

CHINA PETROLEUM & CHEMICAL CORP
Form 6-K
September 01, 2011

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
The Securities Exchange Act of 1934

For the month of August, 2011

CHINA PETROLEUM & CHEMICAL CORPORATION
22 Chaoyangmen North Street,
Chaoyang District, Beijing, 100728
People's Republic of China
Tel: (8610) 59960114

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

Form 20-F Form 40-F

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

Yes No

(If "Yes" is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b): 82-_____.)

N/A

This Form 6-K consists of:

A copy of 2011 interim report of China Petroleum & Chemical Corporation (the “Registrant”) published on the website of Hong Kong Stock Exchange.

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This interim report contains forward-looking statements. All statements, other than statements of historical facts, that address business activities, events or developments that the Company expects or anticipates will or may occur in the future (including, but not limited to projections, targets, reserves and other estimates and business plans) are forward-looking statements. The actual results or developments of the Company may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties. The Company makes the forward-looking statements referred to herein as at 26 August 2011 and, unless otherwise required by the relevant regulatory authorities, undertakes no obligation to update these statements.

IMPORTANT NOTICE: 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 FALSE REPRESENTATIONS, MISLEADING STATEMENTS OR MATERIAL OMISSIONS CONTAINED IN THIS INTERIM REPORT, AND SEVERALLY AND JOINTLY ACCEPT FULL RESPONSIBILITY FOR THE AUTHENTICITY, ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THIS INTERIM REPORT. THERE IS NO OCCUPANCY OF NON-OPERATING FUNDS BY THE SUBSTANTIAL SHAREHOLDERS OF SINOPEC CORP. ALL DIRECTORS OF SINOPEC CORP. ATTENDED THE FIFTEENTH MEETING OF THE FOURTH SESSION OF THE BOARD. MR. FU CHENGYU, CHAIRMAN OF THE BOARD, MR. WANG TIANPU, VICE CHAIRMAN AND PRESIDENT AND MR. WANG XINHUA, CHIEF FINANCIAL OFFICER AND HEAD OF THE CORPORATE FINANCE DEPARTMENT WARRANT THE AUTHENTICITY AND COMPLETENESS OF THE INTERIM FINANCIAL STATEMENTS CONTAINED IN THIS INTERIM REPORT.

THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 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 INTERIM FINANCIAL STATEMENTS CONTAINED IN THIS INTERIM REPORT.

COMPANY PROFILE

Sinopec Corp. is one of the largest integrated energy and chemical companies with upstream, midstream and downstream operations in China. The principal operations of the Company include: the exploration and production, pipeline transportation and sales of petroleum and natural gas; petroleum refining; production; storage and transportation of petroleum products, petrochemical products, synthetic fiber, fertilizer and other chemical products; import & export, as well as import and export agency business of oil, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and research, development and application of technologies and information.

Sinopec Corp. holds true to its mission of “Enterprise Development, Contribution to the Country, Shareholder Value Creation, Social Responsibility and Employee Wellbeing”. It operates to the highest standard of integrity and work ethics, builds mutual success with partners through collaboration. Through dedication and passion to build Sinopec as a national flagship, together with professionalism and a deliverable-driven spirit, we will strive to realize the group’s vision of becoming a “first-class global energy and chemical corporation”.

SINOPEC CORP.’S BASIC INFORMATION

LEGAL NAME	PLACE OF BUSINESS IN HONG KONG 20th Floor, Office Tower, Convention Plaza 1 Harbour Road, Wanchai, Hong Kong	PLACES OF LISTING OF SHARES, STOCK NAMES AND STOCK CODES A Share: Shanghai Stock Exchange
CHINESE ABBREVIATION	NEWSPAPERS FOR INFORMATION DISCLOSURE IN MAINLAND CHINA	Stock name: Stock code: 600028
ENGLISH NAME	China Securities Journal	H Share: Hong Kong Stock Exchange

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China Petroleum & Chemical Corporation	Shanghai Securities News	Stock code: 0386
	Securities Times	
ENGLISH ABBREVIATION Sinopec Corp.	INTERNET WEBSITE PUBLISHING THIS INTERIM REPORT	ADR: New York Stock Exchange Stock code: SNP
LEGAL REPRESENTATIVE	Designated by the China Securities Regulatory Commission:	London Stock Exchange
Mr. Fu Chengyu	http://www.sse.com.cn	Stock code: SNP
AUTHORISED REPRESENTATIVE		FIRST REGISTRATION DATE OF SINOPEC CORP.
Mr. Wang Tianpu, Mr. Chen Ge	The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"):	25 February 2000
SECRETARY TO THE BOARD OF DIRECTORS	http://www.hkex.com.hk	FIRST REGISTRATION PLACE OF SINOPEC CORP.
Mr. Chen Ge	The Company's Website: http://www.sinopec.com	6A Huixindong Street, Chaoyang District, Beijing, PRC
REPRESENTATIVE ON SECURITIES MATTERS	PLACES WHERE THE INTERIM REPORT IS AVAILABLE FOR INSPECTION	ENTERPRISE LEGAL BUSINESSES LICENSE REGISTRATION NO. 1000001003298 (10-10)
Mr. Huang Wensheng	China: Board Secretariat Sinopec Corp.	
REGISTERED ADDRESS, PLACE OF BUSINESS AND CORRESPONDENCE ADDRESS	22 Chaoyangmen North Street, Chaoyang District, Beijing, China	TAXATION REGISTRATION NO. Jing Guo Shui Chao Zi 110105710926094
22 Chaoyangmen North Street, Chaoyang District, Beijing, China Postcode: 100728	USA: Citibank N.A. 388 Greenwich St., 14th Floor New York, NY 10013 USA	ORGANIZATION CODE 71092609-4
Tel: 86-10-59960028		
Fax: 86-10-59960386	UK: Citibank N. A.	NAMES AND ADDRESSES OF AUDITORS OF SINOPEC CORP.
Website: http://www.sinopec.com	Citigroup Centre Canada Square	Domestic Auditors: KPMG Huazhen Certified Public Accountants
E-mail: ir@sinopec.com media@sinopec.com	Canary Wharf London E14 5LB UK	Address: 8/F, Office Tower E2

Oriental Plaza
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Beijing 100738,
PRC

Overseas
Auditors: KPMG Certified
Public
Accountants
Address: 8th Floor
Prince's Building
Central, Hong
Kong

PRINCIPAL FINANCIAL DATA AND INDICATORS

1 FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (“ASBE”)

Items	At 30 June 2011 RMB millions	At 31 December 2010 RMB millions	Changes from the end of last year (%)
Total assets	1,071,912	985,389	8.8
Total equity attributable to shareholders of the Company	454,883	421,127	8.0
Net assets per share attributable to shareholders of the Company (RMB)	5.247	4.857	8.0

Items	Six-month periods ended 30 June 2011 RMB millions	2010 RMB millions	Charges over the same period of the preceding year (%)
Operating profit	56,237	53,463	5.2
Profit before taxation	56,755	53,812	5.5
Net profit attributable to shareholders of the Company	40,239	36,776	9.4
Net profit attributable to shareholders of the Company before extraordinary gain and loss	39,824	34,948	14.0
Basic earnings per share (RMB)	0.464	0.424	9.4
Basic earnings per share (before extraordinary gain and loss) (RMB)	0.459	0.403	14.0
Diluted earnings per share (RMB)	0.452	0.418	8.1
Net cash flow from operating activities	30,863	55,845	(44.7)
Net cash flow from operating activities per share (RMB)	0.356	0.644	(44.7)
Weighted average return on net assets (%)	9.10	9.26	(0.16) percentage point

Extraordinary items and corresponding amounts:

Items	Six-month periods ended 30 June 2011 (Income)/expense RMB millions
Gain on disposal of non-current assets	(541)
Donations	20
Gain on holding and disposal of various investments	(62)

Other non-operating income and expenses, net	6
Subtotal	(577)
Tax effect	144
Total	(433)
Attributable to:	
Equity shareholders of the Company	(415)
Non-controlling interests	(18)

2 FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

Items	Six-month periods ended 30 June		Charges over the same period of the preceding year (%)
	2011 RMB millions	2010 RMB millions	
Operating profit	58,439	55,304	5.7
Profit attributable to equity shareholders of the Company	41,174	36,798	11.9
Return on capital employed (%) Note	6.58	6.51	0.07 percentage points
Basic earnings per share (RMB)	0.475	0.424	11.9
Diluted earnings per share (RMB)	0.462	0.419	10.3
Net cash generated from operating activities	30,570	55,563	(45.0)
Net cash generated from operating activities per share (RMB)	0.353	0.641	(45.0)

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

Items	At 30 June 2011	At 31 December 2010	Changes from the end of last year (%)
	RMB millions	RMB millions	
Total assets	1,082,367	995,822	8.7
Total equity attributable to equity shareholders of the Company	452,962	419,604	7.9
Net assets per share (RMB)	5.224	4.840	7.9

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

1 CHANGES IN THE SHARE CAPITAL OF SINOPEC CORP.

During the reporting period, there was no change in the share capital of Sinopec Corp.

2 NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

As at 30 June 2011, there were a total of 823,404 shareholders of Sinopec Corp., of which 816,457 were holders of A share and 6,947 were holders of H share. The public float of Sinopec Corp. satisfied the minimum requirements under the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”).

(1) Top ten shareholders

Unit: 1,000 shares

Name of Shareholders	Nature of shareholders (%)	As a percentage of total shares at the end of reporting period	Number of shares held at the end of reporting period	Number of shares with selling restrictions	Number of shares pledged or lock-ups
China Petrochemical Corporation	A share	75.84	65,758,044	0	0
HKSCC (Nominees) Limited	H share	19.20	16,649,787	0	Unknown
Guotai Junan Securities Co., Ltd	A share	0.30	257,479	0	0
China Life-Dividend-Individual Dividend 005L-FH002 Shanghai	A share	0.20	176,120	0	0
PICC Life-Dividend-Individual Insurance Dividend	A share	0.14	118,054	0	0
Yinhua-Dow Jones 88 Selected Securities Inv. Fund	A share	0.06	55,325	0	0
Harvest Theme New Power Securities Inv. Fund	A share	0.05	46,801	0	0
SSE 50 ETF Open Index Securities Inv. Fund	A share	0.04	38,181	0	0
Huaan Hongli Securities Inv. Fund	A share	0.04	37,000	0	0
EFund 50 Index Securities Inv. Fund	A share	0.04	34,344	0	0

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.

