
			percentage points
Basic earnings per share (RMB)	0.383	0.088	332.6
Basic earnings per share before			
extraordinary gain and loss (RMB)	0.384	0.096	298.6
Diluted earnings per share (RMB)	0.380	0.057	566.7
Net cash flow from operating activities	82,370	5,994	1,274.2
Net cash flow from operating			
activities per share (RMB)	0.950	0.069	1,274.2

2.2.1.2 Extraordinary items and corresponding amounts:

applicable                       inapplicable

<b>Items</b>	<b>Six-month period ended 30 June 2009</b> <b>(Income)/expense</b> <i>RMB millions</i>
Gain on disposal of fixed assets	(168)
Employee reduction expenses	7
Donations	94
Gain on disposal of long-term equity investments and financial assets	(130)
Net profit or loss of subsidiaries generated from a business combination involving entities under common control before acquisition date	(62)
Other non-operating income and expenses	305
	<hr/>
Subtotal	46
Tax effect	(27)
	<hr/>
<b>Total</b>	<b>19</b>
	<hr/> <hr/>
Attributable to: Equity shareholders of the Company	95
Minority interests	(76)

2.2.2 Financial information extracted from the financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”)

Items	Six-month periods ended 30 June		Changes over the same period of the preceding year
	2009	2008	
	<i>RMB millions</i>	<i>RMB millions</i>	<i>(%)</i>
Operating profit	46,182	6,837	575.5
Profit attributable to equity shareholders of the Company	33,246	7,682	332.8
Return on capital employed (%) <sup>Note</sup>	6.39	1.24	5.15
			percentage points
Basic earnings per share (RMB)	0.383	0.089	332.8
Diluted earnings per share (RMB)	0.381	0.057	568.4
Net cash flow generated from operating activities	79,079	2,393	3,204.6
Net cash flow generated from operating activities per share (RMB)	0.912	0.028	3,204.6

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
	2009	2008	
	<i>RMB millions</i>	<i>RMB millions</i>	<i>(%)</i>
Total assets	825,201	779,172	5.9
Total equity attributable to equity shareholders of the Company	353,139	327,889	7.7
Net assets per share (RMB)	4.073	3.782	7.7
Adjusted net assets per share (RMB)	3.987	3.690	8.0

2.2.3 Major differences between the audited financial statements prepared under ASBE and IFRS

applicable

Not applicable

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	
	2009	2008
	<i>RMB millions</i>	<i>RMB millions</i>
<b>Net profit under ASBE</b>	<b>34,650</b>	<b>7,749</b>
Adjustments:		
Reduced amortisation on revaluation of land use rights	15	15
Government grants	51	—
Effects of the above adjustments on taxation	(3)	(4)
	<u>          </u>	<u>          </u>
<b>Profit for the period under IFRS</b>	<b><u>34,713</u></b>	<b><u>7,760</u></b>

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

Items	At 30 June	At 31 December
	2009	2008
	<i>RMB millions</i>	<i>RMB millions</i>
<b>Shareholders' equity under ASBE</b>	<b>376,760</b>	<b>350,166</b>
Adjustments:		
Revaluation of land use rights	(997)	(1,012)
Government grants	(861)	(912)
Effects of the above adjustments on taxation	297	300
	<u>          </u>	<u>          </u>
<b>Total equity under IFRS</b>	<b><u>375,199</u></b>	<b><u>348,542</u></b>

### § 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 2009, there were a total of 993,515 shareholders of Sinopec Corp., of which 986,394 were holders of A Shares and 7,121 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 shares pledged 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 share	75.84	65,758,044	57,087,800	0
HKSCC (Nominees) Limited	H share	19.24	16,679,365	0	Unknown
Guotai Junan Securities Co., Ltd	A share	0.44	37,7906	0	0
China Life Insurance Company Limited- Dividend-Individual Dividend-005L-FH002					
Shanghai	A share	0.22	190,119	0	0
Bosera Thematic Sector Equity Securities Investment Fund	A share	0.08	70,000	0	0
Yinhua Core Value Selected Securities Investment Fund	A share	0.07	60,110	0	0
National Social Ensure Fund 102 Portfolio	A share	0.06	54,437	0	0
Tongde Securities Investment Fund	A share	0.05	44,906	0	0
Shanghai Stock Exchange Tradable Open-ended Index 50 Fund	A share	0.04	38,713	0	0
China Southern Longyuan Industry Theme Equity Securities Investment Fund	A share	0.04	37,925	0	0

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

**Unit: 1,000 shares**

<b>Name of shareholders</b>	<b>Number of shares without selling restrictions</b>	<b>Type of shares</b>
HKSCC (Nominees) Limited	16,679,365	H share
China Petrochemical Corporation	8,670,244	A share
Guotai Junan Securities Co., Ltd	377,906	A share
China Life Insurance Company Limited-Dividend-Individual Dividend-005L-FH002 Shanghai	190,119	A share
Bosera Thematic Sector Equity Securities Investment Fund	70,000	A share
Yinhua Core Value Selected Securities Investment Fund	60,110	A share
National Social Ensure Fund 102 Portfolio	54,437	A share
Tongde Securities Investment Fund	44,906	A share
Shanghai Stock Exchange Tradable Open-ended Index 50 Fund	38,713	A share
China Southern Longyuan Industry Theme Equity Securities Investment Fund	37,925	A share

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 or between the  
top ten shareholders and the top ten shareholders not subject to selling restrictions,  
except that Bosera Thematic Sector Equity Securities Investment Fund and National  
Social Ensure Fund 102 Portfolio are both managed by Bosera Fund Management  
Co., Ltd.



### **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

Sinopec Corp. held its annual general meeting for 2008 on 22 May 2009, where Mr. Su Shulin, Mr. Wang Tianpu, Mr. Zhang Yaocang, Mr. Zhang Jianhua, Mr. Wang Zhigang, Mr. Cai Xiyou, Mr. Cao Yaofeng, Mr. Li Chunguang, Mr. Dai Houliang, Mr. Liu Yun, Mr. Liu Zhongli, Mr. Ye Qing, Mr. Li Deshui, Mr. Xie Zhongyu and Mr. Chen Xiaojin were elected as the directors of the fourth session of the Board of Directors, and Mr. Wang Zuoran, Mr. Zhang Youcai, Mr. Geng Limin, Mr. Zou Huiping, and Mr. Li Yonggui were elected as the supervisors of the fourth session of the Supervisory Board (Mr. Liu Xiaohong, Mr. Zhou Shiliang, Mr. Chen Mingzheng and Mr. Su Wensheng were elected as the employee-representative supervisors of the fourth session of the Supervisory Board through employees' universal election). On the same day, the fourth session of the Board of Directors held its first meeting, where Mr. Su Shulin was elected as the chairman of the fourth session of the Board of Directors, Mr. Wang Tianpu and Mr. Zhang Yaocang were elected as the vice-chairmen, Mr. Wang Tianpu was appointed as the president; Mr. Zhang Jianhua, Mr. Wang Zhigang, Mr. Cai Xiyou and Mr. Dai Houliang were appointed as senior vice-presidents; Mr. Zhang Kehua, Mr. Zhang Haichao, Mr. Jiao Fangzheng, Mr. Lei Dianwu were appointed as vice-presidents; Mr. Wang Xinhua was appointed as the Chief Financial Officer. Mr. Chen Ge was appointed as the secretary to the Board of Directors. The fourth session of the Supervisory Board held its first meeting in the afternoon of the same day, where Mr. Wang Zuoran was elected as the chairman of the fourth session of the Supervisory Board, and Mr. Zhang Youcai was elected as the vice-president of the fourth session of the Supervisory Board.

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

applicable                       inapplicable

As at 30 June 2009, 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).

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

#### **5.1 Business Review**

In the first half of 2009, the Chinese government implemented stimulus package to promote economic growth, and adopted proactive fiscal policy and relatively easy monetary policy to overcome the negative impact of the international financial crisis on the global economy. As a result, Chinese economy maintained sound growth with a GDP growth rate of 7.1%.

