中 国 石 油 化 工 股 份 有 限 公 司

CHINA PETROLEUM & CHEMICAL CORPORATION

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

(Stock Code：0386)

Announcement of the 2007 Interim Results

§ 1 **Important Notice**

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

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

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

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

1.4 The financial statements for the six-month period ended 30 June 2007 of Sinopec Corp. and its subsidiaries ("the Company") prepared in accordance with the PRC Accounting Standards for Business Enterprises ("ASBE"), and International Financial Reporting Standards ("IFRS") have been audited by KPMG Huazhen and KPMG, respectively, and both firms have issued standard unqualified opinions on the financial statements.

1.5 Mr. Su Shulin, Chairman of the Board, Mr. Wang Tianpu, Director and President, Mr. Dai Houliang, Director, Senior Vice President and Chief Financial Officer and Mr. Liu Yun, Head of the Accounting Department warrant the authenticity and completeness of the financical statements contained in this announcement.

§ 2 **Basic Information of Sinopec Corp.**

2.1 Basic Information of Sinopec Corp.

Stock name	**SINOPEC CORP**	**SINOPEC CORP**	**SINOPEC CORP**	中國石化
Stock code	0386	SNP	SNP	600028
Place of listing	Hong Kong Stock Exchange	New York Stock Exchange	London Stock Exchange	Shanghai Stock Exchange
	Authorized Representatives		**Secretary to the Board of Directors**	**Representative on Securities Matters**
Name	Mr. Wang Tianpu	Mr. Chen Ge	Mr. Chen Ge	Mr. Huang Wensheng
Address	6A Huixindong Street, Chaoyang District, Beijing, PRC			
Tel	64990060	64990060	64990060	64990060
Fax	64990022	64990022	64990022	64990022
E-mail		ir@sinopec.com/media@sinopec.com		

2.2 Principal accounting data and financial indicators

2.2.1 Principal accounting data and financial indicators for the first half of 2007 prepared in accordance with ASBE.

2.2.1.1 Principal accounting data and financial indicators

Items	At 30 June 2007 RMB millions	At 31 December 2006 as restated * RMB millions	At 31 December 2006 as previously reported * RMB millions	Changes from the end of last year (%)
Total assets	650,547	596,527	594,550	9.1
Shareholders' funds attributable to equity shareholders of the parent	283,451	257,893	254,875	9.9
Net assets per share (RMB/share) (Fully diluted)	3.269	2.975	2.940	9.9
Adjusted net assets per share (RMB/share)	3.210	2.901	2.865	10.7

Items	2007 RMB millions	Six-month periods ended 30 June 2006 (as restated) * RMB millions	Six-month periods ended 30 June 2006 (as previously reported) * RMB millions	Changes over the same period of the preceding year (%)
Operating profit	53,044	31,641	31,173	67.6
Profit before tax	52,464	31,182	30,815	68.3
Net profit attributable to equity shareholders of the parent	34,925	21,125	20,679	65.3
Net profit before extraordinary gains and losses	34,922	21,222	20,776	64.6
Return on net assets (%)	12.32	9.18	9.05	3.14 percentage points
Return on net assets (%) (before extraordinary items)	12.32	9.23	9.09	3.09 percentage points
Basic earnings per share (RMB/share)	0.403	0.244	0.239	65.3
Diluted earnings per share (RMB/share)	0.403	0.244	0.239	65.3
Net cash flow from operating activities	63,997	24,193	25,166	164.5
Net cash flow from operating activities per share	0.738	0.279	0.290	164.5

* Figures as previously reported are prepared in accordance with the PRC Accounting Rules and Regulations, whereas those as restated are prepared in accordance with ASBE.

2.2.1.2 Items and amounts under extraordinary gains and losses

√ applicable ☐ inapplicable

Items	Six-month period ended 30 June 2007 (Income)/Expense *RMB millions*
Gain on disposal of investments	(581)
Written back of provisions for impairment losses in previous years	(155)
Employee reduction expenses	150
Non-operating expenses (Excluding impairment losses on assets provided in accordance with ASBE)	749
Of which: Loss on disposal of fixed assets	344
Donations	45
Non-operating income	(168)
Tax effect	2
Total	(3)

2.2.2 Principal accounting data and financial indicators of the Company for the first half of 2007 from the financial statements prepared in accordance with IFRS

Items	Six-month periods ended 30 June 2007 RMB millions	2006 RMB millions	Changes over the same period of the preceding year (%)
Operating profit	53,346	34,389	55.1
Profit attributable to equity shareholders of the Company	36,190	21,870	65.5
Return on capital employed (%) *	8.27	5.43	2.84 percentage points
Basic earnings per share (RMB/share)	0.417	0.252	65.5
Net cash flow from operating activities	61,636	19,069	223.2

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

Items	At 30 June 2007 RMB millions	At 31 December 2006 RMB millions	Changes from the end of last year (%)
Total assets	662,267	603,077	9.8
Total equity attributable to equity shareholders of the Company	289,614	262,845	10.2
Net assets per share (RMB/share)	3.340	3.032	10.2
Adjusted net assets per share (RMB/share)	3.281	2.958	10.9

2.2.3 Differences between financial statements prepared under ASBE and IFRS.

√ applicable ☐ inapplicable

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

Items	Six-month periods ended 30 June 2007 *RMB millions*	2006 *RMB millions*
Net profit under ASBE	36,357	21,290
Adjustments:		
Oil and gas properties	91	1,259
Reduced amortisation on revaluation of land use rights	15	15
Effects of the above adjustments on taxation and change in tax rate on deferred tax	1,162	(219)
Profit for the period under IFRS	37,625	22,345

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

Items	At 30 June 2007 *RMB millions*	At 31 December 2006 *RMB millions*
Shareholders' funds under ASBE	307,023	279,931
Adjustments:		
Oil and gas properties	10,907	10,816
Revaluation of land use rights	(1,057)	(1,072)
Effects of the above adjustments on taxation and change in tax rate on deferred tax	(3,761)	(4,886)
Total equity under IFRS	313,112	284,789

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

3.1 Statement of changes in share capital

☐ applicable √ inapplicable

3.2 Top ten shareholders and shareholders of shares without selling restrictions

As at 30 June 2007, there were a total of 541,732 shareholders of Sinopec Corp., of which 534,415 were holders of A Shares and 7,317 were holders of H Shares. The public float of Sinopec Corp. satisfied the minimum requirements under the Listing Rules of the Hong Kong Stock Exchange.

