

CHINA PETROLEUM & CHEMICAL CORP

Form 6-K

August 26, 2009

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, 2009

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 | T | Form |
| 20-F | | 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 | T |
|-----|----|---|

(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:

An interim report for the first half of 2009 of China Petroleum & Chemical Corporation (the “Registrant”), made by the Registrant on August 21, 2009.

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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 21 August 2009 and, unless otherwise required by the relevant regulatory authorities, undertakes no obligation to update these statements.

IMPORTANT NOTICE: THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD OF CHINA PETROLEUM & CHEMICAL CORPORATION (SINOPEC CORP.) AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT WARRANT THAT THERE ARE NO FALSE REPRESENTATIONS, MISLEADING STATEMENTS OR MATERIAL OMISSIONS CONTAINED IN THIS INTERIM REPORT, AND SEVERALLY AND JOINTLY ACCEPT FULL RESPONSIBILITY FOR THE AUTHENTICITY, ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THIS INTERIM REPORT. THERE IS NO OCCUPANCY OF NON-OPERATING FUNDS BY THE SUBSTANTIAL SHAREHOLDERS OF SINOPEC CORP.. MR.ZHANG YAOCANG, VICE CHAIRMAN OF THE BOARD OF SINOPEC CORP., AND MR. CAO YAOFENG, DIRECTOR OF SINOPEC CORP. COULD NOT ATTEND THE SECOND MEETING OF THE FOURTH SESSION OF THE BOARD FOR REASONS OF OFFICIAL DUTIES. MR. ZHANG YAOCANG AND MR. CAO YAOFENG AUTHORISED MR. LI CHUNGUANG TO VOTE ON THEIR 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 AUDIT COMMITTEE OF SINOPEC CORP. HAS REVIEWED THIS INTERIM REPORT FOR THE SIX MONTH ENDED 30 JUNE 2009.

THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009 OF SINOPEC CORP. AND ITS SUBSIDIARIES (THE COMPANY) PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (ASBE), AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) HAVE BEEN AUDITED BY KPMG HUAZHEN AND KPMG RESPECTIVELY, AND BOTH FIRMS HAVE ISSUED STANDARD UNQUALIFIED OPINIONS ON THE INTERIM FINANCIAL STATEMENTS CONTAINED IN THIS INTERIM REPORT.

COMPANY PROFILE

Sinopec Corp. is the first company in China listed on the stock exchanges in Hong Kong, New York, London and Shanghai, 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

REPRESENTATIVE ON SECURITIES MATTERS
Mr. Huang Wensheng

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PLACES WHERE THE INTERIM REPORT IS AVAILABLE FOR INSPECTION

China: Board Secretariat
China Petroleum & Chemical Corporation
22 Chaoyangmen North Street, Chaoyang District, Beijing, China

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

basic information is as follows:

| | | | |
|--|--|--|--|
| LEGAL NAME | PLACE OF BUSINESS IN HONG KONG | UK: | Citibank N. A. |
| | 20th Floor, Office Tower, Convention Plaza | | Citigroup Centre |
| CHINESE ABBREVIATION | 1 Harbour Road, Wanchai, Hong Kong | | Canada Square |
| | | | Canary Wharf |
| | NEWSPAPERS FOR INFORMATION DISCLOSURE | | London E14 5LB UK |
| ENGLISH NAME | Mainland China: | | |
| China Petroleum & Chemical Corporation | China Securities Journal | PLACES OF LISTING OF SHARES, STOCK NAMES AND STOCK CODES | |
| | Shanghai Securities News | A Share: | Shanghai Stock Exchange |
| ENGLISH ABBREVIATION | Securities Times | | Stock name: Sinopec Corp. |
| Sinopec Corp. | | | Stock code: 600028 |
| | Hong Kong: | | |
| LEGAL REPRESENTATIVE | China Daily (English) | H Share: | Hong Kong Exchanges and Clearing Limited |
| Mr. Su Shulin | Wen Wei Po | | Stock name: Sinopec Corp. |
| | | | Stock code: 386 |
| AUTHORISED REPRESENTATIVE | INTERNET WEBSITE PUBLISHING INTERIM REPORT DESIGNATED BY THE CHINA SECURITIES REGULATORY COMMISSION--: | | |
| Mr. Wang Tianpu, Mr. Chen Ge | http://www.sse.com.cn | ADR: | New York Stock Exchange |
| | | | Stock name: Sinopec Corp. |
| SECRETARY TO THE BOARD OF DIRECTORS | INTERNET WEBSITE PUBLISHING INTERIM REPORT DESIGNATED BY THE HONG KONG EXCHANGES AND CLEARING LIMITED: | | Stock code: SNP |
| Mr. Chen Ge | http://www.hkex.com.hk | | |
| | | | London Stock Exchange |
| | | | Stock name: Sinopec Corp. |
| | | | Stock code: SNP |

PRINCIPAL FINANCIAL DATA AND INDICATORS

1 FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (ÖASBEÖ)

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

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

Extraordinary items and corresponding amounts:

| Items | Six-month period ended 30 June 2009 (Income)/expense RMB millions |
|---|--|
| Gain on disposal of fixed assets | (168) |
| Employee reduction expenses | 7 |
| Donations | 94 |
| Gain on disposal of long-term equity investments and financial assets | (130) |
| Net profit or loss of subsidiaries generated from a business combination involving entities | |

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| | |
|---|------|
| under common control before acquisition date | (62) |
| Other non-operating income and expenses | 305 |
| Subtotal | 46 |
| Tax effect | (27) |
| Total | 19 |
| Attributable to: Equity shareholders of the Company | 95 |
| Minority interests | (76) |

