SINOPEC CORP. 2016 INTERIM REPORT

(Stock Code A Share : 600028 ; H Share : 0386 ; ADR : SNP)

CONTENTS

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 these forward-looking statements as a result of various factors and uncertainties. The Company makes the forward-looking statements referred to herein as at 26 August 2016 and, unless otherwise required by the relevant regulatory authorities, undertakes no obligation to update these statements.

IMPORTANT NOTICE: THE BOARD OF DIRECTORS (THE "BOARD") AND THE BOARD OF SUPERVISORS 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 CONTROLLING SHAREHOLDERS OF SINOPEC CORP. MR. WANG YUPU, CHAIRMAN OF THE BOARD, MR. DAI HOULIANG, VICE CHAIRMAN AND PRESIDENT, AND MR. WANG DEHUA, HEAD OF ACCOUNTING DEPARTMENT WARRANT THE AUTHENTICITY AND COMPLETENESS OF THE INTERIM FINANCIAL STATEMENTS CONTAINED IN THIS INTERIM REPORT. THE AUDIT COMMITTEE OF SINOPEC CORP. HAS REVIEWED THE INTERIM REPORT OF SINOPEC CORP. FOR THE PERIOD ENDED 30 JUNE 2016.

THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 OF SINOPEC CORP. AND ITS SUBSIDIARIES, PREPARED IN ACCORDANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ("ASBE") OF THE PEOPLES REPUBLIC OF CHINA ("PRC"), AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS"), HAVE BEEN AUDITED BY PRICEWATERHOUSECOOPERS ZHONG TIAN LLP AND PRICEWATERHOUSECOOPERS CERTIFIED PUBLIC ACCOUNTANTS RESPECTIVELY, AND BOTH FIRMS HAVE ISSUED STANDARD UNQUALIFIED OPINIONS ON THE INTERIM FINANCIAL STATEMENTS CONTAINED IN THIS INTERIM REPORT.

COMPANY PROFILE

Sinopec Corp. is one of the largest integrated energy and chemical companies in China. Its principal operations include the exploration and production, pipeline transportation and sale of petroleum and natural gas; the sale, storage and transportation of petroleum products, petrochemical products, coal chemical products, synthetic fibre and other chemical products; the import and export, including import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and research, development and application of technologies and information.

DEFINITIONS

In this interim report, unless the context otherwise requires, the following terms shall have the meaning set out below:
"Sinopec Corp.": China Petroleum & Chemical Corporation;
"Company": Sinopec Corp. and its subsidiaries;
"China Petrochemical Corporation": Our controlling shareholder, China Petrochemical Corporation;
"Sinopec group": China Petrochemical Corporation and its subsidiaries.
"CSRC": China Securities Regulatory Commission;
"HKEX": The Stock Exchange of Hong Kong Limited.
"Hong Kong Listing Rules": Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited

CONVERSIONS

For domestic production of crude oil, 1 tonne = 7.1 barrels, for overseas production of crude oil, 1 tonne = 7.22 barrels;
For production of natural gas, 1 cubic meter = 35.31 cubic feet;
Refinery throughput is converted at 1 tonne = 7.35 barrels.

BASIC INFORMATION

LEGAL NAME
中国石油化工股份有限公司

CHINESE ABBREVIATION
中國石化

ENGLISH NAME
China Petroleum & Chemical Corporation

ENGLISH ABBREVIATION
Sinopec Corp.

LEGAL REPRESENTATIVE
Mr. Wang Yupu

AUTHORISED REPRESENTATIVE
Mr. Dai Houliang
Mr. Huang Wensheng

SECRETARY TO THE BOARD
Mr. Huang Wensheng

REPRESENTATIVE ON SECURITIES MATTERS
Mr. Zheng Baomin

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Website: http://www.sinopec.com
E-mail:ir@sinopec.com

CHANGE OF INFORMATION DISCLOSURE MEDIA AND ACCESS PLACES
There was no change to Sinopec Corp.'s information disclosure media and access places during the reporting period.

PLACES OF LISTING OF SHARES, STOCK NAMES AND STOCK CODES
A Shares: Shanghai Stock Exchange
Stock name: 中國石化
Stock code: 600028

H Shares: Hong Kong Stock Exchange
Stock code: 0386

ADR: New York Stock Exchange
Stock code: SNP
London Stock Exchange
Stock code: SNP

REGISTRATION CHANGES DURING THE REPORTING PERIOD
There is no change of Sinopec Corp's registration during the reporting period.

1 FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH ASBE

(1) Principal accounting data

Items	Six-month periods ended 30 June **2016** **RMB million**	2015 RMB million	Changes over the same period of the preceding year (%)
Operating income	**879,220**	1,041,131	(15.6)
Net profit attributable to equity shareholders of the Company	**19,250**	24,456	(21.3)
Net profit attributable to equity shareholders of the Company excluding extraordinary gains and losses	**18,290**	23,431	(21.9)
Net cash flows from operating activities	**76,112**	67,095	13.4

Items	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million	Changes from the end of last year (%)
Total equity attributable to equity shareholders of the Company	**692,934**	677,538	2.3
Total assets	**1,432,624**	1,447,268	(1.0)

(2) Principal financial indicators

Items	Six-month periods ended 30 June **2016** **RMB**	2015 RMB	Changes over the same period of the preceding year (%)
Basic earnings per share	**0.159**	0.203	(21.7)
Diluted earnings per share	**0.159**	0.203	(21.7)
Basic earnings per share (excluding extraordinary gains and losses)	**0.151**	0.194	(22.2)
Weighted average return on net assets (%)	**2.81**	3.80	(0.99) percentage points
Weighted average return (excluding extraordinary gains and losses) on net assets (%)	**2.67**	3.65	(0.98) percentage points

(3) Extraordinary items and corresponding amounts:

Items	Six-month period ended 30 June 2016 (gain)/loss RMB million
Net gain on disposal of non-current assets	(7)
Donations	48
Gain on holding and disposal of various investments	(842)
Other extraordinary income and expenses, net	(609)
Subtotal	**(1,410)**
Tax effect	268
Total	**(1,142)**
Attributable to:	
Equity shareholders of the Company	(960)
Minority interests	(182)

2 FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH IFRS

(1) Principal accounting data

Items	Six-month periods ended 30 June **2016** **RMB million**	2015 RMB million	Changes over the same period of the preceding year (%)
Operating profit	**35,108**	40,496	(13.3)
Profit attributable to owners of the Company	**19,919**	25,423	(21.6)
Net cash generated from operating activities	**76,112**	67,095	13.4

Items	**As of 30 June 2016** **RMB million**	As of 31 December 2015 RMB million	Changes from the end of last year (%)
Total equity attributable to owners of the Company	**691,642**	676,197	2.3
Total assets	**1,432,624**	1,447,268	(1.0)

(2) Principal financial indicators

Items	Six-month periods ended 30 June **2016** **RMB**	2015 RMB	Changes over the same period of the preceding year (%)
Basic earnings per share	**0.165**	0.211	(21.8)
Diluted earnings per share	**0.165**	0.211	(21.8)
Return on capital employed (%)	**3.18**	3.52	(0.34) percentage points

1 CHANGES IN THE SHARE CAPITAL OF SINOPEC CORP.

During the reporting period, there was no change in the nature and number of shares of Sinopec Corp.

2 NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

As at 30 June 2016 there were a total of 683,549 shareholders of Sinopec Corp., of which 677,276 were holders of A shares and 6,273 were holders of H shares. The public float of Sinopec Corp. satisfied the minimum requirements under the Hong Kong Listing Rules.

(1) Top ten shareholders **Unit: share**

Name of Shareholders	Nature of shareholders	Percentage of shareholdings (%)	Total number of shares held	Changes of shareholdings[1]	Number of shares subject to pledge or lock-ups
China Petrochemical Corporation	State-owned share	70.86	85,792,671,101	0	0
HKSCC (Nominees) Limited[2]	H share	20.96	25,375,555,769	1,214,149	Unknown
中國證券金融股份有限公司	A share	1.46	1,767,995,801	3,163,488	0
中央匯金資產管理有限責任公司	A share	0.27	322,037,900	0	0
Hong Kong Securities Clearing Company Ltd	A share	0.15	184,177,901	107,244,669	0
工銀瑞信基金－工商銀行－特定客戶資產管理	A share	0.13	151,784,654	151,784,654	0
國泰君安證券股份有限公司	A share	0.11	132,487,106	(2,050,800)	0
中國工商銀行－上證50交易型開放式指數證券投資基金	A share	0.06	76,881,480	243,700	0
中國工商銀行股份有限公司企業年金計劃－中國建設銀行股份有限公司	A share	0.06	69,722,830	69,722,830	0
中國人壽保險股份有限公司－傳統－普通保險產品－005L-CT001滬	A share	0.05	65,725,768	65,725,768	0

Note:

1. As compared with the number of shares as at 31 December 2015.
2. Sinopec Century Bright Capital Investment Limited, a wholly-owned overseas subsidiary of China Petrochemical Corporation, holds 553,150,000 H shares, accounting for 0.46% of the total share capital of Sinopec Corp. which is included in the total number of shares held by HKSCC Nominees Limited.

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

Sinopec Corp. is not aware of any connected relationship or acting in concert among or between the above-mentioned shareholders.

(2) Information disclosed by H share shareholders in accordance with the Securities and Futures Ordinance as at 30 June 2016

Name of shareholders	Status of shareholders	Number of shares interests held or regarded as held	Approximate percentage of Sinopec Corp.'s issued share capital (H share) (%)
JPMorgan Chase & Co.	Beneficial owner	670,090,733(L)	2.63(L)
		80,000,138(S)	0.31(S)
	Investment manager	147,682,700(L)	0.58(L)
	Custodian corporation/Approved lending agent	1,175,388,643(L)	4.60(L)
Blackrock, Inc.	Interests of corporation controlled by the substantial shareholder	2,053,525,753(L)	8.05(L)
		108,000(S)	0.00(S)
Schroders Plc.	Investment manager	1,275,857,318(L)	5.00(L)
Citigroup Inc.	Interests of corporation controlled by the substantial shareholder	161,041,118(L)	0.63(L)
		171,882,989(S)	0.67(S)
	Custodian corporation/Approved lending agent	1,380,335,597(L)	5.41(L)
	Person having a security interest in shares	2,999,999(L)	0.01(L)

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

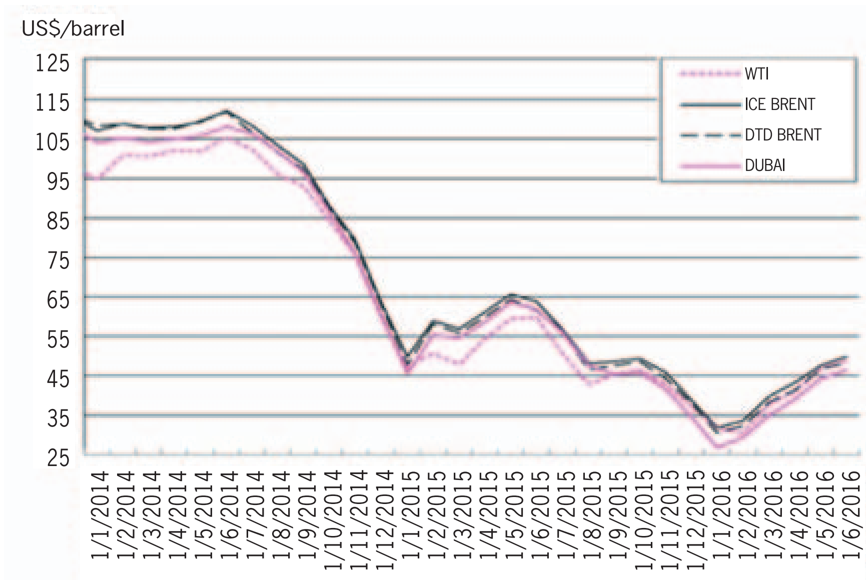
3 CHANGES IN THE CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER

There was no change in the controlling shareholder or the de facto controller of Sinopec Corp. during the reporting period.

BUSINESS REVIEW

The first half of 2016 saw weak global economic recovery. China's GDP grew by 6.7% year on year. The oil products pricing mechanism was further improved with the price floor put into place. Domestic consumption of oil products was up by 4.4%, driven by gasoline and kerosene consumption growth and partly offset by continuing decline in diesel consumption, showing continuous divergence in the consumption mix of oil products. Domestic consumption of major chemicals continued to grow. Ethylene equivalent consumption increased by 1.7% compared with the first half of 2015. Chemical prices were lower following decline in feedstock prices, but chemical products margin remains at high levels.

In the first half of 2016, international crude prices recorded a sharp decline from prices in the first half of 2015, and bottomed out during the period, with the average spot price of Platts Brent at USD 39.81 per barrel, 31.2% below the level in the same period last year.



Movement of International Crude Oil Prices

1 OPERATIONS REVIEW

(1) Exploration and production

To address the challenge of low oil prices, we effectively optimised exploration and development activities in the first half of this year. Our continuing efforts in exploration paid off with new oil discoveries in the Tahe of Xingjiang Autonomous Region, the Beibu Gulf off-shore in Guangxi and the Yin-E Basin in the Nei Mongol Autonomous Region and new natural gas findings in west Sichuan and the Erdos Basin. A strong focus was placed on the development of natural gas. Phase Two shale gas development project in Fuling Shale Gas field further facilitated our shale gas development. Production in the first half of 2016 was 218.99 million barrels of oil equivalent, of which domestic crude production was 128.38 million barrels, overseas crude production was 25.79 million barrels, and total gas production was 388.69 billion cubic feet. In production, we strengthened cost discipline, reduced high-cost oil production, and increased natural gas production.

Exploration and Production: Summary of Operations

	Six-month period ended 30 June 2016	2015	Changes (%)
Oil and gas production (mmboe)	218.99	232.95	(5.99)
Crude oil production (mmbbls)	154.17	174.07	(11.43)
China	128.38	147.47	(12.95)
Overseas	25.79	26.60	(3.05)
Natural gas production (bcf)	388.69	353.26	10.03

(2) Refining

In the first half of this year, we adjusted our product mix in response to sharp increase of throughput from independent refineries and ample market supply. We further optimised our oil product slate by increasing the production of gasoline, kerosene and light chemical feedstock and decreasing diesel-to-gasoline ratio to 1.17, reduced our crude purchasing costs, moderately increased refined oil products export and pressed ahead with oil products standards upgrading. Centralised marketing of the lubricant, LPG and asphalt businesses helped enhance the profitability of those products. In the first half of 2016, we processed 116 million tonnes of crude oil and produced 73.26 million tonnes of refined oil products, with production of gasoline and kerosene up by 3.74% and 3.36%, respectively, from levels in the first half of 2015.

Refining: Summary of Operations

	Six-month period ended 30 June 2016	2015	Changes (%)
Refinery throughput (million tonnes)	115.90	118.89	(2.51)
Gasoline, diesel and kerosene production (million tonnes)	73.26	74.75	(1.99)
Gasoline (million tonnes)	28.03	27.02	3.74
Diesel (million tonnes)	32.93	35.82	(8.07)
Kerosene (million tonnes)	12.30	11.90	3.36
Light chemical feedstock production (million tonnes)	19.37	19.07	1.57
Light yield (%)	76.61	76.69	(0.08) percentage points
Refining yield (%)	94.75	94.98	(0.23) percentage points

Note: Includes 100% of production of domestic joint ventures.

(3) Marketing and distribution

In the first half of 2016, we coordinated and optimised resources and took full advantage of the synergy between our fuel and non-fuel businesses, achieving growth in both total business volume and retail sales despite ample domestic fuel supply and strong competition in the market. In addition, we adjusted marketing efforts by increasing the retailing of premium products with high octane number. We further improved our product pipeline network, accelerated the building of service stations and optimised marketing network. The total sales volume of refined oil products in the first half of 2016 was up by 4.5% from the corresponding period last year to 97.17 million tonnes, of which domestic sales accounted for 86.51 million tonnes, up by 3.1%. Non-fuel business transaction was up by 43% from the first half of 2015 to RMB 18.5 billion owing to Internet+ marketing promotions and other measures.

Marketing and Distribution: Summary of Operations

	Six-month period ended 30 June 2016	2015	Change (%)
Total sales volume of refined oil products (million tonnes)	97.17	92.97	4.52
Total domestic sales volume of refined oil products (million tonnes)	86.51	83.92	3.09
Retail (million tonnes)	59.65	58.19	2.51
Direct sales and Distribution (million tonnes)	26.86	25.73	4.39
Annualised average throughput per station (tonne/station)	3,889	3,816	1.91

	As of 30 June 2016	As of 31 December 2015	Change from the end of last year (%)
Total number of Sinopec-branded service stations	30,688	30,560	0.42
Company-operated	30,675	30,547	0.42

(4) Chemicals

In the first half of this year, we continued to adjust the structure of our feedstock, products and facilities to address market changes and maximise profit. We further lowered the feedstock cost for ethylene, strengthened the integration among production, sales, product R&D and customer needs, and continuously optimised operations of our manufacturing facilities, which has achieved great results. Ethylene production for the first half of 2016 was 5.478 million tonnes, up by 0.38% from the corresponding period last year. We strengthened the R&D, production and marketing capabilities of new high value-added products, with the ratio of performance polymer reaching 58% and the differential ratio of synthetic fiber reaching 83.2%. We also focused on bettering customer services and enhancing customer loyalty. At the same time, we held firm to our strategies of low inventories and differentiated marketing. In the first half of 2016, total chemicals sales volume increased by 8.3% from the corresponding period last year to 32.82 million tonnes.

Major Chemical Products: Summary of Operations **Unit: thousand tonnes**

	Six-month period ended 30 June 2016	2015	Changes (%)
Ethylene	5,478	5,457	0.38
Synthetic resin	7,500	7,476	0.32
Synthetic fiber monomer and polymer	4,672	4,322	8.10
Synthetic fiber	637	638	(0.16)
Synthetic rubber	411	453	(9.27)

Note: Includes 100% of production of domestic joint ventures.

2. SAFETY MANAGEMENT AND ENVIRONMENTAL PROTECTION

Work safety has always been at the core of our operations and we continued to strengthen our safety management in the first half of 2016. We conducted special work to reduce safety risks in our oil and gas pipelines and tank farms, put protective measures in place to cope with strong rainfall and bad weather, spared no efforts to implement prevention & control measures, and realised safe production in general.

We strengthened our green and low-carbon strategy by intensifying our work in environmental protection, energy conservation and emissions control. We continued to advance our energy performance contract model and energy management system, defined the projects of our Energy Efficiency Doubling initiative, and completed our Clear Water, Blue Sky program. In the first half of 2016, energy intensity was down by 0.69%, chemical oxygen demand in discharged waste water was down by 7.88%, ammoniac nitrogen emissions were down by 3.96%, sulfur dioxide emissions were down by 6.88%, and NOx emissions were down by 3.02% from levels in the corresponding period last year, and all hazardous chemicals, discharged water, gas, and solid waste were properly treated.

3. CAPITAL EXPENDITURE

To address the changing business environment, we improved the decision-making mechanism for investments and focused on managing investment return and increasing growth quality and efficiency. In the first half of 2016 total capital expenditure was RMB 13.474 billion. Capital expenditure for the exploration and production segment was RMB 5.168 billion, mainly for Phase Two of shale gas development in Fuling, the LNG terminals in Guangxi and Tianjin, and Phase Two of the Jinan-Qingdao gas pipeline. Capital expenditure for the refining segment was RMB 2.774 billion, mainly for gasoline and diesel quality upgrading and refinery optimisation projects. Capital expenditure for the marketing and distribution segment was RMB 2.61 billion, mainly for renovations of service stations, refined oil products pipelines and depots and safety projects. Capital expenditure for the chemicals segment was RMB 2.44 billion, mainly for feedstock and product optimisation projects and coal chemical projects of East Ningxia project and Zhongtianhechuang project. Capital expenditure for corporate and others was RMB 482 million, mainly for R&D facilities and IT application projects.

BUSINESS PROSPECTS

China's economic growth is expected to be steady in the second half of 2016, which will drive the growth of domestic demand for refined oil products and petrochemical products. The consumption mix of oil products shall continue to change, and demand for chemical products shall be gradually going for more high-end products. Yet over-supply in the international oil market is likely to persist, and international oil prices will stay at a low level. The competitiveness of naphtha based chemicals will remain strong.

Against this background, we will spare no effort to expand our markets, optimise our operations, control costs, adjust asset structure and manage risks with the following focuses in each business segment:

We will maintain the level of input intensity in exploration and optimise planning of our exploration program to achieve high efficiency. For oil, we will strengthen progressive exploration and reservoir evaluation for oil projects to increase the quality of new projects and apply refined management over existing projects. For natural gas, we will speed up key capacity building projects, optimise production and sales, intensify reservoir assessment in west Sichuan and Northeast China, and press ahead with development of Fuling Shale Gas field. In the second half of 2016, we plan to produce 147 million barrels of crude oil, of which domestic production will account for 125 million barrels and overseas production will account for 22 million barrels. We plan to produce 421.2 billion cubic feet of natural gas during the period.

We will base our refining facility utilisation rates on market conditions, allocate crude resources and refining throughput according to profit margins and regional conditions, optimise our product slate to increase high value-added products, and emphasise technology R&D. We will continue to lower the diesel-to-gasoline ratio, upgrade the refined oil products' quality, increase clean fuel production and expand the sales volume of lubricants, LPG and asphalt. We plan to process 120 million tonnes of crude in the second half of this year.

We will focus on both sales volume and profits in marketing and distribution business, with profits as priority goals of operation. We will redouble efforts to expand our markets, increase our retail volume, optimise our sales structure, develop our automotive gas business by building and operating more CNG/LNG stations, and promote our non-fuel businesses by improving operations of convenience stores, adding new and specialty products and innovating our business model, and shall facilitate our transformation into a modern and comprehensive service provider. We plan to sell 84 million tonnes of refined oil products in domestic market in the second half of this year.