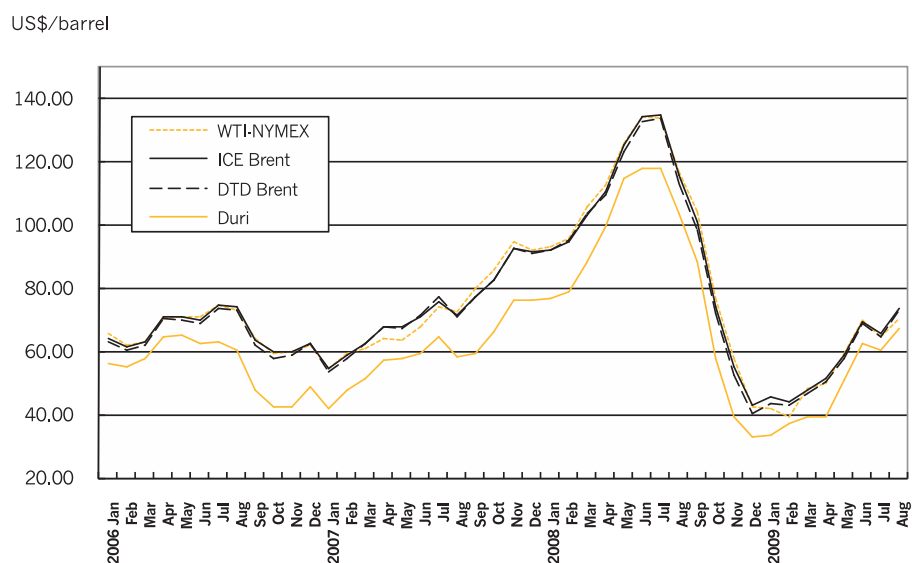
In 2009, international crude oil prices rose sharply from its lows and domestic demands for oil products stopped falling and gradually went up, demands and prices of chemical products gradually bounced from the bottom of the fourth quarter last year. According to the Company's estimate, the apparent domestic consumption of oil products (inclusive of gasoline, diesel and kerosene) decreased by 4.8% over the same period last year, with a decrease of 8.5% and 1.4% respectively in the first and second quarter of 2009. Consumption of ethylene equivalent increased by 3.5% over the same period last year. Meanwhile, the domestic pricing mechanism of oil products is being improved.

Confronted with the unfavorable situation, the Company timely adjusted its operating strategies, spared no efforts to explore markets, enhanced the integration of production, sales and research, and optimised its product mix to satisfy customer needs. The Company managed to realise better than expected results by strengthening management, exploring potentials to enhance effectiveness, giving full play to the integrated advantages along the value chain and expanding its overall business.

### 5.1.1 Production and Operations

#### (1) Exploration and Production Segment

In the first half of 2009, the average price of Platt's Brent crude oil was US\$ 51.60/barrel, representing a decrease of 52.7% compared with the same period last year. International crude oil price remained low as a result of the international financial crisis in the first quarter and rebounded significantly due to expectation on economic recovery and improvement of liquidity in the second quarter. At the end of June, the price of Platt's Brent crude oil increased by 70.0% from the beginning of 2009.



**Trend of International Crude Oil Price**

In exploration, the Company made such new achievements as high-yield hydrocarbon flows from exploration well in Toputai block in Tahe oil field, and from continental-phase Ziliujing well groups and marine-phase Leikoupo well groups in Yuanba region by improving overall geological research, optimising exploration layout, investing more in exploration and technological debottlenecking.

In development, the Company attached great importance to development efficiency and quality, increased recovery rate and production per well, controlled development progress in the marginal blocks, enhanced operational management to increase production. In the first half of this year, the Company produced 21 million tonnes of crude oil, representing an increase of 1.2% compared with the same period last year, and produced 4.037 billion cubic meters of natural gas, representing a decrease of 1.1% compared with the same period last year.

### Summary of Operations of Exploration and Production Segment

	Six-month periods		Changes %
	ended 30 June		
	2009	2008	
Crude oil production (mmbbls) <sup>Note</sup>	149.12	147.38	1.2
Natural gas production (bcf) <sup>Note</sup>	142.51	144.15	(1.1)
Newly added proved reserve			
of crude oil (mmbbls)	137.74	158.74	(13.2)
Newly added proved reserve			
of natural gas (bcf)	(131.64)	186.92	—
			<b>Change at the end of the reporting period</b>
	<b>At 30 June 2009</b>	<b>At 31 December 2008</b>	<b>over that of the last year (%)</b>
Proved reserve of crude oil (mmbbls)	2,830	2,841	(0.4)
Proved reserve of natural gas (bcf)	6,685	6,959	(3.9)

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 2009, adapting to changes in oil products market and demands for chemical feedstocks, the Company optimised its production process to adjust product mix in a timely manner, increased export volume and increased yield of gasoline and jet fuel. Meanwhile, the Company optimised the procurement of crude oil and improved the efficiency of pipeline networks, with a view to reduce the cost of imported crude oil and to improve efficiency in a cost-effective manner. In the first half of this year, the refinery throughput was 86.90 million tonnes, representing an increase of 1.8% compared with the same period last year and the production of oil products was 54.04 million tonnes, representing an increase of 3.5% compared with the same period last year.

**Summary of Operations of Refining Segment**

	Six-month periods		Changes %
	ended 30 June		
	2009	2008	
Refinery throughput (million tonnes) <sup>Note</sup>	86.90	85.35	1.8
Gasoline, diesel and kerosene production (million tonnes)	54.04	52.23	3.5
Including: Gasoline (million tonnes)	16.99	14.04	21.0
Diesel (million tonnes)	32.40	34.25	(5.4)
Kerosene (million tonnes)	4.64	3.94	17.8
Light chemical feedstock production (million tonnes)	12.04	12.14	(0.8)
Light products yield (%)	74.94	74.64	0.3
			percentage points
Refining yield (%)	93.84	93.86	(0.02)
			percentage points

Note: Refinery throughput is converted at 1 tonne = 7.35 barrels

(3) Marketing and Distribution Segment

In the first half of 2009, domestic demand for oil products declined and third party supplies increased, which resulted in stronger competition in domestic market. The Company made great efforts to explore markets, expand sales to end users, strengthen management, improve services and enhance brand image. Besides, the Company greatly expanded the marketing of lubricants and fuel oil, promoted sales of non-fuel products and provided customers with all-round services by using IC cards. The total sales volume of oil products reached 57.71 million tonnes, and sales volume increased on a monthly basis.

**Summary of Operations of Marketing and Distribution Segment**

	Six-month periods		Year-on-year
	ended 30 June		changes
	2009	2008	%
Total domestic sales volume of			
oil products (million tonnes)	57.71	63.02	(8.4)
Including: Retail sales (million tonnes)	37.43	42.91	(12.8)
Direct sales (million tonnes)	11.44	10.37	10.3
Wholesale (million tonnes)	8.83	9.73	(9.2)
Average annual throughput per station			
(tonne/station)	2,596	3,006	(13.6)
			<b>Increase/ decrease at the end of the reporting period over that of the last year (%)</b>
	<b>At 30 June 2009</b>	<b>At 31 December 2008</b>	
Total number of service stations	29,484	29,279	0.7
Including: Number of			
company-operated			
service stations	28,842	28,647	0.7
Number of franchised			
service stations	642	632	1.6

(4) Chemicals Segment

In the first half of 2009, the Company spared no efforts to develop chemical products markets. It also further promoted technical cooperation and alliance with customers, expanding marketing networks and channels while satisfying customer needs, strengthened the integration of production, sales and research and reinforced the development of new products according to the demand of customers. The Company increased production of new synthetic resin specialty and polyester specialty with an enhanced differential ratio for synthetic fibers. It enhanced management efficiency and improved operational efficiency. As a result, the total sales of chemical products increased despite of maintenance shut down of some facilities. The output of major chemical products reached 13.36 million tonnes.

**Summary of Production of Major Chemical Products** **Unit: 1,000 tonnes**

	Six-month periods		Year-on-year
	ended 30 June		changes
	2009	2008	%
Ethylene	2,973	3,307	(10.1)
Synthetic resin	4,738	4,945	(4.2)
Synthetic fiber monomer and polymer	3,721	3,768	(1.2)
Synthetic fiber	629	681	(7.6)
Synthetic rubber	409	460	(11.1)
Urea	892	685	30.2

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 2009, the Company took various measures to reduce costs, including: optimising operation of marginal wells, conducting detailed analysis and dynamic adjustments on tertiary production blocks, fully exerting capacity of transport pipelines to optimise resources allocation and reduce transportation expenses, reducing losses in storage and transportation and processing of crude oil, increasing capacity of crude oil pipelines to reduce transportation expenses, optimising operation of facilities and reducing energy and material consumption. In the first half of 2009, the Company effectively saved RMB1.631 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 RMB322 million, RMB457 million, RMB455 million and RMB397 million respectively.

### 5.1.3 Energy Saving and Emission Reduction

The Company made remarkable achievements in resource saving, environment protection, energy saving and emission reduction. It conducted the publicity and education work of energy-saving and emission reduction, promoted the activity of energy efficiency benchmarking, carried out a post-project evaluation and focused on the promotion of advanced and new energy-saving technologies, such as grid powered drilling machine, model heating furnace, pulsed electric desalting and vapour collection. In the first half of this year, the energy intensity, industrial water consumption and COD in discharged waste water dropped by 3.8%, 2.6% and 4% respectively over the same period last year.

### 5.1.4 Capital Expenditures

In the first half of 2009, the Company's total capital expenditure was RMB38.982 billion, of which capital expenditure for exploration and production segment was RMB19.438 billion. The newly-built production capacity of crude oil and natural gas was 3.01 million tonnes per year and 437 million cubic meters per year respectively. Part of the Sichuan-East China gas project was put into operation. The capital expenditure for refining segment was RMB5.345 billion which was mainly used for refinery revamping projects and product quality upgrading projects. The capital expenditure in chemicals segment of RMB11.158 billion was used for ethylene projects in Tianjin and Zhenhai. Capital expenditure in marketing and distribution segment was RMB2.55 billion, sales network of refined products was further improved and 288 service stations were added; and capital expenditure from corporate and others was RMB491 million.