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

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

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

| Items | At 30 June 2009 RMB millions | At 31 December 2008 RMB millions | Changes from the end of last year (%) |
|---|------------------------------------|--|---------------------------------------|
| | | | |
| Total assets | 825,201 | 779,172 | 5.9 |
| Total equity attributable to equity shareholders of the Company | 353,139 | 327,889 | 7.7 |
| Net assets per share (RMB) | 4.073 | 3.782 | 7.7 |
| Adjusted net assets per share (RMB) | 3.987 | 3.690 | 8.0 |

3 MAJOR DIFFERENCES BETWEEN THE AUDITED FINANCIAL STATEMENTS PREPARED UNDER ASBE AND IFRS

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

| Items | Six-month periods ended 30 June | |
|-----------------------|---------------------------------|-------------------------|
| | 2009 RMB millions | 2008 RMB millions |
| Net profit under ASBE | 34,650 | 7,749 |
| Adjustments: | | |

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| | | |
|--|--------|-------|
| Reduced amortisation on revaluation of land use rights | 15 | 15 |
| Government grants | 51 | — |
| Effects of the above adjustments on taxation | (3) | (4) |
| Profit for the period under IFRS | 34,713 | 7,760 |

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

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

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

1 CHANGES IN THE SHARE CAPITAL OF SINOPEC CORP.

There were no changes in the total number of shares or equity structure of Sinopec Corp. in the reporting period.

2 SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

As at 30 June 2009, there were a total of 993,515 shareholders of Sinopec Corp., of which 986,394 were holders of A Share and 7,121 were holders of H Share. The public float of Sinopec Corp. satisfied the minimum requirements under the Listing Rules of the Hong Kong Exchanges and Clearing Limited.

(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 | State-owned share | 75.84 | 65,758,044 | 57,087,800 | 0 |
| HKSCC (Nominees) Limited | H share | 19.24 | 16,679,365 | 0 | Unknown |
| Guotai Junan Securities Co., Ltd | A share | 0.44 | 37,7906 | 0 | 0 |
| China Life Insurance Company Limited- Dividend-Individual Dividend-005L-FH002 Shanghai | A share | 0.22 | 190,119 | 0 | 0 |
| Bosera Thematic Sector Equity Securities Investment Fund | A share | 0.08 | 70,000 | 0 | 0 |
| Yinhua Core Value Selected Securities Investment Fund | A share | 0.07 | 60,110 | 0 | 0 |
| National Social Ensure Fund 102 Portfolio | A share | 0.06 | 54,437 | 0 | 0 |
| Tongde Securities Investment Fund | A share | 0.05 | 44,906 | 0 | 0 |
| Shanghai Stock Exchange Tradable Open-ended Index 50 Fund | A share | 0.04 | 38,713 | 0 | 0 |
| China Southern Longyuan Industry Theme Equity Securities Investment Fund | A share | 0.04 | 37,925 | 0 | 0 |

(2) Top ten shareholders not subject to selling restrictions

Unit: 1,000 shares

| Name of shareholders | Number of shares without selling restrictions | Type of shares |
|----------------------|---|----------------|
|----------------------|---|----------------|

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| | | |
|---|------------|---------|
| HKSCC (Nominees) Limited | 16,679,365 | H share |
| China Petrochemical Corporation | 8,670,244 | A share |
| Guotai Junan Securities Co., Ltd | 377,906 | A share |
| China Life Insurance Company Limited- Dividend-Individual | | |
| Dividend-005L-FH002 Shanghai | 190,119 | A share |
| Bosera Thematic Sector Equity Securities Investment Fund | 70,000 | A share |
| Yinhua Core Value Selected Securities Investment Fund | 60,110 | A share |
| National Social Ensure Fund 102 Portfolio | 54,437 | A share |
| Tongde Securities Investment Fund | 44,906 | A share |
| Shanghai Stock Exchange Tradable Open-ended Index 50 Fund | 38,713 | A share |
| China Southern Longyuan Industry Theme Equity Securities Investment Fund | 37,925 | A share |

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

We are not aware of any connection or activities in concert among or between the top ten shareholders and the top ten shareholders not subject to selling restrictions, except that Bosera Thematic Sector Equity Securities Investment Fund and National Social Ensure Fund 102 Portfolio are both managed by Bosera Fund Management Co., Ltd.

(3) Number of shares held by shareholders subject to selling restrictions and reasons for selling restriction Unit: 1,000 shares

| No. Name of shareholders subject to selling restrictions | Number of shares subject to selling restrictions | Date when the share could be traded | Number of additional shares could be traded | Reasons for Selling restrictions |
|--|--|-------------------------------------|---|----------------------------------|
| 1 China Petrochemical Corporation | 57,087,800 | 12 October 2009 | 57,087,800 | Share reform |

(4) Information disclosed by the shareholders of H Shares according to the Securities and Futures Ordinance as at 30 June 2009

| 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 | 196,149,181(L) | 1.17%(L) |
| | | 96,540,343(S) | 0.58%(S) |
| | Investment manager | 710,551,105(L) | 4.23%(L) |
| | | 0(S) | 0.00%(S) |
| Barclays Global Investors UK Holdings Limited | Custodian - corporation | 582,270,674(L) | 3.47%(L) |
| | | 0(S) | 0.00%(S) |
| | Interests of corporation controlled by the substantial shareholders | 853,939,028(L) | 5.09%(L) |
| | | | |
| Barclays PLC | Interests of corporation controlled by the substantial shareholders | 853,939,028(L) | 5.09%(L) |

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.

CHAIRMAN'S STATEMENT

Su Shulin, Chairman

Dear shareholders:

At the annual general meeting –of Sinopec Corp. on 22 May, 2009, the Fourth Session of the Board of Directors were elected. I am honored to have been re-elected chairman of the Board, and on behalf of the members of the Board I thank the shareholders and the general public for the care and support given to Sinopec Corp..