(2) Information disclosed by the shareholders of H Shares according to the Securities and Futures Ordinance as at 30 June 2011

Name of shareholders	Status of shareholders	Number of shares with interests held or regarded as being held (share)	As a percentage of total interests (H share) of Sinopec Corp. (%)
JPMorgan Chase & Co.	Beneficial owner	164,152,035(L)	0.98(L)
		119,843,749(S)	0.71(S)
	Investment manager	528,621,480(L)	3.15(L)
		0(S)	0(S)
Custodian corporation/Approved lending agent	526,719,344(L)	3.14(L)	
		0(S)	0(S)
Blackrock Inc.	Interests of corporation controlled by the substantial shareholder	1,112,981,547(L) 99,883,226 (S)	6.63(L) 0.60(S)
Templeton Asset Management Ltd.	Investment manager	1,009,069,203 (L)	6.01(L)

Note: (L): Long position, (S): Short position.

3 CHANGES IN THE CONTROLLING SHAREHOLDERS AND THE EFFECTIVE CONTROLLER

There was no change in the controlling shareholder or the de facto controller in the reporting period.

CHAIRMAN'S STATEMENT

Dear Shareholders:

First, I would like to take this opportunity to express my sincere thanks to all of you for your long-term support to Sinopec Corp.

This May, I was elected as a director and chairman of the fourth Session of the Board of Directors, and I am indebted to you and the members of the Board for this honor. I am deeply mindful of the great responsibility you have given me.

Since taking up this post, I have noticed that Sinopec Corp. is such a large-scale company with abundant resources and operates across the value chain of the petroleum and petrochemical industries, promoting the growth of the Chinese economy and providing products and services that people need in their daily life. Sinopec Corp. is the leading energy and petrochemical company in China and enjoys ever-greater influence in the international arena. I feel honored and proud to join the Sinopec Corp. management team.

Through many years of reform and development, Sinopec Corp. has grown rapidly and undergone significant changes. The Sinopec Group, with Sinopec Corp as its core asset, ranked the fifth on Fortune Global 500. Standing on this solid foundation, I am confident that the management team will be able to take Sinopec Corp. to a new level with better management, higher productivity and increased shareholder value.

We are and we will be facing a complicated macro-environment. Climate change is triggering an energy revolution that includes the transformation of energy production and consumption; globalisation is promoting a new round of industrialisation and changes in economies worldwide; and the debt crisis in the United States and Europe is inserting a significant impact on the recovery of global economy. All of these factors will have a profound impact on the trends and transformation of the petroleum and petrochemical industry in China. In response to the changes in the domestic and international macro-environment and in recognition of Sinopec Corp.'s responsibilities as China's leading enterprise in the petroleum and petrochemical industry, our goal is to "build a first-class global energy and petrochemical company."

Against the standards of the world's first-class corporations, we have adjusted and refined our original business strategies including resources, marketing, integration, internationalisation, and added two new strategies namely differentiation and low-carbon development.

To achieve our development goals and strategies, we will explore all practical measures to push forward all kinds of activities, and accelerate the transformation of development pattern. In making structural adjustments, our priority will be building on the success of those business areas over which we have a clear edge such as refining, chemicals and sales of refined oil products. We will strengthen our exploration and production business aggressively and rapidly. We will also implement further internal reform and fully utilise our advantages as to industry value chain, our assets, our natural and human resources so as to build a first-class global corporation.

Our untiring objectives are to focus on environmental protection, improve energy efficiency, conserve resources, and enhance our ability to create value in order to contribute to our country, reward our shareholders, serve the society, and benefit our employees.

I am certain that with the support of our shareholders and the joint efforts of our management team and staff, we will build Sinopec Corp. into a highly responsible and most admired first-class global energy and petrochemical company.

Fu, Chengyu
Chairman

Beijing, China
26 August 2011

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BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

The Chinese government implemented a more active fiscal policy and a tighter monetary policy in the first half of 2011, with an aim to enhancing and improving its management of the macro economy. The Chinese economy has continued its steady and robust growth, with GDP increasing by 9.6% in the first half of the year. Domestic demand for refined oil and chemical products grew steadily, but at a slower rate. According to the Company's statistics, domestic apparent consumption of oil products (including gasoline, diesel and kerosene) increased by 7.2% in the first half of the year, and consumption of ethylene equivalents increased by 1.9%.

Sinopec Corp. achieved outstanding results in the first half of 2011. We took full advantage of the integration of our upstream, midstream and downstream businesses, made great efforts to ensure sufficient supply in the domestic oil products market, actively expanded our petrochemical markets, strengthened our leverage on the synergies among production, sales and research, optimised our product mix, satisfied the needs of our customers and expanded our scale of operations.

1 PRODUCTION AND OPERATION

- (1) Exploration and Production Segment
The price of international crude oil rose sharply in the first half of 2011. The average Platts Global Brent spot price was US\$111.16 per barrel, a year-over-year increase of 43.9%. The trend in domestic crude oil prices was basically the same as in the international market.

Movement of International Crude Oil Price

Sinopec Corp. has achieved excellent results in applying new technologies for exploration and production, particularly in solving the challenges of seismic study in complex piedmont tectonic belt, in increasing the drilling speed and efficiency in key regions. We have also made significant progress in conducting staged fracturing tests for horizontal wells in tight sandstone reservoirs. We have successfully undertaken staged fracturing of horizontal wells in our Zhenjing oil field and the Daniudi gas field in Ordos Basin, with a significant increase in production.

In oil exploration, we have made discoveries in three new territories - new strata, new types and new areas - in our matured fields in eastern China, the Tuofutai area of the Tahe oil field in western China, and the northern margin of the Junggar Basin. In gas exploration, we made new discoveries in deep marine facies and middle and shallow strata of the Yuanba area in northeastern Sichuan and in the shallow strata of the western Sichuan Basin. In oil-field development and production, we have made advances in improving the reserve development ratio, oil recovery rate and unit well productivity.

Domestically, Sinopec Corp. produced 150 million barrels of crude oil in the first half of 2011, a year-over-year increase of 0.7%, and 253.85 billion cubic feet of natural gas, an increase of 26.6%. Overseas production of crude oil dropped sharply due to the overhaul of offshore production machinery in the Angola oil field.

Exploration and Production: Summary of Operations

	Six-month periods ended 30 June		Changes (%)
	2011 RMB millions	2010 RMB millions	
Crude oil production (mmbbls) Note 1	156.32	165.32	(5.4)
China	150.22	149.19	0.7
Africa	6.10	16.13	(62.2)
Natural gas production (bcf) Note 2	253.88	200.55	26.6
Oil and gas production (mmboe)	198.63	198.74	(0.1)

(2) Refining

Throughout the first half of 2011, Sinopec Corp. maintained its refining operations at high utilization rate. We made great efforts to increase the production of refined oil products and ensured a stable supply to the market, and we implemented plans to revamp and expand our refineries in an effort to upgrade the quality of oil products to the Guo III Specification. By optimising the procurement and transportation of crude oil, we reduced the costs and improved our profitability. We also strengthened the marketing of products such as asphalt, LPG, petroleum coke and solvent oil. Refinery throughput was 109 million tonnes in the first half of the year, representing a year-over-year increase of 5.0%. Light yield and refining yield increased significantly compared with the same period of 2010.

Refining: Summary of Operations

	Six-month periods ended 30 June		Changes (%)
	2011 RMB millions	2010 RMB millions	
Refinery throughput	108.53	103.40	5.0
Gasoline, diesel and kerosene production	63.40	60.52	4.8
Gasoline	18.18	17.77	2.3
Diesel	38.44	36.72	4.7
Kerosene incl. jet fuel	6.77	6.03	12.3
Light chemical feedstock production	18.57	17.15	8.3
Light yield (%)	76.26	75.60	0.66
			Percentage points
Refining yield (%)	95.30	94.65	0.65
			Percentage points

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

2. 100% production of joint ventures was included.

(3) Marketing and Distribution

In the first half of 2011, Sinopec Corp. strengthened the procurement and logistics of oil products to ensure the supply to the market. We also improved our service quality, strengthened quality management for outsourced oil products, We optimized our marketing structure by increasing our retail ratio. We proactively promote our non- fuel business. Total domestic sales of refined oil were 75.10 million tonnes over the period, an increase of 10.2% from the first half of 2010. Meanwhile, we made greater efforts in expanding our presence in the overseas market, and achieved significant increase in overseas oil product sales volume as compared with the same period of 2010.

Marketing and Distribution: Summary of Operations

	Six-month periods ended 30 June		Changes (%)
	2011 (million tonnes)	2010	
Total sales volume of oil products	80.42	71.59	12.3
Total domestic sales volume of oil products	75.10	68.15	10.2
Retail	50.20	41.70	20.4
Direct sales	15.89	15.70	1.2
Wholesales	9.01	10.75	(16.2)
Annualized average throughput per station (tonne/station)	3,341	2,841	17.6
			Increase/decrease at the end of the reporting period
	As at 30 June 2011	As at 31 December 2010	over at of the last year (%)
Total numbers of domestic service stations	30,399	30,116	0.9
Company-operated	30,050	29,601	1.5
Franchised	349	515	(32.2)

(4) Chemicals

In the first half of 2011, we have maintained safe and stable operations in our plants, and actively adjusted our product mix by increasing the proportion of high-end products such as special synthetic resins and differential fibers. We have also improved our service, established a system for high-efficiency production, sales, research and innovation, adjusted plant loads according to supply and demand, fine-tuned our marketing strategies and ensured maximum sales of all products based on market conditions. Production of ethylene was 5.015 million tonnes in the first half of 2011, increased by 19.3% year on year, and the total sales of chemical products were 25.10 million tonnes, increased 6.0% year on year.

Summary of Production of Major Chemical Products			Unit: 1,000 tonnes
	Six-month periods ended 30 June		Changes (%)
	2011 (Thousand tonnes)	2010	

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Ethylene	5,015	4,202	19.3
Synthetic resin	6,834	6,088	12.3
Synthetic fibre monomer and polymer	4,744	4,275	11.0
Synthetic fibre	705	676	4.3
Synthetic rubber	526	485	8.5
Urea	413	932	(55.7)

Note: 100% production of joint ventures was included.

2 SAFETY, ENERGY CONSERVATION AND EMISSION REDUCTION

The company had always regarded safety and environment protection as the top task while taking measures to ensure that HSE responsibility mechanism was fully practiced. In the first half of the year, safe and clean production was generally maintained. Over the years, the company has been actively promoting energy conservation and emission reduction, laying great emphasis on a green and low-carbon operation during energy exploration, production, processing and utilisation. Over the first half of this year, energy consumption per RMB10, 000 in output) dropped by 3.8%, and COD in discharged wasted water dropped by 9.2%, while SO₂ emission dropped by 10.0% year on year.