(1) Top ten shareholders **Unit: 1,000 Shares**

Name of Shareholders	Nature of shareholders	As a percentage of total shares in issue at the end of reporting period (%)	Number of shares held at the end of reporting period	Number of shares with selling restrictions	Number of pledges or lock-ups
China Petrochemical Corporation	State-owned shares	75.84	65,758,044	65,758,044	0
HKSCC (Nominees) Limited	H shares	19.25	16,687,453	0	N/A
Guo Tai Jun An Company Limited	State-owned legal person shares/ A Shares	0.67	579,907	579,907	533,530 (pledges)/ 38,230 (lock-ups)
China Life Insurance Company Limited – Dividend – Individual Dividend – 005L–FH002 (Shanghai)	A Shares	0.07	60,000	0	0
Bosera Selected Equity Investment Fund	A Shares	0.04	39,000	0	0
Lord Abbett Value Advantage Equity Investment Fund	A Shares	0.04	37,447	0	0
Da Cheng Innovative Growth Mixed Securities Investment Fund	A Shares	0.04	36,944	0	0
China International Fund Mgmt Demand Driven Equity Investment Fund	A Shares	0.04	35,238	0	0
National Social Security Fund 108 Portfolio	A Shares	0.04	32,000	0	0
Harvest Strategic Growth Mixed Securities Investment Fund	A Shares	0.03	30,173	0	0

(2) Top ten shareholders of shares without selling restrictions **Unit: 1,000 shares**

Name of Shareholders	Number of shares held	Nature of shares
HKSCC (Nominees) Limited	16,687,453	H shares
China Life Insurance Company Limited – Dividend – Individual Dividend – 005L–FH002 (Shanghai)	60,000	A Shares
Bosera Selected Equity Investment Fund	39,000	A Shares
Lord Abbett Value Advantage Equity Investment Fund	37,447	A Shares
Da Cheng Innovative Growth Mixed Securities Investment Fund	36,944	A Shares
China International Fund Mgmt Demand Driven Equity Investment Fund	35,238	A Shares
National Social Security Fund 108 Portfolio	32,000	A Shares
Harvest Strategic Growth Mixed Securitie Investment Fund	30,173	A Shares
China Life Insurance (Group) Company-Traditional-Ordinary Insurance Product	30,000	A Shares
China Southern Fund Mgmt South Stable Growth Securities Investment Fund	30,000	A Shares

Statement on the connection or activities in concert among the aforementioned shareholders

Except that both China Life Insurance Company Limited-Dividend -Individual Dividend-005L-FH002 (Shanghai) and China Life Insurance (Group) Company-Traditional- Ordinary Insurance Product belong to China Life Insurance (Group) Company, we are not aware of any connection or activities in concert among or between the top ten shareholders and top ten shareholders of shares without selling restrictions.

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

☐ applicable √ inapplicable

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

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

On 22 June 2007, Mr. Chen Tonghai, former Chairman of Sinopec Corp., resigned as a director and the Chairman of the Board of Directors for personal reasons. On 24 June 2007, the eleventh meeting of the Third Session of the Board of Directors nominated Mr. Su Shulin as a candidate for a director of the Third Session of the Board of Directors. At the Second Extraordinary General Meeting of Shareholders for 2007 held on 10 August 2007, Mr. Su Shulin was elected as a director of the Third Session of the Board of Directors. On the same day, Mr. Su Shulin was elected as the Chairman at the thirteenth meeting of the Third Session of the Board of Directors.

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

☐ applicable √ inapplicable

As at 30 June 2007, none of the directors, supervisors or senior management of Sinopec Corp. had any interest in any shares of Sinopec Corp.

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

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

5.1 Business Review

In the first half of 2007, the Chinese economy continued to grow steadily and rapidly, with a GDP growth rate of 11.5%. Demand for petroleum and petrochemical products continued to increase. According to the Company's statistics, apparent domestic consumption of refined oil products (inclusive of gasoline, diesel and kerosene) and ethylene equivalent consumption increased by 4.2% and 8.4% respectively over the same period last year.

During the reporting period, international crude oil prices exhibited an early downward trend and subsequently rose to a high level, while prices of chemical products maintained at relatively high levels. The government continued to exert tight control on domestic prices of refined oil products. The Company adopted market-oriented mechanism which placed economic benefits at its core and adhered to its policy of "reform, adjustment, management, innovation and development", to elaborately organise production and operation, accelerate structural adjustments, strengthen the linkage between production and sales, steadily advance construction of key projects and emphasise energy and water conservation and emissions reduction. As a result, the overall production volume of the Company has been growing steadily, economic return has been significantly enhanced and the Company has achieved its expected targets. According to PRC ASBE, operating income in the first half of this year was RMB 566.8 billion, representing an increase of 15.4% over the same period of last year. Net profit attributable to the equity shareholders of the parent amounted to RMB 34.9 billion, representing an increase of 65.3% over the same period of last year. According to IFRS, turnover and net profit attributable to shareholders of the Company for the first half of the year were RMB 554.3 billion and RMB 36.2 billion respectively, representing an increase of 15.5% and 65.5% over the same period of last year.

5.1.1 Production and Operations

(1) Exploration and Production Segment

In the first half of 2007, international crude oil prices exhibited a slide first but subsequently rose to a high level. The average Brent crude spot price was USD 63.26 per barrel, representing a decrease of 3.70% as compared to the first half of 2006. The average crude price realised by the Company during the first half of 2007 was RMB 2,792 per tonne.

In exploration, the Company achieved new breakthroughs in exploration at the Aiding blocks of Tahe Oilfield in the West China and hidden mountain of Mesozoic Era of Dongpu in Zhongyuan Oilfield, and had several new discoveries in Puguang Gas Field in northeastern Sichuan Province and its peripherals and other areas. At the same time, new progress was made in the deep level exploration of Shengli Oilfield.

In oil and gas development and production, the Company strengthened the development foundation of oil and gas fields, optimised development scheme, accelerated production capacity construction, carried out measures to increase production, enhanced operation management and tapped potential for increased production. In the first half of 2007, the Company achieved a new record in both oil and gas production, with 143.88 million barrels of crude oil and 139.55 billion cubic feet of natural gas produced, representing a year on year increase of 2.12% and 10.58% respectively.

Summary of Operations of Exploration and Production Segment

	Six-month periods ended 30 June 2007	Six-month periods ended 30 June 2006	Changes (%)
Crude oil production (mmbbls)	143.88	140.89	2.12
Natural gas production (bcf)	139.55	126.2	10.58
Newly added proved reserve of crude oil (mmbbls)	147.88	143.89	2.77
Newly added proved reserve of natural gas (bcf)	158.63	175.5	(9.61)
	At 30 June 2007	**At 31 December 2006**	**Changes (%)**
Proved reserve of crude oil at the end of the reporting period (mmbbls)	3,299	3,295	0.12
Proved reserve of natural gas at the end of the reporting period (bcf)	2,875.8	2,856.7	0.67

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 2007, the Company timely optimised and adjusted its production operation scheme and continued to run the refining facilities with a high-load in order to guarantee the supply of refined oil products and satisfy the demand for chemical raw materials; enhanced resource purchase structure, tapped potential of pipeline transmission and achieved cost savings in both crude oil purchase and transportation and storage; strengthened structural adjustments to increase the production volume of high value-added products such as high standard gasoline and lubricating oil. The crude oil processing volume reached 76.25 million tonnes in the first half of 2007, which increased by 6.38% over the same period of 2006.

Summary of Operations of Refining Segment

	Six-month periods ended 30 June 2007	2006	Changes (%)
Refinery throughput (million tonnes)*	76.25	71.68	6.38
Gasoline, diesel and kerosene production (million tonnes)	45.18	42.73	5.73
Of which: Gasoline (million tonnes)	12.16	11.23	8.28
Diesel (million tonnes)	28.92	28.32	2.12
Kerosene including jet fuel (million tonnes)	4.10	3.18	28.93
Light chemical feedstock (million tonnes)	12.09	11.47	5.41
Light products yield (%)	74.49	74.81	(0.32) percentage point
Refinery yield (%)	93.70	93.73	(0.03) percentage point

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

(3) Marketing and Distribution

In the first half of year 2007, the Company proactively coped with market changes, flexibly adopted measures such as external purchasing, adjusted the pace of operation and strived to improve economic returns; actively organised resources, adjusted production structure, ensured key clients and principal markets, fully leveraged new transportation and storage facilities to ensure market supply, thus the total operation volume of refined oil products further increased; reinforced awareness of service to continuously improve service quality and level. The total sales volume of refined oil products in the domestic market in the first half of 2007 reached 57.92 million tonnes, representing an increase of 6.63% over the same period of 2006.

