

CHINA PETROLEUM & CHEMICAL CORP
Form 6-K
August 26, 2010

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, 2010

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:

The 2010 interim report of China Petroleum & Chemical Corporation (the “Registrant”), made by the Registrant on August 20, 2010.

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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 20 August 2010 and, unless otherwise required by the relevant regulatory authorities, undertakes no obligation to update these statements.

COMPANY PROFILE

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.. MR. MA WEIHUA, DIRECTOR OF SINOPEC CORP. COULD NOT ATTEND THE NINTH MEETING OF THE FOURTH SESSION OF THE BOARD FOR REASONS OF OFFICIAL DUTIES. MR. MA WEIHUA AUTHORISED MR. LI DESHUI TO VOTE ON HIS BEHALF IN RESPECT OF THE RESOLUTIONS PUT FORWARD IN THE MEETING OF THE BOARD. MR. SU SHULIN, 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 2010 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 a Chinese company listed in Shanghai, Hong Kong, New York and London, and is also an integrated energy and chemical company with upstream, midstream and downstream operations. The principal operations of the Company include: exploring for and developing, producing and trading crude oil and natural gas; processing crude oil, producing petroleum products and trading, transporting, distributing and marketing petroleum products; producing, distributing and trading petrochemical products. Sinopec Corp.’s basic information is as follows:

LEGAL NAME

REPRESENTATIVE ON SECURITIES MATTERS

Mr. Huang Wensheng

REGISTERED ADDRESS, PLACE OF BUSINESS AND CORRESPONDENCE ADDRESS

22 Chaoyangmen North Street, Chaoyang District, Beijing, China
 Postcode: 100728
 Tel: 86-10-59960028
 Fax: 86-10-59960386
 Website: <http://www.sinopec.com>
 E-mail: ir@sinopec.com
media@sinopec.com

PLACE OF BUSINESS IN HONG KONG

20th Floor, Office Tower, Convention Plaza

PLACES WHERE THE INTERIM REPORT IS AVAILABLE FOR INSPECTION

China: Board Secretariat
 Sinopec Corp.
 22 Chaoyangmen North Street,
 Chaoyang District, Beijing, China

USA: Citibank N.A.
 388 Greenwich St., 14th Floor
 New York, NY 10013 USA

UK: Citibank N. A.
 Citigroup Centre
 Canada Square
 Canary Wharf
 London E14 5LB UK

CHINESE ABBREVIATION	<p>1 Harbour Road, Wanchai, Hong Kong NEWSPAPERS FOR INFORMATION DISCLOSURE IN MAINLAND CHINA China Securities Journal</p>	<p>PLACES OF LISTING OF SHARES, STOCK NAMES AND STOCK CODES A Shanghai Stock Exchange Share: Stock name: Sinopec Corp. Stock code: 600028</p>
ENGLISH NAME China Petroleum & Chemical Corporation	Shanghai Securities News Securities Times	
ENGLISH ABBREVIATION Sinopec Corp.	<p>INTERNET WEBSITE PUBLISHING THIS INTERIM REPORT Designated by the China Securities Regulatory Commission: http://www.sse.com.cn</p>	<p>H Hong Kong Stock Exchange Share: Stock code: 0386</p>
LEGAL REPRESENTATIVE Mr. Su Shulin		<p>ADR: New York Stock Exchange Stock code: SNP</p>
AUTHORISED REPRESENTATIVE Mr. Wang Tianpu, Mr. Chen Ge	<p>The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"): http://www.hkex.com.hk</p>	<p>London Stock Exchange Stock code: SNP</p>
SECRETARY TO THE BOARD OF DIRECTORS Mr. Chen Ge	<p>The Company's Website: http://www.sinopec.com</p>	

PRINCIPAL FINANCIAL DATA AND INDICATORS

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

Items	At 30 June	At 31 December	Changes
	2010	2009	from the end
	RMB millions	RMB millions	of last year
			(%)
Total assets	920,795	866,475	6.3
Total equity attributable to equity shareholders of the Company	402,930	377,182	6.8
Net assets per share (RMB) (Fully diluted)	4.647	4.350	6.8
Adjusted net assets per share (RMB)	4.568	4.272	6.9
	Six-month periods ended 30 June		Changes
	2010	2009	over the same
	RMB millions	RMB millions	period of the
			preceding year
			(%)
Operating profit	47,986	43,999	9.1
Profit before taxation	48,335	43,768	10.4
Net profit attributable to equity shareholders of the Company	35,429	33,190	6.7
Net profit attributable to equity shareholders of the Company before extraordinary gain and loss	34,948	33,285	5.0
Weighted average return on net assets (%)	8.98	9.59	(0.61)
			percentage
			points
Basic earnings per share (RMB)	0.409	0.383	6.7
Basic earnings per share (before extraordinary gain and loss) (RMB)	0.403	0.384	5.0
Diluted earnings per share (RMB)	0.403	0.380	6.1
Net cash flow from operating activities	50,055	82,370	(39.2)
Net cash flow from operating activities per share (RMB)	0.577	0.950	(39.2)

Extraordinary items and corresponding amounts:

Items	Six-month periods ended 30 June 2010
	(Income)/expense RMB millions
Gain on disposal of non-current assets	(361)
Donations	32
Gain on holding and disposal of various investments	(311)
Other non-operating income and expenses, net	(14)

Subtotal		(654)
Tax effect		164
Total		(490)
Attributable to:		
	Equity shareholders of the Company	(481)
	Minority interests	(9)

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

Items	Six- month periods ended 30 June		Changes over the same period of the preceding year (%)
	2010 RMB millions	2009 RMB millions	
Operating profit	49,775	46,182	7.8
Profit attributable to equity shareholders of the Company	35,460	33,246	6.7
Return on capital employed (%) Note	6.04	6.39	(0.35) percentage points
Basic earnings per share (RMB)	0.409	0.383	6.7
Diluted earnings per share (RMB)	0.403	0.381	5.8
Net cash generated from operating activities	47,555	79,079	(39.9)
Net cash generated from operating activities per share (RMB)	0.548	0.912	(39.9)

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

Items	At 30 June	At 31 December	Changes from the end of last year (%)
	2010 RMB millions	2009 RMB millions	
Total assets	929,476	877,842	5.9
Total equity attributable to equity shareholders of the Company	401,440	375,661	6.9
Net assets per share (RMB)	4.630	4.333	6.9
Adjusted net assets per share (RMB)	4.551	4.254	7.0

3 DIFFERENCES BETWEEN THE AUDITED FINANCIAL STATEMENTS PREPARED UNDER ASBE AND IFRS ARE SHOWN ON PAGE 132 OF THE REPORT.

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

1 CHANGES IN THE SHARE CAPITAL OF SINOPEC CORP.

Unit: 1,000 Shares

		Before change		Increase/(decrease)				After change		
		Number	Percentage % issued	New share issued	Bonus from reserve	Conversion	Others	Sub-total	Number	Percentage %
1	RMB ordinary shares	69,921,951	80.65	—	—	—	89	89	69,922,040	80.65
2	Foreign shares listed domestically	—	—	—	—	—	—	—	—	—
3	Foreign shares listed overseas	16,780,488	19.35	—	—	—	—	—	16,780,488	19.35
4	Others	—	—	—	—	—	—	—	—	—
	Total Shares	86,702,439	100.00	—	—	—	89	89	86,702,528	100.00

Note: From 25 February 2010 to 3 March 2010, total number of shares of Sinopec Corp. increased by 88,774, as a result of exercise of warrants embedded in the bonds of RMB 30 billion issued by Sinopec Corp. For details, please refer to item 18 in "Significant Events".

2 NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

As at 30 June 2010, there were a total of 956,305 shareholders of Sinopec Corp., of which 949,158 were holders of A share and 7,147 were holders of H share. The public float of Sinopec Corp. satisfied the minimum requirements under the Listing Rules of Hong Kong Stock Exchange.

(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	19.26	16,698,441	0	Unknown
Guotai Junan Securities Co., Ltd	A share	0.29	255,461	0	0
China Life Insurance Corp.-Dividend-Individual Dividend-005L-FH002 Shanghai	A share	0.15	131,668	0	0
China International Fund Management Advantage Securities Investment Fund	A share	0.06	52,500	0	0

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Shanghai Stock Exchange						
Tradable Open-ended	A share	0.05	44,655	0	0	
Index 50 Fund						
Harvest Stable Open-ended Securities	A share	0.05	42,998	0	0	
Investment Fund						
Fortune SGAM Selected Sectors Fund	A share	0.04	38,090	0	0	
Changsheng Tongqing	A share	0.04	37,017	0	0	
Detachable Equity						
Investment Fund						
National Social Security						
Fund 102 Portfolio	A share	0.04	33,243	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 2010

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	127,283,915(L)	0.76
		69,014,671(S)	0.41
Blackrock Inc.	Investment manager	742,050,497(L)	4.42
	Custodian corporation/Approved lending agent	631,791,703(L)	3.77
	Interests of corporation controlled by the substantial shareholder	1,161,200,884(L)	6.92
Templeton Asset Management Ltd.		9,967,552(S)	0.06
	Investment manager	855,319,203(L)	5.10

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

3 CHANGES IN THE CONTROLLING SHAREHOLDERS AND THE EFFECTIVE CONTROLLER

There were no changes in the controlling shareholders or the effective controller in the reporting period.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

In the first half of 2010, the Chinese economy grew relatively fast, with GDP increasing by 11.1% over the same period of last year. The Chinese government raised the benchmark wellhead price of domestic onshore natural gas and piloted the oil & gas resources tax reform in Xinjiang Autonomous Region. Domestic demand for oil products and chemical products has grown steadily. According to the Company's statistics, domestic apparent consumption of oil products (inclusive of gasoline, diesel and kerosene) increased by 12.5% over the same period last year, and ethylene equivalent consumption increased by 9.6% over the same period of last year.

In the first half of 2010, the Company achieved encouraging operational results through fully leveraging its synergy, proactively expanding market to enlarge business volume, focusing on satisfying customer needs, further enhancing integration among production, sales and research, and optimising product mix in line with market demands.

1 PRODUCTION AND OPERATION

(1) Exploration and Production Segment

In the first half of 2010, international crude oil price fluctuated within a certain range. Average Platts Brent Price was US\$ 77.27/barrel, representing an increase of 49.8% over the same period of last year. The trend of domestic crude oil price generally followed the trend in the international markets.

Movement of International Crude Oil Price

In exploration, the Company made new discoveries in oil and natural gas exploration in Tarim Basin, southeastern Sichuan and western Sichuan. In development and production, the Company enhanced development rates, recovery rates and single-well productivity. The Sichuan-to-East China Gas Pipeline Project achieved stable operation after start-up and the Company's natural gas production grew significantly over the same period last year. In the first half of this year, the Company produced 149 million barrels of crude oil, flat from a year earlier, and produced 200.6 billion cubic feet of natural gas, representing an increase of 40.7% compared with the same period of last year.

Summary of Operations of Exploration and Production Segment

	Six-month periods ended 30 June		Changes %
	2010	2009	
Crude oil production (mmbbls)	149.19	149.12	0.05
Natural gas production (bcf)	200.55	142.51	40.7
Newly added proved reserve of crude oil (mmbbls)	129.86	137.74	(5.7)
Newly added proved reserve of natural gas (bcf)	48.22	(131.64)	—
	At 30 June 2010	At 31 December 2009	Changes (%)
Proved reserve of crude oil (mmbbls)	2,801	2,820	(0.7)
Proved reserve of natural gas (bcf)	6,586	6,739	(2.3)

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

(2) Refining

In the first half of 2010, the Company focused on timely adjusting the product mix in response to the changing market. Refineries maintained high utilisation rate, resulting in production increase of both jet fuel and light chemical feedstock. At the same time, the Company further reduced costs and improved efficiency through optimising resources, operations and management. We put revamping and expansion facilities into operation in an effort to accelerate the improvement of oil products quality. Leveraging its brand power, the Company stepped up its marketing efforts in promoting lubricants, asphalt and petroleum coke, etc. In the first half of this year, the refinery throughput reached 101 million tonnes, representing an increase of 16.7% compared with the same period last year.