3 CAPITAL EXPENDITURE

The capital expenditure plan for the year of 2011 is RMB124.1 billion, and capital expenditures for the first half of the year were RMB33.567 billion in accordance with the progress of the projects. The exploration and production segment accounted for RMB17.406 billion, mainly for exploration and development of the Shengli Tanhai oil field, the Northeast Tahe oil field, natural gas exploration and development in northeastern Sichuan and the Shandong LNG project; the refining segment accounted for RMB3.656 billion, mainly for upgrading diesel quality, revamping refineries in the Beihai and Changling and building the Rizhao-Yizheng crude oil pipeline; the chemicals segment accounted for RMB2.12 billion, mainly for an 800,000 tonne ethylene plant in Wuhan and the revamping of production facilities in line with raw material shift in an MTO plant in Zhongyuan; and the marketing and distribution segment accounted for RMB9.523 billion, mainly for the construction of service stations, on highways, in key cities and new areas, oil depots and a refined oil product transfer network with 786 service stations built or acquired over the period. Capital expenditures by the corporate and others were RMB862 million. The whole year capital expenditure plan will not change.

BUSINESS PROSPECTS

In the second half of the year, uncertainty and instability of the global economic recovery will increase. In China, the government shall take multi-measures to curb inflation, and GDP growth should remain strong but may slow down slightly. We expect that international crude oil prices will fluctuate within a wider range and the domestic demand for refined oil and chemicals products will keep increasing.

In the second half of 2011, Sinopec Corp. will carefully plan its production in line with the market demand and strengthen safety production and thus endeavor to realise excellent operating results.

With respect to exploration and production, we will further expand our exploration of subtle oil and gas reservoirs and complex fault block oil reservoirs, and actively investigate new areas; accelerate the exploration of the Tazhong and Bachu areas in western China, develop the potential strategic blocks to replace the mature fields, accelerate the overall appraisal of the northern and western margin of the Junggar Basin and the southern areas of ordos we will integrate the exploration and development activities in natural gas blocks such as Yuanba, southeast Sichuan and Xinchang, and enhance appraisal efforts in block selection, and exploration of unconventional resources such as shale gas, coal-bed methane and shale oil. In development, Sinopec Corp. will accelerate building up production capacity in new areas and ensure stable production in matured fields. In natural gas development, we will advance the construction of key capacity-building projects in the Dawan block, the Daniudi gas field and southwest Sichuan, accelerate the development and application of process technology for horizontal well projects, and carry out the rolling development and evaluation of the Yuanba area and the construction of auxiliary surface projects. Production volumes in overseas oil fields will gradually recover. Sinopec Corp. plans to produce 165 million barrels of crude oil, including 153 mmbbls from China and 12.4 mmbbls from Africa, and 247.2 billion cubic feet of natural gas in the second half of the year.

With respect to refining, Sinopec Corp. will continue to maintain high utilisation, upgrade product quality and produce more clean fuel. We will further optimise our product mix by increasing the output of high-quality lubrication oil, asphalt and fuel oil; improve the procurement and transport of crude oil and take measures to reduce costs. Sinopec Corp. plans to process 114 million tonnes of crude oil in the second half of 2011.

With respect to marketing and distribution, Sinopec Corp. will further improve and expand its marketing network to increase its sales volume. We will develop more flexible marketing strategies, improve our marketing structure and service quality, strengthen quantity and quality control of refined oil products and intensify our brand marketing. Meanwhile, Sinopec Corp. will continue to develop its non-fuel businesses. We anticipate that the total domestic refined oil product sales volume will be 74.9 million tonnes in the second half of the year.

At the same time, with respect to chemicals, we will accelerate the optimisation of our product mix, increase the proportion of high-value-added products, manage supplies so that we can adjust our product mix and the mix of raw materials in a nimble manner, accelerate the construction of our logistics system, improve our marketing network, strengthen the relationship among production, marketing and research, improve marketing services and increase customer satisfaction. In the second half of the year, we are planning to produce 4.835 million tonnes of ethylene.

Mindful of the goal of building a first-class corporation in the world in the petroleum and petrochemical industry, Sinopec Corp. will spare no efforts in carrying out its strategies relating to resources, marketing, integration of business segments, internationalisation, differentiation and low-carbon development. In response to the developments of the domestic and international economic climate, we will continue to optimise our marketing strategies, reinforce production safety and strive to achieve our operational targets for 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S AUDITED INTERIM FINANCIAL STATEMENTS AND THE ACCOMPANYING NOTES. PARTS OF THE FOLLOWING CONCERNED FINANCIAL DATA, UNLESS OTHERWISE STATED, WERE ABSTRACTED FROM THE COMPANY'S AUDITED INTERIM FINANCIAL STATEMENTS THAT HAVE BEEN PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS").

1 CONSOLIDATED RESULTS OF OPERATIONS

In the first half of 2011, influenced by many factors including geopolitical issues, international crude oil price increased significantly. Chinese economy realised relatively rapid growth. Demand for petroleum and petrochemical products increased steadily, and the price of crude oil, refined oil products and petrochemical products increased compared with the same period of last year. The Company took active measures to adjust the crude oil procurement strategies, optimized the production and operation, adhered to the structural adjustment, constantly improved marketing capabilities, laid great emphasis on the safety of production, energy conservation and took the full advantage of the business scale and synergies, all of which have contributed to good business results. In the first half of 2011, the Company's turnover and other operating revenues were RMB 1,233.3 billion, and the operating profit was RMB 58.4 billion, representing a year-on-year increase of 31.5% and 5.7% respectively.

The following table sets forth major revenue and expense items in the consolidated income statement of the Company for the indicated periods:

	Six-month periods ended 30 June		Change (%)
	2011 RMB millions	2010 RMB millions	
Turnover and other operating revenues	1,233,272	937,736	31.5
Of which:			
Turnover	1,216,941	924,336	31.7
Other operating revenues	16,331	13,400	21.9
Operating expenses	(1,174,833)	(882,432)	33.1
Of which:			
Purchased crude oil, products, and operating supplies and expenses	(1,001,431)	(734,277)	36.4
Selling, general and administrative expenses	(26,281)	(22,907)	14.7
Depreciation, depletion and amortisation	(30,510)	(29,288)	4.2
Exploration expenses (including dry holes)	(5,652)	(5,747)	(1.7)
Personnel expenses	(18,094)	(15,037)	20.3
Taxes other than income tax	(93,285)	(75,410)	23.7
Other operating income (net)	420	234	79.5
Operating profit	58,439	55,304	5.7
Net finance costs	(3,296)	(3,498)	(5.8)
Investment income and share of profit less losses from associates and jointly controlled entities	2,906	2,033	42.9
Profit before taxation	58,049	53,839	7.8
Income tax expense	(13,857)	(14,052)	(1.4)

Profit for the period	44,192	39,787	11.1
Attributable to:			
Equity shareholders of the Company	41,174	36,798	11.9
Non-controlling interests	3,018	2,989	1.0

(1) Turnover and other operating revenues

In the first half of 2011, the Company's turnover was RMB 1,216.9 billion, representing an increase of 31.7% over the first half of 2010. This was mainly because the Company timely expanded sales volume by taking the advantage of the increase in the prices of crude oil, refined oil products and chemical products as compared with the same period of last year.

The following table sets forth the external sales volume, average realised prices and respective change rates of the Company's major products over the first half of 2011 compared to the first half of 2010:

	Sales Volume (thousand tonnes)			Average realised price* (RMB/tonne, RMB/thousand cubic meters)		
	Six-month periods ended 30 June		Change (%)	Six-month periods ended 30 June		Change (%)
	2011	2010		2011	2010	
Crude oil	2,386	2,636	(9.5)	4,600	3,428	34.2
Natural gas (million cubic meters)	5,936	4,138	43.5	1,268	1,027	23.5
Gasoline	23,705	21,215	11.7	8,236	7,205	14.3
Diesel	48,612	43,725	11.2	6,994	5,847	19.6
Kerosene	8,053	6,439	25.1	5,928	4,663	27.1
Basic chemical feedstock	9,937	8,253	20.4	6,959	5,533	25.8
Monomer and polymer for synthetic fibre	3,141	2,751	14.2	10,370	8,142	27.4
Synthetic resin	5,176	4,712	9.8	10,134	9,226	9.8
Synthetic fibre	764	728	4.9	13,995	11,171	25.3
Synthetic rubber	631	606	4.1	22,028	15,687	40.4
Chemical fertilizer	468	916	(48.9)	2,049	1,649	24.3

* Excluding value added tax.

Most of the crude oil and a small portion of natural gas produced by the Company were internally used for refining and chemical production with the remaining sold to other customers. In the first half of 2011, the turnover from crude oil, natural gas and other upstream products sold externally amounted to RMB 21.7 billion, increased by 44.2% year on year, accounting for 1.8% of the Company's turnover and other operating revenues. The change was mainly due to the increase in the prices of crude oil and natural gas.

Petroleum products (mainly consisting of refined oil products and other refined petroleum products) sold by the refining segment, marketing and distribution segment achieved an external sales revenue of RMB 746.3 billion, representing an increase of 31.6% over the same period of 2010 and accounting for 60.5% of the Company's turnover and other operating revenues. The increase was mainly due to the increase in sales volume and price of refined petroleum products. The sales revenue of gasoline, diesel and kerosene was RMB 582.9 billion, representing an increase of 32.9% over the same period in 2010, accounting for 78.1% of the sales revenue of petroleum products. Turnover of other refined petroleum products was RMB 163.4 billion, representing an increase of 27.2% compared with the first half of 2010, accounting for 21.9% of the sales revenue of petroleum products.

The Company's external sales revenue of chemical products was RMB 183.0 billion, representing an increase of 36.5% over the same period of 2010, accounting for 14.8% of its turnover and other operating revenues. The increase was mainly due to the increase in sales volume and price of chemical products.

(2) Operating expenses

In the first half of 2011, the Company's operating expenses were RMB 1,174.8 billion, representing an increase of 33.1% over the first half of 2010. The operating expenses mainly consisted of the following:

Crude oil procurement, products and operating supplies and expenses were RMB 1,001.4 billion in the first half of 2011, representing an increase of 36.4% over the same period of 2010, accounting for 85.2% of the total operating expenses, of which:

Procurement cost of crude oil was RMB 406.0 billion, representing an increase of 38.0% over the same period of 2010. The total processed volume of crude oil purchased externally in the first half of 2011 was 82.45 million tonnes (excluding the volume processed for third parties) increased by 10.4% over the first half of 2010. The average unit processing cost of crude oil purchased externally was RMB 4,924 per tonne, increased by 25.0% over the first half of 2010.

The Company's other procurement expenses were RMB 595.4 billion, representing an increase of 35.3% over the first half of 2010. This was mainly due to the increase of procurement cost for refined oil products, chemical feedstock and other products.