We will further optimise our chemical feedstock structure to further reduce cost of feedstock, and operations and intensify profit analysis and evaluation of our product value chain and facilities. Contribution to profit margins will determine the slate of production and utilisation of facilities, and we will strengthen optimisation of product mix, produce more new and high value-added products in accordance with market demand. We will strengthen the development and application of new products, and upgrade three major synthetic materials. We will also make further improvements to the marketing network and customer services by providing our customers with value-added services and integrated solutions. We plan to produce 5.56 million tonnes of ethylene in the second half of 2016.

In the second half of the year, we will remain focused on implementing the development plan for 2016 through 2020, transforming the pattern of growth, adjusting asset structure, upgrading asset quality and promoting sustainable growth to achieve solid business results.

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 FINANCIAL DATA, UNLESS OTHERWISE STATED, WERE ABSTRACTED FROM THE COMPANY'S AUDITED INTERIM FINANCIAL STATEMENTS THAT HAVE BEEN PREPARED ACCORDING TO IFRS.

1 CONSOLIDATED RESULTS OF OPERATIONS

In the first half of 2016, the Company's turnover and other operating revenues were RMB 879.2 billion, representing a decline of 15.6% year on year, and operating profit was RMB 35.1 billion, representing a decline of 13.3% year on year.

The following table sets forth the principal revenue and expenses items from the Company's consolidated financial statements for the first half of 2016 and the corresponding period in 2015:

	Six-month periods ended 30 June		
	2016	2015	Change
	RMB million		(%)
Turnover and other operating revenues	**879,220**	**1,041,131**	**(15.6)**
Turnover	856,796	1,022,449	(16.2)
Other operating revenues	22,424	18,682	20.0
Operating expenses	**(844,112)**	**(1,000,635)**	**(15.6)**
Purchased crude oil, products, and operating supplies and expenses	(615,419)	(770,998)	(20.2)
Selling, general and administrative expenses	(33,056)	(32,236)	2.5
Depreciation, depletion and amortisation	(49,105)	(46,295)	6.1
Exploration expenses, including dry holes	(4,730)	(6,031)	(21.6)
Personnel expenses	(29,063)	(26,719)	8.8
Taxes other than income tax	(112,831)	(119,889)	(5.9)
Other operating income, net	92	1,533	(94.0)
Operating profit	**35,108**	**40,496**	**(13.3)**
Net finance costs	(4,284)	(3,383)	26.6
Investment income and share of profit less losses from associates and joint ventures	4,697	4,221	11.3
Profit before taxation	**35,521**	**41,334**	**(14.1)**
Tax expense	(8,379)	(9,674)	(13.4)
Profit for the period	**27,142**	**31,660**	**(14.3)**
Attributable to:			
Owners of the Company	19,919	25,423	(21.6)
Non-controlling interests	7,223	6,237	15.8

(1) Turnover and other operating revenues

In the first half of 2016, the Company's turnover was RMB 856.8 billion, representing a decrease of 16.2% year on year. The change was mainly attributable to the decline of international crude oil price and petrochemical product prices as compared with the same period of last year.

The following table sets forth the external sales volume, average realised prices and respective change rates of the Company's major products in the first half of 2016 as compared with the first half of 2015.

	Sales Volume (thousand tonnes) Six-month periods ended 30 June			Average realised price (VAT excluded) (RMB/tonne, RMB/thousand cubic meters) Six-month periods ended 30 June		
	2016	2015	Change (%)	**2016**	2015	Change (%)
Crude oil	3,669	4,874	(24.7)	1,596	2,152	(25.8)
Natural gas (million cubic meters)	9,844	8,777	12.2	1,267	1,571	(19.4)
Gasoline	38,689	34,626	11.7	6,176	6,881	(10.2)
Diesel	46,260	46,714	(1.0)	4,273	5,133	(16.8)
Kerosene	12,241	11,410	7.3	2,497	3,594	(30.5)
Basic chemical feedstock	14,665	13,983	4.9	3,862	4,508	(14.3)
Synthetic fibre monomer and polymer	3,304	2,887	14.4	5,108	6,259	(18.4)
Synthetic resin	5,889	5,851	0.6	7,049	8,187	(13.9)
Synthetic fibre	666	689	(3.3)	6,949	8,046	(13.6)
Synthetic rubber	518	579	(10.5)	8,812	8,730	0.9

Most of the crude oil and a small portion of natural gas produced by the Company were internally used for refining and chemical production with the remaining sold to other customers. In the first half of 2016, the turnover from crude oil, natural gas and other upstream products sold externally amounted to RMB 23.0 billion, decreased by 20.9% year on year, accounting for 2.6% of the Company's turnover and other operating revenues. The change was mainly attributable to lower prices of crude oil and natural gas as well as declined external sales volume of crude oil under the Company's profit-oriented production plan with a focus on optimisation of crude oil production.

Petroleum products (mainly consisting of oil products and other refined petroleum products) sold by the Refining Segment and the Marketing and Distribution Segment achieved external sales revenues of RMB 538.6 billion, representing a decrease of 13.0% year on year and accounting for 61.3% of the Company's turnover and other operating revenues. Those changes were mainly due to the decline of downstream product prices driven by sharp drop of crude oil prices. The sales revenue of gasoline, diesel and kerosene was RMB 467.2 billion, representing a decrease of 10.0% year on year, accounting for 86.7% of the sales revenue of petroleum products. Sales revenue of other refined petroleum products was RMB 71.5 billion, representing a decline of 28.5% year on year, accounting for 13.3% of the sales revenue of petroleum products.

The Company's external sales revenue of chemical products was RMB 126.3 billion, representing a decrease of 10.8% year on year, accounting for 14.4% of its turnover and other operating revenues. The decreased sales revenue as a result of lower chemical product price was partly offset by the company's marketing effort in expanding market.

(2) Operating expenses

In the first half of 2016, the Company's operating expenses were RMB 844.1 billion, representing a decrease of 15.6% year on year. The operating expenses mainly consisted of the following:

Purchased Crude oil, products and operating supplies and expenses were RMB 615.4 billion, representing a decrease of 20.2% year on year, accounting for 72.9% of total operating expenses, of which:

- Crude oil purchasing expenses were RMB 163.1 billion, representing a decrease of 35.2% year on year. Throughput of crude oil purchased externally in the first half of 2016 was 85.88 million tonnes (excluding the volume processed for third parties), decreased by 4.4% year on year. The average cost of crude oil purchased externally was RMB 1,900 per tonne, decreased by 32.2% year on year.
- Other purchasing expenses were RMB 452.3 billion, decreased by 12.8% year on year. The change was mainly due to the decline of crude oil prices, which resulted in lower purchase prices of crude oil related petrochemical products.

Selling, general and administrative expenses of the Company totaled RMB 33.1 billion, representing an increase of 2.5% year on year. The change was mainly due to increased investment in R&D and intensified conversions of research outcomes into productivity. The R&D expense was up by RMB 1.2 billion year on year. Under the Company's cost-saving efforts, other expenses decreased as compared with the corresponding period of 2015.

Depreciation, depletion and amortisation expenses of the Company were RMB 49.1 billion, representing an increase of 6.1% year on year. This was mainly due to the continued investments in fixed assets.

Exploration expenses in the first half of 2016 were RMB 4.7 billion, representing a decrease of 21.6% year on year. This was mainly due to higher successful exploration rate and optimised deployment.

Personnel expenses were RMB 29.1 billion, representing an increase of 8.8 % year on year. The change was mainly attributable to the improvement of our recruitment system, resulting in transfer of part of remuneration related expense from selling, general and administrative expenses into personnel expenses.

Taxes other than income tax were RMB 112.8 billion, representing a decrease of 5.9% year on year. This was mainly due to declined domestic consumption of diesel, resulting in a decrease of sales volume of diesel from refineries as compared with the corresponding period of 2015, which cause a decrease of RMB 5.6 billion in consumption tax. The special oil income levy decreased by RMB 0.8 billion as a result of decreased prices of crude oil and natural gas.

(3) Operating profit

In the first half of 2016, the Company's operating profit was RMB 35.1 billion, representing a decrease of 13.3% year on year.

(4) Net finance costs

In the first half of 2016, the Company's net finance costs were RMB 4.3 billion, up by RMB 0.9 billion, representing an increase of 26.6% year on year, of which: foreign currency exchange losses amounted to RMB 0.48 billion due to RMB depreciation, compared with a net gain of RMB 0.16 billion in the corresponding period of 2015. After the implementation of exchange rate reform by People's Bank of China in 2015, the Company has adjusted its debt structure in time by gradually deleveraging its debt in foreign currencies. As of the end of this period, the Company had almost eliminated its foreign exchange rate risk exposure of debt in foreign currencies. Meanwhile, the Company took measures to hedge exchange risk of accounts payable with financial derivatives while relevant earnings were added into investment incomes, offsetting effects of currency fluctuations on the Company's performance.

(5) Profit before taxation

In the first half of 2016, the Company's profit before taxation amounted to RMB 35.5 billion, representing a decrease of 14.1% year on year.

(6) Tax expense

In the first half of 2016,the Company's tax expense totaled RMB 8.4 billion, down by 13.4% year on year.

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

In the first half of 2016, profit attributable to non-controlling shareholders was RMB 7.2 billion, up by RMB 1 billion, representing an increase of 15.8% year on year, This was mainly due to higher profitability of the Company's non-controlling subsidiaries in refining and chemicals segments.

(8) Profit attributable to Owners of the Company

In the first half of 2016, profit attributable to owners of the Company was RMB 19.9 billion, representing a decrease of 21.6 % year on year. The Company's upstream business suffered a wider loss year on year due to declined prices of crude oil and natural gas, however, profits from refining and marketing segments increased while performance of chemicals segment remained stable, demonstrating advantages of the Company's integrated business model.

2 DISCUSSION ON RESULTS OF SEGMENT OPERATION

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

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

	Operating revenues Six-month periods ended 30 June		As a percentage of consolidated operating revenues before elimination of inter-segment sales Six-month periods ended 30 June		As a percentage of consolidated operating revenues after elimination of inter-segment sales Six-month periods ended 30 June	
	2016	2015	**2016**	2015	**2016**	2015
	RMB million		(%)		(%)	
Exploration and Production Segment						
External sales*	26,347	32,419	1.9	1.9	3.0	3.1
Inter-segment sales	26,162	37,982	1.9	2.2		
Operating revenues	**52,509**	**70,401**	**3.8**	**4.1**		
Refining Segment						
External sales*	51,718	65,807	3.7	3.9	5.9	6.3
Inter-segment sales	345,251	419,928	24.4	24.6		
Operating revenues	**396,969**	**485,735**	**28.1**	**28.5**		
Marketing and Distribution Segment						
External sales*	499,687	563,999	35.4	33.1	56.8	54.2
Inter-segment sales	1,282	1,639	0.1	0.1		
Operating revenues	**500,969**	**565,638**	**35.5**	**33.2**		
Chemicals Segment						
External sales*	131,771	145,235	9.3	8.5	15.0	14.0
Inter-segment sales	17,415	22,409	1.2	1.3		
Operating revenues	**149,186**	**167,644**	**10.5**	**9.8**		
Corporate and Others						
External sales*	169,697	233,671	12.0	13.7	19.3	22.4
Inter-segment sales	143,119	182,119	10.1	10.7		
Operating revenues	**312,816**	**415,790**	**22.1**	**24.4**		
Operating revenue before elimination of inter-segment sales	**1,412,449**	**1,705,208**	**100.0**	**100.0**		
Elimination of inter-segment sales	**(533,229)**	**(664,077)**				
Consolidated operating revenues	**879,220**	**1,041,131**			**100.0**	**100.0**

*: Other operating revenues are included.

The following table sets forth the operating revenues, operating expenses and operating profit/(loss) by each segment before elimination of the inter-segment transactions for the periods indicated, and the percentage changes between the first half of 2016 and the first half of 2015.

	Six-month periods ended 30 June		
	2016	2015	Change
	RMB million		(%)
Exploration and Production Segment			
Operating revenues	52,509	70,401	(25.4)
Operating expenses	74,438	72,227	3.1
Operating loss	**(21,929)**	**(1,826)**	**1,100.9**
Refining Segment			
Operating revenues	396,969	485,735	(18.3)
Operating expenses	364,381	470,415	(22.5)
Operating profit	**32,588**	**15,320**	**112.7**
Marketing and Distribution Segment			
Operating revenues	500,969	565,638	(11.4)
Operating expenses	485,192	550,450	(11.9)
Operating profit	**15,777**	**15,188**	**3.9**
Chemicals Segment			
Operating revenues	149,186	167,644	(11.0)
Operating expenses	139,508	157,588	(11.5)
Operating profit	**9,678**	**10,056**	**(3.8)**
Corporate and others			
Operating revenues	312,816	415,790	(24.8)
Operating expenses	312,394	415,014	(24.7)
Operating profit	**422**	**776**	**(45.6)**
Elimination of inter-segment (loss)/profit	**(1,428)**	**982**	**—**

(1) Exploration and Production Segment

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

In the first half of 2016, operating revenues of the segment were RMB 52.5 billion, representing a decrease of 25.4% year on year. This was mainly due to lower sales prices of crude oil in line with international crude prices and decreased city-gate price of natural gas which was adjusted by the Chinese government in November 2015.

In the first half of 2016, the segment sold 18.54 million tonnes of crude oil, representing a decrease of 12.7%; and 10.57 billion cubic meters of natural gas, representing an increase of 11.4% year on year. The average realised sales prices of crude oil and natural gas were RMB 1,539 per tonne and RMB 1,275 per thousand cubic meters, representing decreases of 28.3% and 19.8% respectively year on year.

In the first half of 2016, the operating expenses of the segment were RMB 74.4 billion, representing an increase of 3.1% year on year. This was mainly due to an increase of RMB 2.5 billion in depreciation and depletion.

In the first half of 2016, the oil and gas lifting cost was RMB 744 per tonne, representing a decrease of 3.6% year on year, this was mainly due to the Company's strict control over costs and expenses.

Suffering from depressed prices of crude oil which was much lower than the same period of last year, the operating loss of this segment was RMB 21.9 billion in the first half of 2016, RMB 20.1 billion more losses compared with the same period of last year.

(2) Refining Segment

Business activities of the refining segment include purchasing crude oil from third parties and the exploration and production segment of the Company as well as processing crude oil into refined petroleum products. Gasoline, diesel and kerosene are sold internally to the marketing and distribution segment of the Company; part of the chemical feedstock is sold to the chemicals segment of the Company; and other refined petroleum products are sold to both domestic and overseas customers through the refining segment.

In the first half of 2016, operating revenues of the segment were RMB 397.0 billion, representing a decrease of 18.3% year on year. This was mainly attributable to sharply decreased prices of products.

The following table sets forth the sales volumes, average realised prices and the respective changes of the Company's major refined oil products of the segment in the first half of 2016 and of 2015.

	Sales Volume (thousand tonnes)			Average realised price (VAT excluded, RMB/tonne)		
	Six-month periods ended 30 June		Change	Six-month periods ended 30 June		Change
	2016	2015	(%)	**2016**	2015	(%)
Gasoline	26,010	25,264	3.0	5,704	6,376	(10.5)
Diesel	28,398	32,715	(13.2)	4,319	4,951	(12.8)
Kerosene	7,071	6,617	6.9	2,505	3,617	(30.7)
Chemical feedstock	17,766	18,093	(1.8)	2,394	3,164	(24.3)
Other refined petroleum products	27,545	25,516	8.0	2,338	3,102	(24.6)

In the first half of 2016, the sales revenues of gasoline were RMB 148.4 billion, representing a decrease of 7.9% year on year, accounting for 37.4% of the segment's operating revenue.

In the first half of 2016, the sales revenues of diesel were RMB 122.7 billion, representing a decrease of 24.3% year on year, accounting for 30.9% of the segment's operating revenue.

In the first half of 2016, the sales revenues of kerosene were RMB 17.7 billion, representing a decrease of 26.0% year on year, accounting for 4.5% of the segment's operating revenue.

In the first half of 2016, the sales revenues of chemical feedstock were RMB 42.5 billion, representing a decrease 25.7% year on year, accounting for 10.7% of the segment's operating revenue.

In the first half of 2016, the sales revenues of refined petroleum products other than gasoline, diesel, kerosene and chemical feedstock were RMB 64.4 billion, representing a decrease of 18.6% year on year, accounting for 16.2% of the segment's operating revenue.

In the first half of 2016, the segment's operating expenses were RMB 364.4 billion, representing a decrease of 22.5% year on year, which was mainly attributable to sharp decline of crude oil and other refining feedstock prices.

In the first half of 2016, the average cost of processed crude oil and other refining feedstock was RMB 1,966 per tonne, representing a decrease of 30.4% year on year. Total crude oil throughput was 108.78 million tonnes (excluding volume processed for third parties), representing a decrease of 4.1% year on year. In the first half of 2016, the total cost of crude oil and other refining feedstock processed was RMB 213.8 billion, representing a decrease of 33.3% year on year, accounting for 58.7% of the segment's operating expenses, a decrease of 9.4 percentage points year on year. The refining segment took full advantage of the drop in international crude oil price by closely monitoring commodity fluctuations and optimising purchasing portfolio. Hence, the procurement cost of crude oil was decreased effectively.

In the first half of 2016, the unit refining cash operating cost (defined as operating expenses less cost of crude oil and other refining feedstock, depreciation and amortisation, taxes other than income tax and other operating expenses, divided by the throughput of crude oil and other refining feedstock) was RMB 164.1 per tonne, representing an increase of 3.6% year on year, which was mainly attributable to declined throughput and rising operational expenses related to oil products quality upgrading.

In the first half of 2016, the refining margin (defined as sales revenues less crude oil and other refining feedstock costs and taxes other than income tax, divided by the throughput of crude oil and other refining feedstock) was RMB 514.4 per tonne, representing an increase of 47.9% year on year. The change was mainly attributable to refining segment's efforts in advancing oil products quality upgrading, optimising product mix, increasing high value-added products yield and expanding the market to increase the profitability of other refined oil products.

The segment improved its refining margin by advancing oil products quality upgrading and optimising product mix. In the first half of 2016, the segment realised an operating profit of RMB 32.6 billion, representing an increase of RMB 17.3 billion year on year.

(3) Marketing and Distribution Segment

The business activities of the marketing and distribution segment include purchasing refined oil products from the refining segment and the third parties, conducting direct sales and wholesale 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 2016, the operating revenues of the segment were RMB 501 billion, decreased by 11.4 % year on year. This was mainly due to declined prices of gasoline and diesel. The Company has actively expanded the sales volume, which has partially offset the effect of the declined prices.

In the first half of 2016, the sales revenues of gasoline were RMB 239.2 billion, representing an increase of 0.3% year on year; the sales revenue of diesel was RMB 198.2 billion, down by 17.7% year on year and the sales revenue of kerosene was RMB 30.6 billion, down by 25.4% year on year.

The following table sets forth the sales volumes, average realised prices and respective percentage changes of the segment's four major refined oil products in the first half of 2016 and 2015, including detailed information about retail, direct sales and wholesale of gasoline and diesel:

	Sales Volume (thousand tonnes) Six-month periods ended 30 June		Change	Average realised price (VAT excluded, RMB/tonne) Six-month periods ended 30 June		Change
	2016	2015	(%)	**2016**	2015	(%)
Gasoline	**38,806**	**34,661**	**12.0**	**6,165**	**6,880**	**(10.4)**
Retail	31,608	28,580	10.6	6,505	7,151	(9.0)
Direct sales and Wholesale	7,198	6,081	18.4	4,672	5,610	(16.7)
Diesel	**46,378**	**46,933**	**(1.2)**	**4,274**	**5,133**	**(16.7)**
Retail	23,119	24,961	(7.4)	4,898	5,677	(13.7)
Direct sales and Wholesale	23,259	21,972	5.9	3,653	4,515	(19.1)
Kerosene	**12,241**	**11,410**	**7.3**	**2,497**	**3,594**	**(30.5)**
Fuel oil	**11,201**	**12,164**	**(7.9)**	**1,476**	**2,496**	**(40.9)**

In the first half of 2016, the operating expenses of the segment were RMB 485.2 billion, representing a decrease of 11.9% year on year. This was mainly due to declined procurement costs of refined oil products. Meanwhile, the segment increased purchasing volumes from external sources.

In the first half of 2016, the segment's marketing cash operating cost (defined as the operating expenses less the purchase costs, taxes other than income tax, depreciation and amortisation, divided by the sales volume) was RMB 184 per tonne, representing an increase of 2.6% year on year. This was mainly due to increased investment in safety and environmental protection, increased gas stations' rents, higher maintenance expense and rental fee.

In the first half of 2016, due to higher retail ratio of high value-added and high octane number oil products and more external resources, the margin of oil product sales was increased. The segment's operating profit was RMB 15.8 billion, representing an increase of RMB 0.6 billion year on year.

(4) Chemicals Segment

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

In the first half of 2016, operating revenues of the chemicals segment were RMB 149.2 billion, representing a decrease of 11.0% year on year, which was mainly due to declined chemical products prices year on year.

The sales revenue generated by the segment's six major categories of chemical products (namely basic organic chemicals, synthetic fibre monomer and polymer, synthetic resin, synthetic fibre, synthetic rubber, and chemical fertiliser) totaled RMB 140.4 billion, representing a decrease of 11.6% year on year, accounting for 94.1% of the operating revenues of the segment.

The following table sets forth the sales volume, average realised price and respective changes of each of the segment's six categories of chemical products in for the first half of 2016 and 2015.