## 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 (%) <sup>Note</sup>	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	46,176	35,112	29.9	(52.2)	(2.5)	(7.2)
Refinery	301,864	210,802	8.8	(24.0)	(52.6)	22.3
Marketing and distribution	317,770	290,597	8.4	(18.7)	(19.2)	0.6
Chemicals	90,792	74,823	17.2	(31.2)	(38.5)	9.4
Corporate and others	195,426	194,798	0.3	(52.5)	(52.5)	(0.1)
Elimination of inter segment sales	(418,003)	(416,807)	N/A	N/A	N/A	N/A
<b>Total</b>	<b>534,025</b>	<b>389,325</b>	<b>15.6</b>	<b>(26.9)</b>	<b>(42.6)</b>	<b>12.2</b>

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 China Petrochemical Corporation was RMB25.163 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 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 2009, the Company's turnover, other operating revenues and other income were RMB534.0 billion, and the operating profit was RMB46.2 billion, representing a decrease of 30.2%, and an increase of 575.5%, respectively, over the same period of 2008. It attributes to the Company's proactive countermeasures against the impacts arising from international financial crisis, the Company's efforts in market expansion, improvement of marketing and service, optimisation of raw material structure, and full exertion of scale and integration advantages under the background of implementation of reform on oil product price, consumption tax and fees and gradually recovering demands to chemical products. The Company has achieved relatively good operating performances.

### 5.6.1 Turnover, other operating revenues and other income

In the first half of 2009, the Company's turnover, other operating revenues and other income were RMB534.0 billion, of which turnover was RMB523.0 billion, representing a decrease of 27.2% over the first half of 2008. This was mainly due to the sharp decrease in prices of crude oil, refining products and chemical products. In the first half of 2009, the Company's other operating revenues and other income totaled RMB11.0 billion, representing a decrease of 76.1% over the first half of 2008. It mainly attributed to that the subsidy granted by the State to the Company for significant delay in upward adjustment in the prices of oil products in the first half of 2008.

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 2009 and the first half of 2008 for the Company's major products:

	Sales Volume			Average realised price		
	(thousand tonnes)			(RMB/tonne, RMB/ thousand cubic meters)		
	Six-month periods			Six-month periods		
	ended 30 June		Change	ended 30 June		Change
	2009	2008	(%)	2009	2008	(%)
Crude oil	2,430	2,344	3.7	1,699	4,275	(60.3)
Natural gas						
(million cubic meters)	3,105	3,034	2.3	934	886	5.4
Gasoline	18,793	19,021	(1.2)	5,852	5,976	(2.1)
Diesel	36,166	41,421	(12.7)	4,631	5,350	(13.4)
Kerosene	4,994	4,383	13.9	3,385	5,719	(40.8)
Basic chemical feedstock	4,872	4,956	(1.7)	4,061	6,817	(40.4)
Synthetic fiber monomer						
and polymer	2,070	1,856	11.5	6,008	9,324	(35.6)
Synthetic resin	4,015	3,895	3.1	7,547	11,210	(32.7)
Synthetic fiber	691	710	(2.7)	8,481	11,268	(24.7)
Synthetic rubber	487	535	(9.0)	10,177	17,703	(42.5)
Chemical fertilizer	889	692	28.5	1,750	1,759	(0.5)

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 2009, turnover from crude oil and natural gas that were sold externally by the exploration and production segment amounted to RMB7.9 billion, with a year-on-year decrease of 42.9%, accounting for 1.5% of the Company's turnover, other operating revenues and other income. The change was mainly due to the decrease in price of crude oil.

The Company's refining segment, marketing and distribution segment sell petroleum products (mainly consisting of oil products and other refined petroleum products) to third parties. In the first half of 2009, the external sales revenue of petroleum products by these two segments were RMB354.9 billion, representing a year-on-year decrease of 23.0%, accounting for 66.5% of the Company's turnover, other operating revenues and other income. The decrease was mainly due to decrease of refined petroleum products in terms of sales price and volume. The sales revenue of gasoline, diesel and kerosene was RMB294.4 billion, representing a decrease of 18.3% over the same period in 2008, accounting for 83.0% of the sales revenue of petroleum products. Turnover of other refined petroleum products was RMB60.5 billion, representing a decrease of 39.8% compared with the first half of 2008, accounting for 17.0% of the sales revenue of petroleum products.

The Company's external sales revenue of chemical products was RMB80.4 billion, representing a year-on-year decrease of 30.3%, accounting for 15.1% of its turnover, other operating revenues and other income. The decrease was mainly due to the year-on-year decrease in the price of chemical products.

#### 5.6.2 Operating expenses

In the first half of 2009, the Company's operating expenses were RMB487.8 billion, representing a decrease of 35.6% over the first half of 2008. The operating expenses mainly consisted of the following:

**Expenses for purchasing crude oil, products and operating supplies** were RMB361.5 billion, representing a year-on-year decrease of 45.8%, accounting for 74.1% of the total operating expenses, of which:

- Procurement cost of crude oil was RMB159.9 billion, representing a year-on-year decrease of 55.7%, accounting for 32.8% of the total operating expenses. Throughput of crude oil that was purchased externally in the first half of 2009 was 65.39 million tonnes (excluding that supplied by others for processing), decreased by 3.6% over the first half of 2008; owing to the substantial fall in international crude oil price, average cost of crude oil purchased externally was RMB2,446 per tonne, decreased by 54.0% over the first half of 2008.
- The Company's other purchasing expenses were RMB201.6 billion, representing a decrease of 34.3% over the first half of 2008. This was mainly due to the year-on-year decrease in the cost of gasoline, diesel, kerosene and other feedstock purchased externally.

**Selling, general and administrative expenses** of the Company totaled RMB22.5 billion, representing an increase of 4.8% over the first half of 2008, which mainly attributed to the increase of rent for land and rental of some gas stations.

**Depreciation, depletion and amortization** were RMB24.6 billion, representing an increase of 8.5% compared with the first half of 2008. This was mainly due to the continuous investment in property, plant and equipment in recent years.

**Exploration expenses** were RMB4.4 billion, representing a decrease of 7.1% compared with the first half of 2008, owing to year-on-year decrease in upstream exploration expenditures.

**Personnel expenses** were RMB12.9 billion, representing an increase of 2.0% compared with the first half of 2008.

**Taxes other than income tax** totaled RMB61.5 billion, representing an increase of 114.7% compared with the first half of 2008. It was mainly due to the implementation of reform on oil product price, consumption tax and fees. Consumption tax, city construction tax and educational surcharge increased by RMB49.0 billion. Special oil income levy decreased by RMB16.1 billion caused by the fall of crude oil price.

**Other operating expenses (net)** totaled RMB0.5 billion, with a year-on-year increase of 14.7%.

#### 5.6.3 Operating profit

In the first half of 2009, the Company's operating profit was RMB46.2 billion, representing a year-on-year increase of 575.5%.

#### 5.6.4 Net finance costs

In the first half of 2009, the Company's net financing costs were RMB4.0 billion, representing an increase of 349.4% compared with the first half of 2008. This was mainly due to the loss of RMB0.1 billion on change in fair value of the embedded derivative component of the convertible bonds resulting from the rise in the share price of the Company in the first half of 2009, and a gain of RMB3.0 billion on change in fair value of the embedded derivative component of the convertible bonds was recorded in the same period of last year.

#### 5.6.5 Profit before tax

In the first half of 2009, the Company's profit before taxation amounted to RMB43.8 billion, representing an increase of 474.9% compared with the same period of 2008.

#### 5.6.6 Tax benefit/(expense)

In the first half of 2009, the income tax expense of the Company totaled RMB9.1 billion, with a year-on-year increase of RMB9.3 billion.

#### 5.6.7 Profit attributable to minority interests

In the first half of 2009, profit attributable to minority interests of the Company was RMB1.5 billion, representing a year-on-year increase of RMB1.4 billion.

#### 5.6.8 Profit attributable to equity shareholders of the Company

In the first half of 2009, profit attributable to equity shareholders of the Company was RMB33.2 billion, representing a year-on-year increase of RMB25.6 billion.

## **5.7 Use of the proceeds from share issue**

### 5.7.1 Use of the proceeds from share issue

applicable                       inapplicable

### 5.7.2 Change of projects

applicable                       inapplicable

## **5.8 Amendments to the operation plans of the second half year by the Board**

applicable                       inapplicable

## **5.9 Business prospects and operating plan for the second half year**

applicable                       inapplicable

Looking into the second half of this year, the State will continue implementing the proactive fiscal policy and relatively easy monetary policy, further improving and materialising the integrated economic stimulus package, and increasing domestic demand. The Chinese economy is expected to maintain relatively fast growth. International crude oil price in the second half is expected to be higher than the first half, fluctuating within a narrow range. While domestic demand for refined oil products will maintain steady growth, the demand for chemical products will continue to recover. Domestic ethylene production capacity is expected to grow significantly.