China's petroleum and petrochemical market has been influenced by the global financial crisis and as a result, confronted with declining demand and increased competition this year. It has presented unprecedented challenges to the production and operation of the Company. To address the current market conditions, Sinopec Corp. has implemented a number of adjustments to its operating strategy which is guided by market forces and centered on profitability, fully developed the market, optimised the production, strengthened its management and explored potentials to increase the profitability. The economic stimulus package implemented by the Chinese government has had a clear and positive impact on the national economy, and it is already evident that both demand and the pricing of petroleum and petrochemical products are recovering. Simultaneously, the measures taken by the Company to counter the crisis have resulted in an improvement in monthly operating results. Upstream oil and gas output has grown steadily; production of the refining segment has been expanded in a cost-effective manner. and profitability turned around from significant loss due to the refined oil product price and tax reform program launched by the government; the chemical segment has continued to perform strongly against current market risks; and, the marketing and distribution of refined oil products have withstood severe tests and are showing signs of outstanding performance.

The Company realised turnover, other operating income and other income of RMB534.025 billion in the first half of 2009, down by 30.2% year-on-year. Under PRC Accounting Standards, the net profit attributable to shareholders was RMB33.190 billion, representing an increase of 332.6% year-on-year. Under International Financial Reporting Standards (IFRS), the profit attributable to shareholders was RMB33.246 billion, an increase of 332.8% year-on-year. Taking the Company's earning level, shareholders' return and future development into consideration, the Board of Directors declared an interim dividend at RMB0.07 per share for the first half of 2009.

The Company continues to face many operating uncertainties due to the continued impact of the global financial crisis and the resulting economic challenges. The growth in domestic and global demand for petroleum and petrochemical products is slowing down with intensified market competition. However, a series of measures taken by the government to accelerate domestic demand and improve economic growth will continue to stimulate the growth of China's economy, boost demand for petroleum and petrochemical products, and provide opportunities for sustainable growth of the Company.

In light of the market environment and the concrete situation, the new Board of Directors approved the rolling development program for the period starting from 2009 to 2011. We will continue to grow the domestic production of crude oil and substantially increase natural gas production. Furthermore, we will promote the integration of the refinery and petrochemical enterprises in three regions – the Yangtze River Delta, Pearl River Delta, and Bohai Rim – to ensure the steady supply of refined oil and petrochemical products. By 2011, domestic oil equivalent production is expected to amount to 55 million tonnes (approximately 43 million tonnes of crude oil and 17 billion cubic meters of natural gas); crude oil processing volume 202 million tonnes; ethylene productivity 9.3 million tonnes per year; and the total sales volume of domestic refined oil products 135 million tonnes.

Based on the features of the sector and our business, we will continue to implement a growth strategy focusing on resource, market, integration, and globalization.

Our resource strategy continues to be based on a diversified supply program with crude oil, natural gas, and refined oil products as the major resources, supplemented by alternative and unconventional energy resources. We will give respective play to domestic supply and overseas sourcing, balancing production with trading activities, so as to ensure a solid, secure, economical and steady access to resources.

Our market strategy is to develop our markets home and abroad and seeks to improve the distribution network of petroleum and petrochemical products, develop modern logistic systems, and enhance service standards and quality. Sinopec Corp.'s product differentiation will enable us to create market demand. Meanwhile, we will continue to improve the Sinopec Corp. brand image, increase market competitiveness, strengthen our leading position in the domestic market, and proactively expand overseas markets.

Our integration strategy is to optimise our value chain across upstream, midstream and downstream businesses. The Company will further consolidate corporate resources by segments, regions, and enterprises; push forward the integration of the refinery and petrochemicals businesses, and maximise the value in resource utilisation by developing integrated, large-scale refining and petrochemical clusters and strengthening industrial concentration.

Our globalisation strategy is built on speeding up the strategy of "Going Global", which requires the establishment of a positively interactive system among overseas oil and gas investment, domestic and overseas refining and petrochemical partnership and international trade. We will facilitate the rapid development of overseas businesses to scale up the Company's global operations.

Our growth is built on technological and management innovation, improvement of staff quality as well as our emphasis on quality and profitability. This combination helps to enhance our core competitiveness and ability to achieve sustainable development.

Based on the objectives and strategy that I have outlined, the Company will adopt the following key measures:

Exploration and Development: Domestic exploration and development will continue to be undertaken based on our geographical emphasis which involves stabilising operations in eastern China, accelerating exploration and development in western China, developing operations in southern China, and expanding offshore activities. This process will ensure the Company to achieve incremental increases in reserves and production and strategic replacement of resources. On the exploration front, the Company intends to deepen the exploration of eastern oilfields while expanding into new regions, strata, and areas. A specific focus will be placed on exploration in western regions to rapidly expand the Company's reserves. On the development front, the Company intends to enhance production rates, oil recovery, and single well productivity in the eastern region; step up— capacity building in the western region to realise the strategic replacement of resources; orchestrate to bring the Sichuan-to-East China Gas Project into operation to boost the Company's natural gas business. At the same time, we will actively expand overseas hydrocarbon resources to enhance overseas oil and gas production and profitability.

Refining: We will enhance the efficiency of the Company's oil refinery structure and operations to match current market demands and resource objectives. In addition, the Company will enhance the flexibility and yield of its crude oil processing capabilities. The Company will further invest in the modernisation of the logistics system, including improving crude oil storage and transportation network. We are also committed to technical innovation to further enhance the quality of the products. The Company's international competitiveness will be enhanced through economies of scale and integration along the value chain. At the same time, we will prudently develop overseas refineries and storage facilities, actively develop third-party trading business and conversion of development path, diversify crude oil import sources to ensure a stable and secured supply.