Summary of Operations of Refining Segment

	Six-month periods ended 30 June		Changes %
	2010	2009	
Refinery throughput (million tonnes)Note 1	101.45	86.90	16.7
Gasoline, diesel and kerosene production (million tonnes)	60.52	54.04	12.0
Including: Gasoline (million tonnes)	17.77	16.99	4.6
Diesel (million tonnes)	36.72	32.40	13.3
Kerosene (million tonnes)	6.03	4.64	30.0
Light chemical feedstock production (million tonnes)	17.15	12.04	42.4
Light products yield (%)	75.60	74.94	0.66
			percentage points
Refining yield (%)	94.65	93.84	0.81

percentage
points

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

Note 2: 100% production of joint ventures was included.

(3) Marketing and Distribution

In the first half of 2010, with enhanced marketing initiatives, the Company strengthened and grew sales to end-market customers in face of strong market competition due to sufficient supply in the domestic market. The Company made timely adjustment of its marketing strategy and managed to enlarge the scale of its marketing operations. Sales volume of jet fuel and fuel oil was increased. The Company also improved its customer service system in an effort to increase direct sales. To enhance its marketing network and further boost service station business, the Company further improved the location of its oil depots, accelerated refurbishment of stations, and focused on its non-fuel business.

The Company actively fulfilled its social responsibilities by ensuring oil products supply for the earthquake relief work at Yushu, Qinghai, the rescue and rehabilitation in areas of Southern China with serious draught and flood damage, and supplied clean fuel for the Expo 2010 Shanghai, and the summer harvest and planting season.

In the first half of this year, the Company's total domestic sales volume of oil products reached 68.15 million tonnes, representing an increase of 18.1% compared with the same period of last year.

Summary of Operations of Marketing and Distribution Segment

	Six-month periods ended		Changes %
	30 June 2010	2009	
Total domestic sales volume of oil products (million tonnes)	68.15	57.71	18.1
Including: Retail sales (million tonnes)	41.70	37.43	11.4
Direct sales (million tonnes)	15.70	11.44	37.2
Wholesale (million tonnes)	10.75	8.83	21.7
Average annual throughput per station (tonne/station)	2,841	2,596	9.4
			Increase/ decrease at the end of the reporting period over that of the last year (%)
	At 30 June 2010	At 31 December 2009	
Total number of service stations	29,950	29,698	0.8
Including: Number of company-operated service stations	29,357	29,055	1.0
Number of franchised service stations	593	643	(7.8)

(4) Chemicals

In the first half of 2010, the Company adjusted its business operations in line with market demand. By continuing to pay close attention to production management, the Company also ensured safe operation of its plants at a high utilisation rate. The Company pushed forward new product development and adjusted its product mix to produce more value-added products that are well received by the market. To further develop the strategic cooperation formed with key customers, the Company provided additional technical services and enhanced intergration among production, sales and R&D that created more value for customers. The Company sold all finished products including the extra volumes produced from the expanded capacity after the start-up of ethylene project in Fujian, Tianjin and Zhenhai. In the first half of this year, the output of ethylene reached 4.202 million tonnes, representing an increase of 41.3% compared with the same period of last year, and the total sales of chemical products reached 23.678 million tonnes.

Summary of Production of Major Chemical Products

Unit: 1,000 tonnes

	Six-month periods ended 30 June		Changes %
	2010	2009	
Ethylene	4,202	2,973	41.3
Synthetic resin	6,088	4,738	28.5
Synthetic fibre monomer and polymer	4,275	3,721	14.9
Synthetic fibre	676	629	7.5
Synthetic rubber	485	409	18.6
Urea	932	892	4.5

Note: 100% production of joint ventures was included.

2 ENERGY SAVING AND EMISSION REDUCTION

The Company places considerable emphasis on resource saving and environmental protection. In the first half of 2010, the Company completed the overall upgrade of gasoline quality to meet GB III standard and upgraded gasoline quality to meet GB IV standard in Beijing, Shanghai and Guangzhou. In the first half of this year, the Company's overall energy –intensity dropped by 5.0% year on year. Compared with the first half of 2009, its comprehensive unit energy consumption in crude oil & natural gas production dropped by 2.1%, the comprehensive unit energy consumption involved in refining dropped by 5.6%, and the unit fuel and power consumption of ethylene plants dropped by 2.9%. Total volume of COD from its major pollutants dropped by 0.4%, and its total volume of sulphur dioxide emission dropped by 14% compared to the same period of last year.

3 CAPITAL EXPENDITURE

In the first half of 2010, the Company's total capital expenditure was RMB 34.796 billion. The capital expenditure for exploration and production segment was RMB 15.348 billion, which was mainly used for exploration of crude oil & natural gas resources and key capacity-building projects, with newly-built production capacity of 2.46 million tonnes per annum of crude and 0.17 billion cubic meters per annum of natural gas. The capital expenditure for the refining segment was RMB 4.875 billion, which was mainly used for upgrading oil products quality, refinery revamping projects to process low grade crude, and the storage facilities and pipeline construction projects. The capital expenditure for the marketing and distribution segment was RMB 7.659 billion, which was mainly used for building and acquiring service stations in key areas, accelerating the construction of pipelines, improving the sales network of refined products, and developing 838 service stations. The capital expenditure for the chemicals segment was RMB 6.543 billion, with which the ethylene project in Zhenhai was completed and such key projects as the ethylene project in Wuhan progressed well. The capital expenditure for corporate and others was RMB 371 million.

BUSINESS PROSPECTS

Looking into the second half of this year, China will further implement policies to increase domestic demand, sustain economic growth, adjust structure and transform economic growth pattern. As a result of these measures the Chinese economy is expected to continue to grow relatively fast. The international crude oil price in the second half of 2010 is expected to continue to fluctuate in a certain range, while domestic demand for both oil products and chemical products is expected to maintain its steady growth.

The Company will further expand its resource base, expand its markets and reduce costs. Focusing on efficiency and profitability, the Company will optimise production operations and ensure a stable supply to the domestic market.

In respect of exploration and production, the Company will further optimise the exploration portfolio, attach particular emphasis on the planning of geophysical exploration, and give impetus to sound development of exploration. The Company will enhance the execution of various development and production activities, increase the construction of production capacity and focus on improving development rates, recovery rates, and single well productivity. Meanwhile, the Company will work to ensure smooth connection between production and sale, as well as safe transmission of natural gas. In the second half of this year, the Company plans to produce 21.54 million tonnes of crude oil and 6.32 billion cubic meters of natural gas.

In respect of refining, the Company will further optimise resource allocation; carry out crude oil procurement in line with market trends as well as the dynamics of market supply and demand. The Company will also optimise its logistics system to reduce the cost. To ensure the stable supply of oil products for the domestic market, the Company

will optimise its production plan to operate its refineries at high utilisation rate. The Company will further adjust the product mix to meet the demands for chemical feedstock, and will improve the sales and marketing of products such as lubricants, asphalt and petroleum coke. In the second half of this year, the Company plans to process 102 million tonnes of crude oil.

In respect of marketing and distribution, the Company will implement a marketing strategy that is flexible enough to steer the Company through the changing market environment with increased awareness of competition. Efforts will also be made to strengthen and expand its end market, as well as improve product quality control. The Company will enhance Sinopec's image of "Quality and Quantity". In the second half of the year, the Company will work to optimise its logistics and improve its marketing network. Meanwhile, the Company will speed up the development of its non-fuel business and actively promote the value-added service of IC fuel cards. In the second half of this year, the Company plans a total domestic sales volume of oil products at 68.15 million tonnes.

In respect of its chemical segment, the Company will continue to follow a strategy that is market oriented and profitability driven. It will further enhance the integration among production, marketing and R&D. The Company will closely monitor plant operations and changes in feedstock and inventory. It will also closely balance the materials procurement, production and sales. The Company will ensure safe operation of its new facilities, such as the Zhenhai ethylene plant, and maintain stable and efficient operation of existing plants. The Company will continually adjust its product mix and endeavor to sell all products in a timely manner based on market conditions. The Company will strengthen its marketing network and maximise profitability of its chemical segment. In the second half of this year, the Company plans to produce 4.60 million tonnes of ethylene.

In the second half of 2010, Sinopec Corp will actively adjust its business structure, expand its markets, enhance precise management, endeavor to achieve further progress on cost savings, tap potentials to increase profitability, and strive for delivering an excellent performance.

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 2010, the Company's turnover and other operating revenues amounted to RMB 936.5 billion, and the operating profit was RMB 49.8 billion, representing an increase of 75.4% and 7.8% respectively, over the same period of 2009. It is attributable to the steady progress of domestic economic recovery, the growing demand for petroleum and petrochemical products, continued expansion of the Company's operational scale and rising prices of crude oil, refined oil products and chemical products as compared with the same period of last year. The Company actively took various measures to fully exert the scale and integration advantages and steadily increase its market share, and therefore achieved satisfying operational performance.

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		
		2010	2009	Change
		RMB	RMB	(%)
		millions	millions	
Turnover and other operating revenues		936,523	534,025	75.4
Of which:	Turnover	923,123	523,015	76.5
	Other operating revenues	13,400	11,010	21.7
Operating expenses		(886,748)	(487,843)	81.8
Of which:	Purchased crude oil, products, and operating supplies and expenses	(741,121)	(361,460)	105.0
	Selling, general and administrative expenses	(22,885)	(22,471)	1.8
	Depreciation, depletion and amortisation	(26,800)	(24,584)	9.0
	Exploration expenses (including dry holes)	(5,747)	(4,392)	30.9
	Personnel expenses	(15,019)	(12,919)	16.3
	Taxes other than income tax	(75,410)	(61,518)	22.6
	Other operating income/(expenses) (net)	234	(499)	—
Operating profit		49,775	46,182	7.8
Net finance costs		(3,431)	(3,995)	(14.1)
Investment income and share of profit less losses from associates and jointly controlled entities		2,033	1,647	23.4
Profit before taxation		48,377	43,834	10.4
Income tax expense		(11,028)	(9,121)	20.9
Profit for the period		37,349	34,713	7.6
Attributable to:				

Equity shareholders of the Company	35,460	33,246	6.7
Non-controlling interests	1,889	1,467	28.8

(1) Turnover and other operating revenues

In the first half of 2010, the Company's turnover was RMB 923.1 billion, representing an increase of 76.5% over the first half of 2009. This was mainly due to expanded business scale, higher 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 rates of change of the Company's major products from the first half of 2010 to the first half of 2009:

	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 (%)
	2010	2009		2010	2009	
Crude oil	2,327	2,430	(4.2)	3,363	1,699	97.9
Natural gas (million cubic meters)	4,138	3,105	33.3	1,027	934	10.0
Gasoline	21,215	18,793	12.9	7,205	5,852	23.1
Diesel	43,725	36,166	20.9	5,847	4,631	26.3
Kerosene	6,439	4,994	28.9	4,663	3,385	37.8
Basic chemical feedstock	8,253	4,872	69.4	5,533	4,061	36.2
Monomer and polymer for synthetic fibre	2,751	2,070	32.9	8,142	6,008	35.5
Synthetic resin	4,712	4,015	17.4	9,226	7,547	22.2
Synthetic fibre	728	691	5.4	11,171	8,481	31.7
Synthetic rubber	606	487	24.4	15,687	10,177	54.1
Chemical fertilizer	916	889	3.0	1,649	1,750	(5.8)

Most of crude oil and a small portion of natural gas produced by the Company were internally used for refining and chemical production and the remaining were sold to other customers. In the first half of 2010, the turnover from crude oil and natural gas sold externally amounted to RMB 13.8 billion, increased by 74.4% over the same period of 2009, accounting for 1.5% of the Company's turnover and other operating revenues. The change was mainly due to the increase in prices of crude oil and natural gas.