	Sales Volume (thousand tonnes) Six-month periods ended 30 June		Change	Average realised price (VAT excluded, RMB/tonne) Six-month periods ended 30 June		Change
	2016	2015	(%)	**2016**	2015	(%)
Basic organic chemicals	19,162	18,545	3.3	3,765	4,410	(14.6)
Synthetic fibre monomer and polymer	3,314	2,892	14.6	5,111	6,259	(18.3)
Synthetic resin	5,902	5,851	0.9	7,043	8,187	(14.0)
Synthetic fibre	666	689	(3.3)	6,949	8,046	(13.6)
Synthetic rubber	519	581	(10.7)	8,814	8,722	1.1
Chemical fertiliser	344	168	104.8	1,541	1,915	(19.5)

In the first half of 2016, the operating expenses of the segment were RMB 139.5 billion, representing a decrease of 11.5% year on year, which was mainly due to continuous optimisition of raw materials mix and efforts to reduce production costs.

The segment's operating profit in the first half of 2016 was RMB 9.7 billion, representing a decrease of 3.8% year on year.

(5) Corporate and Others

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

In the first half of 2016, the operating revenues generated from Corporate and Others were RMB 312.8 billion, representing a decrease of 24.8% year on year, of which, sales revenues from trading of crude oil, refined oil products and other products amounted to RMB 311.4 billion, which decreased by 24.8% year on year.

In the first half of 2016, the operating expenses for corporate and others were RMB 312.4 billion, representing a decrease of 24.7% year on year, of which, trading expenses of crude oil, refined oil products and other products generated by the trading subsidiaries of the Company amounted to RMB 308.3 billion, representing a decrease of 25.2% year on year.

In the first half of 2016, the segment's operating loss amounted to RMB 0.4 billion, of which, operating profit realised by the specialised subsidiaries such as trading companies was RMB 3.0 billion, R&D expenses and headquarters expenses totaled RMB 2.6 billion.

3 ASSETS, LIABILITIES, EQUITY AND CASH FLOWS

(1) Assets, liabilities and equity **Units: RMB million**

	As of 30 June 2016	As of 31 December 2015	Amount of Change
Total assets	1,432,624	1,447,268	(14,644)
Current assets	347,674	333,657	14,017
Non-current assets	1,084,950	1,113,611	(28,661)
Total liabilities	623,990	659,107	(35,117)
Current liabilities	445,396	462,832	(17,436)
Non-current liabilities	178,594	196,275	(17,681)
Total equity attributable to owners of the Company	691,642	676,197	15,445
Share capital	121,071	121,071	—
Reserves	570,571	555,126	15,445
Non-controlling Interests	116,992	111,964	5,028
Total equity	808,634	788,161	20,473

As of 30 June 2016, the Company's total assets were RMB 1,432.6 billion, representing a decrease of RMB 14.6 billion compared with that at the end of 2015, of which:

- Current assets were RMB 347.7 billion, representing an increase of RMB 14.0 billion compared with that at the end of 2015. As the international crude oil price at the end of June was higher than those in early 2016, accounts receivable increased by RMB 7.1 billion, inventory increased by RMB 3.8 billion and cash and cash equivalents increased by RMB 4.3 billion.
- Non-current assets were RMB 1,085.0 billion, representing a decrease of RMB 28.7 billion compared with that of the end of 2015. The change was mainly due to a decrease of RMB 25.5 billion of construction in progress which was affected by the decline of capital expenditure and transferring of construction in progress into fix assets.

As of 30 June 2016, the Company's total liabilities were RMB 624.0 billion, representing a decrease of RMB 35.1 billion compared with that at the end of 2015, of which:

- Current liabilities were RMB 445.4 billion, representing a decrease of RMB 17.4 billion compared with that at the end of 2015, of which, accrued expenses and other payables decreased by RMB 30.7 billion, short-term debts decreased by RMB 9.3 billion and accounts payable increased by RMB 21.2 billion.
- Non-current liabilities were RMB 178.6 billion, representing a decrease of RMB 17.7 billion compared with that at the end of 2015, of which, affected by USD 750 million bond's maturity and the transferring amount into one-year debt, long-term debts decreased by RMB 19.5 billion. Meanwhile, accrued liability increased by RMB 2 billion.

As of 30 June 2016, total equity attributable to owners of the Company was RMB 691.6 billion, representing an increase of RMB 15.4 billion compared with that of the end of 2015, which was mainly due to an increase of RMB 15.4 billion in reserves.

(2) Cash Flow

The following table sets forth the major items in the consolidated cash flow statements for the first half of 2016 and of 2015.

Units: RMB million

Major items of cash flows	Six-month periods ended 30 June **2016**	2015	Changes in amount
Net cash generated from operating activities	76,112	67,095	9,017
Net cash used in investing activities	(26,059)	(54,952)	28,893
Net cash (used in)/generated from financing activities	(45,930)	51,071	(97,001)
Net increase in cash and cash equivalents	4,123	63,214	(59,091)

In the first half of 2016, net cash generated from operating activities was RMB 76.1 billion, representing an increase of RMB 9.0 billion in cash inflow year on year. This was mainly due to the decrease of occupancy of working capital and the increase of depreciation, depletion and amortisation year on year.

In the first half of 2016, net cash used in investing activities was RMB 26.1 billion, representing a decrease of RMB 28.9 billion in cash outflow year on year. The change was mainly attributable to the decrease of capital expenditure and the increase of cash holdings, demonstrating the Company's prompt response to external changing operating environment.

In the first half of 2016, net cash used in financing activities was RMB 45.9 billion, compared with a cash inflow of RMB 51.0 billion the same period of last year. This was mainly due to the Company's abundant cash flow in the first half of the year, paying back RMB 30 billion matured interest bearing debts. Capital injection to Sinopec Marketing Company Limited contributed to the cash inflow in the corresponding period last year.

(3) Contingent Liabilities

Please refer to "Material Guarantee Contracts and Their Performances" in the "Significant Events" section of this report.

(4) Capital Expenditure

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

(5) Research & Development expenses

Research and Development expenses are identified as confirmed expenses which occurred in the reporting period. In the first half of 2016, the Company's research and development expenses amounted to RMB 3.11 billion.

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 149 in this report.

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

	Six-month periods ended 30 June **2016** **RMB million**	2015 RMB million
Operating income		
Exploration and Production Segment	52,509	70,401
Refining Segment	396,969	485,735
Marketing and Distribution Segment	500,969	565,638
Chemicals Segment	149,186	167,644
Corporate and Others	312,816	415,790
Elimination of inter-segment sales	(533,229)	(664,077)
Consolidated operating income	**879,220**	**1,041,131**
Operating profit/(loss)		
Exploration and Production Segment	(22,293)	(2,129)
Refining Segment	32,176	14,132
Marketing and Distribution Segment	15,056	14,421
Chemicals Segment	9,473	9,951
Corporate and Others	71	452
Elimination of inter-segment sales	(1,428)	982
Financial expenses, gain from changes in fair value and investment income	1,223	1,526
Consolidated operating profit	**34,278**	**39,335**
Net profit attributable to equity shareholders of the Company	**19,250**	**24,456**

Operating profit: In the first half of 2016, the operating profit of the Company was RMB 34.3 billion, representing a decrease of 12.9% year on year. This was mainly due to the increase of upstream operating loss caused by the sharp decline of crude oil prices.

Net profit: In the first half of 2016, net profit attributable to the equity shareholders of the Company was RMB 19.3 billion, representing a decrease of 21.3% year on year

(2) Financial data prepared under ASBE:

	At 30 June 2016 RMB million	At 31 December 2015 RMB million	Changes RMB million
Total assets	1,432,624	1,447,268	(14,644)
Non-current liabilities	177,245	194,871	(17,626)
Shareholders' equity	809,983	789,565	20,418

Total assets: As of 30 June 2016, the Company's total assets were 1,432.6 billion, representing a decrease of RMB 14.6 billion compared with that of the end of 2015, of which, affected by the decline of capital expenditure and transferring of construction in progress into fixed assets, construction in progress decreased by RMB 25.5 billion. In addition, fixed assets decreased by RMB 10.0 billion, accounts receivable increased by RMB 7.1 billion, long-term equity investment increased by RMB 4.4 billion, cash and cash equivalents increased by RMB 7.3 billion and inventory increased by RMB 3.8 billion.

Non-current liabilities: As of 30 June 2016, the Company's non-current liabilities were RMB 177.2 billion, decreased by RMB 17.6 billion from that at the end of 2015, of which, bonds payable decreased by RMB 17.6 billion.

Shareholders' equity: As of 30 June 2016, total shareholders' equity of the Company was RMB 810.0 billion, representing an increase of RMB 20.4 billion compared with that at the end of 2015, of which, retained earnings increased by RMB 11.9 billion, accumulated other comprehensive income increased by RMB 5.0 billion and minority interest increased by RMB 5.0 billion.

(3) The results of the principal operations by segments

Segments	Operating income (RMB million)	Operating cost (RMB million)	Gross profit margin* (%)	Increase/ (decrease) of operating income on a year-on-year basis (%)	Increase/ (decrease) of operating cost on a year-on-year basis (%)	Increase/ (decrease) of gross profit margin on a year-on-year basis (%)
Exploration and Production	52,509	58,612	(15.6)	(25.4)	7.1	(33.2)
Refining	396,969	244,163	11.1	(18.3)	(29.6)	6.1
Marketing and Distribution	500,969	458,309	8.3	(11.4)	(12.7)	1.3
Chemicals	149,186	128,197	13.5	(11.0)	(12.3)	1.9
Corporate and Others	312,816	307,713	1.6	(24.8)	(25.2)	0.6
Elimination of inter-segment sales	(533,229)	(531,801)	N/A	N/A	N/A	N/A
Total	**879,220**	**665,193**	**11.5**	**(15.6)**	**(18.9)**	**1.8**

*: Gross profit margin = (Operating income - Operating cost, tax and surcharges)/Operating income

1 CORPORATE GOVERNANCE

(1) During the reporting period, Sinopec Corp. has been committed to operating in compliance with requirements of domestic and overseas laws and regulations on securities and continuously improving its corporate governance. Sinopec Corp. further optimised the composition of the Board and relevant Board Committees and strengthened its internal control system. The independent non-executive directors fully performed their responsibilities and maintained effective communications with the management and external auditors. The investor relations and the quality of our information disclosure were further improved with a focus on investors' needs. Sinopec Corp. actively fulfilled its social responsibilities and participated in the UN Global Compact which had achieved great results.

(2) During the reporting period, none of Sinopec Corp., the Board, directors, supervisors, senior management, controlling shareholders or de facto controllers of Sinopec Corp. were under the investigation by CSRC or punished administratively or criticised publicly by CSRC, the Hong Kong Securities and Futures Commission, the Securities and Exchange Commission of the United States, or censured by Shanghai Stock Exchange, HKEX, the New York Stock Exchange or the London Stock Exchange.

(3) Equity Interests of Directors, Supervisors and Other Senior Management

As of 30 June 2016, apart from 13,000 A shares of Sinopec Corp. held by Vice President Mr. Ling Yiqun, none of the directors, supervisors or other senior management of Sinopec Corp. held any shares of Sinopec Corp.

During the reporting period, as required by the HKEX, all the directors of Sinopec Corp. have confirmed that they have complied with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). Save as disclosed above, none of the directors, supervisors and other senior management of Sinopec Corp. or their associates had any interests or short positions in the shares, underlying shares or debentures (including any interest or short position in shares that is regarded or treated as being held in accordance with the Securities and Futures Ordinance (the "Ordinance")) of Sinopec Corp. or any of its associated corporations (within the meaning of Part XV of the Ordinance), which would fall to be disclosed to Sinopec Corp. and the HKEX under Divisions 7 and 8 of Part XV of the Ordinance, or to be recorded in the register kept by Sinopec Corp. pursuant to the section 352 of the Ordinance, or as otherwise to be notified to the Sinopec Corp. and the HKEX pursuant to the Model Code. As required by the HKEX, Sinopec Corp. has adopted the Rules Governing Shares Held by Company Directors, Supervisors and Senior Management and Changes in Shares as well as the Model Code of Securities Transactions by Company Employees (together, the "Rules and the Code") to stipulate securities transaction performed by relevant employees. The terms of the Rules and the Code are no less exacting than the required standard set out in the Model Code. Upon specific inquiries by Sinopec Corp. of all the directors, each of them confirmed that they have complied with the required standards set out in the Model Code as well as those of the Rules and the Code during the reporting period.

(4) Compliance with the Corporate Governance Code

Based on its actual circumstance, Sinopec Corp. did not establish a Nomination Committee of the Board in accordance with A.5 of the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("Corporate Governance Code") contained in Appendix 14 of the Hong Kong Listing Rules. Sinopec Corp. is of the view that the nomination of the candidates for directorship by all members of the Board would be better suited in view of practical operation, therefore, the duties of the nomination committee set out in the Corporate Governance Code will be performed by the Board.

Save as disclosed above, during the reporting period, Sinopec Corp. has complied with the code provisions set out in the Corporate Governance Code.

(5) Review of the Interim Report

The Audit Committee of Sinopec Corp. has reviewed and agreed with the interim report.

2 DIVIDEND

(1) Dividend distribution for the year ended 31 December 2015

Upon its approval at the annual general meeting of the Sinopec Corp. for the year 2015, Sinopec Corp. distributed the final dividend of RMB 0.06 per share (tax inclusive). The final dividend for 2015 has been distributed to shareholders on and before 30 June 2016 who were registered as existing shareholders as at 23 June 2016. Combined with the 2015 interim dividend of RMB 0.09 per share (tax inclusive), the total cash dividend for the year 2015 amounted to RMB 0.15 per share (tax inclusive).

(2) Interim dividend distribution plan for the six-month ended 30 June 2016

As approved by the 8th meeting of the sixth session of the Board, the interim dividend for the six-month ended 30 June 2016 of RMB 0.079 per share (tax inclusive) will be distributed based on the total number of shares as of 20 September 2016 (the Record Date) in cash.

The Sinopec Corp's 2016 interim profit distribution proposal is in compliance with the Articles of Association and relevant procedures. The independent non-executive directors have issued independent opinions on it.

The interim cash dividend will be distributed on or before 30 September 2016 (Friday) to all shareholders whose names appear on the register of members of Sinopec Corp. on the record date of 20 September 2016 (Tuesday). To be entitled to the interim dividend, holders of H shares shall lodge their share certificate(s) and transfer documents with Hong Kong Registrars Limited at 1712-1716, 17th floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong, for registration of transfer, no later than 4:30 p.m. on 12 September 2016 (Monday). The register of members of the H shares of Sinopec Corp. will be closed from 13 September 2016 (Tuesday) to 20 September 2016 (Tuesday) (both dates inclusive).

The dividend will be denominated and declared in Renminbi (RMB), and distributed to domestic and Shanghai-Hong Kong Stock Connect shareholders in RMB and to foreign shareholders in Hong Kong Dollar. The exchange rate for dividend to be paid in Hong Kong dollars is based on the average benchmark exchange rate of RMB against Hong Kong dollar as published by the People's Bank of China one week preceding the date of declaration of the interim dividend, being 26 August 2016 (Friday).

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, Sinopec Corp. is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H Shares of Sinopec Corp. when distributing the cash dividends to them. Any H Shares of the Sinopec Corp. registered not under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organisations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, enterprise income tax shall be withheld from dividends payable to such shareholders. If holders of H Shares intend to change their shareholder status, they should enquire about the relevant procedures with their agents or trustees. Sinopec Corp. will withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares of Sinopec Corp. as at the Record Date in accordance with the laws or the requirements of relevant government anthorities.

If the individual holders of the H shares who are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for cash dividends to them with China under relevant tax agreement, Sinopec Corp. should withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. Should the individual holders of the H Shares are residents of the countries which had an agreed tax rate of less than 10% with China under relevant tax agreement, Sinopec Corp. shall withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. In that case, if the relevant individual holders of the H Shares wish to reclaim the extra amount withheld (the "Extra Amount") due to the application of 10% tax rate, Sinopec Corp. can apply for the relevant agreed preferential tax treatment provided that the relevant shareholders submit the evidence required by the notice of the tax agreement to the share register for H shares of Sinopec Corp. Sinopec Corp. will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of the H Shares are residents of the countries which had an agreed tax rate of over 10% but less than 20% with China under the tax agreement, Sinopec Corp. shall withhold and pay the individual income tax at the agreed actual rate in accordance with relevant tax agreements. In the case that the individual holders of the H Shares are residents of the countries which had an agreed tax rate of 20% with China, or which has not entered into any tax agreement with China, or otherwise, Sinopec Corp. shall withhold and pay the individual income tax at a rate of 20%.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No. 81):

For domestic investors investing in the H Shares of Sinopec Corp. through Shanghai-Hong Kong Stock Connect, Sinopec Corp. shall withhold and pay income tax at the rate of 20% on behalf of individual investors and securities investment funds. Sinopec Corp. will not withhold or pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A Shares of Sinopec Corp. through Shanghai-Hong Kong Stock Connect, the Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the tax authorities for the withholding. For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with China stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

3 CORE COMPETITIVENESS ANALYSIS

The Company is a large scale integrated energy and petrochemical company with upstream, mid-stream and downstream operations with large economic scale and competitive strength. In respect of refining capacity, it ranks first in China and second globally. Equipped with a well-developed refined oil products sales network in China, the Company is the largest supplier of refined oil products in China. In terms of ethylene production capacity, the Company also ranks the first in China and fourth globally, and has a well-established marketing network for chemical products.

The integrated business structure of the Company carries strong advantages in synergy among its various business segments, enabling the Company to continuously tap onto potentials in attaining an efficient and comprehensive utilisation of its resources, which endowed the Company with strong resistance against risks, as well as remarkable capabilities in sustaining profitability.

The Company enjoys a favorable positioning with its operations located close to the consumer markets. Along with the steady growth of Chinese economy, sales volume of both refined oil products and chemical products of the Company has been increasing steadily over the years; through continuous and specialised marketing efforts, the Company's capability in international operations and market expansion has been further enhanced.

The Company owns a team of professionals and expertise engaged in the production of oil and gas, operation of refineries and chemical plants, as well as marketing activities. The Company applies outstanding fine management measures with its remarkable capabilities in management of operations, and enjoys a favorable operational cost advantage in its downstream businesses.

The Company has formulated a well-established science and technology system and mechanism, and owns competent teams specialised in scientific research covering a wide range of subjects; the four platforms for technology advancement are taking shape, which includes exploration and development of oil and gas, refining, chemicals and strategic emerging technologies. With its overall technologies reaching state of the art level in the global arena, and some of them taking the lead globally, the Company enjoys strong capability for technical innovations.

The Company always attaches great importance to fulfilling social responsibilities, and carries out the green and low carbon development strategy to pursue a sustainable development. Moreover, the Company enjoys an outstanding brand name, plays an important role in the economy and is a renowned and reputable company in China.

4 CORPORATE BONDS ISSUED AND INTEREST PAYMENTS

Basic information of corporate bonds

Bond name	Sinopec Corp. 2010 Corporate bond	Sinopec Corp. 2012 Corporate bond		Sinopec Corp. 2015 Corporate bond (first issue)	
Abbreviation	10石化02	12石化01	12石化02	15石化01	15石化02
Code	122052	122149	122150	136039	136040
Issuance date	21 May 2010	1 June 2012		19 November 2015	
Maturity date	21 May 2020	1 June 2017	1 June 2022	19 November 2018	19 November 2020
Amount issued (RMB billion)	9	13	7	16	4
Outstanding balance (RMB billion)	9	13	7	16	4
Interest rate (%)	4.05	4.26	4.90	3.3	3.7
Principal and interest repayment	Simple interest is calculated and paid on an annual basis without compounding and overdue interests. The principal will be paid at maturity with last installment of interest.				
Payment of interests	Sinopec Corp. had paid in full the current period interest of "10石化02"、"12石化01"和"12石化02"during the reporting period.				
Investor Suitability Issue	"15石化01" and "15石化02" were issued to qualified investors in accordance with the requirements of the Measures for the Administration of Corporate Bond Issuance and Trading.				
Listing place	Shanghai Stock Exchange				
Corporate bonds trustee	China International Capital Corporation Limited				
	27th-28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing				
	Huang Xu, Zhai Ying				
	(010) 6505 1166				
Credit rating agency	United Credit ratings Co., Ltd.				
	12th Floor, PICC building, No.2 Jianguomenwai Avenue, Chaoyang District, Beijing				
Use of proceeds	Proceeds for the above-mentioned corporate bonds have been used for their designated purposes disclosed in the relevant announcements. As of 30 June 2016, all the proceeds have been completely used.				
Performance of credit rating agency	During the reporting period, United Credit ratings Co., Ltd. provided continuing credit rating for "10石化02"、"12石化01"、"12石化02"、"15石化01" and "15石化02" and reaffirmed AAA credit rating. The long term credit rating remained as AAA and rating outlook of Sinopec Corp. is stable.				
Credit addition mechanism, repayment scheme and other relative events for corporate bonds during the reporting period	During the reporting period, there is no credit addition mechanism and change of the repayment arrangement for the above-mentioned corporate bonds. Sinopec Corp. strictly followed the provisions of the corporate bond prospectus to repay principals and interests of the corporate bonds.				
Convening of corporate bond holders' meeting	During the reporting period, the bondholders' meeting has not been convened.				
Performance of corporate bonds trustee	During the durations of the above-mentioned bonds, the bond trustee, China International Capital Corporation Limited, has strictly followed the Bond Trustee Management Agreement and continuously tracked the Company's credit status, utilisation of bond proceeds and repayment of principals and interests. The bond trustee has also advised the Company to fulfill obligations as described in the corporate bond prospectus and actively exercised its duty to protect the bondholders' legitimate rights and interests. The bond trustee has disclosed the last year's Trustee Report. The full disclosure will be available on the website of Shanghai Stock Exchange (http://www.sse.com.cn)				

Principal accounting data and financial indicators as of 30 June 2016

Principal data	As of 30 June 2016	As of 31 December 2015	Change	Reasons for change
Current ratio	0.78	0.72	0.06	Mainly due to the improvement of cash flow and decrease of short-term debts
Quick ratio	0.45	0.41	0.04	Mainly due to the decrease of short-term debts
Liability-to-asset ratio	43.46%	45.44%	(1.98) percentage point	Mainly due to the decrease of interest-bearing debts
Loan repayment rate	100%	100%	—	

	Six-month period ended 30 June 2016	2015	Change	Reasons for change
EBITDA-to-interest coverage ratio	17.43	20.45	(3.02)	Mainly due to the increase of interest expense
Interest payment rate	100%	100%	—	

During the reporting period, Sinopec Corp. paid in full the interest accrued for the other bonds and debt financing instruments. As of 30 June 2016, the Company has obtained the standby credit line from several domestic financial institutions. The cap for the total amount of unsecured loan was RMB 334.6 billion. During the reporting period, Sinopec Corp. fulfilled relevant undertakings in the prospectus of corporate bonds and Sinopec Corp. had no significant matters which could have a material impact on the Company's operation and repayment ability.