In the second half of this year, the Company will make more efforts in market development, strengthen the coordination between production, marketing and R&D. Throughout intensified and refined management and cost saving, the Company shall make optimal arrangement for various production and operation activities.

In Exploration and Production Segment, the Company will enhance wild cat exploration activities, and try to make break through in newly explored regions, and enhance integrated management over both exploration and development in key regions, as well as proactively tap the potentials of existing oil fields, and further improve their recovery rate. In terms of natural gas development, the Sichuan-East China Gas Project is expected to start-up in the fourth quarter of this year. In the second half of this year, the Company plans to produce 21.40 million tonnes of crude oil and 4.963 billion cubic meters of natural gas.

In Refining Segment, the Company will try to operate at high utilisation rate, optimise the purchase and allocation of crude oil resources, make efforts to reduce the cost of crude oil procurement. In line with market changes, the Company will timely adjust the product mix, and increase the output of high value-added products. The Company will start-up the newly built refining projects such as Fujian and Tianjin, and prepare for the production of GB III standard gasoline. In the second half of this year, the Company plans to 97.10 million tonnes of crude oil.

In Marketing and Distribution Segment, the Company will proactively deal with the changing market, implement flexible marketing strategy, in order to consolidate and expand sales to end-users. The Company will optimise its logistics, improve marketing network. Meanwhile, the Company will refine the management activities, improve its service, actively promote and develop such businesses as non-fuel products and IC cards. In the second half of this year, the Company plans a total domestic sales volume of oil products at 63 million tonnes.

In Chemical Segment, the Company will persist in such strategies as market oriented and customer centered, and to adjust product mix to produce more products well-received by the market. The Company will enhance coordination between production, sale and R&D and to promote the development of new products, and make more efforts to expand the market shares of chemical products. The Company will improve production management, maintain stable operation of facilities. Fujian and Tianjin, the two newly built ethylene projects will be put into operations. In the second half of this year, the Company plans to produce 3.727 million tonnes of ethylene.

In the second half of 2009, Sinopec Corp. will continue persistence of the scientific outlook on development, and actively handle with challenges. The Company shall catch up every possible chance, to change challenges and pressures into the driving forces of cost reduction, structural adjustment, market exploration and profit creation in order to realise better operating results.

**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**

During January to September of 2008, the international price of crude oil increased significantly. The domestic price of refined oil products was under tight control and prices of crude oil and oil products were reverted at some times. In order to ensure stable supply of refined oil products in the market, the Company took various measures to increase refinery throughput and outsourcing of oil products, increased oil products imports and optimised oil products deployment. However, this also led to huge losses of refining business and deterioration of financial performance of the Company in 2008.

Since 2009, domestic oil product pricing mechanism reform has turned refining business from loss to profit. Sinopec Corp. fully exerted its scale and cost strength in oil refining business and the integration and management strength, which becomes significant pillars to support the Company's profits. Demand to chemical products is continuously recovering. It is anticipated that the result of first three quarters of 2009 will be over 50% higher compared with the same period of 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

applicable  inapplicable

Transaction party and acquired and purchased assets	Acquisition date	Transaction price (RMB million)	Net profits contributed to Sinopec Corp. from purchase date to the end of the period (RMB million)	Connected transaction or not (if it is, indicate the pricing principles)	Whether the asset ownership concerned is completely assigned	Whether the debts or creditor's right concerned are completely transferred
Equity interests in Sinopec Qingdao Petrochemical Co. and Shijiazhuang Chemical Fiber Co., the assets of submarine pipelines and cables examination and maintenance facilities; certain assets in Shijiazhuang Assets Branch Company; eight product oil pipeline project divisions of the Sinopec Sales & Industrial Company	31 March 2009	1,839.38	6.57	Yes, it is priced according to valuated value	Except certain assets of Shijiazhuang Assets Branch Company are still in process, any other acquired assets have been assigned	Yes

#### 6.1.2 Disposition and sale of assets

applicable  inapplicable

Transaction party and the disposed assets	Disposal date	Sales price (RMB million)	Net profits contributed to Sinopec Corp. by the disposed assets from the beginning of the year to the disposal date (note)	Profit or loss due to the disposal	Connected transaction or not (if it is, indicate the pricing principles)	Whether the asset ownership concerned is completely assigned	Whether the debts or creditor's right concerned are completely transferred
Certain assets in Jinling Petrochemical Branch Company sold to China Petrochemical Corporation	31 March 2009	157.47	No	No.	Yes, it is priced according to valuated value.	Yes	Yes

#### 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)

Name of Guaranteed Company	Date of Guarantee (Date of execution of agreement)	Amount of Guarantee	Type of Guarantee	Term	Whether Completed or No	Whether for a connected party (Yes or no) <sup>note1</sup>
Yueyang SINOPEC Shell Coal Gasification Corporation Ltd.	10 December 2003	377	Joint and several liabilities	10 December 2003 - 10 December 2017	No	No
Fujian Refining and Petrochemical Company Limited	6 September 2007	9,166	Joint and several liabilities	6 September 2007 - 31 December 2015	No	No
Shanghai Gaoqiao-SK Solvent Co., Ltd.	22 September 2006; 24 November 2006; 30 March 2007; 16 April 2007	75	Joint and several liabilities	22 September 2006 - 22 September 2011; 24 November 2006 - 24 November 2011; 30 March 2007 - 30 March 2012; 16 April 2007 - 16 April 2012	No	No
Balance of guarantee by Sinopec Yangzi Petrochemical for its associates and joint ventures		193			No	No
Balance of guarantee by Sinopec Shanghai Petrochemical for its associates and joint ventures		17			No	No
Balance of guarantee by Sinopec Sales Company Limited for its associates and joint ventures		75			No	No
Total amount of guarantee provided during the reporting period <sup>Note2</sup>						8
Total amount of guarantee outstanding at the end of the reporting period <sup>Note2</sup>						9,903
<b>Guarantees provided by Sinopec Corp. for its controlled subsidiaries</b>						
Total amount of guarantee for the controlled subsidiaries during the reporting period						N/A
Total amount of guarantee for the controlled subsidiaries outstanding at the end of the reporting period						170
<b>Total amount of guarantee by the Company (including those provided for the controlling subsidiaries)</b>						
Total amount of guarantee <sup>Note3</sup>						10,073
Total amount of guarantee as a percentage of the Company's net asset (%)						2.8
Amount of guarantee provided for shareholders, effective controllers and connected parties						N/A
Amount of debt guarantee provided directly or indirectly for the companies with liabilities to asset ratio of over 70%						80
Amount of guarantee in excess of 50% of the total net assets						N/A
<b>Total amount of guarantee of the above three items<sup>Note4</sup></b>						<b>80</b>

Note 1: As defined in Article 10.1.3 of the Listing Rules of 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

#### 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 Sichuan-to-East China Gas Project

Sichuan-to-East China Gas Project is an important project of 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 and put into production in the end of 2009.

6.5.4 Fujian refining and chemical project

Fujian refining and chemical project primarily includes 12 million tpa of refining project, 0.8 million tpa ethylene project, 0.7 million tpa aromatics unit and auxiliary utility projects. The total investment was expected to be RMB31.6 billion. The project construction started in July 2005. Refining and ethylene units achieved mechanical completion in the first half of 2009 and are now in commissioning period.

6.5.5 Tianjin ethylene project

Tianjin ethylene project includes 12.5 million tpa of refining expansion project, 1 million tpa ethylene project and downstream supporting facilities. The total investment was expected to be RMB26.8 billion. The project construction started in June 2006. It is proceeding smoothly now and will be completed and put into production by the end of 2009.

6.5.6 Zhenhai ethylene project

Zhenhai ethylene project mainly consists of 1 million tpa ethylene and downstream supporting facilities and auxiliary utilities with an expected total investment of RMB21.9 billion. The construction of the project commenced in November 2006 and is currently progressing smoothly. The project is expected to be completed and put into production in 2010.

6.5.7 Dividend distribution for the year ended 31 December 2008

As approved at the 2008 Annual General Meeting of Sinopec Corp., a final cash dividend of RMB0.09 (inclusive of tax) per share for 2008 was distributed, which amounted to a total cash dividend of RMB7.803 billion. On 30 June 2009, Sinopec Corp. distributed the final dividend for 2008 to shareholders whose names appeared on the register of members of Sinopec Corp. on 12 June 2009.

For the year of 2008, total cash dividend of RMB0.12 (inclusive of tax) per share was distributed and the total cash dividend amounted to RMB10.404 billion.

#### 6.5.8 Interim dividend distribution plan for the six-month period ended 30 June 2009

According to the *Articles of Association*, the interim dividend distribution plan for the six-month period ended 30 June 2009 was approved at the second meeting of the Fourth Session of the Board of Directors. An interim cash dividend of RMB0.07 (inclusive of tax) per share would be distributed based on the total number of shares of 86,702,439,000 as of 30 June 2009. The total cash dividend amounts to RMB6.069 billion.