Chemical: We will fully leverage the advantages of our integrated value chain and actively develop high value-added products to further enhance the chemical businesses competitiveness. We'll reasonably develop the ethylene-aromatics value chain; optimise resource utilisation and diversify chemical feedstocks to reduce costs. We will leverage the Company's existing resources in combination with technological upgrades to achieve our key development objectives. We will take into unified consideration domestic and global markets, further improve the distribution network, adopt a flexible marketing strategy to further expand our domestic and overseas market share.

Marketing and Distribution of Oil Products: We will comprehensively improve our competitiveness through market expansion and sales network improvement. We will increase sales to end-users through retail and direct distribution, adjust oil depot layouts, push forward the construction of pipelines and gas stations, and further improve the brand value of Sinopec Corp. by upgrading service. In addition, we will further promote our non-fuel business.

Looking forward, we see both opportunities and challenges. I believe that with the support of all the shareholders and the whole society, the Board of Directors, with the joint efforts of the corporate management and all employees, through implementation of the above mentioned development strategies, and by proactively confronting the challenges, will make further progress and delivery good results to our shareholders, employees, customers, and the society.

Su Shulin
Chairman
Beijing, China

21 August 2009

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

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

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

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

1 PRODUCTION AND OPERATION

(1)

Exploration and Production Segment

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

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

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

Summary of Operations of Exploration and Production Segment

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

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

(2) Refining Segment

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

Summary of Operations of Refining Segment

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

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

(3) Marketing and Distribution

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

Summary of Operations of Marketing and Distribution Segment

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

(4) Chemicals

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

Output of Major Chemical Products

Unit: 1,000 tonnes

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

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

2 COST SAVING AND EFFICIENCY IMPROVEMENT

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

3 ENERGY SAVING AND EMISSION REDUCTION

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

4 CAPITAL EXPENDITURE

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

BUSINESS PROSPECTS

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

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

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

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

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

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

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

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 (ÒIFRSÓ).

1 CONSOLIDATED RESULTS OF OPERATIONS

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

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

| | | Six-month periods ended 30 June | | Change |
|--|--|------------------------------------|-------------------------|--------|
| | | 2009 RMB millions | 2008 RMB millions | |
| Turnover, other operating revenues and other income | | 534,025 | 764,749 | (30.2) |
| Of which: | Turnover | 523,015 | 718,657 | (27.2) |
| | Other operating revenues and other income | 11,010 | 46,092 | (76.1) |
| Operating expenses | | (487,843) | (757,912) | (35.6) |
| Of which: | Purchased crude oil, products, and operating supplies and expenses | (361,460) | (667,335) | (45.8) |
| | Selling, general and administrative expenses | (22,471) | (21,435) | 4.8 |
| | Depreciation, depletion and amortisation | (24,584) | (22,663) | 8.5 |
| | Exploration expenses (including dry holes) | (4,392) | (4,728) | (7.1) |
| | Personnel expenses | (12,919) | (12,667) | 2.0 |
| | Taxes other than income tax | (61,518) | (28,649) | 114.7 |
| | Other operating expenses (net) | (499) | (435) | 14.7 |
| Operating profit | | 46,182 | 6,837 | 575.5 |
| Net finance costs | | (3,995) | (889) | 349.4 |
| Investment income and share of profits less losses from associates and jointly controlled entities | | 1,647 | 1,677 | (1.8) |
| Profit before taxation | | 43,834 | 7,625 | 474.9 |
| Income tax (expense)/benefit | | (9,121) | 135 | — |
| Profit for the period | | 34,713 | 7,760 | 347.3 |
| Attributable to: | | | | |
| | Equity shareholders of the Company | 33,246 | 7,682 | 332.8 |

| | | | |
|--------------------|-------|----|---------|
| Minority interests | 1,467 | 78 | 1,780.8 |
|--------------------|-------|----|---------|

(1) Turnover, other operating revenues and other income

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

The following table sets forth the Company's external sales volume, average realised price and the respective changes of the Company's major products in the first half of 2009 and the first half of 2008:

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

Most of crude oil and a small portion of natural gas produced by the Company were internally used for refining and chemical production and the remaining were sold to other customers. In the first half of 2009, turnover from crude oil and natural gas that were sold externally by the exploration and production segment amounted to RMB7.9 billion, with a year-on-year decrease of 42.9%, accounting for 1.5% of the Company's turnover, other operating revenues and other income. The change was mainly due to the decrease in price of crude oil.

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

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

(2) Operating expenses

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

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

1 Procurement cost of crude oil was RMB159.9 billion, representing a year-on-year decrease of 55.7%, accounting for 32.8% of the total operating expenses. Throughput of crude oil that was purchased externally in the first half of 2009 was 65.39 million tonnes (excluding that supplied by others for processing), decreased by 3.6% over the first half of 2008; owing to the substantial fall in international crude oil price, average cost of crude oil purchased externally was RMB2,446 per tonne, decreased by 54.0% over the first half of 2008.

1 The Company's other purchasing expenses were RMB201.6 billion, representing a decrease of 34.3% over the first half of 2008. This was mainly due to the year-on-year decrease in the cost of gasoline, diesel, kerosene and other feedstock purchased externally.

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

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

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

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

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

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

(3) Operating profit

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

(4) Net finance costs

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

(5) Profit before taxation

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

(6) Income tax benefit/(expense)

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

(7) Profit attributable to minority interests of the Company

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

(8) Profit attributable to equity shareholders of the Company

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

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 and Other income of the segment.