On 18 April 2013, Sinopec Capital (2013) Limited, a wholly-owned overseas subsidiary of Sinopec Corp., issued senior notes guaranteed by the Company with four different maturities, 3 years, 5 years, 10 years and 30 years. The 3-year notes principal totaled USD 750 million, with an annual interest rate of 1.250%; the 5-year notes principal totaled USD 1 billion, with an annual interest rate of 1.875%; the 10-year notes principal totaled USD 1.25 billion, with an annual interest rate of 3.125%; and the 30-year notes principal totaled USD 500 million, with an annual interest rate of 4.250%. These notes were listed on the HKEX on 25 April 2013, with interest payable semi-annually. The first interest was paid on 24 October 2013. During the reporting period, Sinopec Corp. has paid in full the interest and principal of notes with maturity of 3 years and current-period interests of all the notes with maturity of 5 years, 10 years and 30 years.

5 CAPITAL INTRODUCTION FOR INVESTMENT IN SICHUAN-TO-EAST CHINA GAS PIPELINE PROJECT

On 2 August 2016, the 7th meeting of sixth session of the Board of Sinopec Corp. considered and approved the proposal to introduce capital to invest in Sichuan-to-East China gas pipeline project, and agreed to take Sinopec Sichuan to East China Gas Pipeline Co., Ltd. (the "Pipeline Company") as the platform to introduce capital publicly (the "Capital Introduction"). Upon the completion of the Capital Introduction, Sinopec Corp. will hold 50% equity interests of the Pipeline Company.

6 THE INCREASED SHAREHOLDINGS OF SINOPEC CORP.'S A SHARE BY CHINA PETROCHEMICAL CORPORATION

On 8 July 2015, Sinopec Corp. was informed by China Petrochemical Corporation that, China Petrochemical Corporation proposed to increase its shareholding in Sinopec Corp. through acquisitions of Sinopec Corp.'s shares on the secondary market in its own name or through other concerting parties within 12 months commencing on 8 July 2015 (the "Increase Period"). The aggregate of such acquisition(s) will not exceed 2% of the total issued share capital of the Company ("the "Shareholding Increase"). Before the Shareholding Increase, China Petrochemical Corporation directly and indirectly held 86,273,821,101 shares of Sinopec Corp., representing approximately 71.26% of the total issued share capital of Sinopec Corp.

On 7 July, 2016, Sinopec Corp. was informed by China Petrochemical Corporation that the Shareholding Increase had been completed and the aggregate amount of the increased A shares of Sinopec Corp. by China Petrochemical Corporation was 72,000,000, representing 0.06% of the total issued share capital of Sinopec Corp. After the Shareholding Increase, China Petrochemical Corporation directly and indirectly held approximately 71.32% of the total issued share capital of Sinopec Corp. During the Increase Period, China Petrochemical Corporation had not reduced its shareholding in Sinopec Corp.

7 MAJOR PROJECTS

(1) Fuling Shale Gas Project

In accordance with the guidance of "overall deployment and stage-wise implementation", the first phase of production capacity building of 5 billion cubic meters per year was completed in 2015 and the second phase of production capacity rolling evaluation of 5 billion cubic meters per year has been officially launched in 2016. As of 30 June 2016, 219 wells were put into operation and 5.68 billion cubic meters per year production capacity was built.

(2) Guangxi LNG project

The Guangxi LNG project mainly consists of the construction of one wharf and one terminal designated for LNG with a receiving capacity of 3 million tonnes per year and auxiliary transportation pipelines for natural gas. It was completed and put into operation in April 2016.

(3) Tianjin LNG project

The Tianjin LNG project consists mainly of the construction of one wharf and one terminal designated for LNG with a receiving capacity of 3 million tonnes per year and auxiliary transportation pipelines for natural gas. It is expected to be completed and put into operation in the 4th quarter of 2016.

8 CONNECTED TRANSACTIONS IN THE REPORTING PERIOD

Sinopec Corp. and China Petrochemical Corporation entered into a number of agreements with respect to continuing connected transactions, including the mutual supply agreement, the community services agreement, the land use rights leasing agreement, the properties leasing agreement, the intellectual property license agreement and safety production insurance fund document.

Pursuant to the above-mentioned agreements on continuing connected transactions, the aggregate amount of the connected transactions of the Company during the reporting period was RMB 108.19 billion. Among the expenses, purchases amounted to RMB 78.172 billion, representing 8.98% of the total amount of this type of transaction for the reporting period, including purchases of products and services (procurement, storage, exploration and development services, and production-related services) of RMB 68.979 billion, auxiliary and community services of RMB 3.169 billion, housing rent of RMB 0.16 billion, rent for use of land of RMB 5.264 billion, and interest expenses of RMB 0.6 billion. Sales amounted to RMB 30.018 billion, representing 3.32% of the total amount of this type of transaction for the reporting period, including RMB 29.906 billion for sales of products and services, RMB 14 million for agency commission income, and RMB 98 million for interest income.

9 FUNDS PROVIDED BETWEEN RELATED PARTIES

Unit: RMB million

Related Parties	Relations	Funds to related parties			Funds from related parties		
		Balance at the beginning of the period	Amount incurred	Balance at the end of the period	Balance at the beginning of the period	Amount incurred	Balance at the end of the period
Sinopec Group	Parent company and its subordinate companies *	20,485	(2,266)	18,219	26,669	(9,343)	17,326
Other related parties	Associates and the joint ventures	5,472	(3,300)	2,172	174	(16)	158
Total		**25,957**	**(5,566)**	**20,391**	**26,843**	**(9,359)**	**17,484**

Fund from the Company to the controlling shareholder and its subordinate companies in the reporting period	(2,266)
Balance of fund from the Company to the controlling shareholder and subordinate companies	18,219
Reason for provision of funds between related parties	Loans and other accounts receivable and accounts payable
Payment of funds provided between related parties	Implemented according to the contract without any overdue
Related undertakings in accordance with the funds	None
Impacts on operating results and financial position	No material negative impact

*: Subordinate companies include subsidiaries, joint ventures and associates.

10 SIGNIFICANT LITIGATION, ARBITRATION OR MATTERS DRAWN MEDIA'S NEGATIVE ATTENTION RELATING TO SINOPEC CORP.

No significant litigation, arbitration or matter drawn media's negative attention relating to Sinopec Corp. during the reporting period.

11 OTHER SIGNIFICANT CONTRACT

Save as disclosed by Sinopec Corp., there has been no significant contract which was performed during the reporting period.

12 ASSET TRANSACTION

There has been no significant asset transaction which was performed during the reporting period.

13 ENTRUSTED CASH ASSETS MANAGEMENT

Sinopec Corp. has no entrusted asset management which should be disclosed during the reporting period.

14 ENTRUSTMENT LOANS

Borrowers	Amount (RMB million)	Term	Interest rate	Purpose	Mortgage or guarantor	Whether overdue or not	Whether connected transaction or not	Whether roll-over or not	Whether involved in lawsuit or not	Major funding source	Connected relationship	Expected return	Gain or loss
Ningbo Gaotou Petroleum Development, Ltd.	200	5 years	6.00%	Working capital loan	None	No	No	No	No	Self-owned fund, non-raising fund	Joint venture	6.00%	Gain
Maoming-BASF, Ltd.	600	5 years	4.75%	Project construction	None	No	No	No	No	Self-owned fund, non-raising fund	Joint venture	4.75%	Gain

15 OTHER INVESTMENT AND FINANCE AND DERIVATIVE INVESTMENT

Sinopec Corp. has no other investment, asset management or derivative investment which should be disclosed during the reporting period.

16 DEPOSITS AT SINOPEC FINANCE CO., LTD AND SINOPEC CENTURY BRIGHT CAPITAL INVESTMENT LTD.

During the reporting period, the deposit of the Company in Sinopec Finance Co., Ltd. ("Finance Company") and Sinopec Century Bright Capital Investment Ltd. ("Century Bright Company") was strictly in compliance with the cap as approved at the general meeting of shareholders. During daily operations, the deposits of Sinopec Corp. in the Finance Company and Century Bright Company can be fully withdrawn for the Company's use.

17 MATERIAL GUARANTEE CONTRACTS AND THEIR PERFORMANCE

Unit: RMB million

Guarantor	Relationship with the Company	Name of guaranteed company	Amount	Transaction date (date of signing)	Period of guarantee	Type	Whether completed or not	Whether overdue or not	Amounts of overdue guarantee	Counter-guaranteed	Whether guranteed for connected parties (yes or no)[1]
Major external guarantees (excluding guarantees for controlled subsidiaries)											
Sinopec Corp.	The company itself	Yueyang Sinopec Corp. Shell Coal Gasification Corporation	90	10 December 2003	10 December 2003 – 10 December 2017	Joint obligations	No	No	–	No	No
Sinopec Corp.	The company itself	Zhongtian Hechuang Energy Co., Ltd.	9,375	25 May 2016	25 May 2016 – 31 December 2023 (the mature date is estimated)	Joint obligations	No	No	–	No	Yes
Sinopec Corp.	The company itself	Yanbu Aramco Sinopec Refining Company (YASREF) Ltd.	no specific amount agreed, guarantee on contract performance	31 December 2014	30 years commencing from the date when YASREF requires supply of hydrogen from Air Liquedi Arabia LLC.	Joint obligations	No	No	–	No	No
Sinopec Great Wall Energy Chemical Industry Co., LTD	Wholly owned subsidiary	Zhong An United Coal Chemical Co., Ltd	590	18 April 2014	18 April 2014 – 17 April 2026	Joint obligations	No	No	–	No	No
SSI	Controlled subsidiaries	New Bright International Development Ltd./ Sonangol E.P.	6,209			Joint obligations	No	No	–	Yes	No
Total amount of guarantees provided during the reporting period[2]											9,484
Total amount of guarantee balance at the end of reporting period[2] (A)											13,470
Guarantees by the Company to the controlled subsidiaries											
Total amount of guarantee provided to controlled subsidiaries during the reporting period											None
Total amount of guarantee for controlled subsidiaries balance at the end of the reporting period (B)											18,138
Total amount of guarantees provided by the Company (including those provided for controlled subsidiaries)											
Total amount of guarantees (A+B)											31,608
The proportion of the total amount of guarantees to the Sinopec Corp.'s net assets (%)											4.56
Guarantees provided for shareholders, de facto controller and connected parties (C)											None
Amount of debt guarantees provided directly or indirectly for the companies with liabilities to assets ratio over 70% (D)											2,391
The amount of guarantees in excess of 50% of the net assets (E)											None
Total amount of the above three guarantee items (C+D+E)											2,391
Explanation of guarantee undue that might involve joint and several liabilities											None
Explanation of guarantee status											None

Note 1: As defined in the listing rules of Shanghai Stock Exchange.

2: The amount of guarantees provided during the reporting period and the amount of guarantee balance at the end of the reporting period include the guarantees provided by the controlled subsidiaries to external parties. The amount of the guarantees provided by these subsidiaries is derived by multiplying the guarantees provided by Sinopec Corp.'s subsidiaries by the percentage of shares held by Sinopec Corp. in such subsidiaries.

18 PERFORMANCE OF THE UNDERTAKINGS

Background	Type of Undertaking	Party	Contents	Time Limit for Performance	Whether bears deadline or not	Whether strictly performed or not
Undertakings related to the Initial Public Offerings (IPO)	Initial Public Offerings (IPO)	China Petrochemical Corporation	i. Compliance with the connected transaction agreements; ii Solving the issues regarding the legality of the land-use rights certificates and property ownership rights certificates within a specified period of time; iii Implementation the Reorganisation Agreement (please refer to the definition of "Reorganisation Agreement" in the H share prospectus of Sinopec Corp.); iv Granting licenses for intellectual property rights; v Avoiding competition within the same industry; and vi Abandonment of business competition and conflict of interest with Sinopec Corp.	From 22 June 2001	No	Yes
Other undertakings	Other	China Petrochemical Corporation	China Petrochemical Corporation would dispose of its minor remaining chemical business within the next five years in order to avoid competition with Sinopec Corp. within the chemical business.	Within five years commencing on 15 March 2012	Yes	Yes
			Given that China Petrochemical Corporation engages in the same or similar businesses as Sinopec Corp. with regard to the exploration and production of overseas petroleum and natural gas, China Petrochemical Corporation hereby grants a ten-year option to Sinopec Corp, which includes (i) after a thorough analysis from political, economic and other perspectives, Sinopec Corp. is entitled to require China Petrochemical Corporation to sell its overseas oil and gas assets owned as of the date of the undertaking and still in its possession upon Sinopec Corp.'s exercise of the option to Sinopec Corp.; (ii) in relation to the overseas oil and gas assets acquired by China Petrochemical Corporation after the issuance of the undertaking, within ten years after the completion of such acquisition, after a thorough analysis from political, economic and other perspectives, Sinopec Corp. is entitled to require China Petrochemical Corporation to sell these assets to Sinopec Corp.. China Petrochemical Corporation undertakes to transfer the assets as required by Sinopec Corp. under aforesaid item (i) and (ii) to Sinopec Corp., provided that the exercise of such option complies with applicable laws and regulations, contractual obligations and other procedural requirements.	10 years after 29 April 2014 or the date when Sinopec Group acquires the assets	Yes	Yes

As at the date of this interim report, Sinopec Corp. has made no undertakings in respect of financial results, asset injections, or asset restructuring that had not been fulfilled, nor did Sinopec Corp. make any profit forecast in relation to any asset or project.

19 DETAILED IMPLEMENTATION OF THE SHARE INCENTIVE SCHEME DURING THE REPORTING PERIOD

Sinopec Corp. did not implement any share incentive scheme during the reporting period.

20 SHARE OPTION INCENTIVE SCHEME OF SINOPEC CORP.'S SUBSIDIARY, SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED ("SHANGHAI PETRO")

(1) Date and number of initial grant

Grant Date: 6 January 2015
Number of Participants: 214 persons
Number of Share Options Granted: 38,760,000

(2) Share option granted to directors, chief executive or substantial shareholders

Shanghai Petro granted 2,540,000 A share options to six members of directors or senior management, including Chairman and General Manager Mr. Wang Zhiqing, Vice Chairman and Deputy General Manager Mr. Gao Jinping, Director and Chief Financial Officer Mr. Ye Guohua, Director and Deputy General Manager Mr. Jin Qiang, Director and Deputy General Manager Mr. Guo Xiaojun and Former Secretary to the Board of Shanghai Petro Mr. Tang Weizhong. Mr. Tang Weizhong has resigned his duties as Secretary to the Board of Shanghai Petro on 23 October 2015. Pursuant to the stock incentive scheme of Shanghai Petro ("Scheme"), the share options granted to him has been cancelled.

(3) Share Options granted to employees in addition to persons mentioned in item (2).

Shanghai Petro granted 36,220,000 A share options to 208 key business personnel.

(4) Exercise price under the initial grant:

In accordance with the pricing principles for the exercise price, the exercise price under the initial grant is RMB 4.20 per share. (If, during the validity period of the share options, in case of the matters including payment of dividend, capitalisation of capital reserves, distribution of dividends, subdivision of shares, allotment of shares or reduction of shares, corresponding adjustment to the exercise price shall be made in accordance with the relevant provisions of the Scheme). The 2015 profit distribution proposal was considered and approved at the Shanghai Petro's 2015 annual general meeting on 15 June 2016, pursuant to which a cash dividend of RMB 1.00 was paid for every 10 shares. The adjusted exercise price was RMB 4.1 per share.

(5) Validity period and exercise arrangement under the initial grant:

The validity period of the share options shall be five years commencing from the grant date, but will be subject to the following exercise arrangements. The exercisable period for the share options shall be three years, commencing from the expiry of the two-year vesting period after the grant date. There shall be three exercisable periods (one year for each exercisable period, same for the following) under the Scheme. Upon fulfillment of the exercise conditions, 40%, 30% and 30% of the total share options granted shall become exercisable within the 1st, 2nd and 3rd exercisable periods, respectively.

Stage	Arrangement	Exercise Ratio Cap
Grant Date	Determined by the board of directors upon fulfillment of the conditions for grant under the Scheme	—
1st Exercisable Period	Commencing on the first trading day after the expiry of the 24-month period following the grant date and ending on the last trading day preceding the expiry of the 36-month period following the grant date	40%
2nd Exercisable Period	Commencing on the first trading day after the expiry of the 36-month period following the grant date and ending on the last trading day preceding the expiry of the 48-month period following the grant date	30%
3rd Exercisable Period	Commencing on the first trading day after the expiry of the 48-month period following the grant date and ending on the last trading day preceding the expiry of the 60-month period following the grant date	30%

21 THE AUDIT FIRM

The appointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers Certified Public Accountants as Sinopec Corp.'s external auditors for the year 2016 and the authorisation to the Board to decide their remuneration was approved at Sinopec's annual general meeting for the year 2015 on 18 May 2016. The Company has accrued audit fee of RMB 24.14 million for the first half of 2016. The interim financial report has been audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers Certified Public Accountants. The Chinese certified accountants signing the report are Zhao Jianrong and Gao Peng from PricewaterhouseCoopers Zhong Tian LLP.

22 INFORMATION ON SHAREHOLDING OF LISTED COMPANIES AND NON-LISTED FINANCIAL ENTERPRISES DIRECTLY HELD BY SINOPEC CORP.

(1) At the end of reporting period, Sinopec Corp. did not directly hold any shareholdings in other listed companies (not including the listed subsidiaries consolidated by Sinopec Corp.)

(2) Information on equity shareholdings of non-listed financial enterprises directly held by Sinopec Corp.

Entities	Initial investment (RMB million)	Proportion in total shares at the beginning of period (%)	Proportion in total shares at the end of period (%)	Book value at the end of period (RMB million)	Gain/loss during the reporting period (RMB million)	Change of shareholder interests during the reporting period (RMB million)	Accounting item	Origin of shares
Beijing International Trust Co., Ltd.	227	3.35	3.35	227	—	—	Financial assets available for sale	Investment
Total	227	—	—	227	—	—	—	—

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

Not applicable

24 INFORMATIONS ON MAJOR SUBSIDIARIES

The Subsidiaries whose net profit or investment income accounts for more than 10% of the Company's net profit:

Company Name	Principal Business	Net profit/ Investment Income (RMB million)	Percentage of shares held (%)
Sinopec Marketing Co., Ltd.	Sales of refined oil products	12,436	70.42
Sinopec Shanghai Petrochemical Co., Ltd.	Production of synthetic fibres, resins and plastics, intermediate petrochemical products and petroleum products	3,102	50.56

1 INFORMATION ON APPOINTMENT AND RESIGNATION OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

On 25 February 2016, the first extraordinary general meeting of shareholders for the year 2016 was held and Mr. Ma Yongsheng was elected as Executive Director of the sixth session of the Board.

On 13 July 2016, Mr. Zhang Jianhua tendered his resignation as the Executive Director of the Board and Senior Vice President of Sinopec Corp. due to new working position assignment.

On 29 July 2016, Ms. Wen Dongfen tendered her resignation as the Chief Financial Officer of Sinopec Corp. due to new working position assignment.

On 26 August 2016, due to his age, Mr. Li Chunguang has tendered his resignation as Executive Director of the Board and President of Sinopec Corp.

On 26 August 2016, the 8th meeting of the 6th session of the Board was held. Mr. Dai Houliang was appointed as President of Sinopec Corp. and elected as the Vice Chairman of the Board.

2 CHANGES IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

None.

普华永道

PwC ZT Shen Zi (2016) No. 10131

To the Shareholders of China Petroleum & Chemical Corporation,

We have audited the accompanying interim financial statements of China Petroleum & Chemical Corporation (hereinafter "Sinopec Corp."), which comprise the consolidated and company balance sheets as at 30 June 2016, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the six-month period then ended, and the notes to the interim financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS

Management of Sinopec Corp. is responsible for the preparation and fair presentation of these interim financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these interim financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the consolidated and company's financial position of Sinopec Corp. as at 30 June 2016, and their financial performance and cash flows for the six-month period then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Certified Public Accountants
Registered in the People's Republic of China

Zhao Jianrong
Gao Peng

Shanghai, the People's Republic of China

26 August 2016

PricewaterhouseCoopers Zhongtian LLP
11/F PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
Tel: +86 (21) 2323 8888, Fax: +86 (21) 2323 8800, www.pwccn.com

CONSOLIDATED BALANCE SHEET

as at 30 June 2016

	Note	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million
Assets			
Current assets			
Cash at bank and on hand	5	76,986	69,666
Bills receivable	6	11,962	10,964
Accounts receivable	7	63,253	56,142
Other receivables	8	19,125	21,453
Prepayments	9	3,797	2,920
Inventories	10	149,443	145,608
Other current assets		23,108	26,904
Total current assets		**347,674**	**333,657**
Non-current assets			
Available-for-sale financial assets	11	11,137	10,964
Long-term equity investments	12	88,711	84,293
Fixed assets	13	723,465	733,449
Construction in progress	14	126,790	152,325
Intangible assets	15	82,156	81,086
Goodwill	16	6,317	6,271
Long-term deferred expenses	17	13,634	13,919
Deferred tax assets	18	6,818	7,469
Other non-current assets	19	25,922	23,835
Total non-current assets		**1,084,950**	**1,113,611**
Total assets		**1,432,624**	**1,447,268**
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	21	70,327	74,729
Bills payable	22	3,836	3,566
Accounts payable	23	151,800	130,558
Advances from customers	24	85,968	92,688
Employee benefits payable	25	3,619	1,185
Taxes payable	26	30,696	32,492
Other payables	27	63,799	86,337
Short-term debentures payable	30	10,000	30,000
Non-current liabilities due within one year	28	25,351	11,277
Total current liabilities		**445,396**	**462,832**
Non-current liabilities			
Long-term loans	29	54,404	56,493
Debentures payable	30	65,638	83,253
Provisions	31	35,233	33,186
Deferred tax liabilities	18	8,431	8,259
Other non-current liabilities	32	13,539	13,680
Total non-current liabilities		**177,245**	**194,871**
Total liabilities		**622,641**	**657,703**
Shareholders' equity			
Share capital	33	121,071	121,071
Capital reserve	34	119,430	121,576
Other comprehensive income	35	(3,001)	(7,984)
Specific reserve	36	1,232	612
Surplus reserves	37	196,640	196,640
Retained earnings		257,562	245,623
Total equity attributable to shareholders of the Company		**692,934**	**677,538**
Minority interests		**117,049**	**112,027**
Total shareholders' equity		**809,983**	**789,565**
Total liabilities and shareholders' equity		**1,432,624**	**1,447,268**

These financial statements have been approved by the board of directors on 26 August 2016.