Selling, general and administrative expenses of the Company totaled RMB 26.3 billion, representing an increase of 14.7% over the first half of 2010. This was mainly due to the increase in sales expenses such as transportation fees, which is related to the expanded sales volume, as well as an increase in operating lease.

Depreciation, depletion and amortization expenses of the Company were RMB 30.5 billion, representing an increase of 4.2% compared with the first half of 2010. This was mainly due to newly accrued depreciation as a result of continuous investment in fixed assets.

Exploration expenses in the first half of 2011 were RMB 5.7 billion, representing a decrease of 1.7% compared with the same period last year.

Personnel expenses were RMB 18.1 billion, increased by RMB 3.1 billion year on year. Without taking account into the effect of more employment caused by business growth, and increasing of insurance payment base, it represents a 9.0% increase year on year.

Taxes other than income tax totaled RMB 93.3 billion, representing an increase of 23.7% compared with the first half of 2010. It was mainly due to an increase of RMB 8.8 billion in oil special income levy caused by the soaring crude oil price. Meanwhile, as a result of increased sales volume, the consumption tax, city construction tax and educational surcharge increased by RMB 8.4 billion on a year-on-year basis. Due to the reform of the resource tax in Xinjiang and 12 western provincial and municipal regions effective on 1 June and 1 December 2010 respectively, resource tax increased by RMB 0.7 billion year on year as a result of the increased crude oil price.

(3) Operating profit

In the first half of 2011, the Company's operating profit was RMB 58.4 billion, representing an increase of 5.7% over the same period of 2010.

(4) Net finance costs

In the first half of 2011, the net finance costs is RMB 3.3 billion, representing a year-on-year decrease of 5.8%, mainly attributable to the exchange gains increased by 0.5 billion over the same period of 2010, as a result of increased overseas financing facilities denominated in US dollar at a low cost and the impact of RMB appreciation against US dollar.

(5) Profit before taxation

In the first half of 2011, the Company's profit before taxation amounted to RMB 58.0 billion, representing an increase of 7.8% compared with the same period of 2010.

(6) Income tax expense

In the first half of 2011, the income tax expense of the Company totaled RMB 13.9 billion, decrease by 1.4% over the same period of 2010.

(7) Profit attributable to non-controlling interests of the Company

In the first half of 2011, profit attributable to non-controlling shareholders was RMB 3.0 billion, representing an increase of 1.0% over the same period of 2010.

(8) Profit attributable to equity shareholders of the Company

In the first half of 2011, profit attributable to equity shareholders of the Company was RMB 41.2 billion, representing an increase of 11.9% over the same period of 2010.

2 DISCUSSION ON RESULTS OF SEGMENT OPERATION

The Company manages its operations by four business segments, namely exploration and production segment, refining segment, marketing and distribution segment and chemicals segment, as well as corporate and others. Unless otherwise specified herein, the inter-segment transactions have not been eliminated from financial data discussed in this section. In addition, the operating revenue data of each segment include “other operating revenues”.

The following table shows the operating revenues by each segment, the contribution of external sales and inter-segment sales as a percentage of operating revenues before elimination of inter-segment sales, and the contribution of external sales as a percentage of consolidated operating revenues (i.e. after elimination of inter-segment sales) for the periods indicated.

	Operating revenues Six-month periods ended 30 June		As a percentage of consolidated operating revenue before elimination of inter-segment sales		As a percentage of consolidated operating revenue after elimination of inter-segment sales	
			Six-month periods ended 30 June		Six-month periods ended 30 June	
			2011 RMB millions	2010	2011 (%)	2010
Exploration and Production Segment						
External sales note	28,352	21,025	1.3	1.3	2.3	2.2
Inter-segment sales	84,281	69,500	3.9	4.3		
Operating revenues	112,633	90,525	5.2	5.6		
Refining Segment						
External sales note	99,357	79,938	4.6	5.0	8.1	8.5
Inter-segment sales	496,319	383,925	23.1	23.7		
Operating revenues	595,676	463,863	27.7	28.7		
Marketing and Distribution Segment						
External sales note	652,944	491,303	30.4	30.3	52.9	52.4
Inter-segment sales	2,058	1,483	0.1	0.1		
Operating revenues	655,002	492,786	30.5	30.4		
Chemicals Segment						
External sales note	186,123	136,682	8.7	8.4	15.1	14.6
Inter-segment sales	23,315	16,375	1.1	1.0		
Operating revenues	209,438	153,057	9.8	9.4		
Corporate and Others						
External sales note	266,496	208,788	12.5	12.9	21.6	22.3
Inter-segment sales	306,501	210,767	14.3	13.0		
Operating revenues	572,997	419,555	26.8	25.9		
Operating revenue before elimination of inter-segment sales	2,145,746	1,619,786	100.0	100.0		
Elimination of inter-segment sales	(912,474)	(682,050)				
Consolidated operating revenues	1,233,272	937,736			100.0	100.0

Note: Other operating revenues are included.

The following table sets forth the operating revenues, operating expenses and operating profit/(loss) by each segment before elimination of the inter-segment transactions for the periods indicated, and the changes between the first half of 2011 and the first half of 2010.

	Six-month periods ended 30 June		Change (%)
	2011	2010	
	RMB millions	RMB millions	
Exploration and Production Segment			
Operating revenues	112,633	90,525	24.4
Operating expenses	77,982	62,992	23.8
Operating profit	34,651	27,533	25.9
Refining Segment			
Operating revenues	595,676	463,863	28.4
Operating expenses	607,845	458,120	32.7
Operating profit/(loss)	(12,169)	5,743	—
Marketing and Distribution Segment			
Operating revenues	655,002	492,786	32.9
Operating expenses	635,404	478,336	32.8
Operating profit	19,598	14,450	35.6
Chemicals Segment			
Operating revenues	209,438	153,057	36.8
Operating expenses	193,094	144,718	33.4
Operating profit	16,344	8,339	96.0
Corporate and others			
Operating revenues	572,997	419,555	36.6
Operating expenses	573,639	420,249	36.5
Operating profit/(loss)	(642)	(694)	(7.5)
Elimination of inter-segment profit	657	(67)	—

(1) Exploration and Production Segment

Most of the crude oil and a small portion of the natural gas produced by the exploration and production segment were used for the Company's refining and chemical operations. Most of the natural gas and a small portion of crude oil produced by the Company were sold externally to other customers.

In the first half of 2011, operating revenues of the segment were RMB 112.6 billion, representing an increase of 24.4% over the first half of 2010. This was mainly attributable to the increase in crude oil price, rapid expansion of the Company's natural gas business, and its increased sales volume.

In the first half of 2011, the segment sold 20.99 million tonnes of crude oil representing a decrease of 5.9% compared with the first half of 2010. The decrease was mainly caused by the decrease of production from Angola Block due to maintenance. The segment sold 6.31 billion cubic meters of natural gas, representing an increase of 33.5% compared with the first half of 2010 thanks to the increase of production from Puguang Gas Field. The average realised selling price of crude oil and natural gas were RMB 4,445 per tonne and RMB 1,280 per thousand cubic meters respectively, representing an increase of 28.5% and 20.8% respectively over the same period of 2010.

In the first half of 2011, the operating expenses of the segment were RMB 78.0 billion, representing an increase of 23.8% over the first half of 2010. The increase was mainly due to the following:

Oil special income levy increased by RMB 8.8 billion due to the significant increase of the crude oil price;

Costs such as labor and maintenance expenses increased by RMB 2 billion over the same period of 2010, with an aim to improve injection and production systems in oil and gas blocks;

Due to the reform of the resource tax in the western provincial and municipal regions, the resource tax increased by RMB 0.7 billion over the same period of 2010;

The depreciation, depletion and amortization increased by RMB 0.6 billion on a year-on-year basis, mainly caused by the growth in oil & natural gas assets ;

Raw material, fuel and power expenses increased by RMB 0.4 billion, mainly due to the increase of procurement cost.

In the first half of 2011, oil and gas lifting cost was RMB 666 per tonne, representing a year-on-year increase of 11.0%, mainly attributable to the increase in prices of outsourced materials, fuels, power and labor costs, as well as the decrease in production from Angola block due to maintenance, which resulted in the increase of unit cost.

Benefiting from increased international crude oil price and sales volume of natural gas, the segment has realized RMB 34.7 billion of operating profit, up by 25.9% on a year-on-year basis.

(2) Refining Segment

Business activities of the refining segment include purchasing crude oil from third parties and the exploration and production segment of the Company and processing crude oil into refined petroleum products, among which, gasoline, diesel and kerosene are internally sold to the marketing and distribution segment of the Company. Part of the chemical feedstock is sold to the chemicals segment of the Company. Other refined petroleum products are sold to both domestic and overseas customers through refinery segment.

In the first half of 2011, operating revenues of this segment totaled RMB 595.7 billion, representing an increase of 28.4% over the same period of 2010. This was mainly attributable to the increased sales volume and price of its refined products.

The following table sets forth the sales volumes, average realised prices and the respective changes of the Company's major refined oil products of the segment in the first half of 2011 and of 2010.

	Sales Volume (thousand tonnes)			Average realised price* (RMB/tonne)		
	Six-month periods		Change	Six-month periods		Change
	ended 30 June			ended 30 June		
	2011	2010	(%)	2011	2010	(%)
Gasoline	17,078	15,945	7.1	7,511	6,534	15.0
Diesel	36,948	32,929	12.2	6,330	5,489	15.3
Chemical feedstock	18,449	16,593	11.2	5,856	4,654	25.8
Other refined petroleum products	26,463	24,072	9.9	4,626	4,126	12.1

* Excluding value added tax.

In the first half of 2011, the sales revenues of gasoline were RMB 128.3 billion, representing an increase of 23.1% over the same period of 2010, accounting for 21.5% of this segment's operating revenues.

In the first half of 2011, the sales revenues of diesel were RMB 233.9 billion, representing an increase of 29.4% over the same period of 2010, accounting for 39.3% of this segment's operating revenues.

In the first half of 2011, the sales revenues of chemical feedstock were RMB 108.0 billion, representing an increase of 39.9% over the same period of 2010, accounting for 18.1% of this segment's operating revenues.

In the first half of 2011, the sales revenues of refined petroleum products other than gasoline, diesel and chemical feedstock were RMB 122.4 billion, representing an increase of 23.3% over the same period of 2010, accounting for 20.5% of this segment's operating revenues.

In the first half of 2011, this segment's operating expenses were RMB 607.8 billion, representing an increase of 32.7% over the same period of 2010, mainly attributable to the increase in crude oil prices and refinery throughput.