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

| | Operating revenues Six-month periods ended 30 June | | As a percentage of consolidated operating revenue before elimination of inter-segment sales Six-month periods ended 30 June | | As a percentage of consolidated operating revenue after elimination of inter-segment sales Six-month periods ended 30 June | |
|--|--|-----------|---|-------|--|-------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | RMB millions | | (%) | | (%) | |
| Exploration and Production Segment | | | | | | |
| External sales note | 13,947 | 20,345 | 1.4 | 1.4 | 2.6 | 2.7 |
| Inter-segment sales | 32,229 | 76,314 | 3.4 | 5.2 | | |
| Operating revenues | 46,176 | 96,659 | 4.8 | 6.6 | | |
| Refining Segment | | | | | | |
| External sales note | 40,871 | 102,536 | 4.3 | 7.0 | 7.6 | 13.4 |
| Inter-segment sales | 260,993 | 323,049 | 27.4 | 22.1 | | |
| Operating revenues | 301,864 | 425,585 | 31.7 | 29.1 | | |
| Marketing and Distribution Segment | | | | | | |
| External sales note | 316,674 | 394,781 | 33.3 | 27.0 | 59.3 | 51.6 |
| Inter-segment sales | 1,096 | 1,678 | 0.1 | 0.1 | | |
| Operating revenues | 317,770 | 396,459 | 33.4 | 27.1 | | |
| Chemicals Segment | | | | | | |
| External sales note | 82,536 | 118,188 | 8.7 | 8.1 | 15.5 | 15.4 |
| Inter-segment sales | 8,256 | 13,817 | 0.9 | 1.0 | | |
| Operating revenues | 90,792 | 132,005 | 9.6 | 9.1 | | |
| Corporate and Others | | | | | | |
| External sales note | 79,997 | 128,899 | 8.4 | 8.8 | 15.0 | 16.9 |
| Inter-segment sales | 115,429 | 282,338 | 12.1 | 19.3 | | |
| Operating revenues | 195,426 | 411,237 | 20.5 | 28.1 | | |
| Operating revenue before elimination of inter-segment sales | 952,028 | 1,461,945 | 100.0 | 100.0 | | |
| Elimination of inter-segment sales | (418,003) | (697,196) | | | | |
| Consolidated operating revenues | 534,025 | 764,749 | | | 100.0 | 100.0 |

Note: Other operating revenues and other income 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 made in the first half of 2009 compared with the first half of 2008.

| | | Six-month periods ended 30 June | | |
|------------------------------------|-------------------------|------------------------------------|----------|--------|
| | | 2009 | 2008 | Change |
| | | RMB | RMB | |
| | | millions | millions | (%) |
| Exploration and Production Segment | | | | |
| | Operating revenues | 46,176 | 96,659 | (52.2) |
| | Operating expenses | 40,675 | 69,561 | (41.5) |
| | Operating profit | 5,501 | 27,098 | (79.7) |
| Refining Segment | | | | |
| | Operating revenues | 301,864 | 425,585 | (29.1) |
| | Operating expenses | 281,966 | 472,131 | (40.3) |
| | Operating profit/(loss) | 19,898 | (46,546) | — |
| Marketing and Distribution Segment | | | | |
| | Operating revenues | 317,770 | 396,459 | (19.8) |
| | Operating expenses | 305,262 | 373,985 | (18.4) |
| | Operating profit | 12,508 | 22,474 | (44.3) |
| Chemicals Segment | | | | |
| | Operating revenues | 90,792 | 132,005 | (31.2) |
| | Operating expenses | 81,031 | 127,472 | (36.4) |
| | Operating profit | 9,761 | 4,533 | 115.3 |
| Corporate and others | | | | |
| | Operating revenues | 195,426 | 411,237 | (52.5) |
| | Operating expenses | 196,912 | 411,959 | (52.2) |
| | Operating loss | (1,486) | (722) | — |

(1) Exploration and Production Segment

Most of the crude oil and a small portion of the natural gas produced by the exploration and exploitation 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 2009, the operating revenues of this segment were RMB46.2 billion, representing a decrease of 52.2% over the first half of 2008. This was mainly attributable to the sharp decrease in the price of crude oil.

In the first half of 2009, this segment sold 19.77 million tonnes of crude oil and 3.37 billion cubic meters of natural gas, representing an increase of 0.8% and 1.2% respectively compared with the first half of 2008. The average realised selling price of crude oil and natural gas were RMB1,808 per tonne and RMB961 per thousand cubic meters respectively, representing a decrease of 58.6% and an increase of 4.8% respectively over the first half of 2008.

In the first half of 2009, the operating expenses of this segment were RMB40.7 billion, representing a decrease of 41.5% over the first half of 2008. The decrease was mainly due to the following reasons:

- 1 Special oil income levy paid by the Company amounted to a year-on-year decrease of RMB16.1 billion due to the fall in price of crude oil;
- 1 Expenses for purchasing crude oil, products and operating supplies decreased by RMB11.5 billion owing to the drop in price of raw materials.

In the first half of 2009, the lifting cost of crude oil and national gas was RMB608.6 per tonne, with a year-on-year increase of 0.8%.

In the first half of 2009, this segment's operating profit was RMB5.5 billion, representing a decrease of 79.7% over the first half of 2008.

(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 2009, operating revenues of this segment was RMB301.9 billion, representing a year-on-year decrease of 29.1%. This was mainly attributable to the fall in the price of refined oil products and sales volume of diesel.