The refining segment and marketing and distribution segment of the Company sold petroleum products (mainly consisting of refined oil products and other refined petroleum products), achieving external sales revenue of RMB 567.0 billion, representing an increase of 59.7% over the same period of 2009 and accounting for 60.5% of the Company's turnover and other operating revenues. This mainly owes to the increase in sales volume and price of refined petroleum products. The sales revenue of gasoline, diesel and kerosene was RMB 438.5 billion, representing an increase of 48.9% over the same period in 2009, accounting for 77.3% of the sales revenue of petroleum products. Turnover of other refined petroleum products was RMB 128.5 billion, representing an increase of 112.4% compared with the first half of 2009, accounting for 22.7% of the sales revenue of petroleum products.

The Company's external sales revenue of chemical products was RMB 134.1 billion, representing an increase of 66.8% over the same period of 2009, accounting for 14.3% of its turnover and other operating revenues. This was mainly due to the increase in sales volume and price of chemical products.

(2) Operating expenses

In the first half of 2010, the Company's operating expenses were RMB 886.7 billion, representing an increase of 81.8% over the first half of 2009. The operating expenses mainly consisted of the following:

Purchased crude oil, products and operating supplies and expenses were RMB 741.1 billion in the first half of 2010, representing an increase of 105.0% over the same period of 2009, accounting for 83.6% of the total operating expenses, of which:

1 Procurement cost of crude oil was RMB 294.3 billion, representing an increase of 84.0% over the same period of 2009. Throughput of crude oil purchased externally in the first half of 2010 was 74.68 million tonnes (excluding the amount processed for third parties) increased by 14.2% over the first half of 2009. The average unit processing cost of crude oil purchased externally RMB 3,940 per tonne, increased by 61.1% over the first half of 2009.

1 The Company's other purchasing expenses were RMB 446.8 billion, representing an increase of 121.6% over the first half of 2009. This was mainly due to the higher cost of refined oil products and other feedstock purchased externally and higher procurement cost by its subsidiary trading companies.

Selling, general and administrative expenses of the Company totaled RMB 22.9 billion, representing an increase of 1.8% over the first half of 2009.

Depreciation, depletion and amortization expenses of the Company were RMB 26.8 billion, representing an increase of 9.0% compared with the first half of 2009. This was mainly due to the continuous investment in fixed assets in recent years.

Exploration expenses in the first half of 2010 were RMB 5.7 billion, representing an increase of 30.9% compared with the first half of 2009, mainly owing to the Company's increased investment in exploration in blocks such as northeastern Sichuan, western Sichuan and Ordos.

Personnel expenses were RMB 15.0 billion, representing an increase of 16.3% compared with the first half of 2009, which was mainly because the Company provided for enterprise's annuity fund, performance salary, and housing subsidy for employees who began to work after 31 December 1998, in accordance with relevant requirements.

Taxes other than income tax totaled RMB 75.4 billion, representing an increase of 22.6% compared with the first half of 2009. It was mainly due to the increase of special oil income levy by RMB 9.5 billion caused by rising crude oil price, as compared with the first half of 2009. Meanwhile, as a result of sales volume increase, the consumption tax, city construction tax and educational surcharge increased by RMB 4.2 billion over the first half of 2009.

(3) Operating profit

In the first half of 2010, the Company's operating profit was RMB 49.8 billion, representing an increase of 7.8% over the same period of 2009.

(4) Net finance costs

In the first half of 2010, the Company's net financing costs were RMB 3.4 billion, representing a decrease of 14.1% compared with the first half of 2009. This was due to decreased scale of the Company's interest-bearing borrowing, leading to a decrease of net interest expenses by RMB 0.3 billion compared with the first half of 2009. It was also due to a year over year increase of RMB 0.3 billion of gain from changes in fair value of the embedded derivative component of its overseas convertible bonds resulting from the change in the H-share price of Sinopec Corp.

(5) Profit before taxation

In the first half of 2010, the Company's profit before taxation amounted to RMB 48.4 billion, representing an increase of 10.4% compared with the same period of 2009.

(6) Income tax expense

In the first half of 2010, the income tax expense of the Company totaled RMB 11.0 billion, with an increase of 20.9% over the same period of 2009.

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

In the first half of 2010, profit attributable to non-controlling interests of the Company was RMB 1.9 billion, representing an increase of 28.8% over the same period of 2009. This was mainly due to increase of profits of the controlled subsidiaries of the Company compared with the same period of 2009.

(8) Profit attributable to equity shareholders of the Company

In the first half of 2010, profit attributable to equity shareholders of the Company was RMB 35.5 billion, representing an increase of 6.7% over the same period of 2009.

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, and 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		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		Six-month periods ended 30 June	
	2010	2009	2010	2009	2010	2009
	RMB millions		(%)		(%)	
Exploration and Production Segment						
External sales	19,812	13,947	1.2	1.5	2.1	2.6
Inter-segment sales	61,666	32,229	3.8	3.4		
Operating revenues	81,478	46,176	5.0	4.9		
Refining Segment						
External sales	79,938	40,871	5.0	4.3	8.5	7.7
Inter-segment sales	383,925	260,993	23.8	27.4		
Operating revenues	463,863	301,864	28.8	31.7		
Marketing and Distribution Segment						
External sales	491,303	316,674	30.5	33.3	52.5	59.3
Inter-segment sales	1,483	1,096	0.1	0.1		
Operating revenues	492,786	317,770	30.6	33.4		
Chemicals Segment						
External sales	136,682	82,536	8.5	8.7	14.6	15.5
Inter-segment sales	16,375	8,256	1.0	0.9		
Operating revenues	153,057	90,792	9.5	9.6		
Corporate and Others						
External sales	208,788	79,997	13.0	8.3	22.3	14.9
Inter-segment sales	210,767	115,429	13.1	12.1		
Operating revenues	419,555	195,426	26.1	20.4		
Operating revenue before elimination of inter-segment sales	1,610,739	952,028	100.0	100.0		
Elimination of inter-segment sales	(674,216)	(418,003)				
Consolidated operating revenues	936,523	534,025			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 2010 and the first half of 2009.

	Six-month periods ended 30		Change (%)
	2010	2009	
	RMB millions	RMB millions	
Exploration and Production Segment			
Operating revenues	81,478	46,176	76.5
Operating expenses	59,489	40,675	46.3
Operating profit	21,989	5,501	299.7
Refining Segment			
Operating revenues	463,863	301,864	53.7
Operating expenses	458,177	281,966	62.5
Operating profit	5,686	19,898	(71.4)
Marketing and Distribution Segment			
Operating revenues	492,786	317,770	55.1
Operating expenses	478,336	305,262	56.7
Operating profit	14,450	12,508	15.5
Chemicals Segment			
Operating revenues	153,057	90,792	68.6
Operating expenses	144,713	81,031	78.6
Operating profit	8,344	9,761	(14.5)
Corporate and others			
Operating revenues	419,555	195,426	114.7
Operating expenses	420,249	196,912	113.4
Operating profit	(694)	(1,486)	—

(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 2010, operating revenues of the segment were RMB 81.5 billion, representing an increase of 76.5% over the first half of 2009. This was mainly attributable to the significant increase in crude oil price.

In the first half of 2010, the segment sold 19.90 million tonnes of crude oil and 4.73 billion cubic meters of natural gas, representing an increase of 0.7% and 40.4% respectively compared with the first half of 2009. The average realised selling price of crude oil and natural gas were RMB 3,422 per tonne and RMB 1,059 per thousand cubic meters respectively, representing an increase of 89.3% and 10.2% respectively over the same period of 2009.

In the first half of 2010, the operating expenses of the segment were RMB 59.5 billion, representing an increase of 46.3% over the first half of 2009. The increase was mainly due to the following:

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Special oil income levy paid by the Company increased by RMB 9.5 billion compared with the same period 2009 due to the significant increase in the price of crude oil;

· Depreciation, depletion and amortisation increased by RMB 1.5 billion over the first half of 2009, mainly caused by growth in depreciation and depletion of crude oil & natural gas assets resulting from investment;

· Exploration expenses (including cost of dry holes) increased by RMB 1.4 billion over the first half of 2009, mainly owing to the Company's increased investment in exploration in blocks such as northeastern Sichuan, western Sichuan and Ordos.

In the first half of 2010, the lifting cost for crude oil and natural gas was RMB 623 per tonne, increased by 2.4% over the same period of 2009.

In the first half of 2010, the E&P segment achieved stable production in crude oil and significant increase of production in natural gas. With the increased of crude oil prices, its operating profit was RMB 22.0 billion, representing an increase of 299.7% over the first half of 2009.

(2) Refining Segment

Business activities of the refining segment include purchasing crude oil from the 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 2010, operating revenues of this segment totaled RMB 463.9 billion, representing an increase of 53.7% over the same period of 2009. 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 2010 and of 2009.

	Sales Volume (thousand tonnes)			Average realised price (RMB/tonne)		
	Six-month periods			Six-month periods		
	ended 30 June		Change	ended 30 June		Change
	2010	2009	(%)	2010	2009	(%)
Gasoline	15,945	15,723	1.4	6,534	5,153	26.8
Diesel	32,929	30,096	9.4	5,489	4,215	30.2
Chemical feedstock	16,593	12,841	29.2	4,654	2,700	72.4
Other refined petroleum products	24,072	20,565	17.1	4,126	2,801	47.3

In the first half of 2010, the sales revenues of gasoline were RMB 104.2 billion, representing an increase of 28.6% over the same period of 2009, accounting for 22.5% of this segment's operating revenues.

In the first half of 2010, the sales revenues of diesel were RMB 180.7 billion, representing an increase of 42.5% over the same period of 2009, accounting for 39.0% of this segment's operating revenues.

In the first half of 2010, the sales revenues of chemical feedstock were RMB 77.2 billion, representing an increase of 122.5% over the same period of 2009, accounting for 16.6% of this segment's operating revenues.

In the first half of 2010, the sales revenues of refined petroleum products other than gasoline, diesel and chemical feedstock were RMB 99.3 billion, representing an increase of 72.4% over the same period of 2009, accounting for 21.4% of this segment's operating revenues.

In the first half of 2010, this segment's operating expenses were RMB 458.2 billion, representing an increase of 62.5% over the same period of 2009, mainly attributable to the significant increase in crude oil prices.

In the first half of 2010, the average processing cost was RMB 3,871 per tonne, representing an increase of 64.6% over the same period of 2009. Crude oil processed totaled 90.61 million tonnes (excluding volume processed for third parties), representing an increase of 11.6% over the first half of 2009. In the first half of 2010, the total costs of crude oil processed were RMB 350.8 billion, representing an increase of 83.7% over the same period of 2009, accounting for 76.6% of the segment's operating expenses, increasing by 8.9 percentage points over the first half of 2009.

In the first half of 2010, 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 132.4 per tonne, representing an increase of 1.4% compared with that in the first half of 2009.

In the first half of 2010, the crude oil price increased significantly over the first half of 2009. Confronted with the difficult situation of increasing crude oil cost, the segment optimised the production scheme, adjusted product mix, and maintained operation at a high utilisation rate. 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 237 per tonne, decreased by 45.1% over the same period of 2009. This, was mainly attributable to the increase in international crude oil price which was much greater than that of the sales price of oil products.

The operating profit of the segment totaled RMB 5.7 billion in the first half of 2010, representing an decrease of 71.4% over the same period of 2009.

(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 2010, the operating revenues of this segment were RMB 492.8 billion, increased by 55.1% over the same period of 2009, which was mainly attributed to the increase in selling price and sales volume of oil products.