Wang Yupu	**Dai Houliang**	**Wang Dehua**
Chairman	*Vice Chairman, President*	*Head of accounting department*
(Legal representative)		

The accompanying notes form part of these financial statements.

	Note	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Assets			
Current assets			
Cash at bank and on hand		45,941	46,453
Bills receivable		554	540
Accounts receivable	7	31,078	29,512
Other receivables	8	69,864	64,620
Prepayments	9	1,729	1,296
Inventories		39,291	46,029
Other current assets		37,570	36,559
Total current assets		**226,027**	**225,009**
Non-current assets			
Available-for-sale financial assets	11	297	297
Long-term equity investments	12	228,462	219,230
Fixed assets	13	410,694	439,477
Construction in progress	14	53,066	72,763
Intangible assets		7,987	8,397
Long-term deferred expenses		1,854	2,154
Other non-current assets		12,347	11,959
Total non-current assets		**714,707**	**754,277**
Total assets		**940,734**	**979,286**
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		37,274	32,517
Bills payable		2,007	1,852
Accounts payable		80,931	85,182
Advances from customers		2,311	3,151
Employee benefits payable		1,670	290
Taxes payable		18,244	20,832
Other payables		68,287	86,427
Short-term debentures payable		10,000	30,000
Non-current liabilities due within one year		24,358	5,352
Total current liabilities		**245,082**	**265,603**
Non-current liabilities			
Long-term loans		52,542	54,526
Debentures payable		47,500	65,500
Provisions		30,868	28,968
Deferred tax liabilities		989	177
Other non-current liabilities		2,067	2,238
Total non-current liabilities		**133,966**	**151,409**
Total liabilities		**379,048**	**417,012**
Shareholders' equity			
Share capital		121,071	121,071
Capital reserve		68,664	68,716
Other comprehensive income		147	(145)
Specific reserve		591	313
Surplus reserves		196,640	196,640
Retained earnings		174,573	175,679
Total shareholders' equity		**561,686**	**562,274**
Total liabilities and shareholders' equity		**940,734**	**979,286**

These financial statements have been approved by the board of directors on 26 August 2016.

Wang Yupu
Chairman
(Legal representative)

Dai Houliang
Vice Chairman, President

Wang Dehua
Head of accounting department

The accompanying notes form part of these financial statements.

	Note	Six-month periods ended 30 June	
		2016	2015
		RMB million	RMB million
Operating income	38	879,220	1,041,131
Less: Operating costs	38, 41	665,193	820,372
Sales taxes and surcharges	39	112,831	119,889
Selling and distribution expenses	41	23,572	22,404
General and administrative expenses	41	38,416	34,421
Financial expenses	40	4,284	3,124
Exploration expenses, including dry holes	41, 42	4,730	6,031
Impairment losses	43	1,423	205
Add: Gain from changes in fair value	44	113	111
Investment income	45	5,394	4,539
Operating profit		**34,278**	**39,335**
Add: Non-operating income	46	1,357	1,866
Less: Non-operating expenses	47	875	933
Profit before taxation		**34,760**	**40,268**
Less: Income tax expense	48	8,379	9,674
Net profit		**26,381**	**30,594**
Including: net profit of acquiree before the consolidation		86	52
Attributable to:			
Equity shareholders of the Company		19,250	24,456
Minority interests		7,131	6,138
Basic earnings per share	58	**0.159**	**0.203**
Diluted earnings per share	58	**0.159**	**0.203**
Net profit		**26,381**	**30,594**
Other comprehensive income	35		
Items that may be reclassified subsequently to profit or loss (net of tax and after reclassification adjustments):			
Cash flow hedges		1,767	1,480
Changes in fair value of available-for-sale financial assets		(33)	36
Share of other comprehensive income/(loss) of associates and joint ventures		99	(118)
Foreign currency translation differences		987	(43)
Total other comprehensive income		**2,820**	**1,355**
Total comprehensive income		**29,201**	**31,949**
Attributable to:			
Equity shareholders of the Company		24,233	26,263
Minority interests		4,968	5,686

These financial statements have been approved by the board of directors on 26 August 2016.

Wang Yupu
Chairman
(Legal representative)

Dai Houliang
Vice Chairman, President

Wang Dehua
Head of accounting department

The accompanying notes form part of these financial statements.

	Note	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Operating income	38	346,149	438,319
Less: Operating costs	38	237,835	317,844
Sales taxes and surcharges		79,602	86,020
Selling and distribution expenses		1,304	1,241
General and administrative expenses		21,527	19,321
Financial expenses		2,065	3,500
Exploration expenses, including dry holes		4,730	6,010
Impairment losses		1,124	98
Add: Loss from changes in fair value		—	(272)
Investment income	45	8,750	4,979
Operating profit		**6,712**	**8,992**
Add: Non-operating income		767	1,101
Less: Non-operating expenses		469	471
Profit before taxation		**7,010**	**9,622**
Less: Income tax expense		852	1,409
Net profit		**6,158**	**8,213**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss (net of tax and after reclassification adjustments):			
Cash flow hedges		307	491
Share of other comprehensive loss of associates		(15)	(1)
Total other comprehensive income		**292**	**490**
Total comprehensive income		**6,450**	**8,703**

These financial statements have been approved by the board of directors on 26 August 2016.

Wang Yupu
Chairman
(Legal representative)

Dai Houliang
Vice Chairman, President

Wang Dehua
Head of accounting department

The accompanying notes form part of these financial statements.

	Note	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,024,105	1,153,197
Refund of taxes and levies		1,079	1,815
Other cash received relating to operating activities		39,148	54,256
Sub-total of cash inflows		**1,064,332**	**1,209,268**
Cash paid for goods and services		(732,307)	(873,724)
Cash paid to and for employees		(27,480)	(25,130)
Payments of taxes and levies		(169,094)	(165,729)
Other cash paid relating to operating activities		(59,339)	(77,590)
Sub-total of cash outflows		**(988,220)**	**(1,142,173)**
Net cash flow from operating activities	50(a)	**76,112**	**67,095**
Cash flows from investing activities:			
Cash received from disposal of investments		17,911	493
Cash received from returns on investments		1,459	1,274
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		306	222
Other cash received relating to investing activities		987	2,176
Net cash received from disposal of subsidiaries and other business entities		2,027	—
Sub-total of cash inflows		**22,690**	**4,165**
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(31,353)	(52,933)
Cash paid for acquisition of investments		(14,393)	(3,556)
Other cash paid relating to investing activities		(3,003)	(2,628)
Sub-total of cash outflows		**(48,749)**	**(59,117)**
Net cash flow from investing activities		**(26,059)**	**(54,952)**
Cash flows from financing activities:			
Cash received from capital contributions		192	105,196
Including: Cash received from minority shareholders' capital contributions to subsidiaries		192	105,196
Cash received from borrowings		262,851	613,159
Sub-total of cash inflows		**263,043**	**718,355**
Cash repayments of borrowings		(293,977)	(648,938)
Cash paid for dividends, profits distribution or interest		(14,996)	(18,346)
Including: Subsidiaries' cash payments for distribution of dividends or profits to minority shareholders		(3,469)	(347)
Sub-total of cash outflows		**(308,973)**	**(667,284)**
Net cash flow from financing activities		**(45,930)**	**51,071**
Effects of changes in foreign exchange rate		**194**	**(329)**
Net increase in cash and cash equivalents	50(b)	**4,317**	**62,885**

These financial statements have been approved by the board of directors on 26 August 2016.

Wang Yupu
Chairman
(Legal representative)

Dai Houliang
Vice Chairman, President

Wang Dehua
Head of accounting department

The accompanying notes form part of these financial statements.

	Note	Six-month periods ended 30 June **2016** **RMB million**	2015 RMB million
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		385,148	502,027
Refund of taxes and levies		999	1,526
Other cash received relating to operating activities		10,499	51,022
Sub-total of cash inflows		**396,646**	**554,575**
Cash paid for goods and services		(241,787)	(358,624)
Cash paid to and for employees		(15,788)	(13,091)
Payments of taxes and levies		(85,487)	(107,334)
Other cash paid relating to operating activities		(20,785)	(28,122)
Sub-total of cash outflows		**(363,847)**	**(507,171)**
Net cash flow from operating activities		**32,799**	**47,404**
Cash flows from investing activities:			
Cash received from disposal of investments		20,237	79,475
Cash received from returns on investments		12,224	3,465
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		593	2,303
Other cash received relating to investing activities		364	361
Net cash received from disposal of subsidiaries and other business entities		2,027	—
Sub-total of cash inflows		**35,445**	**85,604**
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(24,448)	(29,925)
Cash paid for acquisition of investments		(19,692)	(15,869)
Other cash paid relating to investing activities		(10)	—
Sub-total of cash outflows		**(44,150)**	**(45,794)**
Net cash flow from investing activities		**(8,705)**	**39,810**
Cash flows from financing activities:			
Cash received from borrowings		95,722	119,633
Sub-total of cash inflows		**95,722**	**119,633**
Cash repayments of borrowings		(110,878)	(162,683)
Cash paid for dividends or interest		(9,460)	(17,656)
Sub-total of cash outflows		**(120,338)**	**(180,339)**
Net cash flow from financing activities		**(24,616)**	**(60,706)**
Net (decrease)/increase in cash and cash equivalents		**(522)**	**26,508**

These financial statements have been approved by the board of directors on 26 August 2016.

Wang Yupu
Chairman
(Legal representative)

Dai Houliang
Vice Chairman, President

Wang Dehua
Head of accounting department

The accompanying notes form part of these financial statements.

	Share capital RMB million	Capital reserve RMB million	Other comprehensive income RMB million	Specific reserve RMB million	Surplus reserves RMB million	Retained earnings RMB million	Total shareholders' equity attributable to equity shareholders of the Company RMB million	Minority interests RMB million	Total shareholders' equity RMB million
Balance at 31 December 2014	118,280	48,703	(7,261)	491	193,552	240,718	594,483	52,612	647,095
Adjustment for the combination of entities under common control(Note 1)	—	2,214	—	—	—	—	2,214	1,811	4,025
Balance at 1 January 2015	118,280	50,917	(7,261)	491	193,552	240,718	596,697	54,423	651,120
Change for the period									
1. Net profit	—	—	—	—	—	24,456	24,456	6,138	30,594
2. Other comprehensive income (Note 35)	—	—	1,361	—	—	—	1,361	(6)	1,355
Total comprehensive income	—	—	1,361	—	—	24,456	25,817	6,132	31,949
Transactions with owners, recorded directly in shareholders' equity:									
3. Appropriations of profits:									
– Distributions to shareholders (Note 49)	—	—	—	—	—	(13,318)	(13,318)	—	(13,318)
4. Conversion of the 2011 Convertible Bonds	2,791	14,026	—	—	—	—	16,817	—	16,817
5. Contributions to subsidiaries from minority interests	—	56,224	446	—	—	—	56,670	48,474	105,144
6. Distribution to minority interests	—	—	—	—	—	—	—	(364)	(364)
Total transactions with owners, recorded directly in shareholders' equity	2,791	70,250	446	—	—	(13,318)	60,169	48,110	108,279
7. Net increase in specific reserve for the period	—	—	—	914	—	—	914	95	1,009
8. Other movement	—	66	—	—	—	—	66	(26)	40
Balance at 30 June 2015	**121,071**	**121,233**	**(5,454)**	**1,405**	**193,552**	**251,856**	**683,663**	**108,734**	**792,397**
Balance at 31 December 2015	121,071	119,408	(7,984)	612	196,640	245,623	675,370	110,253	785,623
Adjustment for the combination of entities under common control(Note 1)	—	2,168	—	—	—	—	2,168	1,774	3,942
Balance at 1 January 2016	121,071	121,576	(7,984)	612	196,640	245,623	677,538	112,027	789,565
Change for the period									
1. Net profit	—	—	—	—	—	19,250	19,250	7,131	26,381
2. Other comprehensive income (Note 35)	—	—	4,983	—	—	—	4,983	(2,163)	2,820
Total comprehensive income	—	—	4,983	—	—	19,250	24,233	4,968	29,201
Transactions with owners, recorded directly in shareholders' equity:									
3. Appropriations of profits:									
– Distributions to shareholders (Note 49)	—	—	—	—	—	(7,264)	(7,264)	—	(7,264)
4. Contributions to subsidiaries from minority interests	—	1	—	—	—	—	1	74	75
5. Distributions to the original shareholders in the combination of entities under common control	—	—	—	—	—	(47)	(47)	(39)	(86)
6. Distributions to minority interests	—	—	—	—	—	—	—	(2,194)	(2,194)
7. Adjustment for the combination of entities under common control(Note 1)	—	(2,137)	—	—	—	—	(2,137)	2,137	—
Total transactions with owners, recorded directly in shareholders' equity	—	(2,136)	—	—	—	(7,311)	(9,447)	(22)	(9,469)
8. Net increase in specific reserve for the period (Note 36)	—	—	—	620	—	—	620	86	706
9. Other movement	—	(10)	—	—	—	—	(10)	(10)	(20)
Balance at 30 June 2016	**121,071**	**119,430**	**(3,001)**	**1,232**	**196,640**	**257,562**	**692,934**	**117,049**	**809,983**

These financial statements have been approved by the board of directors on 26 August 2016.

Wang Yupu
Chairman
(Legal representative)

Dai Houliang
Vice Chairman, President

Wang Dehua
Head of accounting department

The accompanying notes form part of these financial statements.

	Share capital RMB million	Capital reserve RMB million	Other comprehensive income RMB million	Specific reserve RMB million	Surplus reserves RMB million	Retained earnings RMB million	Total shareholders' equity RMB million
Balance at 1 January 2015	118,280	54,690	(206)	232	193,552	172,101	538,649
Change for the period							
1. Net profit	—	—	—	—	—	8,213	8,213
2. Other comprehensive income	—	—	490	—	—	—	490
Total comprehensive income	—	—	490	—	—	8,213	8,703
Transactions with owners, recorded directly in shareholders' equity:							
3. Appropriations of profits:							
– Distributions to shareholders(Note 49)	—	—	—	—	—	(13,318)	(13,318)
4. Conversion of the 2011 Convertible Bonds	2,791	14,026	—	—	—	—	16,817
Total transactions with owners, recorded directly in shareholders' equity	2,791	14,026	—	—	—	(13,318)	3,499
5. Net increase in specific reserve for the period	—	—	—	496	—	—	496
Balance at 30 June 2015	**121,071**	**68,716**	**284**	**728**	**193,552**	**166,996**	**551,347**
Balance at 1 January 2016	121,071	68,716	(145)	313	196,640	175,679	562,274
Change for the period							
1. Net profit	—	—	—	—	—	6,158	6,158
2. Other comprehensive income	—	—	292	—	—	—	292
Total comprehensive income	—	—	292	—	—	6,158	6,450
Transactions with owners, recorded directly in shareholders' equity:							
3. Appropriations of profits:							
– Distributions to shareholders(Note 49)	—	—	—	—	—	(7,264)	(7,264)
Total transactions with owners, recorded directly in shareholders' equity	—	—	—	—	—	(7,264)	(7,264)
4. Net increase in specific reserve for the period	—	—	—	278	—	—	278
5. Others	—	(52)	—	—	—	—	(52)
Balance at 30 June 2016	**121,071**	**68,664**	**147**	**591**	**196,640**	**174,573**	**561,686**

These financial statements have been approved by the board of directors on 26 August 2016.

Wang Yupu
Chairman
(Legal representative)

Dai Houliang
Vice Chairman, President

Wang Dehua
Head of accounting department

The accompanying notes form part of these financial statements.

1 STATUS OF THE COMPANY

China Petroleum & Chemical Corporation (the "Company") was established on 25 February 2000 as a joint stock limited company. The company is registered in Beijing, the People's Republic of China, and the headquarter is located in Beijing, the People's Republic of China. The approval date of the financial report is 26 August 2016.

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

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

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

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

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

(1) the exploration, development and production of crude oil and natural gas;

(2) the refining, transportation, storage and marketing of crude oil and petroleum product; and

(3) the production and sale of chemicals.

Pursuant to the resolution passed at the Directors' meeting on 29 October 2015, the Company entered into the JV Agreement with Sinopec Assets Management Corporation ("SAMC") in relation to the formation of the Gaoqiao Petrochemical Co. Ltd. According to the JV Agreement, the Company and SAMC jointly set up Gaoqiao Petrochemical Co. Ltd. for RMB 100 million in cash in 2016. Subsequently, the Company subscribed capital contribution with the net assets of Gaoqiao Branch of the Company and SAMC subscribed capital contribution with the net assets of Gaoqiao Branch of SAMC. The capital contribution was completed on 1 June 2016,after which the Company held 55% of Gaoqiao Petrochemical Co. Ltd.'s voting rights and become the parent company of Gaoqiao Petrochemical Co. Ltd..

As Sinopec Group Company controls both the Group and SAMC, the transaction described above between Sinopec and SAMC has been accounted as business combination under common control. Accordingly, the assets and liabilities of Gaoqiao Branch of SAMC have been accounted for at historical cost, and the consolidated financial statements of the Group prior to these acquisitions have been restated to include the results of operation and the assets and liabilities of Gaoqiao Branch of SAMC on a combined basis.

(1) The financial information disclosed in the consolidated scope changes are as follows

The acquiree	Obtain proportion	The basis for the business combination under the common control	Consolidation date	Determination basis of consolidation date	Revenue of the acquiree from 1 January 2016 to the consolidation date RMB million	Net profit of the acquiree from 1 January 2016 to the consolidation date RMB million	Revenue of the acquiree from 1 January 2015 to 30 June 2015 RMB million	Net profit of the acquiree from 1 January 2015 to 30 June 2015 RMB million	Operating cash flow of the acquiree from 1 January 2016 to the consolidation date RMB million	Net cash flows of the acquiree from 1 January 2016 to the consolidation date RMB million
Gaoqiao Branch of SAMC	55%	The acquiree and the Company are controlled by Sinopec Group Company both before and after combination, and the control is not transitory.	1 June 2016	The consolidation date is the date on which the Company effectively obtains control of the acquiree.	916	86	1,338	52	(85)	(399)

1 STATUS OF THE COMPANY *(Continued)*

(2) The consolidation cost is as follows:

Consolidation cost (RMB million)	2,137

(3) The carrying value of the assets and liabilities of the acquiree are as follows:

	At Consolidation date Book Value RMB million	At December 31 2015 Book Value RMB million
Current assets	937	1,287
Total assets	4,130	4,174
Current liabilities	203	225
Total liabilities	203	232
Total equity attributable to shareholders of the Company	3,927	3,942

Details of the Company's principal subsidiaries are set out in Note 53.

2 BASIS OF PREPARATION

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

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises – Basic Standards, specific standards and relevant regulations (hereafter referred as ASBE collectively) issued by the MOF on or after 15 February 2006. These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No.15: General Requirements for Financial Reports" issued by the China Securities Regulatory Commission ("CSRC"). These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 30 June 2016, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the six-month of the year.

These financial statements are prepared on a basis of going concern.

(2) Accounting period

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

(3) Measurement basis

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

— Financial asset and financial liability with change in fair value recognised through profit or loss (see Note 3(11))

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

— Convertible bonds (see Note 3(11))

— Derivative financial instruments (see Note 3(11))

(4) Functional currency and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

The Group determines specific accounting policies and accounting estimates based on the characteristics of production and operational activities, mainly reflected in the accounting for allowance for accounts receivable (Note 3(12)), valuation of inventories (Note 3(4)), depreciation of fixed assets and oil and gas properties (Note 3(6), (7)), measurement of provisions (Note 3(16)), ie.

Principal accounting estimates and judgements of the Group are set out in Note 52.

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

(a) Business combination involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities that the acquirer receives in the acquisition are accounted for at the acquiree's carrying amount on the acquisition date. The difference between the carrying amount of the acquired net assets and the carrying amount of the consideration paid for the acquisition (or the total nominal value of shares issued) is recognised in the share premium of capital reserve, or the retained earnings in case of any shortfall in the share premium of capital reserve. Any costs directly attributable to the combination shall be recognised in profit or loss for the current period when occurred. The expense incurred for equity securities and debt securities issued as the consideration of the combination is recognised in the initial cost of the securities. The combination date is the date on which the acquirer effectively obtains control of the acquiree.