The following table sets forth the sales volumes, average realised prices and the changes of the Company's major oil products of the segment in the first half of 2009 and of 2008.

| | Sales Volume (thousand tonnes) | | | Average realised price (RMB/tonne) | | |
|----------------------------------|--------------------------------|--------|------------|------------------------------------|-------|------------|
| | Six-month periods | | Change (%) | Six-month periods | | Change (%) |
| | ended 30 June 2009 | 2008 | | ended 30 June 2009 | 2008 | |
| Gasoline | 15,723 | 13,506 | 16.4 | 5,153 | 5,163 | (0.2) |
| Diesel | 30,096 | 33,542 | (10.3) | 4,215 | 4,561 | (7.6) |
| Chemical feedstock | 12,841 | 12,230 | 5.0 | 2,700 | 6,218 | (56.6) |
| Other refined petroleum products | 20,565 | 20,627 | (0.3) | 2,801 | 4,667 | (40.0) |

In the first half of 2009, the sales revenues of gasoline were RMB81.0 billion, representing a year-on-year increase of 16.2%, accounting for 26.8% of this segment's operating revenues.

In the first half of 2009, the sales revenues of diesel were RMB126.9 billion, representing a year-on-year decrease of 17.1%, accounting for 42.0% of this segment's operating revenues.

In the first half of 2009, the sales revenues of chemical feedstock were RMB34.7 billion, representing a year-on-year decrease of 54.4%, accounting for 11.5% of this segment's operating revenues.

In the first half of 2009, the sales revenues of refined petroleum products other than gasoline, diesel and chemical feedstock were RMB57.6 billion, representing a year-on-year decrease of 40.2%, accounting for 19.1% of this segment's operating revenues.

In the first half of 2009, this segment's operating expenses were RMB282.0 billion, representing a year-on-year decrease of 40.3%, mainly attributable to the sharp drop in crude oil price.

In the first half of 2009, the average cost of crude oil processed was RMB2,352 per tonne, representing a decrease of 54.5% on a year-on-year basis. Crude oil processed totaled 81.18 million tonnes (excluding volume processed for third parties), representing a decrease of 1.9% over the first half of 2008. In the first half of 2009, the total costs of crude oil processed were RMB191.0 billion, representing a year-on-year decrease of 55.3%, accounting for 67.7% of the segment's operating expenses, decreased by 22.8 percentage points over the first half of 2008.

In the first half of 2009, 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 RMB432 per tonne, however for the same period of 2008 the refining segment suffered from loss.

In the first half of 2009, 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 RMB130.6 per tonne, representing a decrease of RMB0.16 per tonne, or 0.12% compared with that in the first half of 2008.

The operating income of the segment totaled RMB19.9 billion in the first half of 2009. That mainly attributed to continuous optimisation of crude oil structure by the Company, reduction of crude oil cost, implementation of reform on domestic oil product pricing mechanism and taxation, the Company made a full use of such advantages as large scale, technology, low cost and integration, which enabled an outstanding profit margin.

(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 2009, the operating revenues of this segment were RMB317.8 billion, decreased by 19.8% on year-on-year basis, which was mainly attributed to the sharp fall in the price and sales volume of oil products.

In the first half of 2009, the sales revenues of gasoline and diesel totaled RMB278.3 billion, accounting for 87.6% of the operating revenues of this segment. As to gasoline and diesel, the percentage of retail sales in the total sales volume was 63.0%, with a decrease of 3.0 percentage points on year-on-year basis; the percentage of direct sales in the total sales volume totaled 24.0% with an increase of 2.6 percentage points on year-on-year basis; the percentage of wholesale in the total sales volume was 13.0%, with an increase of 0.4 percentage points on year-on-year basis.

The following table sets forth the sales volumes, average realised prices, and respective rate of changes of the four product categories in the first half of 2009 and 2008, including detailed information of different sales channels for gasoline and diesel:

| | | | Sales Volume (thousand tonnes) | | | Average realised price (RMB/tonne) | | |
|----------|--------|--------------|--------------------------------|--------|--------|------------------------------------|-------|--------|
| | | | Six-month periods | | | Six-month periods | | |
| | | | ended 30 June | | Change | ended 30 June | | Change |
| | | | 2009 | 2008 | (%) | 2009 | 2008 | (%) |
| Gasoline | | | 18,810 | 19,008 | (1.0) | 5,851 | 5,976 | (2.1) |
| | Of | Retail | | | | | | |
| | which: | | 15,232 | 14,843 | 2.6 | 5,995 | 6,044 | (0.8) |
| | | Direct sales | 1,154 | 1,440 | (19.9) | 5,222 | 5,791 | (9.8) |
| | | Wholesale | 2,424 | 2,725 | (11.0) | 5,245 | 5,706 | (8.1) |
| Diesel | | | 36,346 | 41,645 | (12.7) | 4,630 | 5,350 | (13.5) |
| | Of | Retail | | | | | | |
| | which: | | 19,510 | 25,190 | (22.5) | 4,903 | 5,328 | (8.0) |
| | | Direct sales | 12,110 | 11,550 | 4.8 | 4,360 | 5,460 | (20.1) |
| | | Wholesale | 4,726 | 4,905 | (3.6) | 4,194 | 5,207 | (19.5) |
| Kerosene | | | 4,976 | 4,364 | 14.0 | 3,385 | 5,721 | (40.8) |
| Fuel oil | | | 6,044 | 5,883 | 2.7 | 2,561 | 3,749 | (31.7) |

In the first half of 2009, the operating expenses of the segment were RMB305.3 billion, representing a decrease of 18.4% compared with that in the first half of 2008. This was mainly due to the significant drop in the purchase cost of oil products.

In the first half of 2009, the segment's marketing cash operating cost (defined as the operating expenses less the purchasing costs, taxes other than income tax, depreciation and amortization, and then divided by the sales volume) was RMB164.28 per tonne, representing an increase of 8.8% compared with that in the first half of 2008. That was mainly due to increased unit price resulting from year-on-year decrease in sales volume of the segment in 2009.