Summary of Operations of Marketing and Distribution Segment

	Six-month periods ended 30 June 2007	2006	Changes (%)
Total domestic sales volume of refined oil products (million tonnes)	57.92	54.32	6.63
Of which: Retail volume (million tonnes)	36.01	34.74	3.66
Direct sales volume (million tonnes)	10.15	9.69	4.75
Wholesale volume (million tonnes)	11.76	9.89	18.91
Total No. of service stations	28,898	29,198	(1.03)
of which: No. of company-operated service stations	28,153	27,628	1.90
No. of franchised service stations	745	1,570	(52.55)
Annualized throughput per station (tonne)	2,558	2,515	1.71

(4) Chemicals

In the first half of 2007, the Company strengthened meticulous management and technical development, enhanced internal supply of raw materials, strived to improve the operation rate, utilisation rate and operation reliability of facilities to give play to the their effective production capacity to the utmost extent. The production of ethylene reached 3.27 million tonne, representing an increase of 7.98% over the same period of 2006, while production of major petrochemical products experienced different levels of increase. The Company strengthened the linkage between production and sales. The initial stage of the coordination mechanism combining production, sales and research was established. Production structure, raw material structure and product structure were optimised in an overall manner and the proportion of high performance and high value-added products was further increased. The advantages of centralized sales was brough into play and operation quality was further improved.

Summary of Production of Major Production of Chemical Operation **Unit: thousand tonnes**

	Six-month periods ended 30 June 2007	2006	Changes (%)
Ethylene*	3,273	3,031	7.98
Synthetic resins*	4,767	4,184	13.93
Synthetic fibre monomers and polymers	3,938	3,577	10.09
Synthetic fibre	718	770	(6.75)
Synthetic rubbers	360	318	13.21
Urea	813	906	(10.26)

*: 100% production of two ethylene joint ventures, namely BASF-YPC and Shanghai Secco was included.

5.1.2 Cost Saving and Efficiency Improving

In the first half of 2007, the Company took various measures to reduce costs, such as optimising resource allocation and fully leveraging the modern logistics system to reduce transportation costs, taping the potential of refining and chemical facilities in line with the progress of debottlenecking and upgrading the facilites, increasing the throughput of inferior crude oil in a moderate manner to reduce procurement costs, optimising the operation of facilities to reduce material and energy consumption, improving utilisation of oil and water wells and intensifying treatment of heavy viscous crude oil. In the first half of 2007, the Company effectively saved RMB 1.484 billion in cost. Of the total cost saved, the Exploration and Production Segment, the Refining Segment, the Marketing and Distribution Segment and the Chemicals Segment achieved cost saving of RMB 387 million, RMB 310 million, RMB 389 million and RMB 398 million respectively.

5.1.3 Energy Saving and Emission Reduction

The Company always takes conservation of resources as an important task for achieving sustainable development and adopts the guideline of "pay attention to both development and conservation, put conservation in the first place". We strengthened management, rolled-out advanced technology and achieved relatively good effect in energy saving and emission reduction. In the first half of 2007, the Company's total energy consumption per unit output value decreased by 3.95% over the same period of 2006 and the comprehensive energy consumption of oil and gas production decreased by 4.72%. Due to an increase of processing volume of inferior crude oil, the comprehensive energy consumption of oil refining increased by 0.28% over the same period of 2006; fuel and utilities consumption of ethylene facility decreased by 1.02% over the same period of 2006. Industrial fresh water consumption, waste water discharge and COD in discharged waste water decreased by 5%, 7% and 15% respectively.

5.1.4 Capital Expenditures

In the first half of 2007, the Company's total capital expenditure was RMB 33.746 billion. Among which, the capital expenditure for Exploration and Production Segment was RMB 18.277 billion. A number of major oil and gas production capacity projects were completed and put into operation, and the project of "Sichuan-to-East China Gas Project" was carried out in an all-around way. The newly built production capacity of crude oil and natural gas was 2.27 million tonnes per year and 719 million cubic meters per year respectively. The capital expenditure for Refining Segment was RMB 6.18 billion. During the period, upgrading of Yanshan Refinery utility system was completed, key projects including Qingdao Refinery Project made smooth progress, and Tianjin-Yanshan crude oil pipeline was successfully completed. The capital expenditure in Chemicals Segment was RMB 3.296 billion. During the period, Tianjin Ethylene Project, Zhenhai Ethylene Project and Fujian Refinery and Ethylene Project made smooth progress. The capital expenditure in Marketing and Distribution Segment was RMB 4.922 billion. During the period, refined oil pipelines such as the refined oil pipeline around Beijing City was completed smoothly, and 307 gas stations were newly added. The capital expenditure for Corporate and Others amounted to RMB 1.071 billion. A series of energy conservation or emission reduction projects is under continuous advancement.

5.2 **Principal Operations categorised by business segments and the status of the connected transactions**

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

sectors	Operating income RMB millions	Operating cost RMB millions	Gross profit margin (%) Note	Increase/decrease Change of operation income compared with the last year (%)	Change of operation cost compared with the last year (%)	Change of gross profit margin (%)
Exploration and production	62,724	27,482	49.08	(10.67)	13.47	(9.51)
Refining	297,918	276,002	4.48	9.81	(0.34)	9.32
Chemicals	115,720	101,318	12.01	21.91	21.41	0.12
Marketing and distribution	308,547	279,483	9.24	12.04	9.36	2.17
Corporate and Others	202,348	200,541	0.87	114.43	116.14	(0.79)
Elimination of inter-segment sales	(420,427)	(419,721)	N/A	N/A	N/A	N/A
Total	566,830	465,105	15.45	15.40	11.11	3.30

NOTE: Gross profit margin=(operating income-operating cost, taxes and surcharge)/operating income

The total amount of connected transactions of products sold and the services provided by the Company to Sinopec Group Company was RMB 37.993 billion in this reporting period.

5.3 **Principal operations in different regions**

☐ applicable √ inapplicable

5.4 **Reasons of material changes in the principal operations and their structure**

☐ applicable √ inapplicable

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

☐ applicable √ inapplicable

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

√ applicable ☐ inapplicable

The financial information presented in this section are derived from the Company's audited financial statements that have been prepared in accordance with IFRS.

In the first half of 2007, the Company's turnover and other operating revenues were RMB 566.8 billion and the operating profit was RMB 53.3 billion, representing an increase of 15.4% and 55.1% over the same period of 2006 respectively. These results were largely attributable to the fact that by seizing the favorable opportunities of steady growth of the domestic economy, the Company proactively expanded the market, extended oil and gas resources, optimised crude oil processing structure, and increased the production of chemical products and sales of refined oil products.