The interim dividend will be distributed on or before Thursday, 15 October 2009 to the shareholders whose names appear on the register of members of Sinopec Corp. on Monday, 21 September 2009. 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 1712-1716, 17th floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong, for registration of transfer, by no later than 4:30pm on Monday, 14 September 2009. The register of members of the H shares of Sinopec Corp. will be closed from Tuesday, 15 September 2009, to Monday, 21 September 2009 (both dates inclusive).

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, 21 August 2009.

## § 7 Financial Statements

### 7.1 Auditors' opinions

Financial statements  Unaudited  Audited

Auditors' opinion  Standard unqualified opinion  Not standard opinion

## 7.2 Financial statements

### 7.2.1 Financial statements prepared under ASBE

#### The Group and the Company's balance sheets

*Unit: RMB millions*

Items	At 30 June 2009		At 31 December 2008	
	The Group	The Company	The Group	The Company
<b>Current assets:</b>				
Cash at bank and on hand	9,082	3,681	7,760	2,258
Bills receivable	3,383	995	3,660	830
Accounts receivable	29,967	10,688	12,990	11,274
Other receivables	16,893	26,442	20,525	24,087
Prepayments	6,661	7,236	7,610	5,556
Inventories	120,305	83,607	95,979	70,246
Other current assets	68	4	287	92
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total current assets	186,359	132,653	148,811	114,343
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Non-current assets:</b>				
Long-term equity investments	30,582	81,889	28,705	79,449
Fixed assets	405,975	328,765	411,939	331,912
Construction in progress	142,148	130,197	122,121	113,210
Intangible assets	17,533	11,166	16,348	10,174
Goodwill	14,393	—	14,328	—
Long-term deferred expenses	6,175	5,301	6,564	5,607
Deferred tax assets	12,010	6,143	13,468	7,237
Other non-current assets	1,167	75	1,013	101
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total non-current assets	629,983	563,536	614,486	547,690
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	816,342	696,189	763,297	662,033
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Items	At 30 June 2009		At 31 December 2008	
	The Group	The Company	The Group	The Company
<b>Current liabilities:</b>				
Short-term loans	44,068	18,407	74,415	34,455
Bills payable	32,058	18,598	18,753	13,453
Accounts payable	84,673	63,065	56,464	53,602
Advances from customers	27,618	23,493	29,704	25,619
Employee benefits payable	3,981	3,358	1,827	1,359
Taxes payable	15,246	12,805	6,816	9,563
Other payables	52,924	72,080	47,579	63,494
Short-term debentures payable	1,000	—	15,000	15,000
Non-current liabilities due within one year	9,438	8,756	19,511	17,505
	<u>271,006</u>	<u>220,562</u>	<u>270,069</u>	<u>234,050</u>
<b>Non-current liabilities:</b>				
Long-term loans	59,174	51,637	64,937	53,074
Debentures payable	92,983	92,983	62,207	62,207
Provisions	9,807	9,267	9,280	8,794
Deferred tax liabilities	5,130	4,547	5,235	4,456
Other non-current liabilities	1,482	519	1,403	494
	<u>168,576</u>	<u>158,953</u>	<u>143,062</u>	<u>129,025</u>
Total liabilities	<u>439,582</u>	<u>379,515</u>	<u>413,131</u>	<u>363,075</u>
<b>Shareholders' equity:</b>				
Share capital	86,702	86,702	86,702	86,702
Capital reserve	37,545	37,648	40,848	38,464
Surplus reserves	92,712	92,712	90,078	90,078
Retained profits	137,535	99,612	111,672	83,714
	<u>354,494</u>	<u>316,674</u>	<u>329,300</u>	<u>298,958</u>
Total equity attributable to shareholders of the Company	<u>354,494</u>	<u>316,674</u>	<u>329,300</u>	<u>298,958</u>
Minority interests	22,266	—	20,866	—
	<u>376,760</u>	<u>316,674</u>	<u>350,166</u>	<u>298,958</u>
Total shareholders' equity	<u>376,760</u>	<u>316,674</u>	<u>350,166</u>	<u>298,958</u>
Total liabilities and shareholders' equity	<u>816,342</u>	<u>696,189</u>	<u>763,297</u>	<u>662,033</u>



## The Group and the Company's income statements

Unit: RMB millions

Items	For the Six-month Periods Ended 30 June			
	2009		2008	
	The Group	The Company	The Group	The Company
<b>Operating income</b>	534,025	367,501	731,013	519,484
Less: Operating costs	389,325	257,675	677,779	472,518
Sales taxes and surcharges	61,518	47,893	28,649	25,332
Selling and distribution expenses	12,055	10,150	11,892	9,667
General and administrative expenses	20,087	16,702	18,697	15,244
Financial expenses	3,881	2,789	3,845	3,735
Exploration expenses, including				
dry holes	4,392	4,392	4,728	4,728
Impairment losses	178	186	16,079	15,758
Loss/(gain) from changes in fair value	389	171	(2,956)	(2,956)
Add: Investment income	1,799	6,205	1,677	4,806
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating profit / (loss)</b>	43,999	33,748	(26,023)	(19,736)
Add: Non-operating income	424	273	34,099	22,669
Less: Non-operating expenses	655	612	466	415
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Profit before taxation</b>	43,768	33,409	7,610	2,518
Less: Income tax expense / (benefit)	9,118	7,074	(139)	(2,341)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net profit</b>	<u>34,650</u>	<u>26,335</u>	<u>7,749</u>	<u>4,859</u>

Items	For the Six-month Periods Ended 30 June			
	2009		2008	
	The Group	The Company	The Group	The Company
Including: Net profit / (loss) made by acquirees before the consolidation	62	—	(573)	—
<b>Attributable to:</b>				
Equity shareholders of the Company	33,190	26,335	7,673	4,859
Minority interests	1,460	—	76	—
	<u>34,650</u>	<u>26,335</u>	<u>7,749</u>	<u>4,859</u>
<b>Basic earnings per share</b>	0.383	—	0.088	—
<b>Diluted earnings per share</b>	0.380	—	0.057	—
	<u>0.380</u>	<u>—</u>	<u>0.057</u>	<u>—</u>
Net profit	34,650	26,335	7,749	4,859
Other comprehensive income	596	735	(1,735)	(1,568)
	<u>35,246</u>	<u>27,070</u>	<u>6,014</u>	<u>3,291</u>
<b>Total comprehensive income</b>	<u>35,246</u>	<u>27,070</u>	<u>6,014</u>	<u>3,291</u>
<b>Attributable to:</b>				
Equity shareholders of the Company	33,772	27,070	6,007	3,291
Minority interests	1,474	—	7	—
	<u>35,246</u>	<u>27,070</u>	<u>6,014</u>	<u>3,291</u>

## The Group and the Company's cash flow statements

Unit: RMB millions

Items	For the Six-month Periods Ended 30 June			
	2009		2008	
	The Group	The Company	The Group	The Company
<b>Cash flows from operating activities:</b>				
Cash received from sale of goods and rendering of services	598,160	422,899	839,716	607,618
Rentals received	191	93	149	88
Grants received	1,293	—	28,642	20,384
Other cash received relating to operating activities	2,504	4,505	2,401	29,785
Sub-total of cash inflows	602,148	427,497	870,908	657,875
Cash paid for goods and services	(414,835)	(286,069)	(784,876)	(550,198)
Cash paid for operating leases	(3,347)	(2,941)	(3,116)	(2,792)
Cash paid to and for employees	(10,765)	(8,735)	(11,736)	(8,604)
Value added tax paid	(16,067)	(12,579)	(19,552)	(16,484)
Income tax paid	(5,104)	(3,015)	(13,327)	(10,517)
Taxes paid other than value added tax and income tax	(62,812)	(50,824)	(25,221)	(21,312)
Other cash paid relating to operating activities	(6,848)	(8,606)	(7,086)	(7,851)
Sub-total of cash outflows	(519,778)	(372,769)	(864,914)	(617,758)
<b>Net cash flow from operating activities</b>	<b>82,370</b>	<b>54,728</b>	<b>5,994</b>	<b>40,117</b>

Items	For the Six-month Periods Ended 30 June			
	2009		2008	
	The Group	The Company	The Group	The Company
<b>Cash flows from investing activities:</b>				
Cash received from disposal of investments	260	16	1,049	771
Dividends received	704	5,624	1,192	7,021
Net cash received from disposal of fixed assets and intangible assets	430	327	109	103
Cash received on maturity of time deposits with financial institutions	760	8	466	44
Cash received from derivative financial instruments	1,449	—	616	—
Other cash received relating to investing activities	108	52	197	102
Sub-total of cash inflows	<u>3,711</u>	<u>6,027</u>	<u>3,629</u>	<u>8,041</u>
Cash paid for acquisition of fixed assets and intangible assets	(43,668)	(38,206)	(45,535)	(41,469)
Cash paid for acquisition of investments	(792)	(1,311)	(2,476)	(3,570)
Cash paid for acquisition of time deposits with financial institutions	(1,490)	(1)	(1,106)	(45)
Cash paid for acquisition of minority interests, net	(213)	(213)	—	—
Cash paid for derivative financial instruments	(1,488)	—	(815)	—
Sub-total of cash outflows	<u>(47,651)</u>	<u>(39,731)</u>	<u>(49,932)</u>	<u>(45,084)</u>
<b>Net cash flow from investing activities</b>	<u>(43,940)</u>	<u>(33,704)</u>	<u>(46,303)</u>	<u>(37,043)</u>