In the first half of 2010, the sales revenues of gasoline totaled RMB 153.0 billion, with an increase of 39.0% over the same period of 2009; and the sales revenues of diesel and kerosene totaled RMB 256.8 billion and RMB 30.0 billion, increased by 52.6% and 77.8% respectively over the same period of 2009.

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 2010 and 2009, including detailed information of different sales channels for gasoline and diesel:

	Sales Volume (thousand tonnes)			Average realised price (RMB/tonne)		
	Six-month periods		Change (%)	Six-month periods		Change (%)
	ended 30 June 2010	2009		ended 30 June 2010	2009	
Gasoline	21,239	18,810	12.9	7,204	5,851	23.1
Of which: Retail	16,983	15,232	11.5	7,399	5,995	23.4
Direct sales	1,431	1,154	24.0	6,238	5,222	19.5
Wholesale	2,825	2,424	16.5	6,524	5,245	24.4
Diesel	43,934	36,346	20.9	5,845	4,630	26.2
Of which: Retail	21,726	19,510	11.4	6,125	4,903	24.9
Direct sales	14,590	12,110	20.5	5,644	4,360	29.4
Wholesale	7,618	4,726	61.2	5,432	4,194	29.5
Kerosene	6,424	4,976	29.1	4,663	3,385	37.8
Fuel oil	12,114	6,044	100.4	3,436	2,561	34.2

In the first half of 2010, the operating expenses of the segment were RMB 478.3 billion, representing an increase of 56.7% compared with that in the first half of 2009. This was mainly due to the increase of the volume and prices of purchased oil products compared with the same period of last year.

In the first half of 2010, 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 159.93 per tonne, representing a decrease of 2.6% compared with that in the first half of 2009.

In the first half of 2010, the marketing and distribution segment actively increase its sales volume of oil products. Its operating profit was RMB 14.5 billion, representing an increase of 15.5% over the same period of 2009.

(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 2010, operating revenues of the chemicals segment were RMB 153.1 billion, representing an increase of 68.6% over the same period of 2009, 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 144.3 billion, representing an increase of 79.7% over the same period of 2009, accounting for 94.3% 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 2010 and 2009.

	Sales Volume (thousand tonnes)			Average realised price (RMB/tonne)		
	Six-month periods ended 30 June		Change (%)	Six-month periods ended 30 June		Change (%)
	2010	2009		2009	2010	
Basic organic chemicals	10,701	6,488	64.9	5,521	3,859	43.1
Synthetic fibre monomer and polymer	2,768	2,084	32.8	8,133	6,001	35.5
Synthetic resin	4,717	4,022	17.3	9,226	7,549	22.2
Synthetic fibre	728	691	5.4	11,171	8,481	31.7
Synthetic rubber	606	489	23.9	15,687	10,174	54.2
Chemical fertilizer	917	889	3.1	1,649	1,750	(5.8)

In the first half of 2010, the operating expense of the chemicals segment was RMB 144.7 billion, representing an increase of 78.6% over the first half of 2009. This was mainly attributable to the increase in volume of purchased feedstock and unit cost.

In the first half of 2010, the chemicals segment optimised operation of its plants and made great efforts to expand the market. The operating profit of this segment was RMB 8.3 billion in the first half of 2010, representing a decrease of 14.5% over the same period of 2009. This was mainly attributable to the narrowed spread between the price of the chemical products and the unit cost of feedstock in the second quarter.

(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 2010, the operating revenues generated from corporate and others was RMB 419.6 billion, representing an increase of 114.7% over the first half of 2009. This mainly resulted from the rising prices of crude oil and petrochemical products. The subsidiary trading companies increased their import and export revenue of crude oil and oil products by RMB 223.5 billion over the same period last year. Among which, crude oil trading revenue increased by RMB 195.5 billion, trading volume of crude oil increased by 28.31 million tonnes, and selling price of crude oil increased by RMB 1,293/tonne over the same period of last year respectively.

In the first half of 2010, the operating expense was RMB 420.2 billion, representing an increase of 113.4% over the same period of 2009. This was mainly due to the increase in procurement cost of the subsidiary trading companies.

The operating loss amounted to RMB 0.7 billion, representing a year-on-year decrease of losses by RMB 0.8 billion.

3 ASSETS, LIABILITIES, EQUITY AND CASH FLOWS

(1) Assets, liabilities and equity Units: RMB millions

	At 30 June 2010	At 31 December 2009	Amount of changes
Total assets	929,476	877,842	51,634
Current assets	259,197	201,280	57,917
Non-current assets	670,279	676,562	(6,283)
Total liabilities	503,287	478,989	24,298
Current liabilities	311,047	313,419	(2,372)
Non-current liabilities	192,240	165,570	26,670
Total equity attributable to equity shareholders of the Company	401,440	375,661	25,779
Share capital	86,702	86,702	—
Reserves	314,738	288,959	25,779
Non-controlling interests	24,749	23,192	1,557
Total equity	426,189	398,853	27,336

At 30 June 2010, the Company's total assets were RMB 929.5 billion, representing an increase of RMB 51.6 billion compared with that at the end of 2009, of which:

Current assets increased by RMB 57.9 billion from that at the end of 2009 to RMB 259.2 billion, mainly attributable to the fact that the inventory of the Company increased by RMB 20.9 billion over the beginning of this year as a result of the rise in prices of crude oil and other raw materials. As the operating revenue grew, the accounts receivable, net and bills receivable increased by RMB 19.1 billion and RMB 7.6 billion, respectively as compared with that at the beginning of the year.

Non-current assets was decreased by RMB 6.3 billion from that at the end of 2009 to RMB 670.3 billion. This was mainly attributable to the fact that the Company's sale of certain constructions in progress to its jointly controlled entity and the transfer to fixed assets after completion of certain construction projects caused a decrease of RMB 24.5 billion in construction in progress. The properties, plant and equipment, net increased by RMB 13.0 billion, and the Company's interests in associates and jointly controlled entities increased by RMB 5.6 billion.

At 30 June 2010, the Company's total liabilities were RMB 503.3 billion, representing an increase of RMB 24.3 billion compared with that at the end of 2009, of which:

· Current liabilities decreased by RMB 2.4 billion from that at the end of 2009 to RMB 311.0 billion, mainly because of the decrease of RMB 14.7 billion of short-term debts and loans from China Petrochemical Corporation and fellow subsidiaries. Due to the expansion of business scale, the accounts payable and bills payable increased by RMB 13.5 billion.

· Non-current liabilities increased by RMB 26.7 billion from that at the end of 2009 to RMB 192.2 billion, mainly because of the Company's issuance of RMB 20.0 billion corporate bonds.

At 30 June 2010, the total equity attributable to equity shareholders of the Company was RMB 401.4 billion, representing an increase of RMB 25.8 billion compared with that at the end of 2009, which was due to the increase of reserves.

(2) Cash Flow

In the first half of 2010, the net increase in cash and cash equivalents was RMB 6.5 billion, i.e. increasing from RMB 8.7 billion at 31 December 2009 to RMB 15.2 billion at 30 June 2010.

The following table sets forth the major items on the consolidated cash flow statements for the first half of 2010 and 2009.

Major items of cash flows	Six-month periods ended 30 June		Changes in amount
	2010	2009	
Net cash generated from operating activities	47,555	79,079	(31,524)
Net cash used in investing activities	(39,160)	(44,734)	5,574
Net cash used in financing activities	(1,899)	(33,753)	31,854
Net increase in cash and cash equivalents	6,496	592	5,904

Units: RMB millions

In the first half of 2010, net cash generated from operating activities was RMB 47.6 billion, representing a decrease of RMB 31.5 billion over the same period of 2009. This was mainly attributable to the fact that the Company achieved good operating performances in the first half of this year and the profit before taxation increased by RMB 4.5 billion as compared with the same period of last year. Due to the increase of crude oil and other commodities prices and the expansion of business scale, the Company's working capital decreased by RMB 36.0 billion as compared with the first half of 2009.

In the first half of 2010, net cash used in investing activities was RMB 39.2 billion, representing a decrease of RMB 5.6 billion over the same period of 2009, which was mainly because of the increase of RMB 12.7 billion of cash inflow from the Company's sale of properties, plant and equipment in the first half of this year and the increase of RMB 4.4 billion of cash outflow from capital expenditure and exploration expense.

In the first half of 2010, the net cash outflow from the financing activities was RMB 1.9 billion, representing a decrease of cash outflow by RMB 31.9 billion over the same period last year, which was mainly attributable to the fact that the Company repaid bank and other loans of RMB 11.9 billion in the first half of this year, representing a decrease of RMB 34.1 billion over the same period of 2009.

(3) Contingent Liabilities

At 30 June 2010, the amount of guarantees provided by the Company in respect of banking facilities granted to associates and jointly controlled entities amounted to approximately RMB 15.2 billion.

(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 132 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	
		2010	2009
		RMB millions	RMB millions
Operating income			
	Exploration and Production Segment	81,478	46,176
	Refining Segment	463,863	301,864
	Marketing and Distribution Segment	492,786	317,770
	Chemicals Segment	153,057	90,792
	Others	419,555	195,426
	Elimination of inter-segment sales	(674,216)	(418,003)
	Consolidated operating income	936,523	534,025
Operating profit/(loss)			
	Exploration and Production Segment	22,036	5,745
	Refining Segment	5,643	19,963
	Marketing and Distribution Segment	14,162	12,551
	Chemicals Segment	8,007	9,650
	Others	(747)	(1,439)
	Financial expenses, gain/(loss) from changes in fair value and investment income	(1,115)	(2,471)
	Consolidated operating profit	47,986	43,999
Net profit attributable to equity shareholders of the Company		35,429	33,190

Operating profit: In the first half of 2010, the operating profit of the Company was RMB 48.0 billion, representing an increase of RMB 4.0 billion or 9.1% over the same period of 2009. 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 2009, and that the Company leveraged the advantages of scale and integration, made efforts to expand the market, and achieved satisfactory operational performance.

Net profit: In the first half of 2010, the net profit attributable to the equity shareholders of the Company increase by RMB 2.2 billion or 6.7% compared with the first half of 2009 to RMB 35.4 billion.

- (2) Financial data prepared under ASBE:

	At 30 June 2010	At 31 December 2009	Changes
	RMB millions	RMB millions	RMB millions
Total assets	920,795	866,475	54,320
Non-current liabilities	191,225	164,528	26,697
Shareholders' equity	427,883	400,585	27,298

Analysis of changes:

Total assets: At 30 June 2010, the Company's total assets were RMB 920.8 billion, representing an increase of RMB 54.3 billion compared with that at the end of 2009, which was mainly caused by the inventory increase of RMB 20.9 billion over the beginning of this year as a result of the rise in prices of crude oil and other raw materials. The accounts receivable and bills receivable increased by RMB 26.7 billion as compared with those at the beginning of the year owing to the increase of operating revenue.

Non-current liabilities: At 30 June 2010, the Company's non-current liabilities were RMB 191.2 billion, representing an increase of RMB 26.7 billion compared with that at the end of 2009, mainly because of the Company's issuance of RMB 20.0 billion of corporate bond in the first half of this year.

Shareholders' equity: At 30 June 2010, the shareholders' equity of the Company was RMB 427.9 billion, representing an increase of RMB 27.3 billion compared with that at the end of 2009, mainly because of the increase in undistributed profits of the Company.