5.6.1 Turnover and other operating revenues

In the first half of 2007, the Company's turnover and other operating revenues were RMB 566.8 billion, of which turnover was RMB 554.3 billion, representing an increase of 15.5% over the first half of 2006. These results were largely attributable to the high domestic prices of petroleum and petrochemical products and the Company's effort in expanding sales volume of our petroleum and petrochemical products. In the first half of 2007, the Company's other operating revenues were RMB 12.5 billion, representing an increase of 12.4% over the first half of 2006. This was mainly due to the increase of raw materials sales to China Petrochemical Corporation and to third parties during the period.

The following table lists the Company's external sales volume of major products, their average realised prices and the respective rate of changes between the first half of 2007 and the first half of 2006 for the Company's major products:

	Sales Volume (thousand tons) Six-month periods ended 30 June		Rate of changes	Average realised price (RMB/ton, RMB/ thousand cubic meters) Six-month periods ended 30 June		Rate of changes
	2007	2006	(%)	2007	2006	(%)
Crude oil	2,534	2,710	(6.5)	2,899	3,290	(11.9)
Natural gas (million cubic meters)	2,863	2,600	10.1	794	745	6.6
Gasoline	17,073	15,986	6.8	5,283	4,968	6.3
Diesel	37,217	35,109	6.0	4,595	4,259	7.9
Kerosene, including jet fuel	3,467	2,702	28.3	4,663	4,301	8.4
Basic chemical feedstock	5,082	4,460	13.9	6,081	5,219	16.5
Synthetic fiber monomers and polymer	1,990	1,662	19.7	8,837	8,573	3.1
Synthetic resin	3,858	3,210	20.2	10,026	9,471	5.9
Synthetic fiber	768	825	(6.9)	11,562	10,723	7.8
Synthetic rubber	431	382	12.8	13,239	13,911	(4.8)
Chemical fertiliser	785	928	(15.4)	1,685	1,699	(0.8)

Note: the external sales of crude oil and natural gas in above table were self produced

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 the refineries owned by China Petrochemical Corporation ("Sinopec Group Company") and other customers. In the first half of 2007, turnover from crude oil and natural gas that were sold externally by the Exploration and Production Segment amounted to RMB 10.4 billion, representing an decrease of 14.7% compared with the first half of 2006, accounting for 1.8% of the Company's total turnover and other operating revenues. The change was mainly due to decreases in both external sales prices and volume of crude oil over the first half of 2006.

The Company's Refining Segment and Marketing and Distribution Segment sell petroleum products (mainly consisting of gasoline, diesel, jet fuel, kerosene (refined oil products) and other refined petroleum products) to third parties. In the first half of 2007, the external sales revenue of petroleum products by these two segments were RMB 357.2 billion, accounting for 63.0% of the Company's turnover and other operating revenues, representing an increase of 9.6% compared with that in the first half of 2006. The increase was mainly due to the increased prices of refined oil products and our proactive efforts in increasing sales volume, and expanding the markets of other refined petroleum products. The sales revenue of gasoline, diesel and kerosene was RMB 277.4 billion, accounting for 77.7% of the total turnover of petroleum products, representing an increase of 15.3% over the same period in 2006. The turnover of other refined petroleum products was RMB 79.8 billion, representing a decrease of 6.5% compared with the first half of 2006. This was mainly due to the expansion of production scale of the chemical segment and more refined petroleum products were supplied to chemical operations, resulting in a drop in external sales revenue of the refined petroleum products. The turnover of other refined petroleum products accounted for 22.3% of the total turnover of petroleum products.

The Company's external sales revenue of chemical products was RMB 104.6 billion, accounting for 18.5% of its turnover and other operating revenues, representing an increase of 21.4% compared with the first half of 2006. The increase was mainly due to the fact that the Company utilised the new production capacity resulting in higher sales volume.

5.6.2 Operating expenses

In the first half of 2007, the Company's operating expenses were RMB 513.5 billion, representing an increase of 12.4% over the first half of 2006. The operating expenses mainly consisted of the following:

Purchased crude oil, products and operating supplies and expenses were RMB 443.7 billion, representing an increase of 11.3% over the first half of 2006, accounting for 86.4% of the total operating expenses, of which: Purchased crude oil expenses were RMB 202.2 billion, representing a decrease of 2.6% over the first half of 2006. This was mainly due to the fact that the average cost for crude oil processed that was purchased externally in the first half of 2007 was RMB 3,446 per tonne (equivalent to USD 60.8 per barrel), representing a decrease of 7.0% compared with the first half of 2006 and the throughput of the Company's crude oil purchased externally was 58.68 million tonnes (excluding amounts processed for third parties), representing an increase of 4.7% compared with the same period in 2006. In the first half of 2007, the Company's other purchase expenses were RMB 241.5 billion, representing an increase of 26.6% over the first half of 2006. This was mainly due to the increased costs of purchased refined oil products and chemical feedstock externally.

Selling, general and administrative expenses totaled RMB 17.6 billion in the first half of 2007, representing an increase of 7.8% over the first half of 2006. This was mainly due to the increased operating leases charges, repair and maintenance expenses, and labour cost.

Depreciation, depletion and amortisation were RMB 19.3 billion, representing an increase of 20.0% compared with the first half of 2006. The increase was mainly due to the additions of fixed assets.

Exploration expenses were RMB 5.7 billion, representing an increase of 85.3% compared with the first half of 2006. This was mainly due to the increase in exploration and prospective research of marine facies-based area in northeast and west of Sichuan Province.

Personnel expenses were RMB 10.7 billion, representing an increase of 15.8% compared with the first half of 2006.

Employee reduction expenses were approximately RMB 150 million in the first half of 2007.

Taxes other than income tax were RMB 14.1 billion, representing an increase of 8.1% over the first half of 2006. The increase was mainly attributable to the increase in consumption tax due to the increased sales volume of gasoline and diesel, and the national policy of expanding tax scope of consumption tax and to the increase in city construction tax and education surcharge.

Other operating expenses (net) were RMB 2.2 billion, representing an increase of 1.7 billion compared with the first half of 2006. This was mainly due to the increase in impairment losses on long-lived assets and assets disposal.

5.6.3 Operating profit

In the first half of 2007, the Company's operating profit was RMB 53.3 billion, representing an increase of 55.1% over the first half of 2006.

5.6.4 Net finance costs

In the first half of 2007, the Company's net finance costs were RMB 3.6 billion, representing an increase of 22.7% compared with the first half of 2006, which was mainly due to the increase of interest expenses and the loss from changes in fair value of embedded derivative component of convertible bonds issued by the Company.

5.6.5 Profit before tax

In the first half of 2007, the Company's profit before tax was RMB 52.6 billion, representing an increase of 60.1% over the first half of 2006.

5.6.6 Taxation

In the first half of 2007, the Company's income tax was RMB 14.9 billion, representing an increase of 42.3% over the first half of 2006.

5.6.7 Profit attributable to minority interests

In the first half of 2007, the Company's profit attributable to minority interests were RMB 1.4 billion, representing an increase of 202.1% compared with the first half of 2006. This was mainly as a result of the increase in profits of some non-wholly owned subsidiaries such as Sionpec Shanghai Petrochemical Co.,Ltd. and Sinopec Fujian Petrochemical Co.,Ltd.