Items	For the Six-month Periods Ended 30 June			
	2009		2008	
	The Group	The Company	The Group	The Company
<b>Cash flows from financing activities:</b>				
Cash received from borrowings	331,561	249,046	450,720	279,437
Cash received from issuance of corporate bonds	31,000	30,000	—	—
Cash received from issuance of convertible bonds, net of issuing expenses	—	—	29,850	29,850
Cash received from contribution from minority shareholders of subsidiaries	304	—	1,065	—
Sub-total of cash inflows	<u>362,865</u>	<u>279,046</u>	<u>481,635</u>	<u>309,287</u>
Cash repayments of borrowings	(377,638)	(277,167)	(414,736)	(287,551)
Cash repayments of corporate bonds	(15,000)	(15,000)	(10,000)	(10,000)
Cash paid for dividends, profits distribution or interest	(5,970)	(4,755)	(14,825)	(13,657)
Dividends paid to minority shareholders of subsidiaries	(377)	—	(642)	—
Distributions to Sinopec Group Company	(1,718)	(1,718)	(285)	(285)
Sub-total of cash outflows	<u>(400,703)</u>	<u>(298,640)</u>	<u>(440,488)</u>	<u>(311,493)</u>
<b>Net cash flow from financing activities</b>	<u>(37,838)</u>	<u>(19,594)</u>	<u>41,147</u>	<u>(2,206)</u>
<b>Effects of changes in foreign exchange rate</b>	<u>—</u>	<u>—</u>	<u>(41)</u>	<u>—</u>
<b>Net increase in cash and cash equivalents</b>	<u><u>592</u></u>	<u><u>1,430</u></u>	<u><u>797</u></u>	<u><u>868</u></u>

## The Group and the Company's statements of changes in equity

*Unit: RMB millions*

### The Group

	Share capital	Capital reserve	Surplus reserves	Retained profits	Total shareholders' equity attributable to equity shareholders of the Company	Minority interests	Total shareholders' equity
Balance at 31 December 2008	86,702	38,518	90,078	114,782	330,080	20,866	350,946
Adjustment for the combination of entities under common control	—	2,330	—	(3,110)	(780)	—	(780)
Balance at 1 January 2009	86,702	40,848	90,078	111,672	329,300	20,866	350,166
Changes for the period							
1. Total comprehensive income	—	582	—	33,190	33,772	1,474	35,246
2. Appropriations of profits:							
– Appropriation for surplus reserves	—	—	2,634	(2,634)	—	—	—
– Distributions to shareholders	—	—	—	(7,803)	(7,803)	—	(7,803)
3. Consideration for the combination of entities under common control	—	(771)	—	—	(771)	—	(771)
4. Acquisition of minority interests	—	(4)	—	—	(4)	(1)	(5)
5. Distributions to minority interests, net of contributions	—	—	—	—	—	(73)	(73)
6. Reclassification	—	(3,110)	—	3,110	—	—	—
Balance at 30 June 2009	<u>86,702</u>	<u>37,545</u>	<u>92,712</u>	<u>137,535</u>	<u>354,494</u>	<u>22,266</u>	<u>376,760</u>

	Share capital	Capital reserve	Surplus reserves	Retained profits	Total shareholders' equity attributable to equity shareholders of the Company	Minority interests	Total shareholders' equity
Balance at 31 December 2007	86,702	33,600	65,986	121,757	308,045	25,449	333,494
Adjustment for the combination of entities under common control	—	2,330	—	(1,866)	464	—	464
Balance at 1 January 2008	86,702	35,930	65,986	119,891	308,509	25,449	333,958
Changes for the period							
1. Total comprehensive income	—	(1,666)	—	7,673	6,007	7	6,014
2. Issuance of the Bond with Warrants	—	6,879	—	—	6,879	—	6,879
3. Appropriations of profits:							
– Appropriation for surplus reserves	—	—	486	(486)	—	—	—
– Distributions to shareholders	—	—	—	(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	<u>86,702</u>	<u>41,084</u>	<u>66,472</u>	<u>117,107</u>	<u>311,365</u>	<u>25,879</u>	<u>337,244</u>

**The Company**

	Share capital	Capital reserve	Surplus reserves	Retained profits	Total shareholders' equity
Balance at 1 January 2009	86,702	38,464	90,078	83,714	298,958
Changes for the period					
1. Total comprehensive income	—	735	—	26,335	27,070
2. Appropriations of profits:					
– Appropriation for surplus reserves	—	—	2,634	(2,634 )	—
– Distributions to shareholders	—	—	—	(7,803 )	(7,803 )
3. Difference between the consideration for the combination of entities under common control over the net assets acquired	—	(1,551 )	—	—	(1,551 )
Balance at 30 June 2009	<u>86,702</u>	<u>37,648</u>	<u>92,712</u>	<u>99,612</u>	<u>316,674</u>

	Share capital	Capital reserve	Surplus reserves	Retained profits	Total shareholders' equity
Balance at 1 January 2008	86,702	33,384	65,986	79,456	265,528
Changes for the period					
1. Total comprehensive income	—	(1,568 )	—	4,859	3,291
2. Issuance of the Bond with Warrants	—	6,879	—	—	6,879
3. Appropriations of profits:					
– Appropriation for surplus reserves	—	—	486	(486 )	—
– Distributions to shareholders	—	—	—	(9,971 )	(9,971 )
4. Distribution to Sinopec Group Company	—	(59 )	—	—	(59 )
Balance at 30 June 2008	<u>86,702</u>	<u>38,636</u>	<u>66,472</u>	<u>73,858</u>	<u>265,668</u>

7.2.2 Financial statements prepared under IFRS

**CONSOLIDATED INCOME STATEMENT**

*(Unit: RMB millions, except per share data)*

<b>Items</b>	<b>Six-month periods ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
<b>Turnover and other operating revenues</b>		
Turnover	523,015	718,657
Other operating revenues	11,010	12,356
	<u>534,025</u>	<u>731,013</u>
Other income	—	33,736
	<u>—</u>	<u>33,736</u>
<b>Operating expenses</b>		
Purchased crude oil, products and operating supplies and expenses	(361,460)	(667,335)
Selling, general and administrative expenses	(22,471)	(21,435)
Depreciation, depletion and amortisation	(24,584)	(22,663)
Exploration expenses, including dry holes	(4,392)	(4,728)
Personnel expenses	(12,919)	(12,667)
Taxes other than income tax	(61,518)	(28,649)
Other operating expenses, net	(499)	(435)
	<u>(487,843)</u>	<u>(757,912)</u>
<b>Operating profit</b>	<u>46,182</u>	<u>6,837</u>
<b>Finance costs</b>		
Interest expense	(4,138)	(5,818)
Interest income	108	212
Unrealised (loss)/gain on embedded derivative component of the Convertible Bonds	(114)	2,956
Foreign currency exchange losses	(120)	(367)
Foreign currency exchange gains	269	2,128
	<u>(3,995)</u>	<u>(889)</u>
<b>Net finance costs</b>	<u>(3,995)</u>	<u>(889)</u>



	<b>Six-month periods ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
Investment income	285	319
Share of profits less losses from associates and jointly controlled entities	1,362	1,358
<b>Profit before taxation</b>	43,834	7,625
Tax (expense)/benefit	(9,121)	135
<b>Profit for the period</b>	34,713	7,760
<b>Attributable to:</b>		
Equity shareholders of the Company	33,246	7,682
Minority interests	1,467	78
<b>Profit for the period</b>	34,713	7,760
<b>Earnings per share:</b>		
Basic (RMB)	0.383	0.089
Diluted (RMB)	0.381	0.057

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*(Unit: RMB millions)*

Items	Six-month periods ended 30 June	
	2009	2008
<b>Profit for the period</b>	34,713	7,760
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>		
Cash flow hedge: net movement in other reserve	(177)	—
Available-for-sale securities: net movement in other reserve	773	(1,735)
Total other comprehensive income	596	(1,735)
<b>Total comprehensive income for the period</b>	35,309	6,025
<b>Attributable to:</b>		
Equity shareholders of the Company	33,828	6,016
Minority interests	1,481	9
<b>Total comprehensive income for the period</b>	35,309	6,025