In the first half of 2009, the marketing and distribution segment's operating profit was RMB12.5 billion, representing a year-on-year decrease of 44.3%. That mainly attributed to the decrease of domestic demand and sales volume of oil products in the first half of 2009 and implementation of reform on domestic pricing mechanism of oil products and taxation, resulting in shrinkage of gross margin of oil products.

(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 2009, operating revenues of the chemicals segment were RMB90.8 billion, representing a year-on-year decrease of 31.2%, which was primarily due to the fall in prices of major chemical products.

The sales revenue mainly generated from the Company's six categories of chemical products (namely basic organic chemicals, synthetic resin, synthetic rubber, synthetic fiber monomer and polymer, synthetic fiber and

chemical fertilizer) totaled approximately RMB80.3 billion, representing a year-on-year decrease of 35.1%, accounting for 88.4% of the operating revenues of this segment.

The following table sets forth the sales volumes, average realised price and rates of change of each of the six categories of chemical products of this segment in the first half of 2009 and 2008.

| | Sales Volume (thousand tonnes) | | | Average realised price (RMB/tonne) | | |
|---------------------------------------|--------------------------------|--------------------|------------|------------------------------------|--------------------|------------|
| | Six-month periods | | Change (%) | Six-month periods | | Change (%) |
| | ended 30 June 2009 | ended 30 June 2008 | | ended 30 June 2009 | ended 30 June 2008 | |
| Basic organic chemicals | 6,488 | 6,368 | 1.9 | 3,859 | 6,788 | (43.1) |
| Synthetic resin | 4,022 | 3,943 | 2.0 | 7,549 | 11,182 | (32.5) |
| Synthetic fiber monomers and polymers | 2,084 | 1,885 | 10.6 | 6,001 | 9,337 | (35.7) |
| Synthetic fiber | 691 | 710 | (2.7) | 8,481 | 11,268 | (24.7) |
| Synthetic rubber | 489 | 544 | (10.1) | 10,174 | 17,739 | (42.6) |
| Chemical fertilizer | 889 | 692 | 28.5 | 1,750 | 1,759 | (0.5) |

In the first half of 2009, the operating expense of the chemicals segment was RMB81.0 billion, representing a decrease of 36.4% over the first half of 2008. This was mainly attributable to the prices of raw and auxiliary materials decreased, which contributed to a decrease of RMB46.4 billion in the cost of raw materials as compared with the first half of 2008.

In the first half of 2009, the operating profit of the chemicals segment was RMB9.8 billion, representing an increase of 115.3% over the first half of 2008. This was mainly because the Company tried the best in market development, resulting in an increase in sales volume of chemical products, meanwhile the extent of unit price of raw materials decrease was higher than the extent of product prices decrease, which contributed to profit increase.

(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 activities of the headquarters.

In the first half of 2009, the operating revenues generated from corporate and others was RMB195.4 billion, representing a decrease of 52.5% over the first half of 2008. The decrease was mainly resulted from the fall in prices of crude oil and petrochemicals, leading to decreased revenues in the trading companies in importing and exporting of crude oil and refined oil products and self-managed business.

In the first half of 2009, the operating expense was RMB196.9 billion, representing a year-on-year decrease of 52.2%. This was mainly due to the decrease in the purchasing costs by trading companies.

The operating loss amounted to RMB1.5 billion.

3 ASSETS, LIABILITIES, EQUITY AND CASH FLOWS

| (1) Assets, liabilities and equity | | Units: RMB millions | | |
|---|-------------------------|---------------------|------------------------|----------------------|
| | | At 30 June 2009 | At 31 December 2008 | Amount of changes |
| Total assets | | 825,201 | 779,172 | 46,029 |
| | Current assets | 195,918 | 165,398 | 30,520 |
| | Non-current assets | 629,283 | 613,774 | 15,509 |
| Total liabilities | | 450,002 | 430,630 | 19,372 |
| | Current liabilities | 280,565 | 286,656 | (6,091) |
| | Non-current liabilities | 169,437 | 143,974 | 25,463 |
| Total equity attributable to equity shareholders of the Company | | 353,139 | 327,889 | 25,250 |
| | Share capital | 86,702 | 86,702 | 0 |
| | Reserves | 266,437 | 241,187 | 25,250 |
| Minority interests | | 22,060 | 20,653 | 1,407 |
| Total equity | | 375,199 | 348,542 | 26,657 |

At 30 June 2009, the Company's total assets were RMB825.2 billion, representing an increase of RMB46.0 billion compared with that at the end of 2008, of which:

1 Current assets increased by RMB30.5 billion from that at the end of 2008 to RMB195.9 billion mainly as a result of the fact that the inventory of the Company increased by RMB24.3 billion, and the accounts receivable increased by RMB17.0 billion primarily due to the higher prices of commodities such as crude oil over the beginning of the year; and owing to a decrease of prepaid VAT and tariff, prepaid expenses and other current assets of the Company reduced by RMB10.0 billion.

1 Non-current assets increased by RMB15.5 billion from that at the end of 2008 to RMB629.3 billion. This was mainly because of the increase of construction in progress of the Company.

At 30 June 2009, the Company's total liabilities were RMB450.0 billion, representing an increase of RMB19.4 billion compared with that at the end of 2008, of which:

1 Current liabilities decreased by RMB6.1 billion from that at the end of 2008 to RMB280.6 billion. This was mainly because short-term debts of the Company and loans from China Petrochemical Corp. and fellow subsidiaries decreased by RMB54.4 billion, and the accounts and bills payable increased by RMB41.5 billion.