(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/ (decrease) of Income from principal operations on a year-on-year basis (%)	Increase/ (decrease) of cost of principal operations on a year-on-year basis	Increase/ (decrease) of gross profit margin on a year-on-year basis (%)
Exploration and Production	81,478	36,633	41.1	76.5	4.3	11.2
Refining	463,863	388,382	2.8	53.7	84.2	(6.0)
Marketing and Distribution	492,786	461,743	6.2	55.1	58.9	(2.2)
Chemicals	153,057	137,045	10.1	68.6	83.2	(7.1)
Corporate and others	419,555	417,378	0.5	114.7	114.3	0.2
Elimination of inter-segment sales	(674,216)	(674,149)	N/A	N/A	N/A	N/A
Total	936,523	767,032	10.0	75.4	97.0	(5.6)

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. is committed to standard operation and further enhancement of corporate governance. The 2009 Annual General Meeting of Shareholders elected Mr. Ma Weihua and Mr. Wu Xiaogen as independent non-executive directors of the Fourth Session of Board of Directors. Through employees election, Mr. Cui Guoqi and Mr. Chang Zhenyong were elected as employee-representative supervisors of the Fourth Session of the Board of Supervisors. The Audit Committee and the Remuneration and Performance Evaluation Committee were re-elected. The Audit Committee was headed by Mr. Xie Zhongyu, with Mr. Li Deshui and Mr. Wu Xiaogen as members. The Remuneration and Performance Evaluation Committee was headed by Mr. Li Deshui, with Mr. Chen Xiaojin, Mr. Ma Weihua and Mr. Li Chunguang as members. The occupational training and corporate responsibility awareness of newly elected directors and supervisors were strengthened. The Company actively facilitated on-site visits of the members of the Board of Directors and the Board of Supervisors to the subsidiaries of Sinopec Corp. The Articles of Association were revised and improved. The Company further improved internal control system, strengthened internal control examination, strictly followed the procedures and met the requirements of internal control. The Company continued its emphasis on information disclosure and investor relations to enhance the transparency of the Company.

(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 reprimand by the Shanghai Stock Exchange, 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 the Company'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 Listing Rules of Hong Kong Stock Exchange.

- (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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

2 DIVIDEND DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2009 AND INTERIM DIVIDEND DISTRIBUTION PLAN FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

- (1) Dividend distribution for the year ended 31 December 2009
As approved at the 2009 Annual General Meeting of Sinopec Corp., a final cash dividend of RMB 0.11 (inclusive of tax) per share for 2009 was distributed, which amounted to a total cash dividend of RMB 9.537 billion. On 30 June 2010, Sinopec Corp. distributed the final dividend for 2009 to shareholders whose names appeared on the register of members of Sinopec Corp. on 11 June 2010.

For the year of 2009, total cash dividend of RMB 0.18 (inclusive of tax) per share was distributed and the total cash dividend amounted to RMB 15.606 billion.

- (2) Interim dividend distribution plan for the six-month period ended 30 June 2010
According to the Articles of Association, the interim dividend distribution plan for the six-month period ended 30 June 2010 was approved at the ninth meeting of the Fourth Session of the Board of Directors. An interim cash dividend of RMB 0.08 (inclusive of tax) per share will be distributed. Based on the total number of shares of 86,702,527,774 as of 30 June 2010, the total cash dividend amounts to RMB 6.936 billion.

The interim dividend will be distributed on or before Thursday, 30 September 2010 to the shareholders whose names appear on the register of members of Sinopec Corp. on Friday, 10 September 2010. 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, 3 September 2010. The register of members of the H shares of Sinopec Corp. will be closed from Monday, 6 September 2010, to Friday, 10 September 2010 (both dates inclusive).

Dividends for domestic shares will be paid in Renminbi and dividends for foreign shares will be paid in Hong Kong dollars. The exchange rate for dividends to be paid in Hong Kong dollars is the average of the basic exchange rate of Hong Kong dollar to Renminbi published by the People's Bank of China during the week prior to the date of declaration of dividends, being Friday, 20 August 2010.

(3) Taxation

In accordance with the Notice on Taxation of Dividends and Stock (Equity) Transfer Income obtained by Foreign-invested Companies, Foreign Companies and Foreign Citizens (Guoshuifa No.045 [1993]) published by the State Administration of Taxation, foreign individuals holding H Shares are exempted from paying personal income tax on dividends obtained from companies incorporated in PRC that issue H Shares. As stipulated by the Notice on Issues relating to Enterprise Income Tax Withholding over Dividends Distributable to Their H-Share Holders Who are Overseas Non-resident Enterprises by Chinese Resident Enterprises published by the State Administration of Taxation (Guoshuihan No.897 [2008]), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to their H-Share holders who are overseas non-resident enterprises, the enterprise income tax shall be withheld at a uniform rate of 10%. Any H shares of the Company registered in the name of the non-individual registered shareholder (including HKSCC Nominees Limited, corporate nominees or trustees, and other entities or organisations), shall be treated as shares being held by a non-resident enterprise shareholder (unless otherwise defined by the Chinese laws and regulations, and stipulations by the State Administration of Taxation). As such, the corporate income tax shall be withheld from the dividend payable to such shareholders. Non-resident enterprises may apply for tax refund in accordance with relevant provisions including taxation agreement (arrangement) after receiving dividends. Shareholders should consult their tax advisers regarding the PRC, Hong Kong and other tax obligations that arise from owning and disposing of the H shares. If any investor intends to have his name appear on the H share register of members of the Company, please kindly enquire about the relevant procedures with your nominees or trustees. Sinopec Corp. assumes no obligation or responsibility whatsoever in respect of determining the status of the shareholders. Sinopec Corp. will withhold for payment of the enterprise income tax for its non-resident enterprise shareholders strictly based on the register of members on the record date. Sinopec Corp. will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders.

As for Qualified Foreign Institutional Investors (QFII) who hold A shares of Sinopec with no selling restrictions, Sinopec shall withhold the enterprise income tax at a rate of 10% in accordance with the stipulations of "Circular on Withholding Income Tax from China Residing Firm's Payment to QFII with Bonus Stock, Dividend and Interests" (Guoshuihan No. 47[2009]) issued on 23 January, 2009 by China State Administration of Taxation.

Generally speaking, an individual shareholder of H shares or an individual holder of American Depository Shares (ADSs) who is resident and domiciled in the UK will be liable for UK income tax on dividend received from Sinopec Corp. (after deducting relevant pre-tax deductions and tax credit). Where an individual shareholder of H shares receives a dividend from Sinopec Corp. without any deduction of tax, the amount of income as the basis of calculating tax liability is the gross amount of the dividend and this is taxed at the applicable rate (currently 10% in case of a taxpayer subject to a basic rate or a lower rate, and 32.5% in case of a taxpayer subject to a higher rate). Where tax is withheld from the dividend, credit may be claimed against UK income tax for any tax withheld from the dividend up to the amount of the UK income tax liability. If such a withholding is required, Sinopec Corp. will assume responsibility for withholding that tax regarding the income deriving from the PRC. The current China-UK Double Taxation Prevention Agreement provides that the maximum withholding tax on dividend payable by a Chinese-domiciled company to UK residents is generally limited to 10% of the gross dividend.

Individual holders of H Shares or holders of ADSs who are UK residents but are not domiciled in the UK (and have submitted a claim to that effect to the UK Inland Revenue), will generally only be liable for income tax on any dividend received from Sinopec Corp. to the extent that it is repatriated to the UK.

In general, a shareholder of H shares or a holder of ADSs which is a UK resident for tax purposes will be liable for UK income tax or corporation tax (as appropriate and at the rates of tax applicable to the shareholder or ADS holder) on any dividends received from Sinopec Corp., with double tax relief available for withholding tax imposed. In certain cases (not elaborated on here), a shareholder of H shares or a holder of ADSs which is a UK resident for tax purposes may be entitled to relief for "underlying" tax paid by Sinopec Corp. or its subsidiaries.

3 ISSUANCE OF RMB20 BILLION CORPORATE BONDS

On 21 May 2010, Sinopec Corp. successfully issued RMB 20 billion domestic corporate bonds, which consisted of RMB 11 billion 5-year term bond (abbreviation: 10 Shihua 01, code: 122051), with a fixed coupon rate of 3.75%, and RMB 9 billion 10-year term bond (abbreviation: 10 Shihua 02, code: 122052), with a fixed coupon rate of 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 issuance announcement published in China Securities Journal, Shanghai Securities News, and Securities Times in Mainland China on 19 May 2010. The purposes of the bonds were to repay loans from financial institutions and optimise the current debt structure of the Company by RMB 10 billion, and to add working capital and improve the Company's funding position by the other RMB 10 billion.

4 DOMESTIC CORPORATE BOND ISSUANCE AND INTEREST PAYMENTS

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. As of 30 June 2010, the principal balance of the corporate bonds was RMB 3.5 billion. By 24 February 2010, Sinopec Corp. had paid the full amount of coupon interest for the sixth interest payment year.

Sinopec Corp. issued RMB30 billion domestic bonds with warrants on 20 February 2008. The bonds were issued with 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 20 February 2010, Sinopec Corp. had paid the full amount of coupon interest for the second interest payment year.

5 MAJOR PROJECTS

- (1) Sichuan-to-East China Gas Project
Sichuan-to-East China Gas Project is an important project of the state's Eleventh Five-Year Plan. This project consists of two parts. One part is Puguang gas field exploration, development and gas treatment project, and the other part is the pipeline project from Puguang gas field to Shanghai. The project was completed and put on stream in March 2010.
- (2) Tianjin ethylene project
Tianjin ethylene project includes the 12.5 million tpa of refining expansion project, 1 million tpa ethylene project, and supporting downstream facilities. The project was completed and put on stream in January 2010 and was put into commercial operation on 11 May 2010.
- (3) Zhenhai ethylene project
Zhenhai ethylene project mainly consists of the 1 million tpa ethylene plant and supporting downstream facilities and auxiliary utilities. The project was completed and put on stream in June 2010.

6 CONNECTED TRANSACTIONS

(1)

Connected transactions in the reporting period

Sinopec Corp. and China Petrochemical Corporation 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 contracts, and the SPI Fund Document.

During the reporting period, the products and services (procurement, storage, transportation, exploration and development services and production-related services) provided by China Petrochemical Corporation and its subsidiaries to the Company amounted to RMB 45.947 billion, representing 5.18% of the Company's operating expenses. The auxiliary and community services provided by China Petrochemical Corporation and its subsidiaries to the Company amounted to RMB 1.903 billion, representing 0.21% of the Company's operating expenses. The products and services provided by the Company to China Petrochemical Corporation and its subsidiaries amounted to RMB 24.747 billion, representing 2.64% of the Company's operating revenue. During the reporting period, the land leasing fees to be paid to China Petrochemical Corporation amounted to RMB 3.364 billion. Please refer to Note 31 to the financial statements prepared under IFRS on this interim report for details of the connected transactions that incurred during this reporting period. The aforementioned connected transactions which occurred during this reporting period have been implemented in accordance with the relevant agreements.

(2)

Other connected transactions

On 26 March 2010, the fifth meeting of the Fourth Session of the Board of Directors approved the proposal on acquisition of shares and loans of Sonangol Sinopec International Limited ("SSI") owned by Sinopec International Petroleum Exploration & Production Limited, a wholly owned subsidiary of China Petrochemical Corporation. The consideration for the target shares is USD 1.678 billion, and the consideration for the target loans is USD 779 million. The aggregate consideration for the target shares and the target loans is USD 2.457 billion. SSI owns 50% equity of Angola Block 18. The block is a deep sea block and consists of the east zone and the west zone. Eight commercial oil and gas discoveries have been achieved and exploration success rate has reached 100%. The east zone was put into production in October 2007. The output capacity is 240,000 barrels per day, which is expected to increase further. For details, please refer to the relevant announcements published on 29 March 2010 in China Securities Journal, Shanghai Securities News, Securities Times and the websites of Shanghai Stock Exchange (<http://www.sse.com.cn>) and Hong Kong Stock Exchange (<http://www.hkex.com.hk>). At present, the acquisition is awaiting approval from the relative authorities.