5.6.8 Profit attributable to equity shareholders of the Company

In the first half of 2007, the Company's profit attributable to equity shareholders of the Company was RMB 36.2 billion, representing an increase of 65.5% over the first half of 2006.

5.7 Use of the proceeds from share issue

5.7.1 Use of the proceeds from share issue

☐ applicable √ inapplicable

5.7.2 Change of projects

☐ applicable √ inapplicable

5.8 Business prospects and operating plan for the second half

√ applicable ☐ inapplicable

Looking into the second half of 2007, China's economy is expected to continue to grow rapidly, which will provide good external condition for expansion of the Company's total operation volume, but unfavorable factors influencing production, operation and economic returns remain outstanding, in particular the increasing pressure for guarantee of domestic market supply under circumstances where oil prices remain high. It is expected that international oil prices will fluctuate at high level in the second half of 2007, so the Company's Refining and Marketing segments remain to face considerable operational pressure. Due to the effects of high raw materials prices and other factors, prices of chemical products are expected to remain high.

Confronted with the complicated market situation, the Company will adopt active and effective measures to overcome difficulties and properly arrange various production and operation activities to ensure the production on a safe basis:

In Exploration and Production Segment, the Company will continue to focus on exploration of key projects, strengthen production and operation management, and properly manage the basis of stable production of mature oil fields; speed up development of the production capacity in new blocks such as Puguang and Tahe in the West China and strive to increase reserves and production volume. In the second half of 2007, the Company plans to produce 20.74 million tonnes of crude oil and 4.05 billion cubic meters of natural gas.

In Refining Segment, the Company will continue to keep the facilities operating at high load to guarantee the supply of refined oil products; properly organise production optimisation, rationally allocate crude oil processing volume and the proportion of inferior crude oil processing; and increase the production volume of high quality cracking raw materials to meet the demand for chemical production. The Company will also properly manage the sales of lubricating oil, asphalt, LPG, and petroleum coke, etc. In the second half of 2007, the Company plans to process 78.25 million tonnes of crude oil.

In Marketing and Distribution Segment, the Company will closely monitor the market trend, collect resources from various channels while making appropriate resource deployment. The modern logistics system will be brought into full play by optimising resource allocation. Operational management and sales structure will also be strengthened and optimised so as to improve economic returns. In the second half of 2007, the Company will target its total domestic sales volume of refined oil products at 59.08 million tonnes.

In Chemicals Segment, the Company will maintain safe and stable operation of the existing facilities. The product mix will also be optimised, and the linkage between production and sales will be strengthened to increase the production of high-end products of good quality, high technical content and excellent market competitiveness. In addition, the Company will fully leverage the specialised operation of the chemical sales company to improve its overall competitiveness. In the second half of 2007, the Company plans to produce 3.27 million tonnes of ethylene.

In the second half of 2007, the Company will continue to adhere to the operation guidelines featuring "reform, adjustment, management, innovation and development", work hard and aggressively, endeavoring to maintain the sound situation of production and operation, fulfill the annual production and operation targets in an all-around way and continue to realise its good performance.

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

☐ applicable √ inapplicable

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

☐ applicable √ inapplicable

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

☐ applicable √ inapplicable

§ 6 Significant events

6.1 Acquisition, sale of assets and assets reorganisation

6.1.1 Acquisition and purchase of assets

Counterparty of transaction or ultimate controlling party	Assets acquired or purchased	Date of acquisition	Acquisition price	Net profit contributed to the Company in the period from the date of acquisition to the end of the reporting period (applicable to merger of enterprises not controlled by the same entity)	Net profit contributed to the Company in the period from the beginning of this year to the end of the reporting period (applicable to the merger of enterprises not controlled by the same entity)	Connected transaction or not (If yes, explain the principle of price determination)	Whether the ownership of the related assets has been transferred or not	Whether liabilities of the related assets has been transferred or not
China Resources Enterprise, Ltd. ("China Resources Enterprise"), China Resources (Holdings) Co., Ltd. ("China Resources Holdings")	all 20 oil and gas stations and the petroleum product business (including gasoline, diesel, jet fuel, and fuel oil) owned by China Resources Enterprise located in Hong Kong and the Tsing Yi and Chai Wan oil depots of China Resources Holdings located in Hong Kong.	Date of execution: 19 April 2007 Date of completion: 30 June 2007	RMB5.06 billion	None (It is agreed in the acquisition agreement that the profit and loss occured before the date of completion on 30 June will be attributed to China Resources whereas profit and loss occured thereafter will be attributed to Sinopec Corp. Therefore, there is no acutal profit at the date of disclosure)	inapplicable	No	No	Yes

6.1.2 Disposition and sale of assets

☐ applicable √ inapplicable

6.1.3 Progress and impact on financial positon and operating results of the relevant event after the issue of asset reorgansation report or announcement of acquition and sale of assets

☐ applicable √ inapplicable

6.2 **Material guarantee contracts and status of implementation**

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

Obligor	Date of Occurrence (Date of Execution)	Guaranteed Amount RMB millions	Type of Guarantee	Term	Whether Completed	Whether for connected party (note1)
Shanghai Secco Petrochemical Co., Ltd.	9 February 2002	2,696	Joint and several liability	9 February 2002 - 20 December 2021	No	Yes
Shanghai Secco Petrochemical Co., Ltd.	9 February 2002	4,062	Joint and several liability	9 February 2002 - 20 December 2013	No	Yes
BASF-YPC Co., Ltd.	12 August 2004	4,445	Equity pledge	12 August 2004 - 31 December 2017	No	Yes
Yueyang Sinopec Shell Coal Gasification Co., Ltd.	10 December 2003	377	Joint and several liability	10 December 2003 - 10 December 2017	No	Yes
Fujian Zhangzhao Expressway Service Company Limited	21 January 2003	10	Joint and several liability	21 January 2003 - 31 October 2007	No	Yes
Shanghai Gaoqiao-SK Solvent Co., Ltd.	22 September 2006	20	Joint and several liability	22 September 2006 - 22 September 2011	No	Yes
Shanghai Gaoqiao-SK Solvent Co., Ltd.	24 November 2006	35	Joint and several liability	24 November 2006 - 24 November 2011	No	Yes
Shanghai Gaoqiao-SK Solvent Co., Ltd.	30 March 2007	11	Joint and several liability	30 March 2007 - 30 March 2012	No	Yes
Shanghai Gaoqiao-SK Solvent Co., Ltd.	16 April 2007	9	Joint and several liability	16 April 2007 - 16 April 2012	No	Yes
Balance of Guarantee by Yangzi Petrochemical for its associates and joint ventures		66			No	Yes
Balance of Guarantee by Shanghai Petrochemical for its associates and joint ventures		12			No	Yes
Total amount of guarantees provided during the reporting period (Note 2)						RMB 49 million
Total amount of guarantees outstanding at the end of the reporting period (Note 2)						RMB 11,743 million

Guarantees provided by Sinopec Corp. for its controlled subsidiaries	
Total amount of guarantees provided for its controlled subsidiaries during the reporting period	None
Total amount of guarantees for its controlled subsidiaries outstanding at the end of the reporting period	RMB 2,617 million
Total amount of guarantees provided by Sinopec Corp. (including those provided for its controlled subsidiaries)	
Total amount of guarantees (Note 3)	RMB 14,360 million
Total amount of guarantees as a percentage of Sinopec Corp.'s net assets	5.1%
Amount of guarantees provided for shareholders, effective controlling parties and connected parties	None
Amount of debt guarantees provided directly or indirectly for companies with liabilities to assets ratio of over 70%	RMB 177 million
Total amount of guarantees in excess of 50% of net assets	None
Sum of the above three guaranteed items (Note 4)	**RMB 177 million**

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

Note 2: Total amount of guarantees 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 aggregate of total amount of the external guarantees provided by each controlled subsidiary multiplied by Sinopec Corp.'s respective shareholding in the controlled subsidiary.