In the first half of 2011, the average processing cost was RMB 4,876 per tonne, representing an increase of 24.8% over the same period of 2010. Crude oil processed totaled 104.47 million tonnes (excluding volume processed for third parties), representing an increase of 8.8% over the first half of 2010. In the first half of 2011, the total costs of crude oil processed were RMB 509.4 billion, representing an increase of 35.8% over the same period of 2010, accounting for 83.8% of the segment's operating expenses, increasing by 1.9 percentage points over the first half of 2010.

In the first half of 2011, the unit refining cash operating cost (defined as operating expenses less the processing cost of crude oil and refining feedstock, depreciation and amortisation, taxes other than income tax and other operating expenses, and divided by the throughput of crude oil and refining feedstock) was RMB 136.6 per tonne, representing an increase of 3.1% compared with that in the first half of 2010, mainly due to the increase of outsourced auxiliary material, power and fuel price.

In the first half of 2011, crude oil price increased significantly while domestic refined oil product prices were strictly controlled. The refining margin (defined as the sales revenues less the crude oil costs and refining feedstock costs and taxes other than income tax, and then divided by the throughput of crude oil and refining

feedstock) of the Company was RMB 74.0 per tonne, decreased by 68.7% over the same period of 2010.

The segment suffered an operating loss of RMB 12.2 billion in the first half of 2011.

(3) Marketing and Distribution Segment

The business of marketing and distribution segment includes purchasing refined oil products from the refining segment and third parties, conducting wholesale and direct sales to domestic customers and retailing, distributing oil products through the segment's retail and distribution network, as well as providing related services.

In the first half of 2011, the operating revenues of this segment were RMB 655.0 billion, increased by 32.9% over the same period of 2010, which was mainly attributed to the increase in selling price and sales volume of oil products.

In the first half of 2011, the sales revenues of gasoline totaled RMB 195.4 billion, with an increase of 27.7% over the same period of 2010; and the sales revenues of diesel and kerosene totaled RMB 341.6 billion and RMB 47.7 billion, increased by 33.0% and 59.2% respectively over the same period of 2010.

The following table sets forth the sales volumes, average realised prices, and respective rate changes of the four product categories in the first half of 2011 and 2010, including detailed information of different sales channels for gasoline and diesel:

	Sales Volume (thousand tonnes)			Average realised price* (RMB/tonne)		
	Six-month periods			Six-month periods		
	ended 30 June		Change	ended 30 June		Change
	2011	2010	(%)	2011	2010	(%)
Gasoline	23,730	21,239	11.7	8,235	7,204	14.3
Of which: Retail	19,892	16,983	17.1	8,349	7,399	12.8
Direct sales	1,024	1,431	(28.4)	7,574	6,238	21.4
Wholesale	2,814	2,825	(0.4)	7,672	6,524	17.6
Diesel	48,860	43,934	11.2	6,991	5,845	19.6
Of which: Retail	27,436	21,726	26.3	7,160	6,125	16.9
Direct sales	15,160	14,590	3.9	6,799	5,644	20.5
Wholesale	6,264	7,618	(17.8)	6,718	5,432	23.7
Kerosene	8,043	6,424	25.2	5,928	4,663	27.1
Fuel oil	12,468	12,114	2.9	4,436	3,436	29.1

* Excluding value added tax.

In the first half of 2011, the operating expenses of the segment were RMB 635.4 billion, representing an increase of 32.8% compared with that in the first half of 2010. This was mainly due to the rapid increase of purchase cost of oil products.

In the first half of 2011, the segment's marketing cash operating cost (defined as the operating expenses less the purchase costs, taxes other than income tax, depreciation and amortisation, and then divided by the sales volume) was RMB 179.0 per tonne, representing an increase of 11.9% compared with that in the first half of 2010, mainly due to increased secondary transportation expenses and labor expenses in line with enlarged proportion of retail volume.

In the first half of 2011, the marketing and distribution segment seized the opportunity to actively increase its sales volume of oil products and optimised the utilisation of its resources. Its operating profit was RMB 19.6 billion, representing an increase of 35.6% over the same period of 2010.

(4) Chemicals Segment

The business activities of the chemicals segment include purchasing chemical feedstock from the refining segment and third parties, producing, marketing and distributing petrochemical and inorganic chemical products.

In the first half of 2011, operating revenues of the chemicals segment were RMB 209.4 billion, representing an increase of 36.8% over the same period of 2010, which was primarily due to the increase in prices and sales volume of major chemical products.

The sales revenue generated from this segment's six major categories of chemical products (namely basic organic chemicals, synthetic resin, synthetic rubber, synthetic fibre monomer and polymer, synthetic fibre and chemical fertilizer) totaled approximately RMB 200.3 billion, representing an increase of 38.8% over the same period of 2010, accounting for 95.7% of the operating revenues of the segment.

The following table sets forth the sales volume, average realised price and respective changes of each of the segment's six categories of chemical products in the first half of 2011 and 2010.

	Sales Volume (thousand tonnes)			Average realised price (RMB/tonne)		
	Six-month periods		Change	Six-month periods		Change
	ended 30 June			ended 30 June		
	2011	2010	(%)	2011	2010	(%)
Basic organic chemicals	13,169	10,701	23.1	6,795	5,521	23.1
Synthetic fibre monomer and polymer	3,160	2,768	14.2	10,354	8,133	27.3
Synthetic resin	5,180	4,717	9.8	10,134	9,226	9.8
Synthetic fibre	764	728	4.9	13,995	11,171	25.3
Synthetic rubber	631	606	4.1	22,028	15,687	40.4
Chemical fertilizer	470	917	(48.7)	2,051	1,649	24.4

* Excluding value added tax.

In the first half of 2011, the operating expense of the chemicals segment was RMB 193.1 billion, representing an increase of 33.4% over the first half of 2010. This was mainly attributable to the increased unit material cost and production volume.

In the first half of 2011, operating profit of this segment was RMB 16.3 billion in the first half of 2011, representing an increase of 96.0% over the same period of 2010. This was mainly because the increase of product price outpaced the increase of raw material costs, and operation volume increased, too.

(5) Corporate and Others

The business activities of corporate and others mainly consisted of import and export business activities of the Company's subsidiaries, research and development activities of the Company, and managerial activities of the headquarters.

In the first half of 2011, the operating revenues generated from corporate and others was RMB 573.0 billion, representing an increase of 36.6% over the first half of 2010, including RMB 571.8 billion revenue from trading of crude oil, refined oil products and other products, which increased by 36.8% over the same period last year.

In the first half of 2011, the operating expense was RMB 573.6 billion, representing an increase of 36.5% over the same period of 2010, including RMB 571.0 billion trading expenses of crude oil, refined oil products and other products, by the trading subsidiaries of the Company, up by 36.8% over the same period last year.

The operating loss amounted to RMB 0.6 billion, representing a year-on-year decrease in losses by 7.5%. Among which, operating profit realized by the specialized subsidiaries such as trading companies were RMB 0.8 billion, research and headquarter expenses were RMB 1.4 billion.

3 ASSETS, LIABILITIES, EQUITY AND CASH FLOWS

(1) Assets, liabilities and equity		Units: RMB millions		
		At 30 June 2011	At 31 December 2010	Amount of changes
Total assets		1,082,367	995,822	86,545
	Current assets	342,646	260,229	82,417
	Non-current assets	739,721	735,593	4,128
Total liabilities		595,791	544,786	51,005
	Current liabilities	396,741	336,406	60,335
	Non-current liabilities	199,050	208,380	(9,330)
Total equity attributable to equity shareholders of the Company		452,962	419,604	33,358
	Share capital	86,702	86,702	—
	Reserves	366,260	332,902	33,358
Non-controlling interests		33,614	31,432	2,182
Total equity		486,576	451,036	35,540

As at 30 June 2011, the Company's total assets were RMB 1,082.4 billion, representing an increase of RMB 86.5 billion compared with that at the end of 2010, of which:

Current assets increased by RMB 82.4 billion from that at the end of 2010 to RMB 342.6 billion, mainly attributable to the fact that inventory of the Company increased by RMB 51.4 billion over the beginning of this year as a result of the rise in prices of crude oil and other raw materials. As the business expanded, the accounts receivable, net and bills receivable, net increased by RMB 22.3 billion and RMB 9.2 billion respectively as compared with that at the beginning of the year.

Non-current assets increased by RMB 4.1 billion from that at the end of 2010 to RMB 739.7 billion. This was mainly attributable to the fact that the Company conducted various project investments in accordance with its annual investments plan, resulting in an increased construction in progress of RMB 11.7 billion. Its interests in associated and jointly controlled entities also increased by RMB 0.9 billion. Moreover, depreciation, properties, plant and equipment, net decreased by RMB 8.7 billion.

As at 30 June 2011, the Company's total liabilities were RMB 595.8 billion, representing an increase of RMB 51.0 billion compared with that at the end of 2010, of which:

The current liabilities is RMB 396.7 billion, increased by RMB 60.3 billion from that at the end of 2010, among which, RMB 30 billion due within one year was transferred from the long-term liabilities into short-term liabilities; the accounts payables and notes payable increased by RMB 39 billion due to the expansion of the business scale; and the other current liabilities such as taxes payable and advance payment decreased by RMB 17.3 billion.

The non-current liabilities is RMB 199.1 billion, decreased by RMB 9.3 billion from that at the end of 2010, mainly attributable to the fact that non-current liabilities increased by RMB 19.6 due to the issuance of RMB 23 billion convertible bonds and the long-term liabilities of RMB 30 billion was transferred to the short-term liabilities due within one year.

As at June 30, 2011, the total equity attributable to equity shareholders of the Company is RMB 453 billion, representing a reserve increase of RMB 33.4 billion compared with that at the end of 2010.

(2) Cash Flow

The following table sets forth the major items on the consolidated cash flow statements for the first half of 2011 and 2010.

Major items of cash flows	Six-month periods ended 30 June		Units: RMB millions
	2011	2010	Changes in amount
Net cash generated from operating activities	30,570	55,563	(24,993)
Net cash used in investing activities	(55,030)	(39,510)	(15,520)
Net cash generated from/ (used in) financing activities	16,130	(9,557)	25,687
Net (decrease)/ increase in cash and cash equivalents	(8,330)	6,496	(14,826)

In the first half of 2011, net cash generated from operating activities was RMB 30.6 billion, representing a decrease of RMB 25.0 billion in cash inflow year on year. This was mainly attributable to the fact that net working capital occupied such as account receivable and inventories increased significantly on a year-on-year basis due to the expansion of its business scale and the price increase of crude oil.