## CONSOLIDATED BALANCE SHEET

*(Unit: RMB millions)*

Items	At 30 June 2009	At 31 December 2008
<b>Non-current assets</b>		
Property, plant and equipment, net	405,975	411,939
Construction in progress	142,148	122,121
Goodwill	14,302	14,237
Interest in associates	16,639	15,595
Interest in jointly controlled entities	12,760	11,781
Investments	1,384	1,483
Deferred tax assets	12,307	13,768
Lease prepayments	12,149	11,165
Long-term prepayments and other assets	11,619	11,685
<b>Total non-current assets</b>	<b>629,283</b>	<b>613,774</b>
<b>Current assets</b>		
Cash and cash equivalents	7,600	7,008
Time deposits with financial institutions	1,482	752
Trade accounts receivable, net	29,967	12,990
Bills receivable	3,383	3,660
Inventories	120,305	95,979
Prepaid expenses and other current assets	25,236	35,225
Income tax receivable	7,945	9,784
<b>Total current assets</b>	<b>195,918</b>	<b>165,398</b>
<b>Current liabilities</b>		
Short-term debts	35,382	75,516
Loans from Sinopec Group Company and fellow subsidiaries	19,124	33,410
Trade accounts payable	84,673	56,464
Bills payable	32,058	18,753
Accrued expenses and other payables	108,539	102,497
Income tax payable	789	16
<b>Total current liabilities</b>	<b>280,565</b>	<b>286,656</b>

	<b>At 30 June 2009</b>	<b>At 31 December 2008</b>
<b>Net current liabilities</b>	(84,647)	(121,258)
<b>Total assets less current liabilities</b>	544,636	492,516
<b>Non-current liabilities</b>		
Long-term debts	116,427	90,254
Loans from Sinopec Group		
Company and fellow subsidiaries	35,730	36,890
Deferred tax liabilities	5,130	5,235
Other liabilities	12,150	11,595
<b>Total non-current liabilities</b>	169,437	143,974
	375,199	348,542
<b>Equity</b>		
Share capital	86,702	86,702
Reserves	266,437	241,187
<b>Total equity attributable to equity shareholders of the Company</b>	353,139	327,889
<b>Minority interests</b>	22,060	20,653
<b>Total equity</b>	375,199	348,542

7.2.3 Major differences between the audited financial statements prepared under ASBE and IFRS

- (1) Analysis of effects of major differences between the net profit under ASBE and profit for the period under IFRS

<b>Items</b>	<b>Six-month periods ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<i>RMB millions</i>	<i>RMB millions</i>
Net profit under ASBE	34,650	7,749
Adjustments:		
Reduced amortisation on revaluation of land use rights	15	15
Government grants	51	—
Effects of the above adjustments on taxation	(3)	(4)
	<u>          </u>	<u>          </u>
Profit for the period under IFRS	<u>    34,713    </u>	<u>    7,760    </u>

- (2) Analysis of the effects of major differences between the shareholder's equity under ASBE and total equity under IFRS

<b>Items</b>	<b>At 30 June</b>	<b>At 31 December</b>
	<b>2009</b>	<b>2008</b>
	<i>RMB millions</i>	<i>RMB millions</i>
Shareholder's equity under ASBE	376,760	350,166
Adjustments:		
Revaluation of land use rights	(997)	(1,012)
Government grants	(861)	(912)
Effects of the above adjustments on taxation	297	300
	<u>          </u>	<u>          </u>
Total equity under IFRS	<u>    375,199    </u>	<u>    348,542    </u>

### 7.3 Changes in accounting policies

Applicable                       Not applicable

#### 7.3.1 Change in accounting policies in the financial statements prepared under ASBE

In accordance with China Accounting Standards for Business Enterprises Bulletin No.3 (“Bulletin No.3”), which was issued during the six-month period ended 30 June 2009 and China Accounting Standards for Business Enterprises Bulletin No.2 (“Bulletin No.2”), which was issued by the Ministry of Finance in 2008, the Group changed the following significant accounting policies:

##### (1) Presentation of income statement

Bulletin No. 3 requires additional account captions, other comprehensive income and total comprehensive income, to be presented in the income statement. Other comprehensive income represents the after tax effect of total gains and losses, which have not been recognised in the net profit according to ASBE (2006). Total comprehensive income represents the aggregate amount of net profit and other comprehensive income. The above changes have also been applied to the Group’s consolidated income statement with account captions, total comprehensive income attributable to the equity shareholders of the Company and total comprehensive income attributable to minority interests, presented below the total comprehensive income.

Comparative figures have been restated to conform with the above new change of presentation in the income statement. Please see the income statement for details.

##### (2) Segment reporting

Bulletin No.3 requires segment disclosure to be based on the way that the Group's chief operating decision maker manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. However, the adoption of Bulletin No.3 has not resulted in any significant changes to the presentation of segment information since the identification and presentation of reportable segments in prior periods were consistent with Bulletin No.3.

(3) Oil and gas properties

Prior to 30 June 2008, oil and gas properties were depreciated using the straight-line method over their estimated useful lives. Pursuant to the requirements of Bulletin No.2, the Group changed the depreciation method of oil and gas properties from straight-line method to unit-of-production method and made retrospective adjustments to the financial statements during the year ended 31 December 2008. The effects of the change in accounting policies on the Group and the Company's net profits for the six-month period ended 30 June 2008 are as follows:

	<b>The Group</b> <b>Six-month</b> <b>period ended</b> <b>30 June 2008</b> <i>RMB millions</i>	<b>The Company</b> <b>Six-month</b> <b>period ended</b> <b>30 June 2008</b> <i>RMB millions</i>
Net profit before adjustment	9,415	5,952
Oil and gas properties	(1,093)	(1,093)
	<hr/>	<hr/>
Net profit after adjustment	<u>8,322</u>	<u>4,859</u>

7.3.2 Change in accounting policies in the financial statements prepared under IFRS

The International Accounting Standards Board (“IASB”) has issued certain new and revised IFRS that are first effective for the current accounting period of the Group. The new accounting policies and new disclosures resulting from the initial application of these standards or developments to the extent that they are relevant to the Group are summarised as follows:

- (i) As a result of the adoption of revised IAS 1 “Presentation of Financial Statements” (“revised IAS 1”), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation.
- (ii) IFRS 8, Operating segments (“IFRS 8”), requires segment disclosure to be based on the way that the Group’s chief operating decision maker manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group’s chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of IFRS 8 has not resulted in any significant changes to the presentation of segment information since the identification and presentation of reportable segments in prior periods were consistent with IFRS 8.

Both revised IAS 1 and IFRS 8 do not have any impact on the classification, recognition and measurement of the amounts recognised in the consolidated financial statements.

#### **7.4 Reasons, contents and amounts of material accounting errors and relevant effects**

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

#### **7.5 Notes on the financial statements prepared under IFRS**



### 7.5.1 Turnover

Turnover represents revenue from the sales of crude oil, natural gas, petroleum and chemical products, net of value-added tax.

### 7.5.2 Tax expense / (benefit)

Tax expense/(benefit) in the consolidated income statement represents:

	<b>Six-month periods ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<i>RMB millions</i>	<i>RMB millions</i>
Current tax		
– Provision for the period	7,546	7,700
– Under-provision in prior years	170	216
Deferred taxation	1,405	(8,051)
	<u>9,121</u>	<u>(135)</u>

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

	<b>Six-month periods ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<i>RMB millions</i>	<i>RMB millions</i>
Profit before taxation	<u>43,834</u>	<u>7,625</u>
Expected PRC income tax expense		
at a statutory tax rate of 25%	10,959	1,906
Tax effect of differential tax rate (i)	(782)	(141)
Tax effect of non-deductible expenses	114	201
Tax effect of non-taxable income (ii)	(598)	(2,715)
Tax effect of tax losses not recognised	(742)	398
Under-provision in prior years	170	216
Actual income tax expense/(benefit)	<u>9,121</u>	<u>(135)</u>

Substantially all income before income tax and related tax expense/(benefit) is from PRC sources.

Note:

- (i) The provision for PRC current income tax is based on a statutory income tax

rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain entities of the Group, which are taxed at a preferential rate of 15% or 20%.

- (ii) The tax effect of non-taxable income for the six-month period ended 30 June 2008 primarily related to the grant income.

### 7.5.3 Basic and diluted earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2009 is based on the profit attributable to ordinary equity shareholders of the Company of RMB 33,246 million (2008: RMB 7,682 million) and the weighted average number of shares of 86,702,439,000 (2008: 86,702,439,000) during the period.

The calculation of diluted earnings per share for the six-month period ended 30 June 2009 is based on the profit attributable to ordinary equity shareholders of the Company of RMB 33,441 million (2008: RMB 5,023 million) and the weighted average number of shares of 87,789,799,595 (2008: 87,789,799,595) calculated as follows:

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

	<b>Six-month periods ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<i>RMB millions</i>	<i>RMB millions</i>
Profit attributable to ordinary equity shareholders of the Company	33,246	7,682
After tax effect of exchange gain net of interest expense of the Convertible Bonds	109	(442)
After tax effect of unrealised loss/(gain) on embedded derivative component of the Convertible Bonds	86	(2,217)
	<u>33,441</u>	<u>5,023</u>
Profit attributable to ordinary equity shareholders of the Company (diluted)	<u>33,441</u>	<u>5,023</u>

- (ii) Weighted average number of shares (diluted)

**Six-month periods ended 30 June**

	<b>2009</b>	<b>2008</b>
	<b>Number</b>	<b>Number</b>
	<b>of shares</b>	<b>of shares</b>
Weighted average number of shares at 30 June	86,702,439,000	86,702,439,000
Effect of conversion of the Convertible Bonds	<u>1,087,360,595</u>	<u>1,087,360,595</u>
Weighted average number of shares (diluted) at 30 June	<u><u>87,789,799,595</u></u>	<u><u>87,789,799,595</u></u>

The calculation of diluted earnings per share for the six-month periods ended 30 June 2009 and 2008 excludes the effect of the Warrants, since it did not have any dilutive effect.