Note 3: Total amount of guarantees 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 total amount of guarantees for controlled subsidiaries outstanding at the end of the reporting period.

Note 4: "Sum of the above three guaranteed amounts" is the aggregate of "amount of guarantees provided for shareholders, effective controlling parties and connected parties", "amount of debt guarantees provided directly or indirectly for companies with liabilities to asset ratio of over 70%" and "total amount of guarantees in excess of 50% of net assets". Any guarantee qualifying under all three of the above conditions shall be counted once only.

6.3 **Non-operating funds provided between connected parties**

√ applicable ☐ inapplicable

Unit: RMB million

Connected Parties	Relation with Company	Fund to Connected Parties Net Fund	Fund to Connected Parties Balance	Fund from Connected Parties Net Fund	Fund from Connected Parties Balance
Sinopec Group Company	Controlling shareholder and its controlled entity	(182)	1,369	(2,469)	8,103
Other Connected Parties	Associates and jointly controlled entities	(58)	248	197	518
Total		(240)	1,617	(2,272)	8,621

Of the total non-operating funds, net fund provided by the Company to Sinopec Group Company during the reporting period was decreased by RMB182 million. The balance at the end of the reporting period was RMB 1.369 billion.

6.4 **Material litigation and arbitration**

☐ applicable √ inapplicable

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

√ applicable ☐ inapplicable

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

No.	Stock code	Abbreviation	Number of shares held	Shareholding Ratio	Initial Investment Cost	Accounting Item
1	384	China Gas Holdings	210 million	10.61%	HKD 128 million	Long-term equity investment
Other securities investment at end of the period			–	–	–	–
Total			–	–	–	–

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

Not applicable

6.5.3 Sichuan-to-East China Gas Project

The Sichuan-to-East China Gas Project was officially approved by the State Council on 9 April 2007. In addition, the project was listed as one of major projects during China's 11th Five-Year Plan period. The project consists of two parts, namely, the exploration, development, and gas processing project of Puguang Gas Field and the long-distance natural gas pipeline from Puguang Gas Field to Shanghai. The estimated total investment for the project is RMB 63.2 billion. The Internal Rate of Return of the project is more than 14% based on the estimation using current prices. According to the current exploration and development arrangement, it is expected that gas supply will commence by the end of 2008.

6.5.4 Qingdao refinery project

On 22 July 2004, the National Development and Reform Commission approved the Feasibility Study Report on Qingdao Refinery Project. The project has refining capacity of 10 million tpa. The construction of the project commenced in June 2005 and it is currently progressing smoothly. Commissioning is expected to take place in 2008.

6.5.5 Tianjin one million tpa ethylene project

Tianjin ethylene project with investment of about RMB 26 billion mainly consists of a 1 million tpa ethylene project and 12.5 million tpa refinery expansion and thermal power supporting facilities. The construction of the project commenced in June 2006 and is currently progressing smoothly. Mechanical completion is expected to take place at the end of 2009.

6.5.6 Zhenhai one million tpa ethylene project

Zhenhai ethylene project with investment of about RMB 21.9 billion mainly consists of a 1 million tpa ethylene project and downstream supporting facilities and auxiliary utilities. The construction of the project commenced in November 2006 and is currently progressing smoothly. Mechanical completion is expected to take place in the first half of 2010.

6.5.7 Fujian refinery & ethylene project and refined oil products marketing project

On 25 February 2007, Sinopec Corp., Fujian Province, Exxon Mobil and Saudi Aramco entered into a joint venture contract for the Fujian refinery & ethylene project. At the same time, Sinopec Corp., Exxon Mobil and Saudi Aramco also entered into a joint venture contract for the Fujian refined oil products marketing project. According to the Fujian refinery & ethylene joint venture plan, the capacity of the existing oil refinery in Quanzhou of Fujian will be expanded from 4 million tpa to 12 million tpa, and a 0.8 million tpa ethylene project and downstream facilities will be constructed. In addition, the project also includes the construction of crude oil wharves with handling capacity of 0.3 million tonnes and its auxiliary utilities. The project will be constructed with 50%, 25% and 25% of equity investments by Fujian Refinery & Chemicals Co., Ltd. (a company incorporated with 50% and 50% equity investments by Sinopec Corp. and Fujian Province respectively), Exxon Mobil and Saudi Aramco respectively. The project is planned to be completed by the beginning of 2009. With 55%, 22.5% and 22.5% of equity investments by Sinopec Corp., Exxon Mobil and Saudi Aramco respectively, the Fujian refined oil product marketing joint venture is planned to manage and operate approximately 750 service stations and a number of oil depots. On 15 March and 19 March 2007, the Ministry of Commerce approved the above joint venture contracts and the establishment of the two joint ventures, Fujian Refining and Petrochemical Ltd. and Sinopec SenMei (Fujian) Petroleum Ltd. respectively.

6.5.8 Merger by absorption of four subsidiaries formerly listed on A-share market

In 2006, Sinopec Corp. completed the tender offers for the acquisition of four subsidiaries formerly listed on A-share market, namely, Sinopec Qilu Petrochemical Co., Ltd. ("Sinopec Qilu"), Sinopec Yangzi Petrochemical Co., Ltd. ("Sinopec Yangzi"), Sinopec Zhongyuan Oil & Gas Hi-tech Co., Ltd. ("Zhongyuan Oil & Gas"), and Sinopec Shengli Oil Field Dynamic (Group) Co., Ltd. ("Sinopec Dynamic").

On 9 February 2007, Zibo Jiexu Chemical Ltd., Sinopec Yangzi Petrochemical Ltd, Henan Province Zhongpu Oil & Gas Technology Ltd., and Shengli Oil Field Haosheng Petrochemical Ltd, (collectively called "Shell Companies"), all of which are wholly-owned subsidiaries of Sinopec Corp., respectively entered into Agreements of Mergers by Absorption (the "Agreements") with Sinopec Qilu, Sinopec Yangzi, Zhongyuan Oil & Gas, and Sinopec Dynamic (collectively called "Delisted Subsidiaries"). According to the Agreements, the Delisted Subsidiaries should be merged with the corresponding Shell Companies, which should pay the appropriate amount of cash as merger consideration to the shareholders of the Delisted Subsidiaries other than Sinopec Corp., and increase capital as merger consideration to Sinopec Corp. The shareholders of the Shell Companies and the Delisted Subsidiaries respectively approved the mergers and the Agreements on 28 February 2007. The shareholders of all Delisted Subsidiaries except Sinopec Corp. received the appropriate amount of cash consideration on 20 March 2007.