1

Non-current liabilities increased by RMB25.5 billion from that at the end of 2008 to RMB169.4 billion. This was mainly because of an increase of long-term debts of the Company by RMB26.2 billion as a result of the fact that in the first half of the year, the Company issued RMB30.0 billion of medium-term notes.

At 30 June 2009, the Company's total equity attributable to equity shareholders of the Company was RMB353.1 billion, representing an increase of RMB25.3 billion compared with that at the end of 2008, which was due to an increase of reserves.

(2) Cash Flow

The following table sets forth the major items on the consolidated cash flow statements for the first half of 2009 and 2008.

Units: RMB millions

| Major items of cash flows | Six-month periods ended | | Changes in amount |
|--|-------------------------|----------|-------------------------|
| | 30 June 2009 | 2008 | |
| Net cash generated from operating activities | 79,079 | 2,393 | 76,686 |
| Net cash used in investing activities | (44,734) | (47,556) | 2,822 |
| Net cash (used in)/generated from financing activities | (33,753) | 46,001 | (79,754) |
| Net increase in cash and cash equivalents | 592 | 838 | (246) |

In the first half of 2009, net cash generated from operating activities was RMB79.1 billion, representing an increase of cash inflow by RMB76.7 billion over the same period last year. It was mainly due to: In the first half of 2009, the profit before taxation increased by RMB36.2 billion, depreciation, depletion and amortisation increased by RMB1.9 billion, and inventory and other occupied funds decreased by RMB37.2 billion because of significant drop in crude price as compared with the same period last year.

In the first half of 2009, net cash used in investing activities was RMB44.7 billion, representing a decrease of RMB2.9 billion of cash outflow as compared with the same period last year, mainly because the Company's capital expenditure for the implementation of the investment plan was less on a year-on-year basis.

In the first half of 2009, the net cash outflow from the financing activities was RMB33.8 billion, representing an increase of cash outflow by RMB79.8 billion over the same period last year, mainly attributed to the fact that the Company settled certain bank loan as its cash flow improved in the first half of the year.

(3) Contingent Liabilities

On 30 June 2009, the amount of guarantees provided by the Company in respect of banking facilities granted to associates and jointly controlled entities amounted to approximately RMB12.6 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 142 of this report.

- (1) Under ASBE, the operating income and operating profit/(loss) were as follows:

| | | Six-month periods ended 30 June | |
|---|--|------------------------------------|-----------|
| | | 2009 | 2008 |
| | | RMB | RMB |
| | | millions | millions |
| Operating income | | | |
| | Exploration and Production Segment | 46,176 | 96,659 |
| | Refining Segment | 301,864 | 397,369 |
| | Marketing and Distribution Segment | 317,770 | 390,939 |
| | Chemicals Segment | 90,792 | 132,005 |
| | Corporate and Others | 195,426 | 411,237 |
| | Elimination of inter-segment sales | (418,003) | (697,196) |
| | Consolidated operating income | 534,025 | 731,013 |
| Operating profit/(loss) | | | |
| | Exploration and Production Segment | 5,745 | 27,212 |
| | Refining Segment | 19,963 | (74,737) |
| | Marketing and Distribution Segment | 12,551 | 16,922 |
| | Chemicals Segment | 9,650 | 4,477 |
| | Corporate and Others | (1,439) | (685) |
| | Financial expenses, (loss)/gain from changes in fair value and investment income | (2,471) | 788 |
| | Consolidated operating profit/(loss) | 43,999 | (26,023) |
| Net profit attributable to equity shareholders of the Company | | 33,190 | 7,673 |

Operating profit/(loss): In the first half of 2009, the operating profit of the Company was RMB44.0 billion, representing an increase of RMB70.0 billion over the same period last year. This was mainly attributable to the fact that the Company made efforts to expand the market, improve marketing and services, optimise structure of raw materials and fully make use of the advantages in scale and integration, together with the implementation of reform on the pricing mechanism of oil products and taxation and a steady increasing demands for petrochemicals in the country, all of which lead to a better operating performance.

Net profit: In the first half of 2009, the net profit attributable to the equity shareholders of the Company was RMB33.2 billion, an increase of RMB25.5 billion compared with the first half of 2008, representing an increase of 332.6%.

- (2) Financial data prepared under ASBE:

| At 30 June | At 31 December | |
|------------|----------------|---------|
| 2009 | 2008 | Changes |

| | RMB millions | RMB millions | RMB millions |
|-----------------------|--------------|--------------|-----------------|
| Total assets | 816,342 | 763,297 | 53,045 |
| Long-term liabilities | 168,576 | 143,062 | 25,514 |
| Shareholders' equity | 376,760 | 350,166 | 26,594 |

Analysis of changes:

Total assets: At 30 June 2009, the Company's total assets were RMB816.3 billion, representing an increase of RMB53.0 billion compared with that at the end of 2008, which was mainly caused by the increase of RMB37.5 billion in inventory, accounts receivable and other current assets as a result of the price increase of crude oil, and the implementation of the investment plan programs of the Company resulting in an increase in construction in progress and other non-current assets by RMB15.5 billion.

Long-term liabilities: At 30 June 2009, the Company's long-term liabilities were RMB168.6 billion, representing an increase of RMB25.5 billion compared with that at the end of 2008. This was mainly because in the first half of the year the Company issued RMB30.0 billion of medium-term notes.

Shareholders' equity: At 30 June 2009, the shareholders' equity of the Company was RMB376.8 billion, representing an increase of RMB26.6 billion compared with that at the end of 2008. This was mainly because the retained profits of the Company increased.

(3) Income from principal operations by reportable 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 | 46,176 | 35,112 | 29.9 | (52.2) | (2.5) | (7.2) |
| Refining | 301,864 | 210,802 | 8.8 | (24.0) | | |