(b) Business combination involving entities not under common control

A business combination involving entities or businesses not under common control is a business combination in which all of the combining entities or businesses are not ultimately controlled by the same party or parties both before and after the business combination. Difference between the consideration paid by the Group as the acquirer, comprises of the aggregate of the fair value at the acquisition date of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree, and the Group's interest in the fair value of the identifiable net assets of the acquiree, is recognised as goodwill (Note 3(9)) if it is an excess, otherwise in the profit or loss. The expense incurred for equity securities and debt securities issued as the consideration of the combination is recognised in the initial cost of the securities. Any other expense directly attributable to the business combination is recognised in the profit or loss for the year. The difference between the fair value and the book value of the assets given is recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities, if satisfying the recognition criteria, are recognised by the Group at their fair value at the acquisition date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

(c) Method for preparation of consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control means an entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(c) Method for preparation of consolidated financial statements *(Continued)*

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

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

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

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

The unrealised profit or loss arising from the sale of assets by the Company to its subsidiaries is eliminated in full against the net profit attributed to shareholders; the unrealised profit or loss from the sale of assets by subsidiaries to the Company is eliminated according to the distribution ratio between shareholders of the parent company and minority interests. For sale of assets that occurred between subsidiaries, the unrealised gains and losses is eliminated according to the distribution ratio for its subsidiaries seller between net profit attributable to shareholders of the parent company and minority interests.

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

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

Foreign currency monetary items are translated at the PBOC rates at the balance sheet date. Exchange differences, except for those directly related to the acquisition, construction or production of qualified assets, are recognised as income or expenses in the income statement. Non-monetary items denominated in foreign currency measured at historical cost are not translated. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. The difference between the translated amount and the original currency amount is recognised as other comprehensive income, if it is classified as available-for-sale financial assets; or charged to the income statement if it is measured at fair value through profit or loss.

The assets and liabilities of foreign operation are translated into Renminbi at the spot exchange rates at the balance sheet date. The equity items, excluding "Retained earnings", are translated into Renminbi at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated into Renminbi at the spot exchange rates or an exchange rate that approximates the spot exchange rates on the transaction dates. The resulting exchange differences are separately presented as other comprehensive income in the balance sheet within equity. Upon disposal of a foreign operation, the cumulative amount of the exchange differences recognised in which relate to that foreign operation is transferred to profit or loss in the year in which the disposal occurs.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, short-term and highly liquid investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(4) Inventories

Inventories are initially measured at cost. Cost includes the cost of purchase and processing, and other expenditures incurred in bringing the inventories to their present location and condition. The cost of inventories is calculated using the weighted average method. In addition to the cost of purchase of raw material, work in progress and finished goods include direct labour and an appropriate allocation of manufacturing overhead costs.

At the balance sheet date, inventories are stated at the lower of cost and net realisable value.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories. Net realisable value is the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the quantity of inventory held to satisfy sales or service contracts is measured based on the contract price. If the quantities held by the Group are more than the quantities of inventories specified in sales contracts, the net realisable value of the excess portion of inventories is measured based on general selling prices.

Inventories include raw materials, work in progress, semi-finished goods, finished goods and reusable materials. Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets. Reusable materials are amortised in full when received for use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.

Inventories are recorded by perpetual method.

(5) Long-term equity investments

(a) Investment in subsidiaries

In the Group's consolidated financial statements, investment in subsidiaries are accounted for in accordance with the principles described in Note 3(1) (c).

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method. Except for cash dividends or profits distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment. Investments in subsidiaries are stated at cost less impairment losses (see Note 3(12)) in the balance sheet. At initial recognition, such investments are measured as follows:

The initial investment cost of a long-term equity investment obtained through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amounts of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained earnings.

For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial investment cost comprises the aggregate of the fair values of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving enterprises under common control, if it is achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

An investment in a subsidiary acquired otherwise than through a business combination is initially recognised at actual purchase cost if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities, or at the value stipulated in the investment contract or agreement if an investment is contributed by investors.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Long-term equity investments *(Continued)*

(b) Investment in joint ventures and associates

A joint venture is an incorporated entity over which the Group, based on legal form, contractual terms and other facts and circumstances, has joint control with the other parties to the joint venture and rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the Group and the parties sharing control.

An associate is the investee that the Group has significant influence on their financial and operating policies. Significant influence represents the right to participate in the financial and operating policy decisions of the investee but is not control or joint control over the establishment of these policies. The Group generally considers the following circumstances in determining whether it can exercise significant influence over the investee: whether there is representative appointed to the board of directors or equivalent governing body of the investee; whether to participate in the investee's policy-making process; whether there are significant transactions with the investees; whether there is management personnel sent to the investee; whether to provide critical technical information to the investee.

An investment in a joint venture or an associate is accounted for using the equity method, unless the investment is classified as held for sale (see Note 3(10)).

The initial cost of investment in joint ventures and associates is stated at the consideration paid except for cash dividends or profits distributions declared but unpaid at the time of acquisition and therefore included in the consideration paid should be deducted if the investment is made in cash, or at the fair value of the non-monetary assets exchanged for the investment. The difference between the fair value of the non-monetary assets being exchanged and its carrying amount is charged to profit or loss.

The Group's accounting treatments when adopting the equity method include:

Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

After the acquisition of the investment, the Group recognises its share of the investee's net profits or losses and other comprehensive income, as investment income or losses and other comprehensive income, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profits distributions, the carrying amount of the investment is reduced by that attributable to the Group.

The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair values of the investee's net identifiable assets at the time of acquisition. Under the equity accounting method, unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are fully recognised in the event that there is an evidence of impairment.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that is in substance forms part of the Group's net investment in the associate or the joint venture is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. However, if the Group has incurred obligations for additional losses and the conditions on recognition of provision are satisfied in accordance with the accounting standard on contingencies, the Group continues recognising the investment losses and the provision. Where net profits are subsequently made by the associate or jointly venture, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group adjusts the carrying amount of the long-term equity investment for changes in owners' equity of the investee other than those arising from net profits or losses and other comprehensive income, and recognises the corresponding adjustment in capital reserve.

(c) The impairment assessment method and provision accrual on investment

The impairment assessment and provision accrual on investments in subsidiaries, associates and jointly controlled enterprises are stated in Note 3(12).

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(6) Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Group using in the production of goods, rendering of services and for operation and administrative purposes with useful life over one year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(12)). Construction in progress is stated in the balance sheet at cost less impairment losses (see Note 3(12)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note 3(19)), and any other costs directly attributable to bringing the asset to working condition for its intended use. Costs of dismantling and removing the items and restoring the site on which the related assets located are included in the initial cost.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

The Group terminates the recognition of an item of fixed asset when it is in a state of disposal or it is estimated that it is unable to generate any economic benefits through use or disposal. Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Other than oil and gas properties, the cost of fixed assets less residual value and accumulated impairment losses is depreciated using the straight-line method over their estimated useful lives, unless the fixed asset is classified as held for sale (see Note 3(10)). The estimated useful lives and the estimated rate of residual values adopted for respective classes of fixed assets are as follows:

	Estimated useful life	Estimated rate of residual value
Plants and buildings	12-50 years	3%
Equipment, machinery and others	4-30 years	3%

Useful lives, residual values and depreciation methods are reviewed at least each year end.

(7) Oil and gas properties

Oil and gas properties include the mineral interests in properties, wells and related support equipment arising from oil and gas exploration and production activities.

Costs incurred in acquiring mineral interests are capitalised as oil and gas properties. Costs of development wells and related support equipment are capitalised. The cost of exploratory wells is initially capitalised as construction in progress pending determination of whether the well has found proved reserves. Exploratory well costs are charged to expenses upon the determination that the well has not found proved reserves. However, in the absence of a determination of the discovery of proved reserves, exploratory well costs are not carried as an asset for more than one year following completion of drilling. If, after one year has passed, a determination of the discovery of proved reserves cannot be made, the exploratory well costs are impaired and charged to expense. All other exploration costs, including geological and geophysical costs, are charged to profit or loss in the year as incurred.

The Group estimates future dismantlement costs for oil and gas properties with reference to engineering estimates after taking into consideration the anticipated method of dismantlement required in accordance with the industry practices. These estimated future dismantlement costs are discounted at credit-adjusted risk-free rate and are capitalised as oil and gas properties, which are subsequently amortised as part of the costs of the oil and gas properties.

Capitalised costs of proved oil and gas properties are amortised on a unit-of-production method based on volumes produced and reserves.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(8) Intangible assets

Intangible assets, where the estimated useful life is finite, are stated in the balance sheet at cost less accumulated amortisation and provision for impairment losses (see Note 3(12)). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised on a straight-line basis over the expected useful lives, unless the intangible assets are classified as held for sale (see Note 3(10)).

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the year over which the asset is expected to generate economic benefits for the Group.

Useful lives and amortisation methods are reviewed at least each year end.

(9) Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control.

Goodwill is not amortised and is stated at cost less accumulated impairment losses (see Note 3(12)). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

(10) Held for sale and discontinued operation

Non-current assets or disposal group that meet the following conditions will be classified as held for sale. (i) for the non-current assets or the disposal group, they can only be sold immediately in current condition, according to the usual terms of selling the assets or disposal group; (ii) the Group has made the resolution and obtain the appropriate approval on disposal of the non-current assets or the disposal group; (iii) the Group has signed an irrevocable transfer agreement with the transferee; (iv) the transfer will be completed within one year.

Non-current assets, except for financial assets and deferred tax assets that satisfy the recognition criteria for assets held for sale are stated at to the lower of carrying amount and the fair value less costs to sell. Any excess of the original carrying amount over the fair value less costs to sell is recognised as asset impairment loss.

The assets and liabilities in the non-current asset or disposal groups which have been classified as assets held for sale are classified as current assets and current liabilities, and are presented separately in the consolidated balance sheet.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, can be clearly distinguished operationally and for financial reporting purposes from the rest of the Group and (i) represents a separate major line of business or geographical area of operations, (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (iii) is a subsidiary acquired exclusively with a view to resale.

(11) Financial Instruments

Financial instruments of the Group include cash and cash equivalents, bond investments, equity securities other than long-term equity investments, receivables, derivative financial instruments, payables, loans, bonds payable, and share capital, etc.

(a) Classification, recognition and measurement of financial instruments

The Group recognises a financial asset or a financial liability on its balance sheet when the Group enters into and becomes a party to the underlining contract of the financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets and assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are initially recognised at fair value. For financial asset or financial liability of which the change in its fair value is recognised in profit or loss, the relevant transaction cost is recognised in profit or loss. The transaction costs for other financial assets or financial liabilities are included in the initially recognised amount. Subsequent to initial recognition financial assets and liabilities are measured as follows:

— Financial asset or financial liability with change in fair value recognised through profit or loss

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is a derivative, unless the derivative is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. These financial instruments are initially measured at fair value with subsequently changes in fair value recognised in profit or loss. Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(11) Financial Instruments *(Continued)*

(a) Classification, recognition and measurement of financial instruments *(Continued)*

— Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable recoverable amount and with no quoted price in active market. After the initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method.

— Held-to-maturity investment

Held-to-maturity investment includes non-derivative financial assets with fixed or determinable recoverable amount and fixed maturity that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method.

— Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated as available for sales and other financial assets which do not fall into any of the above categories.

Available-for-sale financial assets whose fair value cannot be measured reliably are measured at cost subsequent to initial recognition. Other than the above equity instrument investments whose fair values cannot be measured reliably, other available-for-sale financial assets are initially stated at fair values. The gains or losses arising from changes in the fair value are directly recognised in equity, except for the impairment losses and exchange differences from monetary financial assets denominated in foreign currencies, which are recognised in profit or loss. The cumulative gains and losses previously recognised in equity are transferred to profit or loss when the available-for-sale financial assets are derecognised. Dividend income from these equity instruments is recognised in profit or loss when the investee declares the dividends. Interest on available-for-sale financial assets calculated using the effective interest rate method is recognised in profit or loss (see Note 3(17) (c)).

— Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Other financial liabilities include the liabilities arising from financial guarantee contracts. Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the Group issues a financial guarantee, subsequent to initial recognition, the guarantee is measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles of contingencies (see Note 3(16)).

Except for the other financial liabilities described above, subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

(b) Disclosure of financial assets and financial liabilities

In the balance sheet, financial assets and liabilities are not offset unless all the following conditions are met:

— the Group has a legally enforceable right to set off financial assets against financial liabilities; and

— the Group intends to settle the financial assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

(c) Determination of fair value

If there is an active market for a financial asset or financial liability, the quoted price in the active market is used to establish the fair value of the financial asset or financial liability.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using arm's length market transactions between knowledge, and willing parties; reference to the current fair value of other instrument that is substantially the same; discounted cash flows and option pricing model. The Group calibrates the valuation technique and tests it for validity periodically.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(11) Financial Instruments *(Continued)*

(d) Hedge accounting

Hedge accounting is a method which recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item in the same accounting period(s).

Hedged items are the items that expose the Group to risks of changes in fair value or future cash flows and that are designated as being hedged. The Group's hedged items include fixed-rate borrowings that expose the Group to risk of changes in fair values, floating rate borrowings that expose the Group to risk of variability in cash flows, and a forecast transaction that is settled with a fixed amount of foreign currency and expose the Group to foreign currency risk, and a forecast transaction that is settled with an undetermined future market price and exposes the Group to risk of variability in cash flows, etc.

A hedging instrument is a designated derivative whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item.

The hedge is assessed by the Group for effectiveness on an ongoing basis and determined to have been highly effective throughout the accounting periods for which the hedging relationship was designated. The Group uses a ratio analysis to assess the subsequent effectiveness of a cash flow hedge, and uses a regression analysis to assess the subsequent effectiveness of a fair value hedge.

— Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in shareholders' equity as a separate component. That effective portion is adjusted to the lesser of the following (in absolute amounts):

— the cumulative gain or loss on the hedging instrument from inception of the hedge;

— the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge is recognised in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset, the associated gain or loss is removed from shareholders' equity, included in the initial cost of the non-financial asset, and recognised in profit or loss in the same year during which the non-financial asset affects profit or loss. However, if the Group expects that all or a portion of a net loss recognised directly in shareholders' equity will not be recovered in future accounting periods, it reclassifies the amount that is not expected to be recovered into profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is removed from equity and recognised in profit or loss in the same period during which the financial asset or financial liability affects profit or loss. However, if the Group expects that all or a portion of a net loss recognised directly in shareholders' equity will not be recovered in future accounting periods, it reclassifies the amount that is not expected to be recovered into profit or loss.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is removed from shareholders' equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, the Group will discontinue the hedge accounting treatments prospectively. In this case, the gain or loss on the hedging instrument that remains recognised directly in shareholders' equity from the period when the hedge was effective shall not be reclassified into profit or loss and is recognised in accordance with the above policy when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the gain or loss on the hedging instrument that remains recognised directly in shareholders' equity from the period when the hedge was effective shall be reclassified into profit or loss immediately.

— Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment.

The gain or loss from re-measuring the hedging instrument at fair value is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, the Group discontinues prospectively the hedge accounting treatments. If the hedged item is a financial instrument measured at amortised cost, any adjustment to the carrying amount of the hedged item is amortised to profit or loss from the adjustment date to the maturity date using the recalculated effective interest rate at the adjustment date.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(11) Financial Instruments *(Continued)*

(d) Hedge accounting *(Continued)*

— Hedge of net investment in foreign operation

A hedge of a net investment in a foreign operation is a hedge of the exposure to foreign exchange risk associated with a net investment in a foreign operation. The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised directly in equity as a separate component until the disposal of the foreign operation, at which time the cumulative gain or loss recognised directly in equity is recognised in profit or loss. The ineffective portion is recognised immediately in profit or loss.

(e) Convertible bonds

— Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component of a convertible corporate bond is measured at amortised cost using the effective interest method, unless it is designated at fair value through profit or loss. The equity component of a convertible corporate bond is not re-measured subsequent to initial recognition.

If the convertible corporate bond is converted, the liability component, together with the equity component, is transferred to share capital and capital reserve (share premium). If the convertible corporate bond is redeemed, the consideration paid for the redemption, together with the transaction costs that relate to the redemption, are allocated to the liability and equity components. The difference between the allocated and carrying amounts is charged to profit or loss if it relates to the liability component or is directly recognised in equity if it relates to the equity component.

— Other convertible bonds

Convertible bonds issued with a cash settlement option and other embedded derivative features are split into liability and derivative components.

At initial recognition, the derivative component of the convertible bonds is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately as an expense in profit or loss.

The derivative component is subsequently remeasured at each balance sheet date and any gains or losses arising from change in the fair value are recognised in profit or loss. The liability component is subsequently carried at amortised cost using the effective interest method until extinguished on conversion or redemption. Both the liability and the related derivative components are presented together for financial statements reporting purposes.

If the convertible bonds are converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, any difference between the amount paid and the carrying amount of both components is recognised in profit or loss.

(f) Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset when the contractual right to receive cash flows from the financial asset expires, or where the Group transfers substantially all risks and rewards of ownership of the financial asset, or where the Group neither transfers nor retains substantially all risks and rewards of ownership of the financial asset but the Group gives up the control of a financial asset.

On derecognition of a financial asset, the difference between the following amounts is recognised in profit or loss:

— the carrying amounts; and

— the sum of the consideration received and any cumulative gain or loss that had been recognised directly in equity.

Where the obligations for financial liabilities are completely or partially discharged, the entire or parts of financial liabilities are derecognised.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(12) Impairment of financial assets and non-financial long-term assets

(a) Impairment of financial assets

The carrying amount of financial assets (except those financial assets stated at fair value with changes in the fair values charged to profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided.

Objective evidences of impairment include but not limited to:

(i) significant financial difficulty of the debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

(iv) due to the significant financial difficulty of the debtor, financial assets is unable to be traded in active market;

(v) significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and the cost of investment may not be recoverable; and

(vi) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

— Receivables and held-to-maturity investments

Receivables are assessed for impairment on the combination of an individual basis and the aging analysis.

Held-to-maturity investments are assessed for impairment on an individual basis.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable or held-to-maturity investment is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

Impairment loss on receivables and held-to-maturity investments is reversed in profit or loss if evidence suggests that the financial assets' carrying amounts have increased and the reason for the increase is objectively as a result of an event occurred after the recognition of the impairment loss. The reversed carrying amount shall not exceed the amortised cost if the financial assets had no impairment recognised.

— Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis. Objective evidence of impairment for equity instruments classified as available-for-sale includes information about significant but not temporary decline in the fair value of the equity investment instrument below its cost. The Group assesses equity instruments classified as available-for-sale separately at the end of each reporting period, it will be considered as impaired if the fair value of the equity instrument at reporting date is less than its initial investment cost over 50% (including 50%) or the duration of the fair value below its initial investment cost is more than one (including one) year, if the fair value of the equity instrument at reporting date is less than its initial investment cost over 20% (including 20%) but below 50%, other related factors such as price volatility will be taken into consideration to assess if it is impaired.

When available-for-sale financial assets measured at fair value are impaired, despite not being derecognised, the cumulative losses resulted from the decrease in fair value which had previously been recognised directly in shareholders' equity, are reversed and charged to profit or loss.

When available-for-sale financial assets measured at cost are impaired, the differences between the book value and the discounted present value with the market return of similar financial assets are charged to profit or loss.

Impairment loss of available-for-sale debt instrument is reversed, if the reason for the subsequent increase in fair value is objectively as a result of an event occurred after the recognition of the impairment loss. Impairment loss for available-for-sale equity instrument is not reversed through profit or loss. Impairment loss for available-for-sale financial assets measured by the cost cannot be reversed in the following period.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(12) Impairment of financial assets and non-financial long-term assets *(Continued)*

(b) Impairment of other non-financial long-term assets

Internal and external sources of information are reviewed at each balance sheet date for indications that the following assets, including fixed assets, oil and gas properties, construction in progress, goodwill, intangible assets and investments in subsidiaries, associates and joint ventures may be impaired.

Assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The recoverable amounts of goodwill and intangible assets with uncertain useful lives are estimated annually no matter there are any indications of impairment. Goodwill is tested for impairment together with related asset units or groups of asset units.

An asset unit is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or groups of assets. An asset unit comprises related assets that generate associated cash inflows. In identifying an asset unit, the Group primarily considers whether the asset unit is able to generate cash inflows independently as well as the management style of production and operational activities, and the decision for the use or disposal of asset.

The recoverable amount is the greater of the fair value less costs to sell and the present value of expected future cash flows generated by the asset (or asset unit, set of asset units).

Fair value less costs to sell of an asset is based on its selling price in an arm's length transaction less any direct costs attributable to the disposal. Present value of expected future cash flows is the estimation of future cash flows to be generated from the use of and upon disposal of the asset, discounted at an appropriate pre-tax discount rate over the asset's remaining useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is recognised as an impairment loss in profit or loss. A provision for impairment loss of the asset is recognised accordingly. Impairment losses related to an asset unit or a set of asset units first reduce the carrying amount of any goodwill allocated to the asset unit or set of asset units, and then reduce the carrying amount of the other assets in the asset unit or set of asset units on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

Impairment losses for assets are not reversed.

(13) Long-term deferred expenses

Long-term deferred expenses are amortised on a straight-line basis over their beneficial periods.

(14) Employee benefits

Employee benefits are all forms of considerations and compensation given in exchange for services rendered by employees, including short term compensation, post-employment benefits, termination benefits and other long term employee benefits.

(a) Short term compensation

Short term compensation includes salaries, bonuses, allowances and subsidies, employee benefits, medical insurance premiums, work-related injury insurance premium, maternity insurance premium, contributions to housing fund, unions and education fund and short-term absence with payment etc. When an employee has rendered service to the Group during an accounting period, the Group shall recognise the short term compensation actually incurred as a liability and charged to the cost of an asset or to profit or loss in the same period, and non-monetary benefits are valued with the fair value.

(b) Post-employment benefits

The Group classifies post-employment benefits into either Defined Contribution Plan (DC plan) or Defined Benefit Plan (DB plan). DC plan means the Group only contributes a fixed amount to an independent fund and no longer bears other payment obligation; DB plan is post-employment benefits other than DB. In this reporting period, the post-employment benefits of the Group primarily comprise basic pension insurance and unemployment insurance and both of them are DC plans.