In the first half of 2011, net cash used in investing activities was RMB 55.0 billion, representing an increase of RMB 15.5 billion in cash outflow on a year-on-year basis, mainly because of the transfer of Tianjin ethylene assets to the joint venture last year, which resulted in an income of RMB 15.7 billion.

In the first half of 2011, net cash generated from investment activities was RMB 16.1 billion, representing an increase of RMB 25.7 billion in cash inflow on a year-on-year basis, mainly attributable to its issuance of A share convertible bonds with total proceeds of RMB 23.0 billion, aiming to feed its financial needs.

At 30 June 2011, the Company's cash and cash equivalents represented RMB 8.7 billion, decreased by RMB 8.3 billion as at 31 December 2010.

(3) Contingent Liabilities

Please refer to "Significant guarantee" in the section headed "Significant Events".

(4) Capital Expenditures

Please refer to "Capital Expenditure" in the section headed "Business Review and Prospects" in this report.

4. ANALYSIS OF FINANCIAL STATEMENTS PREPARED UNDER ASBE

The major differences between the Company's financial statements prepared under ASBE and IFRS are set out in Section C of the financial statements of the Company on page 144 of this report.

- (1) Under ASBE, the operating income and operating profit or loss by reportable segments were as follows:

	Six-month periods ended 30 June	
	2011	2010
	RMB millions	RMB millions
Operating income		
Exploration and Production Segment	112,633	90,525
Refining Segment	595,676	463,863
Marketing and Distribution Segment	655,002	492,786
Chemicals Segment	209,438	153,057
Corporate and Others	572,997	419,555
Elimination of inter-segment sales	(912,474)	(682,050)
Consolidated operating income	1,233,272	937,736
Operating profit/(loss)		
Exploration and Production Segment	34,740	27,580
Refining Segment	(13,155)	5,710
Marketing and Distribution Segment	19,716	14,162
Chemicals Segment	15,508	8,007
Corporate and Others	(870)	(747)
Elimination of inter-segment sales	657	(67)
Financial expenses, gain/(loss) from changes in fair value and investment income	(359)	(1,182)
Consolidated operating profit	56,237	53,463
Net profit attributable to equity shareholders of the Company	40,239	36,776

Operating profit: In the first half of 2011, the operating profit of the Company was RMB 56.2 billion, representing an increase of RMB 2.8 billion or 5.2% over the same period of 2010. This was mainly attributable to the fact that the prices of crude oil, refined oil products and chemical products rose as compared with the first half of 2010, and that the Company leveraged the advantages of business scale and integration, made efforts to expand the market, and achieved satisfactory operational performance.

Net profit: In the first half of 2011, the net profit attributable to the equity shareholders of the Company increased by RMB 3.5 billion or 9.4% compared with the first half of 2010 to RMB 40.2 billion.

(2) Financial data prepared under ASBE:

	At 30 June 2011 RMB millions	At 31 December 2010 RMB millions	Changes RMB millions
Total assets	1,071,912	985,389	86,523
Non-current liabilities	197,671	207,080	(9,409)
Shareholders' equity	488,615	452,682	35,933

Analysis of changes:

Total assets: As at June 30, 2011, the Company's total assets is RMB 1071.9 billion, representing an increase of RMB 86.5 billion compared with that at the end of 2010, mainly attributable to the fact that the inventory of the Company increased by RMB 51.4 billion at the beginning of the year, as a result of the rise in the prices of crude and other raw materials; and the notes and accounts receivables of the Company increased by RMB 31.5 billion over that at the beginning of the year, as a result of expanded business scale.

Non-current liabilities: As at June 30, 2011, the non-current liabilities is RMB 197.7 billion, decreased by RMB 9.4 billion from that at the end of 2010, mainly attributable to the fact that the non-current liabilities increased by RMB 19.6 billion arising from the issuance of RMB 23 billion convertible bonds and the long-term liabilities of RMB 30 billion is transferred to the short-term liabilities due within 1 year.

Shareholders' equity: As at June 30, 2010, the shareholders' equity of the Company is RMB 488.6 billion, representing an increase of RMB 35.9 billion compared with that at the end of 2010, mainly attributable to the increase of its profits and capital reserves.

(3) The results of the principal operations by segments

Segment	Income from principal operations (RMB millions)	Cost of principal operations (RMB millions)	Gross profit margin (%) Note	Increase of Income from principal operations on year-on-year basis (%) a	Increase of cost of principal operations on year-on-year basis (%) a	Increase/ (decrease) of gross profit margin on a year-on-year basis (%)
Exploration and Production	112,633	44,290	41.7	24.4	10.5	(1.4)
Refining	595,676	528,720	(0.5)	28.4	36.1	(3.3)
Marketing and Distribution	655,002	615,459	5.9	32.9	33.3	(0.3)
Chemicals	209,438	183,676	11.9	36.8	34.0	1.8
Corporate and others	572,997	570,861	0.4	36.6	36.8	0.0
Elimination of inter-segment sales	(912,474)	(913,131)	N/A	N/A	N/A	N/A
Total	1,233,272	1,029,875	8.9	31.5	35.0	(1.7)

Note: Gross profit margin = (Income from principal operations - Cost of principal operations, tax and surcharges)/Income from principal operations

SIGNIFICANT EVENTS

1 CORPORATE GOVERNANCE

- (1) During the reporting period, Sinopec Corp. complied with regulatory stipulations of the listed places in and outside mainland China and further enforced corporate governance. Due to new working arrangement, Mr. Su Shulin resigned his position as Chairman and Director in April 2011 and Mr. Fu Chengyu was elected as Director and Chairman of the fourth session of the Board of Directors of Sinopec Corp. on 13 May 2011. Pursuant to the domestic regulatory requirements, Sinopec Corp. formulated the Rules for Insiders Registration and the Working Rules for the Board Secretary. Directors, supervisors and senior managers actively attended the training program. Non-executive directors strengthened the communication with the senior management and outside auditors, and actively made surveys on the affiliates. Sinopec Corp. strengthened the construction of the internal control system and the Internal Control Rules was enforced effectively. The information disclosure and the investor relations were well conducted and the communication with the investors was further improved.
- (2) During the reporting period, neither Sinopec Corp., nor the Board of Directors, nor the incumbent directors were subject to investigation by the China Securities Regulatory Commission (CSRC), or administrative punishment or circular of criticism by CSRC, the Securities and Futures Commission of Hong Kong or the U.S. Securities and Exchange Commission, or any public censure by the Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), New York Stock Exchange or London Stock Exchange.
- (3) Equity interests of directors, supervisors and other senior management
During the reporting period, none of Sinopec Corp.’s directors, supervisors or other members of the senior management held any shares of Sinopec Corp. All of the directors confirmed that they had complied with the Model Code for Securities Transactions by Directors of Listed Companies according to the requirement of Hong Kong Stock Exchange. During this reporting period, none of the directors, supervisors or other members of the senior management or any of their respective associates had any interests or short positions (including those that were deemed to be such, or regarded as owned in accordance with relevant provisions of the Securities and Futures Ordinance) in any shares or 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 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as specified in the Hong Kong Listing Rules.

- (4) Compliance with Code on Corporate Governance Practices
During the reporting period, Sinopec Corp. complied with all the requirements of the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules.

2 DIVIDEND DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2010 AND INTERIM DIVIDEND DISTRIBUTION PLAN FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011

(1) Dividend distribution for the year ended 31 December 2010

As approved at the 2010 Annual General Meeting of Sinopec Corp., a final cash dividend of RMB 0.13 (inclusive of tax) per share for 2010 was distributed, which amounted to a total cash dividend of RMB 11.27 billion. On 30 June 2011, Sinopec Corp. distributed the final dividend for 2010 to shareholders whose names appeared on the register of members of Sinopec Corp. on 17 June 2011.

For the year of 2010, total cash dividend of RMB 0.21 (inclusive of tax) per share was distributed and the total cash dividend amounted to RMB 18.21 billion.

(2) Interim dividend distribution plan for the six-month period ended 30 June 2011

According to the Articles of Association, the interim dividend distribution plan for the six-month period ended 30 June 2011 was approved at the 15th meeting of the Fourth Session of the Board of Directors. An interim cash dividend of RMB 0.10 (inclusive of tax) per share would be distributed based on the total number of shares as of 16 September 2011. The total cash dividend amounts to RMB 8.67 billion.

The interim dividend will be distributed on or before Wednesday, September 28, 2011 to the shareholders whose names appear on the register of members of Sinopec Corp. on Friday, 16 September 2011. 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 Friday, 9 September 2011. The register of members of the H shares of Sinopec Corp. will be closed from Monday, 12 September 2011, to Friday, 16 September 2011 (both dates inclusive). As Sinopec Corp. will hold its extraordinary general meeting on 12 October 2011 (please refer to the notice of extraordinary general meeting dated 26 August 2011), the register of members of Sinopec Corp. will be closed from Saturday, 10 September 2011 to Wednesday, 12 October 2011 (both dates inclusive), overlapping with the above proposed book closure period. To avoid from any doubts, the register of members of Sinopec Corp. will be closed from Saturday, 10 September 2011 to Wednesday, 12 October 2011 (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 Renminbi to Hong Kong dollar published by the People's Bank of China during the week prior to the date of declaration of dividends, being Friday, 26 August 2011.

3 ISSUANCE OF RMB 23 BILLION CONVERTIBLE BOND

On 26 March 2010, the issuance of RMB23 billion A Share convertible bonds was approved at the Fifth Meeting of the Fourth Session of Board of Directors of Sinopec Corp. It's subsequently approved by the Annual General Meeting on 18 May 2010 and approved by China Securities Regulatory Commission on 29 December 2010. The bonds were issued at par value of RMB 100. The bonds were of six-year-term with annual interest rate of 0.5%, 0.7%, 1.0%, 1.3%, 1.8% and 2.0%. The initial conversion price was RMB 9.73 per share. The bonds were issued on 23 February 2011 and listed on Shanghai Stock Exchange on 7 March 2011. For further details, please refer to Sinopec Corp.'s announcements published in Chin—a Securities Journal, Shanghai Securities News, Securities Times and Securities Daily in Mainland China on 28 February 2011 and 3 March 2011 respectively. The proceeds will be used in Wuhan ethylene, Anqing refinery revamping, Shijiazhuang, Yulin-Jinan Pipeline and Rizhao-Yizheng pipeline projects.

Replacement at the RMB9.141 billion invested in the above-mentioned projects before the end of February 2011 was approved at the 12th Meeting of the Fourth Session of the Board of Directors of Sinopec Corp. KPMG Huazhen has issued the verification report for the above paid-in capital, and Goldman Sachs Gaohua has issued the review opinions. In order to reduce the idle funds and bring the funds into full play, the idle proceeds from the issuance are approved by the Board of Directors to supplement temporarily the working capital for a period not exceeding 6 months, and with a total amount not exceeding 10% of the total proceeds. For details please refer to resolution announcements of the 12th Meeting of the Fourth Session of the Board of Directors of Sinopec Corp. published in China Securities Journal, Shanghai Securities News, Securities Times on 28 March 2011.