#### 7.5.4 Dividends

Dividends payable to equity shareholders of the Company attributable to the period represent:

	<b>Six-month periods ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<i>RMB millions</i>	<i>RMB millions</i>
Interim dividends declared after the balance sheet date of RMB 0.07 per share (2008: RMB 0.03 per share)	<u>6,069</u>	<u>2,601</u>

Pursuant to the Company's Articles of Association and a resolution passed at the Directors' meeting on 21 August 2009, the directors authorised to declare an interim dividend for the year ending 31 December 2009 of RMB 0.07 (2008: RMB 0.03) per share totalling RMB 6,069 million (2008: RMB 2,601 million). Dividends declared after the balance sheet date are not recognised as a liability at the balance sheet date.

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

**Six-month periods ended 30 June****2009****2008***RMB millions**RMB millions*

Final dividends in respect of the previous financial year, approved and paid during the period of RMB 0.09 per share (2008: RMB 0.115 per share)

7,8039,971

Pursuant to the shareholders' approval at the Annual General Meeting on 22 May 2009, a final dividend of RMB 0.09 per share totalling RMB 7,803 million in respect of the year ended 31 December 2008 was declared.

Pursuant to the shareholders' approval at the Annual General Meeting on 26 May 2008, a final dividend of RMB 0.115 per share totalling RMB 9,971 million in respect of the year ended 31 December 2007 was declared.

**7.5.5 Trade accounts receivable, net and bills receivable**

	<b>At 30 June 2009</b>	<b>At 31 December 2008</b>
	<i>RMB millions</i>	<i>RMB millions</i>
Amounts due from third parties	26,368	11,318
Amounts due from Sinopec Group		
Company and fellow subsidiaries	2,054	2,670
Amounts due from associates and jointly controlled entities	3,873	1,408
	<u>32,295</u>	<u>15,396</u>
Less: Impairment losses for bad and doubtful debts	(2,328)	(2,406)
	<u>29,967</u>	<u>12,990</u>
Bills receivable	3,383	3,660
	<u>33,350</u>	<u>16,650</u>

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

	<b>At 30 June</b>	<b>At 31 December</b>
	<b>2009</b>	<b>2008</b>
	<i>RMB millions</i>	<i>RMB millions</i>
Within one year	33,280	16,528
Between one and two years	22	79
Between two and three years	22	16
Over three years	26	27
	<hr/>	<hr/>
	33,350	16,650
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2009</b>	<b>2008</b>
	<i>RMB millions</i>	<i>RMB millions</i>
Balance at 1 January	2,406	2,909
Impairment losses recognised for the period	27	66
Reversal of impairment losses	(99)	(79)
Written off	(6)	(71)
	<hr/>	<hr/>
Balance at 30 June	2,328	2,825
	<hr/> <hr/>	<hr/> <hr/>

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

#### 7.5.6 Trade accounts and bills payables

<b>At 30 June</b>	<b>At 31 December</b>
-------------------	-----------------------

	<b>2009</b>	<b>2008</b>
	<i>RMB millions</i>	<i>RMB millions</i>
Amounts due to third parties	82,137	53,112
Amounts due to Sinopec Group Company and fellow subsidiaries	1,628	1,522
Amounts due to associates and jointly controlled entities	908	1,830
	<hr/>	<hr/>
	84,673	56,464
Bills payable	32,058	18,753
	<hr/>	<hr/>
	116,731	75,217
	<hr/> <hr/>	<hr/> <hr/>

The maturities of trade accounts and bills payables are as follows:

	<b>At 30 June</b>	<b>At 31 December</b>
	<b>2009</b>	<b>2008</b>
	<i>RMB millions</i>	<i>RMB millions</i>
Due within 1 month or on demand	69,153	39,332
Due after 1 month but within 6 months	47,400	35,737
Due after 6 months	178	148
	<hr/>	<hr/>
	116,731	75,217
	<hr/> <hr/>	<hr/> <hr/>

#### 7.5.7 Segmental reporting

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

	<b>Six-month periods ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<i>RMB millions</i>	<i>RMB millions</i>
<b>Turnover</b>		
Exploration and production		
External sales	7,921	13,883
Inter-segment sales	32,229	76,314
	<u>40,150</u>	<u>90,197</u>
	-----	-----
Refining		
External sales	39,186	71,980
Inter-segment sales	260,993	323,049
	<u>300,179</u>	<u>395,029</u>
	-----	-----
Marketing and distribution		
External sales	315,734	388,801
Inter-segment sales	1,096	1,678
	<u>316,830</u>	<u>390,479</u>
	-----	-----
Chemicals		
External sales	80,402	115,363
Inter-segment sales	8,256	13,817
	<u>88,658</u>	<u>129,180</u>
	-----	-----
Corporate and others		
External sales	79,772	128,630
Inter-segment sales	115,429	282,338
	<u>195,201</u>	<u>410,968</u>
	-----	-----
Elimination of inter-segment sales	<u>(418,003)</u>	<u>(697,196)</u>
	-----	-----
Turnover	<u>523,015</u>	<u>718,657</u>
	-----	-----
	<b>Six-month periods ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<i>RMB millions</i>	<i>RMB millions</i>

<b>Other operating revenues</b>		
Exploration and production	6,026	6,462
Refining	1,685	2,340
Marketing and distribution	940	460
Chemicals	2,134	2,825
Corporate and others	225	269
	<hr/>	<hr/>
Other operating revenues	11,010	12,356
	<hr/>	<hr/>
<b>Other income</b>		
Refining	—	28,216
Marketing and distribution	—	5,520
	<hr/>	<hr/>
Total other income	—	33,736
	<hr/>	<hr/>
<b>Turnover, other operating revenues and other income</b>		
	534,025	764,749
	<hr/> <hr/>	<hr/> <hr/>

**Six-month periods ended 30 June**

**2009**

**2008**

*RMB millions*

*RMB millions*

**Result**

**Operating profit/(loss)**

By segment

– Exploration and production	5,501	27,098
– Refining	19,898	(46,546)
– Marketing and distribution	12,508	22,474
– Chemicals	9,761	4,533
– Corporate and others	(1,486)	(722)
	<hr/>	<hr/>
<b>Total segment operating profit</b>	46,182	6,837
Net finance costs	(3,995)	(889)
Investment income	285	319
Share of profits less losses from associates and jointly controlled entities	1,362	1,358
	<hr/>	<hr/>
<b>Profit before taxation</b>	43,834	7,625
	<hr/> <hr/>	<hr/> <hr/>

**At 30 June**

**At 31 December**

**2009**

**2008**

*RMB millions*

*RMB millions*



## Assets

### Segment assets

– Exploration and production	244,983	235,866
– Refining	197,794	184,531
– Marketing and distribution	139,441	144,139
– Chemicals	129,646	121,964
– Corporate and others	52,848	31,120
	<hr/>	<hr/>
<b>Total segment assets</b>	764,712	717,620
Interest in associates and jointly controlled entities	29,399	27,376
Investments	1,384	1,483
Deferred tax assets	12,307	13,768
Cash and cash equivalents and time deposits with financial institutions	9,082	7,760
Income tax receivable	7,945	9,784
Other unallocated assets	372	1,381
	<hr/>	<hr/>
<b>Total assets</b>	<u>825,201</u>	<u>779,172</u>

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

	<b>Six-month periods ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<i>RMB millions</i>	<i>RMB millions</i>
<b>Capital expenditure</b>		
Exploration and production	19,438	20,981
Refining	5,345	3,872
Marketing and distribution	2,550	4,714
Chemicals	11,158	5,907
Corporate and others	491	1,251
	<u>38,982</u>	<u>36,725</u>
<b>Depreciation, depletion and amortisation</b>		
Exploration and production	11,880	10,927
Refining	5,061	4,512
Marketing and distribution	2,912	2,462
Chemicals	4,286	4,248
Corporate and others	445	514
	<u>24,584</u>	<u>22,663</u>
<b>Impairment losses on long-lived assets</b>		
Refining	24	—
Marketing and distribution	156	130
Chemicals	9	3
	<u>189</u>	<u>133</u>

7.6 In the reporting period, other than the disclosure set out in Section 6.1, 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 2009 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, 21 August 2009

*As at the date of this announcement, the non-executive directors are Messrs. Su Shulin, Zhang Yaocang, Cao Yaofeng, Li Chunguang and Liu Yun; the executive directors of Sinopec Corp. are Messrs. Wang Tianpu, Zhang Jianhua, Wang Zhigang, Cai Xiyu, Dai Houliang; the independent non-executive directors are Messrs. Liu Zhongli, Ye Qing, Li Deshui, Xie Zhongyu, Chen Xiaojin.*