6.5.9 Issuance of HKD 11.7 billion zero coupon convertible bonds in overseas market

On 24 April 2007, Sinopec Corp. issued HKD 11.7 billion zero coupon convertible bonds with a term of 7 years. The bonds are convertible into H shares of Sinopec Corp. at a price of HK$10.76 per share, representing a conversion premium of 50%. The net proceeds from the bond issuance were used to repay the foreign currency loans borrowed from domestic banks as "bridging loan" incurred in connection with the privatisation of the former Beijing Yanhua Petrochemical Co., Ltd. and the former Sinopec Zhenhai Refining & Chemical Co., Ltd., both of which were previously listed on the Hong Kong Stock Exchange before the privatisation by Sinopec Corp.

6.6 Dividend distribution for the year ended 31 December 2006

As approved at the 2006 Annual General Meeting of Sinopec Corp., a final cash dividend of RMB 0.11 (inclusive of tax) per share for 2006 was distributed, which amounted to a total cash dividend of RMB 9.537 billion. On 29 June 2007, Sinopec Corp. distributed the final dividend for 2006 to shareholders whose names appeared on the register of members of Sinopec Corp. on 15 June 2007.

For the year of 2006, total cash dividend of RMB 0.15 (inclusive of tax) per share was distributed and the total cash dividend amounted to RMB 13.005 billion.

6.7 Interim dividend distribution plan for the six-month period ended 30 June 2007

According to the Articles of Association of Sinopec Corp., the interim dividend distribution plan for the six-month period ended 30 June 2007 was approved at the fourteenth meeting of the Third Session of the Board of Directors. An interim cash dividend of RMB 0.05 (inclusive of tax) per share will be distributed based on the total number of shares of 86,702.439 million as at 30 June 2007. The total cash dividend amounts to RMB 4.335 billion.

The interim dividend will be distributed on or before Friday, 28 September 2007 to the shareholders whose names appear on the register of members of Sinopec Corp. on Tuesday, 18 September 2007.

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 Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration of transfer, by no later than 4:00pm on Tuesday, 11 September 2007. The register of members of the H shares of Sinopec Corp. will be closed from Wednesday, 12 September 2007, to Tuesday, 18 September 2007 (both dates inclusive).

Dividends will be denominated and declared in Renminbi. Dividends for domestic shares will be paid in Renminbi and dividends for foreign shares will be paid in Hong Kong dollars. The exchange rate for dividends to be paid in Hong Kong dollars is the average of the basic exchange rate of Hong Kong dollar to Renminbi published by the People's Bank of China during the week prior to the date of declaration of dividends, being Friday, 24 August 2007.

§ 7 Financial Statements

The followings are the financial statements of China Petroleum & Chemical Corporation ("the Company") and its subsidiaries ("the Group"), which are extracted from the audited interim financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises and International Financial Reporting Standards ("IFRS") with 2006 comparatives.

7.1 Auditors' opinion

Financial statements	☐ Unaudited	√ Audited
Auditors' opinion	√ Standard unqualified opinion	☐ Not Standard opinion

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

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

(1) Balance sheets

	At 30 June 2007		At 31 December 2006	
	The Group	The Company	The Group	The Company
	RMB millions	*RMB millions*	*RMB millions*	*RMB millions*
Assets				
Current assets				
Cash at bank and in hand	12,989	5,148	7,314	2,983
Bills receivable	9,067	2,951	8,375	2,760
Trade accounts receivable	26,711	13,771	15,910	8,832
Other receivables	11,300	11,854	9,500	8,443
Advance payments	10,681	11,211	5,245	4,393
Inventories	104,198	59,164	92,098	54,004
Other current assets	769	318	596	19
Total current assets	175,715	104,417	139,038	81,434
Non-current assets				
Long-term equity investments	24,408	110,475	23,218	129,257
Fixed assets	336,750	262,672	343,340	259,781
Construction in progress	71,755	61,435	52,724	41,010
Intangible assets	12,182	7,673	9,132	6,824
Goodwill	15,407	—	14,525	—
Long-term deferred expenses	4,226	3,169	4,752	3,279
Deferred tax assets	8,107	7,246	8,267	7,309
Other non-current assets	1,997	597	1,531	561
Total non-current assets	474,832	453,267	457,489	448,021
Total assets	650,547	557,684	596,527	529,455
Liabilities and shareholders' funds				
Current liabilities				
Short-term loans	31,440	8,852	31,197	15,851
Bills payable	20,372	16,105	21,685	16,265
Trade accounts payable	69,947	47,237	52,331	38,041
Receipts in advance	17,296	15,402	19,435	16,398
Staff costs payable	6,267	5,493	4,895	3,954
Taxes payable	16,620	13,057	14,274	11,933
Other creditors	41,797	53,613	35,349	45,047
Short-term debentures payable	2,000	—	11,885	9,885
Current portion of non-current loans	20,414	18,755	15,870	13,863
Total current liabilities	226,153	178,514	206,921	171,237

	At 30 June 2007		At 31 December 2006	
	The Group	The Company	The Group	The Company
	RMB millions	*RMB millions*	*RMB millions*	*RMB millions*
Non-current liabilities				
Long-term loans	87,215	76,591	97,137	87,945
Debentures payable	20,667	20,667	3,500	3,500
Provisions	5,648	5,158	5,310	4,842
Deferred tax liabilities	2,285	1,919	2,582	2,364
Other non-current liabilities	1,556	1,181	1,146	852
Total non-current liabilities	117,371	105,516	109,675	99,503
Total liabilities	343,524	284,030	316,596	270,740
Shareholders' funds				
Share capital	86,702	86,702	86,702	86,702
Capital reserve	37,216	37,922	37,046	37,922
Surplus reserves	61,777	61,777	59,329	59,329
Retained profits (Including cash dividend declared after the balance sheet date of RMB 4,335 million (2006: Proposed cash dividend of RMB 9,537 million))	97,756	87,253	74,816	74,762
Shareholders' funds attributable to equity shareholders of the Company	283,451	273,654	257,893	258,715
Minority interests	23,572	—	22,038	—
Total shareholders' funds	307,023	273,654	279,931	258,715
Total liabilities and shareholders' funds	650,547	557,684	596,527	529,455

(2) Income statements and profit appropriation statements

	Six-month periods ended 30 June 2007		Six-month periods ended 30 June 2006	
	The Group	The Company	The Group	The Company
	RMB millions	*RMB millions*	*RMB millions*	*RMB millions*
Operating income	566,830	408,967	491,171	338,488
Less: Cost of sales	465,105	330,838	418,594	280,081
Sales taxes and surcharges	14,144	11,996	12,918	10,626
Selling expenses	9,500	8,122	8,005	6,579
Administrative expenses	17,009	13,478	15,343	11,838
Financial expenses	2,696	2,256	2,917	2,177
Exploration expenses, including dry holes	5,717	5,715	3,085	3,063
Impairment losses	1,535	1,577	85	(5)
Fair value loss	897	897	—	—
Add: Investment income	2,817	1,671	1,417	7,250
Operating profit	53,044	35,759	31,641	31,379
Add: Non-operating income	169	111	132	54
Less: Non-operating expenses	749	580	591	446
Profit before taxation	52,464	35,290	31,182	30,987
Less: Income tax	16,107	10,814	9,892	9,875
Net profit	36,357	24,476	21,290	21,112
Attributable to:				
Equity shareholders of the Company	34,925	24,476	21,125	21,112
Minority interests	1,432	—	165	—
Basic and diluted earnings per share (RMB)	0.40		0.24	