To improve the utilisation efficiency of the proceeds and increase the deposit yield, Sinopec Corp. signed "the three-party supervision supplementary agreement for the proceeds account" with the account bank and the sponsor. For the details, please refer to announcement published in China Securities Journal, Shanghai Securities News, and Securities Times on 20 May 2011.

(1) Top ten convertible bond holders

Name of bond holders	Holding amounts (RMB: million)
China Life Insurance Co., Ltd dividend individual dividend 005L FH002 Hu	635.12
AEGON-Industrial Convertible Bond Mixed Securities Investment Fund	585.27
China National Petroleum Corporation Corporate Pension Plan Industrial and Commercial Bank of China(ICBC)	356.87
ICBC CS Enhanced Bond Securities Investment Fund	330.00
CCB Principal Stable Return Increase Bond Securities Investment Fund	320.73
Sinopec Group Corporate Pension Plan Industrial and Commercial Bank of China(ICBC)	317.54
Harvest Theme New Dynamic Equity Securities Investment Fund	279.04
BOC Steadiness Double Income Bond Securities Investment Fund	266.69
Full goal Convertible Bond Securities Investment Fund	262.00
Dacheng Jingfeng Classified Bond Securities Investment Fund	251.70

(2) Major changes in the profitability, asset quality and creditability of the guarantor of convertible bonds
There were no significant changes in the reporting period.

(3) Information on the Company's liabilities and credit changes as well as the cash arrangement for the future annual debt repayment

As of 30 June 2011, the Company's debt to asset ratio is 55.0%. The debt ratio was basically kept stable and there was no significant change in the structure. The Company's domestic credit rating remained AAA on a long-term basis. With its good financing and repayment capabilities, the Company obtained sufficient credit limit from the domestic commercial banks. Sinopec Corp. primarily uses its own fund to repay the due bonds and pay interests on schedule. The shortfall will be obtained through the bank loans or direct financing in the capital market to ensure repaying the principle and pay interest on loans on time.

(4) Use of proceeds

							RMB million
Total proceeds	22,889.38*	Total proceed used in this reporting period				11,531	
		Total cumulative use of proceed				11,531	
	Investment amount planned	Any change in projects	Actual proceed used	Returns accrued	Whether on schedule	Compliance with expected return	
Projects promised							
Wuhan 800,000 tpa ethylene project	11,289.38	No	4,792	—	Yes	—	
Anqing refinery revamping project	3,000	No	1,039	—	Yes	—	
Shijiazhuang refinery revamping project	3,200	No	729	—	Yes	—	
Yulin-Jinan gas pipeline project	3,300	No	3,300	—	Yes	—	
Rizhao-Yizheng crude oil pipeline and supporting projects	2,100	No	1,671	—	Yes	—	
Total	22,889.38	—	11,531	—	—	—	
Statements on the failure to realise planned schedule and expected return		No					
Statements on the reasons and procedures of changes		No					

* After deducting the issuance cost of RMB 110.62 million (including the commissions for book runners and other costs for the intermediary agencies).

4 DEBENTURE ISSUED OF LISTED COMPANIES AND INTEREST PAYMENT

On 24 February 2004, Sinopec Corp. successfully issued 10-year term domestic corporate bonds which amounted to RMB 3.5 billion with a credit rating of AAA and a fixed coupon rate of 4.61%. On 28 September 2004, the aforementioned corporate bonds were listed on the Shanghai Stock Exchange. For further details, please refer to Sinopec Corp.'s announcement published in China Securities Journal, Shanghai Securities News, and Securities Times in Mainland China, and South China Morning Post and Hong Kong Economic Times in Hong Kong on 24 February 2004 and 28 September 2004, respectively. By 24 February 2011, Sinopec Corp. had paid the full amount of coupon interest for the seventh interest payment year.

Sinopec Corp. issued RMB 30 billion bonds with warrants on 20 February 2008 ("Bonds with Warrants") domestically. The Bonds with Warrants have a 6-year term and 0.8% per annum fixed coupon rate. On 4 March 2008, the aforementioned corporate bonds were listed on the Shanghai Stock Exchange. For further details, please

refer to Sinopec Corp.'s announcement published in China Securities Journal, Shanghai Securities News and Securities Times in Mainland China on 18 February 2008. By 21 February 2011, Sinopec Corp. had paid the full amount of coupon interest for the third interest payment year.

On 21 May 2010, Sinopec Corp. successfully issued 5-year term and 10-year term domestic corporate bonds which amounted to RMB 11 billion and RMB 9 billion with a fixed coupon rate of 3.75% and 4.05%. On 9 June 2010, the aforementioned corporate bonds were listed on the Shanghai Stock Exchange. For further details, please refer to Sinopec Corp.'s announcements published in China Securities Journal, Shanghai Securities News, and Securities Times on 19 May 2010. By 23 May 2011, Sinopec Corp. had paid the full amount of coupon interest for the first interest payment year.

5 MAJOR PROJECTS

(1) Wuhan ethylene project

Wuhan ethylene project mainly consists of 800,000 tpa ethylene and downstream auxiliary facilities. Construction commenced in December 2007. It's expected to be completed in 2013.

(2) Shandong LNG project

Shandong LNG project mainly consists of one wharf and one terminal with 3 million tpa capacity and auxiliary transportation pipelines. Construction commenced in September 2010. It's expected to be completed in 2013.

6 RELATED PARTY TRANSACTIONS IN THE REPORTING PERIOD

Sinopec Corp. and Sinopec Group entered into a number of agreements in respect of continuing connected transactions, including the agreements for mutual supplies, community services, leasing of land use rights, property leasing, the intellectual property license, the agent service for product sales and the SPI Fund Document.

The aggregate amount of related party transactions actually incurred during the reporting period was RMB 231.172 billion, of which, expenses amounted to RMB 92.312 billion, (including RMB 86.386 billion of purchase of goods and services, RMB 1.927 billion of auxiliary and community services, RMB 3.702 billion of operating lease fee, RMB 297 million of interest expenses). Among which, purchase from China Petrochemical Corporation amounted to RMB 63.833 billion (including purchase of products and services, i.e. procurement, storage and transportation, exploration and production services and production-related services amounted to RMB 57.917 billion, representing 4.93% of the Company's operating expenses for the reporting period). The auxiliary and community services provided by China Petrochemical Corporation to the Company were RMB 1.927 billion, representing 0.16% of the operating expenses of the Company for the reporting period. The housing rental paid by the Company was RMB 224 million, the land rental paid was RMB 3.363 billion, and the expenses for other lease were RMB 105 million. The interest expenses were RMB 297 million. The revenue amounted to RMB 138.86 billion (including RMB 138.8 billion of sales of products and services, RMB 52 million of interest income, RMB 8 million of agency commission receivable), of which the sales to China Petrochemical Corporation amounted to RMB 34.672 billion, including RMB 34.612 billion of sales of products, representing 2.81% of operating revenues, RMB 52 million of interest income, and RMB 8 million of agency commission receivable.

The aforementioned related party transactions which occurred during this reporting period was implemented in accordance with the relevant related party transaction agreements.

7 NO SIGNIFICANT LITIGATION, ARBITRATION MATTERS INCURRED IN SINOPEC CORP. DURING THE REPORTING PERIOD

8 OTHER SIGNIFICANT CONTRACTS

During the reporting period, Sinopec Corp. did not omit the disclosure of other significant contracts which were subject to disclosure.

9 ASSETS TRANSACTIONS

Not applicable

10 INSOLVENCY AND RESTRUCTURING

Not applicable

11 SIGNIFICANT TRUSTEESHIP, CONTRACTING AND LEASE

During this reporting period, Sinopec Corp. did not omit the disclosure of significant trusteeship, contracting or lease of any other company's assets, nor placed its assets to or under any other company's trusteeship, contracting or lease which were subject to disclosure.

12 ENTRUST FINANCIAL MANAGEMENT

Not applicable

13 ENTRUSTED LOAN

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To optimise the internal utilisation of available funds and lower the overall cost of capital, the 12th meeting of the fourth session of the board approved Sinopec Corp. of providing entrusted loan to Zhangjiang Dongxing and Hainan Refineries with no more than RMB 10 billion and loan rate no less than same-period commercial bank deposit rate. The entrusted loan is a connected transaction under chapter 14A of the Hong Kong Listing Rules.

Loan to	Amount (RMB billion)	from	Term	to	Interest rate
Zhanjiang Dongxing Petrochemical Co.	2	28 March 2011		28 March 2012	4.20%

14 MATERIAL GUARANTEE CONTRACTS AND STATUS OF IMPLEMENTATION

Unit: RMB
millions

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

Guarantee provider	Relationship with the listed issuer	Name of guaranteed company	Amount	Date of occurrence (date of signing)	Period of guarantee	Type	Whether completed	Whether the guarantee is overdue	The overdue Amounts
Sinopec Corp.	Sinopec Corp. itself	Yueyang SINOPEC Shell Coal Gasification Corporation Ltd.	302	December 10, 2003	December 10, 2003 December 10, 2017	joint obligations	No	No	No
Sinopec Corp.	Sinopec Corp. itself	Shanghai Gaoqiao-SK Solvent Co., Ltd.	21	September 22, 2006	September 22, 2006 April 16, 2012	joint obligations	No	No	No
Sinopec Corp.	Sinopec Corp. itself	Fujian Refining and Petrochemical Co., Limited	4,583	September 6, 2007	September 6, 2007 December 31, 2015	joint obligations	No	No	No
Sinopec Yangzi Petrochemical Co., Ltd.	wholly-owned subsidiary	Sinopec Corp. Yangzi BP Petrochemical Acetyl Co., Ltd	427			joint obligations	No	No	No
Sinopec Sales Co., Ltd.	wholly-owned subsidiary	Balance of Sinopec Corp. Sales Company Limited for its associates and joint ventures.	106			joint obligations	No	No	No

Total amount of guarantees provided during the reporting period Note2	0
Total amount of guarantees outstanding at the end of the reporting period Note2 (A)	5,439
Guarantees provided by Sinopec Corp. for its controlled subsidiaries	
Total amount of guarantees for the controlled subsidiaries during the reporting period	N/A
Total amount of guarantees for the controlled subsidiaries outstanding at the end of the reporting period (B)	N/A
Total amount of guarantees by the Company (including those provided for the controlling subsidiaries)	
Total amount of guarantees Note3 (A+B)	5,439
The proportion of the total amount of guarantees to Sinopec Corp.'s net assets	1.2
Amount of guarantees provided for shareholders, de facto controllers and related parties (C)	N/A

Amount of debt guarantees provided directly or indirectly to the companies with liabilities to asset ratio of over 70%(D)	21
Amount of guarantees in excess of 50% of the total net assets (E)	N/A
Total amount of guarantees of the above three items Note4 (C+D+E)	21
Statement of guarantee undue that might be involved in any joint and several liabilities	N/A
Statement of guarantee status	N/A

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 three items aforesaid” is the aggregate of “amount of guarantee provided for shareholders, de facto controllers and connected parties”, “amount of debt guarantees provided directly or indirectly to companies with liabilities to asset ratio of over 70%” and “the amount of guarantees in excess of 50% of net assets”.