7 DURING THE REPORTING PERIOD SINOPEC CORP. WAS NOT INVOLVED IN ANY MATERIAL LITIGATIONS OR ARBITRATIONS

8 INSOLVENCY AND RESTRUCTURING

Not applicable

9 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 under any other company's trusteeship, contracting or lease which were subject to disclosure.

10 ENTRUSTED ASSETS MANAGEMENT

Not applicable

11 ASSETS TRANSACTIONS

Please refer to "Other Connected Transactions" above.

12 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 Company	Name of guaranteed company	Amount	Date of occurrence (date of signing)	Period of guarantee	Type	Whether completed or not
Sinopec Corp.	the listed company itself	Yueyang Sinopec Corp. Shell Coal Gasification Corporation	320	10 December 2003	10 December 2003	joint and several	No
Sinopec Corp.	the listed company itself	Shangai Gaoquiao-SK Solvent Co., Ltd.	58	22 September 2006	-10 December 2017 22 September 2006 - 22 September 2011	obligations joint and several	No
				24 November 2006	24 November 2006 - 24 November 2011	obligations	
				30 March 2007	30 March 2007 - 30 March 2012		
				16 April 2007	16 April 2007 - 16 April 2012		
Sinopec Corp.	the listed company itself	Fujian Refining & Petrochemical	9,166	6 September 2007	6 September 2007 - 31 December 2015	joint and several obligations	No
Sinopec Yangzi Petrochemical Co., Ltd.	wholly-owned subsidiary	Balance of guarantee by Sinopec Yangzi Petrochemical Co., Ltd. for its associates and joint ventures	491			joint and several obligations	No
Sinopec Sales Co., Ltd.	wholly-owned subsidiary	Balance of guarantee by Sinopec Sales Co., Ltd. for its associates and joint ventures	112			joint and several obligations	No

Total amount of guarantee provided during the reporting period Note 2 56
10,147

Total amount of guarantee outstanding at the end of the reporting period Note 2 (A)	
Guarantees provided by Sinopec Corp. for its controlled subsidiaries	
Total amount of guarantee for the controlled subsidiaries during the reporting period	—
Total amount of guarantee for the controlled subsidiaries outstanding at the end of the reporting period (B)	—
Total amount of guarantee by the Company (including those provided for the controlled subsidiaries)	
Total amount of guarantee Note 3 (A+B)	10,147
The proportion of the total amount of guarantees to Sinopec Corp's net assets (%)	2.5
Amount of guarantee provided for shareholders, de facto controllers and related parties (C)	—
Amount of debt guarantee provided directly or indirectly to companies with liabilities to asset ratio of over 70% (D)	58
Amount of guarantee in excess of 50% of the total net assets (E)	—
Total amount of the above three guarantee items Note 4 (C+D+E)	58
Statement of guarantee undue that might be involved in any joint and several liabilities	None
Statement of guarantee status	None

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 controlled subsidiary multiplied by Sinopec Corp.'s respective portion of 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 controlled subsidiaries) and the amount of guarantees for controlled subsidiaries outstanding at the end of the reporting period.

Note 4: "Total amount of guarantee of the above three items" is the aggregate of "amount of guarantee provided for shareholders, de facto controllers and related 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 a guarantee for Yueyang Sinopec Shell Coal Gasification Co., Ltd. in the amount of RMB 320 million.

At the eighth meeting of the Third Session of the Board of Directors, the Board approved the proposal for Sinopec Corp. to provide a guarantee equivalent to RMB 9.166 billion for Fujian Refining and Petrochemical Co., Ltd. for the Fujian refining and ethylene joint venture project.

13 CREDIT AND DEBT 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	(2)	556	(2,701)	8,269
Other connected parties	2,812	2,833	—	—
Total	2,810	3,389	(2,701)	8,269

14 OTHER SIGNIFICANT CONTRACTS

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

15 PERFORMANCE OF THE COMMITMENTS BY CHINA PETROCHEMICAL CORPORATION

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

- i Comply with the connected transaction agreements;
- ii Solve the issues regarding legality of the land use rights certificates and property ownership rights certificates within a specified period of time;
- iii Implement the Re-organisation Agreement;
- iv Grant licenses for intellectual property rights;
- v Refrain from involvement in competition within the industry; and
- vi Withdraw from the competing business 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.

During the reporting period, Sinopec Corp. was not aware of any breach of the above major commitments by China Petrochemical Corporation.

(2) Up to the disclosure date of the interim report, Sinopec Corp. did not make any results commitment that was not fully performed or any commitment concerning assets injection or

assets consolidation that was not fully executed, and did not make any earnings prediction on assets or projects.

16 EQUITY INCENTIVE PLAN

The Company has not yet implemented any equity incentive scheme. Considering the internal and external situations, the Company is not going to carry out any equity incentive plan in the near future.

17 AUDITORS

At the 2009 Annual General Meeting of Sinopec Corp. held on 18 May 2010, KPMG Huazhen and KPMG were reappointed as the domestic and overseas auditors of Sinopec Corp. for the year of 2010 respectively. In addition, the Board of Directors was authorised to determine the remuneration for the auditors. The audit fee provided for the first half of 2010 was RMB 31 million. The financial statements for the first half of 2010 have been audited by KPMG Huazhen and KPMG. The signing certified public accountants of KPMG Huazhen are Hu Jianfei and Zhang Yansheng.

18 REPURCHASE, SALE AND REDEMPTION OF SHARES

The warrants issued with RMB 30 billion bonds in February 2008 were due on 3 March 2010. During the exercise period, an aggregate 188,292 warrants were exercised with an exercise ratio of 2:1 and an price of RMB 19.15, which resulted in an increase of 88,774 ordinary shares. Thus, the total number of shares outstanding of Sinopec Corp. was increased from 86,702,439,000 to 86,702,527,774.

Save as disclosed above, 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.

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

(1) Status of investment in 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 Holdings	210 million shares	RMB 136,426,500.00	RMB 136,426,500.00	RMB 136,426,500.00	Long-term equity investment

Save as disclosed above, Sinopec Corp. didn't hold any share of non-listed financial entities or companies preparing for listing in the near future, nor did it trade the shares of any other listed companies.

(2) Major changes in profitability, asset quality and creditability of the guarantor of convertible bonds
Not applicable

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

Not applicable

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In the reporting period, 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
Su Shulin	Male	48	Chairman	May, 2009 - May, 2012
Wang Tianpu	Male	47	Vice Chairman, President	May, 2009 - May, 2012
Zhang Yaocang	Male	56	Vice Chairman	May, 2009 - May, 2012
Zhang Jianhua	Male	45	Director, Senior Vice President	May, 2009 - May, 2012
Wang Zhigang	Male	53	Director, Senior Vice President	May, 2009 - May, 2012
Cai Xiyou	Male	48	Director, Senior Vice President	May, 2009 - May, 2012
Cao Yaofeng	Male	56	Director	May, 2009 - May, 2012
Li Chunguang	Male	54	Director	May, 2009 - May, 2012
Dai Houliang	Male	46	Director, Senior Vice President	May, 2009 - May, 2012
Liu Yun	Male	53	Director	May, 2009 - May, 2012
Li Deshui	Male	66	Independent Non-executive Director	May, 2009 - May, 2012
Xie Zhongyu	Male	66	Independent Non-executive Director	May, 2009 - May, 2012
Chen Xiaojin	Male	65	Independent Non-executive Director	May, 2009 - May, 2012
Ma Weihua	Male	61	Independent Non-executive Director	May, 2010 - May, 2012
Wu Xiaogen	Male	44	Independent Non-executive Director	May, 2010 - May, 2012
Liu Zhongli	Male	75	Independent Non-executive Director	May, 2009 - May, 2010
Ye Qing	Male	77	Independent Non-executive Director	May, 2009 - May, 2010

2. SUPERVISORS

The members of the Fourth Session of the Board of Supervisors

Name	Gender	Age	Position in the Company	Tenure
Wang Zuoran	Male	59	Chairman	May, 2009 - May, 2012
Zhang Youcai	Male	68	Vice Chairman, Independent Supervisor	May, 2009 - May, 2012
Geng Limin	Male	55	Supervisor	May, 2009 - May, 2012
Zou Huiping	Male	49	Supervisor	May, 2009 - May, 2012
Li Yonggui	Male	70	Independent Supervisor	May, 2009 - May, 2012
Zhou Shiliang	Male	52	Employee Representative Supervisor	May, 2009 - May, 2012
Chen Mingzheng	Male	52	Employee Representative Supervisor	May, 2009 - May, 2012
Cui Guoqi	Male	57	Employee Representative Supervisor	April, 2010 - May, 2012
Chang Zhenyong	Male	52	Employee Representative Supervisor	April, 2010 - May, 2012
Liu Xiaohong	Male	56	Employee Representative Supervisor	May, 2009 - April, 2010
Su Wensheng	Male	53	Employee Representative Supervisor	May, 2009 - April, 2010

3. OTHER MEMBERS OF SENIOR MANAGEMENT

Other members of senior management

Name	Gender	Age	Position in the Company
Wang Xinhua	Male	54	Chief Financial Officer
Zhang Kehua	Male	56	Vice President
Zhang Haichao	Male	53	Vice President
Jiao Fangzheng	Male	47	Vice President
Lei Dianwu	Male	48	Vice President
Chen Ge	Male	48	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 2010, 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 2010, 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

20 August 2010

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(A) FINANCIAL STATEMENTS PREPARED UNDER CHINA ACCOUNTING STANDARDS FOR BUSINESS
 ENTERPRISES CONSOLIDATED BALANCE SHEET
 as at 30 June 2010

	Note	At 30 June 2010 RMB millions	At 31 December 2009 RMB millions
Assets			
Current assets			
Cash at bank and on hand	5	16,695	9,986
Bills receivable	6	9,717	2,110
Accounts receivable	7	45,726	26,592
Other receivables	8	9,405	4,454
Prepayments	9	5,382	3,614
Inventories	10	162,542	141,611
Other current assets		370	856
Total current assets		249,837	189,223
Non-current assets			
Long-term equity investments	11	39,107	33,503
Fixed assets	12	478,177	465,182
Construction in progress	13	95,326	119,786
Intangible assets	14	24,025	22,862
Goodwill	15	14,290	14,163
Long-term deferred expenses	16	6,447	6,281
Deferred tax assets	17	12,577	13,683
Other non-current assets		1,009	1,792
Total non-current assets		670,958	677,252
Total assets		920,795	866,475
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	19	23,796	34,900
Bills payable	20	21,847	23,111
Accounts payable	21	112,463	97,749
Advances from customers	22	35,600	37,270
Employee benefits payable	23	8,714	4,526
Taxes payable	24	17,997	16,489
Other payables	25	47,237	49,676
Short-term debentures payable	28	31,000	31,000
Non-current liabilities due within one year	26	3,033	6,641
Total current liabilities		301,687	301,362
Non-current liabilities			
Long-term loans	27	54,819	52,065
Debentures payable	28	114,262	93,763
Provisions	29	12,570	11,529
Deferred tax liabilities	17	6,607	4,979
Other non-current liabilities		2,967	2,192
Total non-current liabilities		191,225	164,528
Total liabilities		492,912	465,890

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Shareholders' equity			
Share capital	30	86,702	86,702
Capital reserve	31	37,685	38,202
Special reserve	373	—	
Surplus reserves	32	115,031	115,031
Retained profits		163,139	137,247
Total equity attributable to shareholders of the Company		402,930	377,182
Minority interests		24,953	23,403
Total shareholders' equity		427,883	400,585
Total liabilities and shareholders' equity		920,795	866,475

These financial statements have been approved by the board of directors on 20 August 2010.

Su Shulin	Wang Tianpu	Wang Xinhua
Chairman	Vice Chairman, President	Chief Financial Officer
(Authorised representative)		

The notes on pages 40 to 89 form part of these financial statements.