Basic pension insurance

Employees of the Group participate in the social insurance system established and managed by local labor and social security department. The Group makes basic pension insurance to the local social insurance agencies every month, at the applicable benchmarks and rates stipulated by the government for the benefits of its employees. After the employees retire, the local labor and social security department has obligations to pay them the basic pension. When an employee has rendered service to the Group during an accounting period, the Group shall recognise the accrued amount according to the above social security provisions as a liability and charged to the cost of an asset or to profit or loss in the same period.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(14) Employee benefits *(Continued)*

(c) Termination benefits

When the Group terminates the employment relationship with employees before the employment contracts expire, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided is recognised in profit or loss under the conditions of both the Group has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly; and the Group is not allowed to withdraw from termination plan or redundancy offer unilaterally.

(15) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to business combinations and items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognised based on deductible temporary differences and taxable temporary differences respectively. Temporary difference is the difference between the carrying amounts of assets and liabilities and their tax bases including unused tax losses and unused tax credits able to be utilised in subsequent years. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available to offset the deductible temporary differences.

Temporary differences arise in a transaction, which is not a business combination, and at the time of transaction, does not affect accounting profit or taxable profit (or unused tax losses), will not result in deferred tax. Temporary differences arising from the initial recognition of goodwill will not result in deferred tax.

At the balance sheet date, the amounts of deferred tax recognised is measured based on the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is recovered or the liability is settled in accordance with tax laws.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. If it is unlikely to obtain sufficient taxable income to offset against the benefit of deferred tax asset, the carrying amount of the deferred tax assets is written down. Any such write-down should be subsequently reversed where it becomes probable that sufficient taxable income will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

— the taxable entity has a legally enforceable right to offset current tax assets and current tax liabilities; and

— they relate to income taxes levied by the same tax authority on either;

  — the same taxable entity; or

  — different taxable entities which either to intend to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(16) Provisions

Provisions are recognised when the Group has a present obligation as a result of a contingent event, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

Provisions for future dismantlement costs are initially recognised based on the present value of the future costs expected to be incurred in respect of the Group's expected dismantlement and abandonment costs at the end of related oil and gas exploration and development activities. Any subsequent change in the present value of the estimated costs, other than the change due to passage of time which is regarded as interest costs, is reflected as an adjustment to the provision of oil and gas properties.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(17) Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's normal activities when the inflows result in increase in shareholder's equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following respective conditions are met.

(a) Revenues from sales of goods

Revenue from the sales of goods is recognised when all of the general conditions stated above and following conditions are satisfied:

— the significant risks and rewards of ownership and title have been transferred to buyers; and

— the Group does not retain the management rights, which is normally associated with owner, on goods sold and has no control over the goods sold.

Revenue from the sales of goods is measured at fair value of the considerations received or receivable under the sales contract or agreement.

(b) Revenues from rendering services

The Group determines the revenue from the rendering of services according to the fair value of the received or to-be received price of the party that receives the services as stipulated in the contract or agreement.

At the balance sheet date, when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from rendering of services is recognised in the income statement by reference to the stage of completion of the transaction based on the proportion of services performed to date to the total services to be performed.

When the outcome of rendering the services cannot be estimated reliably, revenues are recognised only to the extent that the costs incurred are expected to be recoverable. If the costs of rendering of services are not expected to be recoverable, the costs are recognised in profit or loss when incurred, and revenues are not recognised.

(c) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

(18) Government grants

Government grants are the gratuitous monetary assets or non-monetary assets that the Group receives from the government, excluding capital injection by the government as an investor. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of "capital reserve" are dealt with as capital contributions, and not regarded as government grants.

Government grants are recognised when there is reasonable assurance that the grants will be received and the Group is able to comply with the conditions attaching to them. Government grants in the form of monetary assets are recorded based on the amount received or receivable, whereas non-monetary assets are measured at fair value.

Government grants received in relation to assets are recorded as deferred income, and recognised evenly in profit or loss over the assets' useful lives. Government grants received in relation to revenue are recorded as deferred income, and recognised as income in future periods as compensation when the associated future expenses or losses arise; or directly recognised as income in the current period as compensation for past expenses or losses.

(19) Borrowing costs

Borrowing costs incurred on borrowings for the acquisition, construction or production of qualified assets are capitalised into the cost of the related assets.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

(20) Repairs and maintenance expenses

Repairs and maintenance (including overhauling expenses) expenses are recognised in profit or loss when incurred.

(21) Environmental expenditures

Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations is expensed as incurred. Liabilities related to future remediation costs are recorded when environmental assessments and/or cleanups are probable and the costs can be reliably estimated. As facts concerning environmental contingencies become known to the Group, the Group reassesses its position both with respect to accrued liabilities and other potential exposures.

(22) Research and development costs

Research and development costs are recognised in profit or loss when incurred.

(23) Operating leases

Operating lease payments are charged as expenses on a straight-line basis over the period of the respective leases.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(24) Dividends

Dividends and distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date, are not recognised as a liability at the balance sheet date and are separately disclosed in the notes to the financial statements. Dividends are recognised as a liability in the period in which they are declared.

(25) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control, joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Where enterprises are subject to state control but are otherwise unrelated, they are not related parties. Related parties of the Group and the Company include, but not limited to:

(a) the holding company of the Company;

(b) the subsidiaries of the Company;

(c) the parties that are subject to common control with the Company;

(d) investors that have joint control or exercise significant influence over the Group;

(e) enterprises or individuals if a party has control, joint control over both the enterprises or individuals and the Group;

(f) joint ventures of the Group, including subsidiaries of the joint ventures;

(g) associates of the Group, including subsidiaries of the associates;

(h) principle individual investors of the Group and close family members of such individuals;

(i) key management personnel of the Group, and close family members of such individuals;

(j) key management personnel of the Company's holding company;

(k) close family members of key management personnel of the Company's holding company; and

(l) an entity which is under control, joint control of principle individual investor, key management personnel or close family members of such individuals.

(26) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following respective conditions:

— engage in business activities from which it may earn revenues and incur expenses;

— whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and

— for which financial information regarding financial position, results of operations and cash flows are available.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

4 TAXATION

Major types of tax applicable to the Group are income tax, consumption tax, resources tax, value added tax, special oil income levy, city construction tax, education surcharge and local education surcharge.

Consumption tax was levied based on sales quantities of taxable products, tax rate of products is presented as below:

Products	Effective from 13 December 2014 (RMB/Ton)	Effective from 13 January 2015 (RMB/Ton)
Gasoline	1,943.20	2,109.76
Diesel	1,293.60	1,411.20
Naphtha	1,939.00	2,105.20
Solvent oil	1,794.80	1,948.64
Lubricant oil	1,576.40	1,711.52
Fuel oil	1,116.50	1,218.00
Jet fuel oil	1,370.60	1,495.20

Value added tax rate for liquefied petroleum gas, natural gas and certain agricultural products is 13% and that for other products is 17%.

In accordance with PRC rules and regulations, the threshold above which special oil income levy was imposed (with the five-level progressive tax rates varying from 20% to 40% remaining) has been raised from USD 55 per barrel to USD 65 per barrel from 1 January 2015.

5 CASH AT BANK AND ON HAND

The Group

	At 30 June 2016			At 31 December 2015		
	Original currency million	Exchange rates	RMB million	Original currency million	Exchange rates	RMB million
Cash on hand						
Renminbi			12			16
Cash at bank						
Renminbi			54,411			42,030
US Dollars	1,613	6.6312	10,703	1,412	6.4936	9,168
Hong Kong Dollars	31	0.8547	26	96	0.8378	80
Japanese Yen	149	0.0645	10	141	0.0539	8
Euro	1	7.3750	9	1	7.0952	9
Others			50			52
			65,221			**51,363**
Deposits at related parities						
Renminbi			6,050			14,290
US Dollars	849	6.6312	5,637	609	6.4936	3,962
Euro	10	7.3750	76	4	7.0952	30
Hong Kong Dollars	2	0.8547	2	25	0.8378	21
Total			**76,986**			**69,666**

Deposits at related parties represent deposits placed at Sinopec Finance Company Limited and Sinopec Century Bright Capital Investment Limited. Deposits interest is calculated based on market rate.

At 30 June 2016, time deposits with financial institutions of the Group amounted to RMB 3,736 million (2015: RMB 733 million).

At 30 June 2016, structured deposits with financial institutions of the Group amounted to RMB 40,000 million (2015: RMB 25,380 million).

6 BILLS RECEIVABLE

Bills receivable represents mainly the bills of acceptance issued by banks for sales of goods and products.

At 30 June 2016, the Group's outstanding endorsed or discounted bills (with recourse) amounted to RMB 8,650 million (2015: RMB 5,352 million).

7 ACCOUNTS RECEIVABLE

	The Group		The Company	
	At 30 June 2016 RMB million	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million
Amounts due from subsidiaries	—	—	25,809	24,222
Amounts due from Sinopec Group Company and fellow subsidiaries	10,618	18,672	602	677
Amounts due from associates and joint ventures	4,737	3,734	1,722	1,980
Amounts due from others	48,411	34,261	3,080	2,771
	63,766	**56,667**	**31,213**	**29,650**
Less: Allowance for doubtful accounts	513	525	135	138
Total	**63,253**	**56,142**	**31,078**	**29,512**

7 ACCOUNTS RECEIVABLE *(Continued)*

Ageing analysis on accounts receivable is as follows:

	The Group							
	At 30 June 2016				At 31 December 2015			
	Amount RMB million	**Percentage to total accounts receivable %**	**Allowance RMB million**	**Percentage of allowance to accounts receivable balance %**	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %
Within one year	62,811	98.5	6	—	55,385	97.8	7	—
Between one and two years	430	0.7	31	7.2	750	1.3	35	4.7
Between two and three years	48	0.1	23	47.9	59	0.1	23	39.0
Over three years	477	0.7	453	95.0	473	0.8	460	97.3
Total	**63,766**	**100.0**	**513**		**56,667**	**100.0**	**525**	

	The Company							
	At 30 June 2016				At 31 December 2015			
	Amount RMB million	**Percentage to total accounts receivable %**	**Allowance RMB million**	**Percentage of allowance to accounts receivable balance %**	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %
Within one year	25,031	80.3	—	—	24,578	82.8	—	—
Between one and two years	2,606	8.3	9	0.3	2,809	9.5	12	0.4
Between two and three years	1,978	6.3	2	0.1	2,125	7.2	2	0.1
Over three years	1,598	5.1	124	7.8	138	0.5	124	89.9
Total	**31,213**	**100.0**	**135**		**29,650**	**100.0**	**138**	

At 30 June 2016 and 31 December 2015, the total amounts of the top five accounts receivable of the Group are set out below:

	At 30 June 2016	At 31 December 2015
Total amount (RMB million)	17,433	20,975
Percentage to the total balance of accounts receivable	27.3%	37.0%
Allowance for doubtful accounts	—	—

During the six-month periods ended 30 June 2016 and 2015, the Group and the Company had no individually significant accounts receivable been fully or substantially provided allowance for doubtful accounts.

During the six-month periods ended 30 June 2016 and 2015, the Group and the Company had no individually significant write-off or recovery of doubtful debts which had been fully or substantially provided for in prior years.

At 30 June 2016 and 31 December 2015, the Group and the Company had no individually significant accounts receivable due from third parties that aged over three years.

8 OTHER RECEIVABLES

	The Group		The Company	
	At 30 June 2016 RMB million	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million
Amounts due from subsidiaries	—	—	68,140	61,621
Amounts due from Sinopec Group Company and fellow subsidiaries	2,070	2,694	147	2,229
Amounts due from associates and joint ventures	614	308	2	4
Amounts due from others	17,725	19,843	2,714	2,029
	20,409	**22,845**	**71,003**	**65,883**
Less: Allowance for doubtful accounts	1,284	1,392	1,139	1,263
Total	**19,125**	**21,453**	**69,864**	**64,620**

8 OTHER RECEIVABLES *(Continued)*

Ageing analysis of other receivables is as follows:

	The Group							
	At 30 June 2016				At 31 December 2015			
	Amount RMB million	**Percentage to total other receivables %**	**Allowance RMB million**	**Percentage of allowance to other receivable balance %**	Amount RMB million	Percentage to total other receivables %	Allowance RMB million	Percentage of allowance to other receivable balance %
Within one year	17,714	86.8	—	—	20,067	87.9	2	—
Between one and two years	664	3.2	12	1.8	484	2.1	9	1.9
Between two and three years	216	1.1	14	6.5	211	0.9	14	6.6
Over three years	1,815	8.9	1,258	69.3	2,083	9.1	1,367	65.6
Total	**20,409**	**100.0**	**1,284**		**22,845**	**100.0**	**1,392**	

	The Company							
	At 30 June 2016				At 31 December 2015			
	Amount RMB million	**Percentage to total other receivables %**	**Allowance RMB million**	**Percentage of allowance to other receivable balance %**	Amount RMB million	Percentage to total other receivables %	Allowance RMB million	Percentage of allowance to other receivable balance %
Within one year	48,887	68.8	—	—	43,852	66.6	—	—
Between one and two years	1,885	2.7	1	0.1	5,341	8.1	1	—
Between two and three years	18,593	26.2	2	—	14,787	22.4	2	—
Over three years	1,638	2.3	1,136	69.4	1,903	2.9	1,260	66.2
Total	**71,003**	**100.0**	**1,139**		**65,883**	**100.0**	**1,263**	

At 30 June 2016 and 31 December 2015, the total amounts of the top five other receivables of the Group are set out below:

	At 30 June 2016	At 31 December 2015
Total amount (RMB million)	6,113	8,095
Ageing	Within one year	Within one year
Percentage to the total balance of other receivables	30.0%	35.4%
Allowance for doubtful accounts	—	—

During the six-month periods ended 30 June 2016 and 2015, the Group and the Company had no individually significant other receivables been fully or substantially provided allowance for doubtful accounts.

During the six-month periods ended 30 June 2016 and 2015, the Group and the Company had no individually significant write-off or recovery of doubtful debts which had been fully or substantially provided for in prior years.

At 30 June 2016 and 31 December 2015, the Group and the Company had no individually significant other receivables that aged over three years.

9 PREPAYMENTS

	The Group		The Company	
	At 30 June 2016 RMB million	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million
Amounts to subsidiaries	—	—	1,217	690
Amounts to Sinopec Group Company and fellow subsidiaries	160	86	63	50
Amounts to associates and joint ventures	31	47	—	—
Amounts to others	3,631	2,810	466	572
	3,822	**2,943**	**1,746**	**1,312**
Less: Allowance for doubtful accounts	25	23	17	16
Total	**3,797**	**2,920**	**1,729**	**1,296**

Ageing analysis of prepayments is as follows:

	The Group							
	At 30 June 2016				At 31 December 2015			
	Amount RMB million	**Percentage to total prepayments %**	**Allowance RMB million**	**Percentage of allowance to prepayments balance %**	Amount RMB million	Percentage to total prepayments %	Allowance RMB million	Percentage of allowance to prepayments balance %
Within one year	3,632	95.1	—	—	2,826	96.0	—	—
Between one and two years	104	2.7	1	1.0	82	2.8	—	—
Between two and three years	62	1.6	1	1.6	6	0.2	1	16.7
Over three years	24	0.6	23	95.8	29	1.0	22	75.9
Total	**3,822**	**100.0**	**25**		**2,943**	**100.0**	**23**	

	The Company							
	At 30 June 2016				At 31 December 2015			
	Amount RMB million	**Percentage to total prepayments %**	**Allowance RMB million**	**Percentage of allowance to prepayments balance %**	Amount RMB million	Percentage to total prepayments %	Allowance RMB million	Percentage of allowance to prepayments balance %
Within one year	1,592	91.2	—	—	1,072	81.7	—	—
Between one and two years	57	3.2	—	—	141	10.7	—	—
Between two and three years	10	0.6	1	10.0	43	3.3	1	2.3
Over three years	87	5.0	16	18.4	56	4.3	15	26.8
Total	**1,746**	**100.0**	**17**		**1,312**	**100.0**	**16**	

At 30 June 2016 and 31 December 2015, the total amounts of the top five prepayments of the Group are set out below:

	At 30 June 2016	At 31 December 2015
Total amount (RMB million)	1,149	1,202
Percentage to the total balance of prepayments	30.1%	40.8%

10 INVENTORIES

The Group

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Raw materials	70,754	59,376
Work in progress	13,357	22,762
Finished goods	65,734	66,320
Spare parts and consumables	1,260	1,552
	151,105	**150,010**
Less: Provision for diminution in value of inventories	1,662	4,402
Total	**149,443**	**145,608**

Provision for diminution in value of inventories is mainly against raw materials and finished goods. During the six-month periods ended 30 June 2016, the provision for diminution in value of inventories of the Group was primarily due to the costs of finished goods of the refining segment were higher than their net realisable value.

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Equity securities, listed and at quoted market price	232	261
Other investment, unlisted and at cost	10,934	10,732
	11,166	**10,993**
Less: Impairment loss for investments	29	29
Total	**11,137**	**10,964**

Other investment, unlisted and at cost, represents the Group's interests in privately owned enterprises which are mainly engaged in oil and natural gas activities and chemical production.

The impairment losses relating to investments for the period ended 30 June 2016 amounted to nil (2015: nil).

12 LONG-TERM EQUITY INVESTMENTS

The Group

	Investments in joint ventures RMB million	Investments in associates RMB million	Provision for impairment losses RMB million	Total RMB million
Balance at 1 January 2016	43,581	41,389	(677)	84,293
Additions for the period	277	760	—	1,037
Share of profits less losses under the equity method	3,542	1,056	—	4,598
Change of other comprehensive gain/(loss) under the equity method	117	(18)	—	99
Other equity movement under the equity method	2	—	—	2
Dividends declared	(1,340)	(350)	—	(1,690)
Disposals for the period	—	(14)	—	(14)
Other movements	400	(2)	—	398
Movement of provision for impairment	—	—	(12)	(12)
Balance at 30 June 2016	**46,579**	**42,821**	**(689)**	**88,711**

The Company

	Investments in subsidiaries RMB million	Investments in joint ventures RMB million	Investments in associates RMB million	Provision for impairment losses RMB million	Total RMB million
Balance at 1 January 2016	199,060	13,840	13,987	(7,657)	219,230
Additions for the period	8,148	271	24	—	8,443
Share of profits less losses under the equity method	—	1,336	354	—	1,690
Change of other comprehensive loss under the equity method	—	—	(15)	—	(15)
Dividends declared	—	(769)	(107)	—	(876)
Disposals for the period	(10)	—	—	—	(10)
Investments transferred to subsidiaries	176	(176)	—	—	—
Balance at 30 June 2016	**207,374**	**14,502**	**14,243**	**(7,657)**	**228,462**

For the six-month period ended 30 June 2016, the Group and the Company had no individually significant long-term investment impairment.

Details of the Company's principal subsidiaries are set out in Note 53.

Significant restriction of long-term equity investments of the Group's cash does not exist.

12 LONG-TERM EQUITY INVESTMENTS *(Continued)*

Principal joint ventures and associates are as follows:

(a) Principal joint ventures and associates

Name of investees	Principal place of business	Register location	Legal representative	Principal activities	Registered capital RMB million	Percentage of equity/voting right directly or indirectly held by the Company
1. Joint ventures						
Yanbu Aramco Sinopec Refining Company Ltd. ("YASREF ")	Saudi Arabia	Saudi Arabia	NA	Petroleum refining and processing	1,560 million USD	37.50%
BASF-YPC Company Limited ("BASF-YPC")	PRC	PRC	Wang Jingyi	Manufacturing and distribution of petrochemical products	12,547	40.00%
Taihu Limited ("Taihu")	Russia	Cyprus	NA	Crude oil and natural gas extraction	25,000 USD	49.00%
Mansarovar Energy Colombia Ltd. ("Mansarovar")	Colombia	British Bermuda	NA	Crude oil and natural gas extraction	12,000 USD	50.00%
2. Associates						
Sinopec Finance Company Limited ("Sinopec Finance")	PRC	PRC	Liu Yun	Provision of non-banking financial services	10,000	49.00%
China Aviation Oil Supply Company Limited ("China Aviation Oil")	PRC	PRC	Sun Li	Marketing and distribution of refined petroleum products	3,800	29.00%
Zhongtian Synergetic Energy Company Limited ("Zhongtian Synergetic Energy")	PRC	PRC	Li Fuyou	Manufacturing of coal-chemical products	16,000	38.75%
Shanghai Chemical Industry Park Development Company Limited ("Shanghai Chemical")	PRC	PRC	Wang Zhiqing	Planning, development and operation of the Chemical Industry Park in Shanghai, the PRC	2,372	38.26%
Caspian Investments Resources Ltd. ("CIR") (i)	The Republic of Kazakhstan	British Virgin Islands	NA	Crude oil and natural gas extraction	10,000 USD	50.00%

All the joint ventures and associates above are limited companies.

Note:

(i) In August 2015, one of the subsidiaries of Sinopec Group Company completed the acquisition from LUKOIL OVERSEAS WEST PROJIECT Ltd. a 50% equity interests in CIR and revised CIR's Articles of Association subsequently. According to the revised CIR's Articles of Association, the Group retained significant influences over CIR. As a result, the Group reclassified the investment interest in CIR from joint ventures to associates.