Material Guarantees under Performance

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

At the Eighth Meeting of the Third Session of the Board of Directors, the Board approved the proposal for Sinopec Corp. to provide guarantee equivalent to RMB 9.166 billion to Fujian United Petrochemical Company Limited for the Fujian refining and ethylene joint venture project. On December 13, 2010, the above guarantee decreased by 50% to RMB 4.583 billion.

15 FUND PROVIDED BETWEEN CONNECTED PARTIES

Unit: RMB millions

Connected Parties	Fund to Connected Parties		Fund from Connected Parties	
	Amount incurred	Balance	Amount incurred	Balance
China Petrochemical Corporation	267	787	(415)	7,830
Other connected parties	(1,112)	1,346	—	—
Total	(845)	2,133	(415)	7,830

16 PERFORMANCE OF THE COMMITMENTS BY SINOPEC GROUP COMPANY.

(1) Till the end of the reporting period, the major commitments given by China Petrochemical Corporation were as follows:

- i Complying with the connected transaction agreements;
- ii Solving the issues regarding legality of the land use rights certificates and property ownership rights certificates within a specified period of time;
- iii Implementing the Re-organization Agreement
- iv Granting licenses for intellectual property rights;
- v Refraining from involvement in competition within the industry; and
- vi Withdrawing from the business competition and conflict of interests with Sinopec Corp.

Details of the above commitments were included in the prospectus for the issuance of A shares of Sinopec Corp. published in China Securities Journal, Shanghai Securities News, and Securities Times in Mainland China on 22 June 2001.

- vii On 27 October 2010, Sinopec Corp. disclosed an announcement, in which China Petrochemical Corporation made commitments, as the major refining business of China Petrochemical Corporation has been injected to Sinopec Corp., it'll dispose of its existing refining business to eliminate competition with Sinopec Corp. within five years.

During the reporting period, Sinopec Corp. was not aware of any breach of the above-mentioned major commitments by the aforesaid shareholder.

- (2) Till the end of the reporting period, Sinopec Corp. made no results commitments, or assets take-over or assets restructuring or assets or projects earnings prediction.

17 SHAREHOLDER'S RIGHTS INCENTIVE PLAN

Not applicable

18 ACCOUNTING FIRMS

At the 2010 Annual General Meeting of Shareholders of Sinopec Corp. held on 13 May 2011, KPMG Huazhen and KPMG were reappointed as the domestic and overseas auditors of Sinopec Corp. for the year of 2011 respectively. In addition, the Board of Directors was authorized to determine the remuneration for the auditors. The accrued audit fee for the first half of 2011 was RMB 31 million. The financial statements for the first half of 2011 have been audited by KPMG Huazhen and KPMG. The signing certified public accountants of KPMG Huazhen are Hu Jianfei and Zhang Yansheng.

19 REPURCHASE, SALE AND REDEMPTION OF SHARES

Sinopec Corp. or any of its subsidiaries did not repurchase, sell or redeem any listed securities of Sinopec Corp. or its subsidiaries during the reporting period.

20 OTHER IMPORTANT ITEMS AND THEIR INFLUENCES AND DESCRIPTION OF THE SOLUTION

(1) Status of investment in shares and securities

Stock Code	Abbreviation	Number of shares held at the end of period	Amount of initial investment	Book value at the end of period	Book value at the beginning of period	Accounting items
384 (Hong Kong)	China Gas Holding	210 million shares	RMB 136,426,500.00	RMB 136,426,500.00	RMB 136,426,500.00	Long-term equity investment

(2) Status of shares holding of financial institutions such as commercial banks, securities companies, insurance companies, trust companies or future companies etc.

Financial institutions	Initial investment (RMB 10,000)	Number of shares holding (RMB 10,000)	Proportion in total shares	Book value at the end of the period (RMB 10,000)	Profit/loss in the period	Change of shareholders' funds in the period	Accounting items	Shares origin
1 Beijing International Trust Co., Ltd.	20,000	20,000	14.29%	20,000	0	0	Long-term equity investment	investm
2 Zhengzhou Commercial Bank Co., Ltd.	1,000	1,000	0.5%	1,000	0	0	Long-term equity investment	Debt to shares
Total	21,000	—	21,000	0	0	—		

21 PROFIT WARNING AND DESCRIPTION FOR THE PROJECTION OF POSSIBLE NET LOSSES OR SIGNIFICANT DECREASE IN TERMS OF AGGREGATE NET PROFIT FROM THE BEGINNING OF THE YEAR TO THE NEXT REPORTING PERIOD COMPARED WITH THE CORRESPONDING PERIOD LAST YEAR.

Not applicable

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 30 June 2011, members of the Fourth Session of the Board of Directors, Fourth Session of the Board of Supervisors, and the other members of the senior management are as follows:

1. DIRECTORS

The members of the Fourth Session of the Board of Directors

Name	Gender	Age	Position in the Company	Tenure
Fu Chengyu	Male	59	Chairman	May, 2011 - May, 2012
Wang Tianpu	Male	48	Vice Chairman, President	May, 2009 - May, 2012
Zhang Yaocang	Male	57	Vice Chairman	May, 2009 - May, 2012
Zhang Jianhua	Male	46	Director, Senior Vice President	May, 2009 - May, 2012
Wang Zhigang	Male	54	Director, Senior Vice President	May, 2009 - May, 2012
Cai Xiyou	Male	49	Director, Senior Vice President	May, 2009 - May, 2012
Cao Yaofeng	Male	57	Director	May, 2009 - May, 2012
Li Chunguang	Male	55	Director	May, 2009 - May, 2012
Dai Houliang	Male	47	Director, Senior Vice President	May, 2009 - May, 2012
Liu Yun	Male	54	Director	May, 2009 - May, 2012
Li Deshui	Male	66	Independent Non-executive Director	May, 2009 - May, 2012
Xie Zhongyu	Male	67	Independent Non-executive Director	May, 2009 - May, 2012
Chen Xiaojin	Male	66	Independent Non-executive Director	May, 2009 - May, 2012
Ma Weihua	Male	63	Independent Non-executive Director	May, 2010 - May, 2012
Wu Xiaogen	Male	45	Independent Non-executive Director	May, 2010 - May, 2012

2. SUPERVISORS

The members of the Fourth Session of the Board of Supervisors

Name	Gender	Age	Position in the Company	Tenure
Wang Zuoran	Male	60	Chairman	May, 2009 - May, 2012
Zhang Youcai	Male	69	Vice Chairman, Independent Supervisor	May, 2009 - May, 2012
Geng Limin	Male	56	Supervisor	May, 2009 - May, 2012
Zou Huiping	Male	50	Supervisor	May, 2009 - May, 2012
Li Yonggui	Male	71	Independent Supervisor	May, 2009 - May, 2012

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Zhou Shiliang	Male	53	Employee Representative Supervisor	May, 2009 - May, 2012
Chen Mingzheng	Male	53	Employee Representative Supervisor	May, 2009 - May, 2012
Jiang Zhenying	Male	46	Employee Representative Supervisor	December, 2010 - May, 2012
Yu Renming	Male	47	Employee Representative Supervisor	December, 2010 - May, 2012

3. OTHER MEMBERS OF SENIOR MANAGEMENT

Other members of senior management

Name	Gender	Age	Position in the Company
Wang Xinhua	Male	55	Chief Financial Officer
Zhang Kehua	Male	57	Vice President
Zhang Haichao	Male	54	Vice President
Jiao Fangzheng	Male	48	Vice President
Lei Dianwu	Male	49	Vice President
Ling Yiqun	Male	48	Vice President
Chen Ge	Male	49	Secretary to the Board of Directors

CHANGING IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

Not applicable.

REPORT OF THE PRC AUDITOR

All 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 2011, the consolidated income statement and income statement, the consolidated statement of changes in equity and statement of changes in equity, the consolidated cash flow statement and cash flow statement for the six-month period then ended, 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 China Accounting Standards for Business Enterprises 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 in the circumstances.

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 Standards on Auditing for Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China and present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 30 June 2011, and the consolidated results of operations and results of operations and the consolidated cash flows and cash flows of the Company for the six-month period then ended.

KPMG Huazhen

Certified Public Accountants

Registered in the People's Republic of China

Hu Jianfei
Zhang Yansheng

Beijing, The People's Republic of China

26 August 2011

(A) FINANCIAL STATEMENTS PREPARED UNDER CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

CONSOLIDATED BALANCE SHEET
as at 30 June 2011

	Note	At 30 June 2011 RMB millions	At 31 December 2010 RMB millions
Assets			
Current assets			
Cash at bank and on hand	5	14,186	18,140
Bills receivable	6	25,113	15,950
Accounts receivable	7	65,414	43,093
Other receivables	8	8,177	9,880
Prepayments	9	8,896	5,247
Inventories	10	207,962	156,546
Other current assets		1,783	594
Total current assets		331,531	249,450
Non-current assets			
Long-term equity investments	11	45,706	45,037
Fixed assets	12	531,953	540,700
Construction in progress	13	101,299	89,599
Intangible assets	14	28,634	27,440
Goodwill	15	8,775	8,298
Long-term deferred expenses	16	7,764	7,560
Deferred tax assets	17	14,748	15,578
Other non-current assets		1,502	1,727
Total non-current assets		740,381	735,939
Total assets		1,071,912	985,389
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	19	35,426	29,298
Bills payable	20	4,301	3,818
Accounts payable	21	171,059	132,528
Advances from customers	22	44,977	57,324
Employee benefits payable	23	11,238	7,444
Taxes payable	24	24,205	33,814
Other payables	25	55,426	54,871
Short-term debentures payable	28	5,000	1,000
Non-current liabilities due within one year	26	33,994	5,530
Total current liabilities		385,626	325,627
Non-current liabilities			
Long-term loans	27	58,351	58,895
Debentures payable	28	105,096	115,180
Provisions	29	16,339	15,573
Deferred tax liabilities			