BALANCE SHEET
as at 30 June 2010

	Note	At 30 June 2010 RMB millions	At 31 December 2009 RMB millions
Assets			
Current assets			
Cash at bank and on hand	5	11,559	4,724
Bills receivable	6	6,425	123
Accounts receivable	7	15,682	10,990
Other receivables	8	34,973	19,250
Prepayments	9	5,277	3,032
Inventories	10	100,180	88,993
Other current assets		308	110
Total current assets		174,404	127,222
Non-current assets			
Long-term equity investments	11	96,834	88,920
Fixed assets	12	394,499	380,979
Construction in progress	13	86,966	112,217
Intangible assets	14	17,233	16,013
Long-term deferred expenses	16	5,418	5,300
Deferred tax assets	17	8,169	8,596
Other non-current assets		170	212
Total non-current assets		609,289	612,237
Total assets		783,693	739,459
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	19	6,226	5,728
Bills payable	20	13,270	14,084
Accounts payable	21	66,406	63,067
Advances from customers	22	30,899	32,966
Employee benefits payable	23	7,649	4,093
Taxes payable	24	14,590	12,817
Other payables	25	73,795	75,760
Short-term debentures payable	28	30,000	30,000
Non-current liabilities due within one year	26	2,917	4,865
Total current liabilities		245,752	243,380
Non-current liabilities			
Long-term loans	27	54,300	51,549
Debentures payable	28	114,262	93,763
Provisions	29	11,881	10,883
Deferred tax liabilities	17	6,047	4,544
Other non-current liabilities		1,506	959
Total non-current liabilities		433,748	405,078
Total liabilities		187,996	161,698
Shareholders' equity			
Share capital	30	86,702	86,702

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Capital reserve	31	37,737	38,234
Special reserve		234	—
Surplus reserves	32	115,031	115,031
Retained profits		110,241	94,414
Total shareholders' equity		349,945	334,381
Total liabilities and shareholders' equity		783,693	739,459

These financial statements have been approved by the board of directors on 20 August 2010.

Su Shulin	Wang Tianpu	Wang Xinhua
Chairman	Vice Chairman, President	Chief Financial Officer
(Authorised representative)		

The notes on pages 40 to 89 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT
for the six-month period ended 30 June 2010

	Note	Six-month periods ended 30 June	
		2010 RMB millions	2009 RMB millions
Operating income	33	936,523	534,025
Less: Operating costs	33	767,032	389,325
Sales taxes and surcharges	34	75,410	61,518
Selling and distribution expenses		14,178	12,055
General and administrative expenses		24,314	20,087
Financial expenses	35	3,649	3,881
Exploration expenses, including dry holes	36	5,747	4,392
Impairment losses	37	741	178
Add: Gain/(loss) from changes in fair value	38	540	(389)
Investment income	39	1,994	1,799
Operating profit		47,986	43,999
Add: Non-operating income	40	666	424
Less: Non-operating expenses	41	317	655
Profit before taxation		48,335	43,768
Less: Income tax expense	42	11,024	9,118
Net profit		37,311	34,650
Including: Net profit made by acquiree before the consolidation		—	62
Attributable to:			
Equity shareholders of the Company		35,429	33,190
Minority interests		1,882	1,460
Basic earnings per share	54	0.409	0.383
Diluted earnings per share	54	0.403	0.380
Net profit		37,311	34,650
Other comprehensive income	43		
Cash flow hedges		(20)	(177)
Available-for-sale financial assets		—	38
Share of other comprehensive income of associates		(481)	735
Total other comprehensive income		(501)	596
Total comprehensive income		36,810	35,246
Attributable to:			
Equity shareholders of the Company		34,928	33,772
Minority interests		1,882	1,474

These financial statements have been approved by the board of directors on 20 August 2010.

Su Shulin	Wang Tianpu	Wang Xinhua
Chairman	Vice Chairman, President	Chief Financial Officer
(Authorised representative)		

The notes on pages 40 to 89 form part of these financial statements.

INCOME STATEMENT

for the six-month period ended 30 June 2010

	Note	Six-month periods ended 30 June	
		2010 RMB millions	2009 RMB millions
Operating income	33	570,689	367,501
Less: Operating costs	33	437,872	257,675
Sales taxes and surcharges	34	60,162	47,893
Selling and distribution expenses		11,476	10,150
General and administrative expenses		20,332	16,702
Financial expenses	35	2,951	2,789
Exploration expenses, including dry holes	36	5,747	4,392
Impairment losses	37	713	186
Add: Gain/(loss) from changes in fair value	38	221	(171)
Investment income	39	1,347	6,205
Operating profit		33,004	33,748
Add: Non-operating income	40	561	273
Less: Non-operating expenses	41	319	612
Profit before taxation		33,246	33,409
Less: Income tax expense	42	7,882	7,074
Net profit		25,364	26,335
Other comprehensive income	43		
Share of other comprehensive income of associates		(481) 735	
Total other comprehensive income		(481)	735
Total comprehensive income		24,883	27,070

These financial statements have been approved by the board of directors on 20 August 2010.

Su Shulin	Wang Tianpu	Wang Xinhua
Chairman	Vice Chairman, President	Chief Financial Officer
(Authorised representative)		

The notes on pages 40 to 89 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the six-month period ended 30 June 2010

		Six-month periods ended 30 June	
	Note	2010 RMB millions	2009 RMB millions
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,065,434	598,160
Rentals received		162	191
Grants received		—	1,293
Other cash received relating to operating activities		2,838	2,504
Sub-total of cash inflows		1,068,434	602,148
Cash paid for goods and services		(877,323)	(414,835)
Cash paid for operating leases		(6,027)	(3,347)
Cash paid to and for employees		(10,831)	(10,765)
Value added tax paid		(29,105)	(16,067)
Income tax paid		(8,291)	(5,104)
Taxes paid other than value added tax and income tax		(78,487)	(62,812)
Other cash paid relating to operating activities		(8,315)	(6,848)
Sub-total of cash outflows		(1,018,379)	(519,778)
Net cash flow from operating activities	45(a)	50,055	82,370
Cash flows from investing activities:			
Cash received from disposal of investments		733	260
Dividends received		874	704
Net cash received from disposal of fixed assets and intangible assets		13,082	430
Cash received on maturity of time deposits with financial institutions		1,356	760
Cash received from derivative financial instruments		1,140	1,449
Other cash received relating to investing activities		162	108
Sub-total of cash inflows		17,347	3,711
Cash paid for acquisition of fixed assets and intangible assets		(48,239)	(43,668)
Cash paid for acquisition of investments		(4,300)	(792)
Cash paid for acquisition of time deposits with financial institutions		(1,603)	(1,490)
Cash paid for acquisition of minority interests from subsidiaries, net		—	(213)
Cash paid for derivative financial instruments		(1,611)	(1,488)
Sub-total of cash outflows		(55,753)	(47,651)
Net cash flow from investing activities		(38,406)	(43,940)

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Cash flows from financing activities:

Contribution from shareholders	2	—
Cash received from borrowings	411,657	331,561
Cash received from issuance of corporate bonds	21,000	31,000
Cash received from contribution from minority shareholders of subsidiaries	47	304
Sub-total of cash inflows	432,706	362,865
Cash repayments of borrowings	(423,599)	(377,638)
Cash repayments of corporate bonds	(1,000)	(15,000)
Cash paid for dividends, profits distribution or interest	(12,881)	(5,970)
Dividends paid to minority shareholders of subsidiaries	(379)	(377)
Distributions to Sinopec Group Company	—	(1,718)
Sub-total of cash outflows	(437,859)	(400,703)
Net cash flow from financing activities	(5,153)	(37,838)
Effects of changes in foreign exchange rate	(34)	—
Net increase in cash and cash equivalents	45(b) 6,462	592

These financial statements have been approved by the board of directors on 20 August 2010.

Su Shulin	Wang Tianpu	Wang Xinhua
Chairman	Vice Chairman, President	Chief Financial Officer
(Authorised representative)		

The notes on pages 40 to 89 form part of these financial statements.

CASH FLOW STATEMENT

for the six-month period ended 30 June 2010

	Note	Six-month periods ended 30 June	
		2010 RMB millions	2009 RMB millions
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		653,029	422,899
Rentals received		70	93
Other cash received relating to operating activities		5,388	4,505
Sub-total of cash inflows		658,487	427,497
Cash paid for goods and services		(510,250)	(286,069)
Cash paid for operating leases		(4,927)	(2,941)
Cash paid to and for employees		(8,636)	(8,735)
Value added tax paid		(22,384)	(12,579)
Income tax paid		(6,066)	(3,015)
Taxes paid other than value added tax and income tax		(62,394)	(50,824)
Other cash paid relating to operating activities		(10,650)	(8,606)
Sub-total of cash outflows		(625,307)	(372,769)
Net cash flow from operating activities	45(a)	33,180	54,728
Cash flows from investing activities:			
Cash received from disposal of investments		22	16
Dividends received		633	5,624
Net cash received from disposal of fixed assets and intangible assets		13,043	327
Cash received on maturity of time deposits with financial institutions		23	8
Other cash received relating to investing activities		91	52
Sub-total of cash inflows		13,812	6,027
Cash paid for acquisition of fixed assets and intangible assets		(42,604)	(38,206)
Cash paid for acquisition of investments		(6,712)	(1,311)
Cash paid for acquisition of time deposits with financial institutions		—	(1)
Cash paid for acquisition of minority interests from subsidiaries, net		—	(213)
Sub-total of cash outflows		(49,316)	(39,731)
Net cash flow from investing activities		(35,504)	(33,704)
Cash flows from financing activities:			
Contribution from shareholders		2	—
Cash received from borrowings		253,768	249,046
Cash received from issuance of corporate bonds		20,000	30,000
Sub-total of cash inflows		273,770	279,046
Cash repayments of borrowings		(252,511)	(277,167)

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Cash repayments of corporate bonds		—	(15,000)
Cash paid for dividends, profits distribution or interest		(12,077)	(4,755)
Distributions to Sinopec Group Company		—	(1,718)
Sub-total of cash outflows		(264,588)	(298,640)
Net cash flow from financing activities		9,182	(19,594)
Net increase in cash and cash equivalents	45(b)	6,858	1,430

These financial statements have been approved by the board of directors on 20 August 2010.