7.2.2 Financial statements prepared under IFRS

(1) Consolidated income statement

	Six-month periods ended 30 June 2007 *RMB millions*	2006 *RMB millions*
Turnover and other operating revenues		
Turnover	554,342	480,113
Other operating revenues	12,488	11,108
	566,830	491,221
Operating expenses		
Purchased crude oil, products and operating supplies and expenses	(443,728)	(398,524)
Selling, general and administrative expenses	(17,595)	(16,323)
Depreciation, depletion and amortisation	(19,253)	(16,048)
Exploration expenses, including dry holes	(5,717)	(3,085)
Personnel expenses	(10,675)	(9,218)
Employee reduction expenses	(150)	(48)
Taxes other than income tax	(14,144)	(13,086)
Other operating expenses, net	(2,222)	(500)
Total operating expenses	(513,484)	(456,832)
Operating profit	53,346	34,389
Finance costs		
Interest expense	(3,804)	(3,282)
Interest income	368	243
Fair value loss on embedded derivative component of convertible bonds	(897)	—
Foreign exchange loss	(60)	(47)
Foreign exchange gain	800	157
Net finance costs	(3,593)	(2,929)
Investment income	650	140
Share of profits less losses from associates and jointly controlled entities	2,167	1,245
Profit before taxation	52,570	32,845
Taxation	(14,945)	(10,500)
Profit for the period	37,625	22,345
Attributable to:		
Equity shareholders of the Company	36,190	21,870
Minority interests	1,435	475
Profit for the period	37,625	22,345
Dividends payable to equity shareholders of the Company attributable to the period:		
Interim dividend declared after the balance sheet date	4,335	3,468
Basic and diluted earnings per share (RMB)	0.42	0.25

(2) **Consolidated balance sheet**

	At 30 June 2007 *RMB millions*	At 31 December 2006 *RMB millions*
Non-current assets		
Property, plant and equipment	350,988	352,857
Construction in progress	71,755	52,595
Goodwill	15,207	14,325
Investments	3,382	2,881
Interest in associates	12,893	11,617
Interest in jointly controlled entities	9,512	9,236
Deferred tax assets	8,479	7,127
Lease prepayments	6,240	2,574
Long-term prepayments and other assets	6,637	7,435
Total non-current assets	485,093	460,647
Current assets		
Cash and cash equivalents	9,686	6,679
Time deposits with financial institutions	3,303	635
Trade accounts receivable	26,711	15,910
Bills receivable	9,067	8,375
Inventories	104,170	92,080
Prepaid expenses and other current assets	24,237	18,751
Total current assets	177,174	142,430
Current liabilities		
Short-term debts	47,036	52,824
Loans from Sinopec Group Company and fellow subsidiaries	6,818	6,128
Trade accounts payable	69,947	52,331
Bills payable	20,372	21,685
Accrued expenses and other payables	74,581	68,373
Income tax payable	8,886	9,176
Total current liabilities	227,640	210,517
Net current liabilities	(50,466)	(68,087)

	At 30 June 2007 *RMB millions*	At 31 December 2006 *RMB millions*
Total assets less current liabilities	434,627	392,560
Non-current liabilities		
Long-term debts	70,592	61,617
Loans from Sinopec Group Company and fellow subsidiaries	37,290	39,020
Deferred tax liabilities	6,429	6,339
Other liabilities	7,204	795
Total non-current liabilities	121,515	107,771
	313,112	284,789
Equity		
Share capital	86,702	86,702
Reserves	202,912	176,143
Total equity attributable to equity shareholders of the Company	289,614	262,845
Minority interests	23,498	21,944
Total equity	313,112	284,789

7.3 Notes on the interim financial statements prepared under IFRS

7.3.1 Turnover

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

7.3.2 Taxation

Taxation in the consolidated income statement represents:

	Six-month periods ended 30 June 2007 *RMB millions*	2006 *RMB millions*
Current tax		
– Provision for the period	16,134	10,187
– Under-provision in prior years	249	240
Deferred taxation	(1,438)	73
	14,945	10,500

A reconciliation between actual tax expense and accounting profit at applicable tax rates is as follows:

	Six-month periods ended 30 June 2007 *RMB millions*	2006 *RMB millions*
Profit before taxation	52,570	32,845
Expected PRC income tax expense at a statutory tax rate of 33%	17,348	10,839
Tax effect of non-deductible expenses	302	383
Tax effect of non-taxable income	(1,078)	(660)
Tax effect of differential tax rate on business entities' income (Note)	(930)	(901)
Tax effect of tax losses not recognised for deferred tax	38	600
Under-provision in prior years	249	240
Tax credit for domestic equipment purchases	(500)	(1)
Effect of change in tax rate on deferred tax	(484)	—
Actual tax expense	14,945	10,500

Substantially all income before income tax and related tax expense is from PRC sources.

Note:

The provision for PRC current income tax is based on a statutory rate of 33% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain entities of the Group, which are taxed at a preferential rate of 15%.

7.3.3 Basic and diluted earnings per share

The calculations of basic and diluted earnings per share for the six-month period ended 30 June 2007 are based on the profit attributable to equity shareholders of the Company of RMB 36,190 million (2006: RMB 21,870 million) and the weighted average number of shares of 86,702,439,000 (2006: 86,702,439,000) in issue during the period.

For the six-month period ended 30 June 2007, diluted earnings per share is calculated on the same basis as basic earnings per share, since the effect of the convertible bonds was anti-dilutive.

7.3.4 Dividends

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

	Six-month periods ended 30 June 2007	2006
	RMB millions	*RMB millions*
Interim dividends declared after the balance sheet date of RMB 0.05 per share (2006: RMB 0.04 per share)	4,335	3,468

Pursuant to the Company's Articles of Association and a resolution passed at the Directors' meeting on 24 August 2007, the directors authorised to declare the interim dividends for the year ending 31 December 2007 of RMB 0.05 (2006: RMB 0.04) per share totalling RMB 4,335 million (2006: RMB 3,468 million). Interim dividend of RMB 4,335 million (2006: RMB 3,468 million) declared after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	Six-month periods ended 30 June 2007	2006
	RMB millions	*RMB millions*
Final dividends in respect of the previous financial year, approved and paid during the period of RMB 0.11 per share (2006: RMB 0.09 per share)	9,537	7,803

Pursuant to the shareholders' approval at the Annual General Meeting on 29 May 2007, a final dividend of RMB 0.11 per share totalling RMB 9,537 million in respect of the year ended 31 December 2006 was declared and paid on 29 June 2007.

Pursuant to the shareholders' approval at the Annual General Meeting on 24 May 2006, a final dividend of RMB 0.09 per share totalling RMB 7,803 million in respect of the year ended 31 December 2005 was declared and paid on 30 June 2006.

§ 8 Repurchase, Sales and Redemption of shares

Apart from the disclosures in 6.5.8 above, Sinopec Corp. or any of its subsidiaries have not repurchased, sold or redeemed any listed securities of Sinopec Corp. or its subsidiaries during the reporting period.

§ 9 Application of the Model Code

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

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

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

By Order of the Board
Chen Ge
Secretary to the Board of Directors

Beijing, the PRC, 24 August 2007

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

 # Executive Directors
** Non-executive Directors*
+ Independent Non-executive Directors