Su Shulin	Wang Tianpu	Wang Xinhua
Chairman	Vice Chairman, President	Chief Financial Officer
(Authorised representative)		

The notes on pages 40 to 89 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six-month period ended 30 June 2010

	Share capital RMB millions	Capital reserve RMB millions	Surplus reserves RMB millions	Retained profits RMB millions	Total shareholders' equity attributable to equity shareholders of the Company RMB millions	Minority interests RMB millions	Total shareholders' equity RMB millions	
Balance at 1 January 2009	86,702	40,848	90,078	111,672	329,300	20,866	350,166	
Change for the period								
1. Net profit	—	—	—	33,190	33,190	1,460	34,650	
2. Other comprehensive income:								
Cash flow hedges	—	(177)	—	—	(177)	—	(177)	
Available-for-sale financial assets	—	24	—	—	24	14	38	
Share of other comprehensive income of associates	—	735	—	—	735	—	735	
Total other comprehensive income	—	582	—	—	582	14	596	
Total comprehensive income	—	582	—	33,190	33,772	1,474	35,246	
Transactions with owners, recorded directly in shareholders' equity:								
3. Appropriations of profits:								
Appropriation for surplus reserves	—	—	2,634	(2,634)	—	—	—	
Distributions to shareholders (Note 44)	—	—	—	(7,803)	(7,803)	—	(7,803)	
4. Consideration for the combination of entities under common control (Note 1)	—	(771)	—	—	(771)	—	(771)	
5. Acquisition of minority interests	—	(4)	—	—	(4)	(1)	(5)	
6. Distributions to minority interests, net of contributions	—	—	—	—	—	(73)	(73)	
7. Reclassification	—	(3,110)	—	3,110	—	—	—	
Balance at 30 June 2009	86,702	37,545	92,712	137,535	354,494	22,266	376,760	
	Share capital RMB millions	Capital reserve RMB millions	Special reserve RMB millions	Surplus reserves RMB millions	Retained profits RMB millions	Total shareholders' equity attributable to equity shareholders RMB millions	Minority interests RMB millions	Total shareholders' equity RMB millions

						shareholders of the Company RMB millions		
Balance at 1 January 2010	86,702	38,202	-115,031	137,247	377,182	23,403	400,585	
Change for the period								
1. Net profit	—	—	—	-35,429	35,429	1,882	37,311	
2. Other comprehensive income:								
Cash flow hedges	—	(20)	—	—	—	(20)	—	(20)
Share of other comprehensive income of associates	—	(481)	—	—	—	(481)	—	(481)
Total other comprehensive income	—	(501)	—	—	—	(501)	—	(501)
Total comprehensive income	—	(501)	—	-35,429	34,928	1,882	36,810	
Transactions with owners, recorded directly in shareholders' equity:								
3. Appropriations of profits:								
Distributions to shareholders (Note 44)	—	—	—	(9,537)	(9,537)	—	(9,537)	
4. Warrants exercised (Note 31)	—	2	—	—	—	2	—	2
5. Distributions to minority interests, net of contributions	—	—	—	—	—	—	(332)	(332)
6. Distributions to Sinopec Group Company (Note 31)	—	(18)	—	—	—	(18)	—	(18)
7. Special reserve:								
Net increase for the period	—	—	373	—	—	373	—	373
Balance at 30 June 2010	86,702	37,685	373	115,031	163,139	402,930	24,953	427,883

These financial statements have been approved by the board of directors on 20 August 2010.

Su Shulin Chairman (Authorised representative)	Wang Tianpu Vice Chairman, President	Wang Xinhua Chief Financial Officer
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The notes on pages 40 to 89 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the six-month period ended 30 June 2010

	Share capital RMB millions	Capital reserve RMB millions	Surplus reserves RMB millions	Retained profits RMB millions	Total shareholders' equity RMB millions	
Balance at 1 January 2009	86,702	38,464	90,078	83,714	298,958	
Change for the period						
1. Net profit	—	—	—	26,335	26,335	
2. Other comprehensive income						
Share of other comprehensive income of associates	—	735	—	—	735	
Total comprehensive income	—	735	—	26,335	27,070	
Transactions with owners, recorded directly in shareholders' equity:						
3. Appropriations of profits:						
Appropriation for surplus reserves	—	—	2,634	(2,634)	—	
Distributions to shareholders (Note 44)	—	—	—	(7,803)	(7,803)	
4. Distributions to Sinopec Group Company	—	(1,551)	—	—	(1,551)	
Balance at 30 June 2009	86,702	37,648	92,712	99,612	316,674	
	Share capital RMB millions	Capital reserve RMB millions	Special reserve RMB millions	Surplus reserves RMB millions	Retaine profits RMB millions	Total shareholders' equity RMB millions
Balance at 1 January 2010	86,702	38,234	—	115,031	94,414	334,381
Change for the period						
1. Net profit	—	—	—	—	25,364	25,364
2. Other comprehensive income						
Share of other comprehensive income of associates	—	(481)	—	—	—	(481)
Total comprehensive income	—	(481)	—	—	25,364	24,883
Transactions with owners, recorded directly in shareholders' equity:						
3. Appropriations of profits:						
Distributions to shareholders (Note 44)	—	—	—	—	(9,537)	(9,537)
4. Warrants exercised (Note 31)	—	2	—	—	—	2
5. Distributions to Sinopec Group Company (Note 31)	—	(18)	—	—	—	(18)
6. Special reserve:						
Net increase for the period	—	—	234	—	—	234
Balance at 30 June 2010	86,702	37,737	234	115,031	110,241	349,945

These financial statements have been approved by the board of directors on 20 August 2010.

Su Shulin
Chairman

Wang Tianpu
Vice Chairman, President

Wang Xinhua
Chief Financial Officer

(Authorised representative)

The notes on pages 40 to 89 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the six-month period ended 30 June 2010

1 STATUS OF THE COMPANY

China Petroleum & Chemical Corporation (the "Company") was established on 25 February 2000 as a joint stock limited company.

According to the State Council's approval to the "Preliminary Plan for the Reorganisation of China Petrochemical Corporation" (the "Reorganisation"), the Company was established by China Petrochemical Corporation ("Sinopec Group Company"), which transferred its core businesses together with the related assets and liabilities at 30 September 1999 to the Company. Such assets and liabilities had been valued jointly by China United Assets Appraisal Corporation, Beijing Zhong Zheng Appraisal Company, CIECC Assets Appraisal Corporation and Zhong Fa International Properties Valuation Corporation. The net asset value was determined at RMB 98,249,084,000. The valuation was reviewed and approved by the Ministry of Finance (the "MOF") (Cai Ping Zi [2000] No. 20 "Comments on the Review of the Valuation Regarding the Formation of a Joint Stock Limited Company by China Petrochemical Corporation").

In addition, pursuant to the notice Cai Guan Zi [2000] No. 34 "Reply to the Issue Regarding Management of State-Owned Equity by China Petroleum and Chemical Corporation" issued by the MOF, 68.8 billion domestic state-owned shares with a par value of RMB 1.00 each were issued to Sinopec Group Company, the amount of which is equivalent to 70% of the above net asset value transferred from Sinopec Group Company to the Company in connection with the Reorganisation.

Pursuant to the notice Guo Jing Mao Qi Gai [2000] No. 154 "Reply on the Formation of China Petroleum and Chemical Corporation", the Company obtained the approval from the State Economic and Trade Commission on 21 February 2000 for the formation of a joint stock limited company.

The Company took over the exploration, development and production of crude oil and natural gas, refining, chemicals and related sales and marketing business of Sinopec Group Company after the establishment of the Company.

The Company and its subsidiaries (the "Group") engage in the oil and gas and chemical operations and businesses, including:

- (1) the exploration, development and production of crude oil and natural gas;
- (2) the refining, transportation, storage and marketing of crude oil and petroleum product, and
- (3) the production and sale of chemicals.

Pursuant to the resolution passed at the Directors' meeting on 27 March 2009, the Group acquired the entire equity interests of Sinopec Qingdao Petrochemical Company Limited and certain storage and distribution operations (collectively the "Acquired Group") from Sinopec Group Company for total cash considerations of RMB 771 million (hereinafter referred to as the "Acquisition of the Acquired Group").

As the Group and the Acquired Group are under the common control of Sinopec Group Company, the Acquisition of the Acquired Group are considered as combination of entities under common control". Accordingly, the assets and liabilities of the Acquired Group have been accounted for at historical cost and the consolidated financial statements of the Company prior to this acquisition have been restated to include the results of operations and the assets and liabilities of the Acquired Group on a combined basis. The difference between the total considerations

paid over the amount of the net asset of the Acquired Group was accounted for as an equity transaction.

2 BASIS OF PREPARATION

(1) Statement of compliance China Accounting Standards for Business Enterprises ("ASBE")

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises – Basic Standards and 38 specific standards issued by the MOF on 15 February 2006 and the practice guide of the Accounting Standards for Business Enterprises, the explanations to the Accounting Standards for Business Enterprises and other regulations issued thereafter (collectively, ASBE). These financial statements present truly and completely the consolidated financial position and financial position, the consolidated results of operations and results of operations and the consolidated cash flows and cash flows of the Company.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No.15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2010.

(2) Accounting period

The accounting year of the Group is from 1 January to 31 December.

(3) Measurement basis

The financial statements of the Group have been prepared under the historical cost convention, except for the assets and liabilities set out below:

Available-for-sale financial assets (see Note 3(11))

Derivative financial instruments (see Note 3(11))

Convertible bonds (see Note 3(11))

(4) Functional currency and presentation currency

The functional currency of the Company's and most of its subsidiaries is Renminbi. The Group's consolidated financial statements are presented in Renminbi. The Company translates the financial statements of subsidiaries from their respective functional currencies into Renminbi (see Note 3(2)) if the subsidiaries' functional currencies are not Renminbi.

3 SIGNIFICANT ACCOUNTING POLICIES

(1) Accounting treatment of business combination involving entities under common control and not under common control

- (a) **Business combination involving entities under common control**
A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities that the acquirer receives in the acquisition are accounted for at the acquiree's carrying amount on the acquisition date. The difference between the carrying amount of the acquired net assets and the carrying amount of the consideration paid for the acquisition (or the total nominal value of shares issued) is recognised in the share premium of capital reserve, or the retained profits in case of any shortfall in the share premium of capital reserve. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.
- (b) **Business combination involving entities not under common control**
A business combination involving entities or businesses not under common control is a business combination in which all of the combining entities or businesses are not ultimately controlled by the same party or parties both before and after the business combination. If the consideration paid by the Group as the acquirer, comprises of the aggregate of the fair value at the acquisition date of assets given, including equity interest of the acquiree held before the acquisition date, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree, is greater than the Group's interest in the fair value of the identifiable net assets of the acquiree, the difference is recognised as goodwill (Note 3(9)), otherwise is recognised the income statement. The expense incurred for equity securities and debt securities issued as the consideration of the combination is recognised in the initial cost of the securities. Any other expense directly attributable to the business combination is recognised in the income statement for the period. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.
- (c) **Method for preparation of consolidated financial statements**
The consolidated financial statements comprise the Company and its subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights, such as warrants and convertible bonds, that are currently exercisable or convertible, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where the Company combines a subsidiary during the reporting period through a business combination involving entities under common control,

the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts in the subsidiary's financial statements, from the date that common control was established.

Where the Company acquires a subsidiary during the reporting year through a business combination involving entities not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into consolidated financial statements from the date that control commences, base on the fair value of those identifiable assets and liabilities at the acquisition date.

Where the Company acquired a minority interest from a subsidiary's minority shareholders, the difference between the investment cost and the newly acquired interest into the subsidiary's identifiable net assets is adjusted to the capital reserve in the consolidated balance sheet. Where the Company partially disposed an investment of a subsidiary that do not result in a loss of control, the difference between the proceeds and the corresponding share of the interest into the subsidiary is adjusted to the capital reserve in the consolidated balance sheet. If the credit balance of capital reserve is insufficient, any excess is adjusted to retained profits.

In a business combination involving entities not under common control achieved in stages, the Group remeasures its previously held equity interest in the acquiree on the acquisition date. The difference between the fair value and the net book value is recognised as investment income for the period. If other comprehensive income was recognised regarding the equity interest previously held in the acquiree before the acquisition date, the relevant other comprehensive income is transferred to investment income in the period in which the acquisition occurs.

Where control of a subsidiary is lost due to partial disposal of the equity investment held in a subsidiary, or any other reasons, the remaining equity investment is remeasured at fair value when control is lost. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the fair value of the Group's previous share of the subsidiary's identifiable net assets recorded from the acquisition date, is recognised as investment income in the period when control is lost. Other comprehensive income related to the previous equity investment in the subsidiary, is transferred to investment income when control is lost.

Minority interest is presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to minority shareholders is presented separately in the consolidated income statement

below the net profit line item.

The excess of the loss attributable to the minority interests during the period over the minority interests' share of the equity at the beginning of the reporting period is deducted from minority interests.

Where the accounting policies and accounting period adopted by the subsidiaries are different from those adopted by the Company, adjustments are made to the subsidiaries' financial statements according to the Company's accounting policies and accounting period. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Transactions in foreign currencies and translation of financial statements in foreign currencies

Foreign currency transactions are, on initial recognition, translated into Renminbi at the spot exchange rates quoted by the People's Bank of China ("PBOC rates") at the transaction dates.