12 LONG-TERM EQUITY INVESTMENTS *(Continued)*

(b) Major financial information of principal joint ventures

Summarised balance sheet and reconciliation to their carrying amounts in respect of the Group's principal joint ventures:

	YASREF		BASF-YPC		Taihu		Mansarovar	
	At 30 June 2016 RMB million	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million
Current assets								
Cash and cash equivalents	3,388	4,171	360	488	122	78	229	262
Other current assets	7,299	5,965	4,869	4,765	2,546	2,243	681	759
Total current assets	**10,687**	**10,136**	**5,229**	**5,253**	**2,668**	**2,321**	**910**	**1,021**
Non-current assets	54,401	54,027	14,565	15,543	5,603	5,662	6,712	7,433
Current liabilities								
Current financial liabilities (ii)	(1,079)	(3,362)	(2,060)	(2,005)	(1,982)	(2,315)	—	—
Other current liabilities	(8,277)	(7,886)	(1,880)	(1,864)	(1,174)	(1,088)	(1,033)	(767)
Total current liabilities	**(9,356)**	**(11,248)**	**(3,940)**	**(3,869)**	**(3,156)**	**(3,403)**	**(1,033)**	**(767)**
Non-current liabilities								
Non-current financial liabilities (iii)	(41,112)	(39,214)	(1,710)	(3,113)	(26)	(26)	—	—
Other non-current liabilities	(948)	(978)	—	—	(1,313)	(1,337)	(2,853)	(3,320)
Total non-current liabilities	**(42,060)**	**(40,192)**	**(1,710)**	**(3,113)**	**(1,339)**	**(1,363)**	**(2,853)**	**(3,320)**
Net assets	**13,672**	**12,723**	**14,144**	**13,814**	**3,776**	**3,217**	**3,736**	**4,367**
Net assets attributable to owners of the company	13,672	12,723	14,144	13,814	3,645	3,106	3,736	4,367
Net assets attributable to minority interests	—	—	—	—	131	111	—	—
Share of net assets from joint ventures	5,127	4,771	5,658	5,526	1,786	1,522	1,868	2,184
Other (iv)	—	—	—	—	744	729	—	—
Carrying Amounts	**5,127**	**4,771**	**5,658**	**5,526**	**2,530**	**2,251**	**1,868**	**2,184**

Summarised income statement

Six-month periods ended 30 June	YASREF		BASF-YPC		Taihu		Mansarovar		CIR
	2016 RMB million	2015 RMB million	**2016 RMB million**	2015 RMB million	**2016 RMB million**	2015 RMB million	**2016 RMB million**	2015 RMB million	2015 RMB million
Turnover	20,476	11,538	7,860	7,147	4,418	5,961	496	888	1,830
Interest income	10	—	9	16	—	—	2	—	18
Interest expense	(582)	(223)	(99)	(136)	(21)	(18)	(3)	—	(4)
Profit/(loss) before taxation	619	675	951	(165)	731	944	(804)	(328)	(1,017)
Tax expense	28	9	(233)	16	(249)	(351)	91	56	70
Profit/(loss) for the year	647	684	718	(149)	482	593	(713)	(272)	(947)
Other comprehensive income/(loss)	302	(192)	—	—	108	1	82	(6)	(12)
Total comprehensive income/(loss)	**949**	**492**	**718**	**(149)**	**590**	**594**	**(631)**	**(278)**	**(959)**
Dividends from joint ventures	—	—	155	156	—	—	—	—	—
Share of net profit/(loss) from joint ventures	243	257	287	(60)	228	280	(357)	(136)	(474)
Share of other comprehensive income/(loss) from joint ventures	113	(72)	—	—	51	—	41	(3)	(6)

The share of profit and other comprehensive loss for the six-month period ended 30 June 2016 in all individually immaterial joint ventures accounted for using equity method in aggregate was RMB 3,141 million (2015: RMB 2,553 million) and RMB 88 million (2015: RMB 4 million) respectively. As at 30 June 2016, the carrying amount of all individually immaterial joint ventures accounted for using equity method in aggregate was RMB 31,396 million (2015: RMB 28,849 million).

Note:

(ii) Excluding accounts payable, other payables.

(iii) Excluding provisions.

(iv) Other reflects the excess of consideration transferred over acquiror's share of net fair value of identifiable assets acquired and liabilities assumed as of the acquisition date.

12 LONG-TERM EQUITY INVESTMENTS *(Continued)*

(c) Major financial information of principal associates

Summarised balance sheet and reconciliation to their carrying amounts in respect of the Group's principal associates:

	Sinopec Finance		China Aviation Oil		Zhongtian Synergetic Energy		Shanghai Chemical		CIR	
	At 30 June 2016 RMB million	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million
Current assets	131,544	154,437	12,970	8,240	11,497	10,168	4,324	2,487	4,450	4,826
Non-current assets	16,839	15,739	5,375	5,220	40,044	37,571	2,890	3,111	7,030	7,768
Current liabilities	(125,481)	(147,952)	(7,590)	(4,717)	(6,307)	(16,536)	(1,113)	(404)	(1,124)	(1,305)
Non-current liabilities	(103)	(114)	(322)	(321)	(27,856)	(15,407)	(1,721)	(981)	(1,054)	(1,282)
Net assets	**22,799**	**22,110**	**10,433**	**8,422**	**17,378**	**15,796**	**4,380**	**4,213**	**9,302**	**10,007**
Net assets attributable to owners of the Company	22,799	22,110	9,149	7,438	17,378	15,796	4,380	4,213	9,302	10,007
Net assets attributable to minority interests	—	—	1,284	984	—	—	—	—	—	—
Share of net assets from associates	11,172	10,834	2,653	2,157	6,734	6,121	1,342	1,281	4,651	5,004
Carrying Amounts	**11,172**	**10,834**	**2,653**	**2,157**	**6,734**	**6,121**	**1,342**	**1,281**	**4,651**	**5,004**

Summarised income statement

Six-month periods ended 30 June	Sinopec Finance		China Aviation Oil		Zhongtian Synergetic Energy(v)		Shanghai Chemical		CIR
	2016 RMB million	2015 RMB million	**2016 RMB million**	2015 RMB million	**2016 RMB million**	2015 RMB million	**2016 RMB million**	2015 RMB million	**2016 RMB million**
Turnover	1,217	1,873	32,021	39,702	—	—	1,218	—	931
Profit/(loss) for the period	720	1,641	1,973	1,423	—	—	161	106	(905)
Other comprehensive (loss)/income	(31)	(1)	—	—	—	—	—	—	199
Total comprehensive income/(loss)	**689**	**1,640**	**1,973**	**1,423**	**—**	**—**	**161**	**106**	**(706)**
Dividends declared by associates	—	—	—	336	—	—	—	—	—
Share of profit/(loss) from associates	353	804	496	289	—	—	61	41	(453)
Share of other comprehensive (loss)/income from associates	(15)	(1)	—	—	—	—	—	—	100

The share of profit and other comprehensive loss for the six-month period ended 30 June 2016 in all individually immaterial associates accounted for using equity method in aggregate was RMB 599 million (2015: RMB 581 million) and RMB 103 million (2015: RMB 32 million) respectively. As at 30 June 2016, the carrying amount of all individually immaterial associates accounted for using equity method in aggregate was RMB 15,580 million (2015: RMB 15,315 million).

Note:

(v) The main asset of Zhongtian Synergetic Energy was under construction during the period ended 30 June 2016.

13 FIXED ASSETS

The Group

	Plants and buildings RMB million	Oil and gas properties RMB million	Equipment, machinery and others RMB million	Total RMB million
Cost:				
Balance at 1 January 2016	107,873	613,134	880,711	1,601,718
Additions for the period	16	1,700	538	2,254
Transferred from construction in progress	1,391	16,341	17,262	34,994
Reclassifications	415	(64)	(351)	—
Exchange adjustments	39	862	57	958
Decreases for the period	(119)	—	(2,318)	(2,437)
Balance at 30 June 2016	**109,615**	**631,973**	**895,899**	**1,637,487**
Accumulated depreciation:				
Balance at 1 January 2016	41,569	354,181	432,151	827,901
Additions for the period	1,867	20,279	23,225	45,371
Reclassifications	27	(26)	(1)	—
Exchange adjustments	14	563	24	601
Decreases for the period	(82)	—	(1,277)	(1,359)
Balance at 30 June 2016	**43,395**	**374,997**	**454,122**	**872,514**
Provision for impairment losses:				
Balance at 1 January 2016	2,900	20,010	17,458	40,368
Additions for the period	80	—	1,176	1,256
Exchange adjustments	—	15	2	17
Decreases for the period	(4)	—	(129)	(133)
Balance at 30 June 2016	**2,976**	**20,025**	**18,507**	**41,508**
Net book value:				
Balance at 30 June 2016	**63,244**	**236,951**	**423,270**	**723,465**
Balance at 31 December 2015	**63,404**	**238,943**	**431,102**	**733,449**

The Company

	Plants and buildings RMB million	Oil and gas properties RMB million	Equipment, machinery and others RMB million	Total RMB million
Cost:				
Balance at 1 January 2016	47,882	530,446	469,966	1,048,294
Additions for the period	2	1,690	69	1,761
Transferred from construction in progress	177	15,810	6,541	22,528
Reclassifications	186	(64)	(122)	—
Transferred to subsidiaries	(1,503)	(385)	(39,572)	(41,460)
Decreases for the period	(17)	—	(712)	(729)
Balance at 30 June 2016	**46,727**	**547,497**	**436,170**	**1,030,394**
Accumulated depreciation:				
Balance at 1 January 2016	21,077	302,711	254,097	577,885
Additions for the period	824	16,627	11,833	29,284
Reclassifications	14	(26)	12	—
Transferred to subsidiaries	(1,060)	(156)	(17,675)	(18,891)
Decreases for the period	(9)	—	(531)	(540)
Balance at 30 June 2016	**20,846**	**319,156**	**247,736**	**587,738**
Provision for impairment losses:				
Balance at 1 January 2016	1,288	16,971	12,673	30,932
Additions for the period	67	—	982	1,049
Decreases for the period	—	—	(19)	(19)
Balance at 30 June 2016	**1,355**	**16,971**	**13,636**	**31,962**
Net book value:				
Balance at 30 June 2016	**24,526**	**211,370**	**174,798**	**410,694**
Balance at 31 December 2015	**25,517**	**210,764**	**203,196**	**439,477**

13 FIXED ASSETS *(Continued)*

The additions to oil and gas properties of the Group and the Company for six-month period ended 30 June 2016 included RMB 1,700 million (2015: RMB 983 million) (Note 31) and RMB 1,690 million (2015: RMB 884 million), respectively of the estimated dismantlement costs for site restoration.

At 30 June 2016 and 31 December 2015, the Group and the Company had no individually significant fixed assets which were pledged.

At 30 June 2016 and 31 December 2015, the Group and the Company had no individually significant fixed assets which were temporarily idle or pending for disposal.

At 30 June 2016 and 31 December 2015, the Group and the Company had no individually significant fully depreciated fixed assets which were still in use.

14 CONSTRUCTION IN PROGRESS

	The Group RMB million	The Company RMB million
Cost:		
Balance at 1 January 2016	152,545	72,763
Additions for the period	15,500	8,138
Exchange adjustments	35	—
Disposals for the period	(67)	—
Transferred to subsidiaries	—	(1,611)
Dry hole costs written off	(3,619)	(3,619)
Transferred to fixed assets	(34,994)	(22,528)
Reclassification to other assets	(2,390)	(77)
Balance at 30 June 2016	**127,010**	**53,066**
Provision for impairment losses:		
Balance at 1 January 2016	220	—
Additions for the period	1	—
Decreases for the period	(1)	—
Balance at 30 June 2016	**220**	**—**
Net book value:		
Balance at 30 June 2016	**126,790**	**53,066**
Balance at 31 December 2015	**152,325**	**72,763**

At 30 June 2016, major construction projects of the Group are as follows:

Project name	Budgeted amount RMB million	Balance at 1 January 2016 RMB million	Net change for the period RMB million	**Balance at 30 June 2016 RMB million**	Percentage of Completion %	Source of funding	**Accumulated interest capitalised at 30 June 2016 RMB million**
Guangxi LNG Project	17,775	7,962	(3,229)	4,733	57%	Bank loans & self-financing	469
Tianjin LNG Project	17,404	3,387	1,151	4,538	33%	Bank loans & self-financing	40
ZRCC Structural Rectification and Quality Upgrade Project	3,709	2	73	75	2%	Bank loans & self-financing	—
Yizheng-Changling Crude Oil Pipeline Corporation Multiple Tracks Yizheng to Jiujiang Corporation	3,316	1,687	300	1,987	60%	Bank loans & self-financing	73
Jinling LPG Utilization Project	1,324	51	137	188	14%	Bank loans & self-financing	—

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15 INTANGIBLE ASSETS

The Group

	Land use rights RMB million	Patents RMB million	Non-patent technology RMB million	Operation rights RMB million	Others RMB million	Total RMB million
Cost:						
Balance at 1 January 2016	63,324	4,210	3,931	34,407	3,575	109,447
Additions for the period	2,549	30	51	541	217	3,388
Decreases for the period	(73)	—	—	(6)	—	(79)
Balance at 30 June 2016	**65,800**	**4,240**	**3,982**	**34,942**	**3,792**	**112,756**
Accumulated amortisation:						
Balance at 1 January 2016	12,081	3,123	1,975	8,196	2,155	27,530
Additions for the period	968	64	148	859	214	2,253
Decreases for the period	(10)	—	—	(4)	—	(14)
Balance at 30 June 2016	**13,039**	**3,187**	**2,123**	**9,051**	**2,369**	**29,769**
Provision for impairment losses:						
Balance at 1 January 2016	194	483	24	114	16	831
Balance at 30 June 2016	**194**	**483**	**24**	**114**	**16**	**831**
Net book value:						
Balance at 30 June 2016	**52,567**	**570**	**1,835**	**25,777**	**1,407**	**82,156**
Balance at 31 December 2015	**51,049**	**604**	**1,932**	**26,097**	**1,404**	**81,086**

Amortisation of the intangible assets of the Group charged for the six-month period ended 30 June 2016 is RMB 3,112 million (2015: RMB 1,938 million).

16 GOODWILL

Goodwill is allocated to the following Group's cash-generating units:

Name of investees	Principal activities	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million
Sinopec Beijing Yanshan Petrochemical Branch ("Sinopec Yanshan")	Manufacturing of intermediate petrochemical products and petroleum products	1,157	1,157
Sinopec Zhenhai Refining and Chemical Branch ("Sinopec Zhenhai")	Manufacturing of intermediate petrochemical products and petroleum products	4,043	4,043
Sinopec (Hong Kong) Limited	Trading of petrochemical products	899	853
Multiple units without individual significant goodwill		218	218
Total		**6,317**	**6,271**

Goodwill represents the excess of the cost of purchase over the fair value of the underlying assets and liabilities. The recoverable amounts of the above cash generating units are determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one-year period and pre-tax discount rates primarily ranging from 10.7% to 10.9% (2015: 10.7% to 11.3%). Cash flows beyond the one-year period are maintained constant. Based on the estimated recoverable amount, no impairment loss was recognised.

Key assumptions used for cash flow forecasts for these entities are the gross margin and sales volume. Management determined the budgeted gross margin based on the gross margin achieved in the period immediately before the budget period and management's expectation on the future trend of the prices of crude oil and petrochemical products. The sales volume was based on the production capacity and/or the sales volume in the period immediately before the budget period.

17 LONG-TERM DEFERRED EXPENSES

Long-term deferred expenses primarily represent prepaid rental expenses over one year and catalysts expenditures.

18 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities before the consolidated elimination adjustments are as follows:

	Deferred tax assets		Deferred tax liabilities		Net balance	
	At 30 June 2016 RMB million	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million
Current						
Receivables and inventories	1,215	1,755	—	—	1,215	1,755
Accruals	875	413	—	—	875	413
Cash flow hedges	136	348	(268)	(98)	(132)	250
Non-current						
Fixed assets	8,091	8,209	(16,865)	(17,340)	(8,774)	(9,131)
Tax losses carried forward	5,192	5,883	—	—	5,192	5,883
Others	93	98	(82)	(58)	11	40
Deferred tax assets/(liabilities)	**15,602**	**16,706**	**(17,215)**	**(17,496)**	**(1,613)**	**(790)**

The consolidated elimination amount between deferred tax assets and liabilities are as follows:

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Deferred tax assets	8,784	9,237
Deferred tax liabilities	8,784	9,237

Deferred tax assets and liabilities after the consolidated elimination adjustments are as follows:

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Deferred tax assets	6,818	7,469
Deferred tax liabilities	8,431	8,259

At 30 June 2016, certain subsidiaries of the Company did not recognise deferred tax of deductible loss carried forward of RMB 19,968 million (2015: RMB 19,338 million), of which RMB 2,000 million (2015: RMB 1,740 million) was incurred for the six-month period ended 30 June 2016, because it was not probable that the related tax benefit will be realised. These deductible losses carried forward of RMB 1,984 million, RMB 3,764 million, RMB 2,629 million, RMB 5,511 million, RMB 3,311 million and RMB 2,769 million will expire in 2016, 2017, 2018, 2019, 2020, 2021 and after, respectively.

Periodically, management performed assessment on the probability that future taxable profit will be available over the period which the deferred tax assets can be realised or utilised. In assessing the probability, both positive and negative evidence was considered, including whether it is probable that the operations will have sufficient future taxable profits over the periods which the deferred tax assets are deductible or utilised and whether the tax losses result from identifiable causes which are unlikely to recur. During the six-month period ended 30 June 2016, write-down of deferred tax assets amounted to RMB 43 million (2015: RMB 28 million) (Note 48).

19 OTHER NON-CURRENT ASSETS

Other non-current assets mainly represent prepayments for construction projects and purchases of equipment.

20 DETAILS OF IMPAIRMENT LOSSES

At 30 June 2016, impairment losses of the Group are analysed as follows:

	Note	Balance at 1 January 2016 RMB million	Provision for the period RMB million	Written back for the period RMB million	Written off for the period RMB million	Other (decrease)/ increase RMB million	**Balance at 30 June 2016 RMB million**
Allowance for doubtful accounts							
Included: Accounts receivable	7	525	4	(5)	(11)	—	513
Other receivables	8	1,392	48	(139)	(17)	—	1,284
Prepayments	9	23	2	—	—	—	25
		1,940	**54**	**(144)**	**(28)**	**—**	**1,822**
Inventories	10	4,402	258	(2)	(3,034)	38	1,662
Long-term equity investments	12	677	—	—	(1)	13	689
Fixed assets	13	40,368	1,256	—	(136)	20	41,508
Construction in progress	14	220	1	—	(1)	—	220
Intangible assets	15	831	—	—	—	—	831
Goodwill	16	7,657	—	—	—	—	7,657
Others		43	—	—	—	—	43
Total		**56,138**	**1,569**	**(146)**	**(3,200)**	**71**	**54,432**

The reasons for recognising impairment losses are set out in the respective notes of respective assets.

21 SHORT-TERM LOANS

The Group's short-term loans represent:

	At 30 June 2016			At 31 December 2015		
	Original currency million	**Exchange rates**	**RMB million**	Original currency million	Exchange rates	RMB million
Short-term bank loans			27,629			31,036
– Renminbi loans			25,501			11,357
– US Dollar loans	321	6.6312	2,128	1,821	6.4936	11,824
– Euro loans	—	7.3750	—	1,107	7.0952	7,855
Short-term loans from Sinopec Group Company and fellow subsidiaries			42,698			43,693
– Renminbi loans			17,293			10,806
– US Dollar loans	3,536	6.6312	23,450	5,063	6.4936	32,878
– HK Dollar loans	2,283	0.8547	1,951	6	0.8373	5
– Euro loans	1	7.3750	4	1	7.0952	4
Total			**70,327**			**74,729**

At 30 June 2016, the Group's interest rates on short-term loans were from interest 0.68% to 6.00% (2015: from interest 0.23% to 6.16%). The majority of the above loans are by credit.

At 30 June 2016 and 31 December 2015, the Group had no significant overdue short-term loan.

22 BILLS PAYABLE

Bills payable primarily represented bank accepted bills for the purchase of material, goods and products. Bills payable were due within one year.

At 30 June 2016 and 31 December 2015, the Group had no overdue unpaid bills.

23 ACCOUNTS PAYABLE

At 30 June 2016 and 31 December 2015, the Group had no individually significant accounts payable aged over one year.

24 ADVANCES FROM CUSTOMERS

At 30 June 2016 and 31 December 2015, the Group had no individually significant advances from customers aged over one year.

25 EMPLOYEE BENEFITS PAYABLE

At 30 June 2016 and 31 December 2015, the Group's employee benefits payable primarily represented wages payable and social insurance payable.

26 TAXES PAYABLE

The Group

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Value-added tax	6,312	4,433
Consumption tax	15,805	20,491
Income tax	3,078	1,048
Mineral resources compensation fee	196	213
Other taxes	5,305	6,307
Total	**30,696**	**32,492**

27 OTHER PAYABLES

At 30 June 2016 and 31 December 2015, the Group's other payables primarily represented payables for constructions.

At 30 June 2016 and 31 December 2015, the Group had no individually significant other payables aged over three years.

28 NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

The Group's non-current liabilities due within one year represent:

	At 30 June 2016			At 31 December 2015		
	Original currency million	Exchange rates	RMB million	Original currency million	Exchange rates	RMB million
Long-term bank loans						
– Renminbi loans			6,549			5,559
– US Dollar loans	8	6.6312	55	8	6.4936	54
			6,604			**5,613**
Long-term loans from Sinopec Group Company and fellow subsidiaries						
– Renminbi loans			242			50
– US Dollar loans	—	6.6312	—	29	6.4936	186
			242			**236**
Long-term loans due within one year			**6,846**			**5,849**
Debentures payable due within one year			**18,000**			**4,868**
Others			**505**			**560**
Non-current liabilities due within one year			**25,351**			**11,277**

At 30 June 2016 and 31 December 2015, the Group had no significant overdue long-term loans.

29 LONG-TERM LOANS

The Group's long-term loans represent:

	Interest rate and final maturity	At 30 June 2016 Original currency million	Exchange rates	RMB million	At 31 December 2015 Original currency million	Exchange rates	RMB million
Long-term bank loans							
– Renminbi loans	Interest rates ranging from interest 1.08% to 4.50% per annum at 30 June 2016 with maturities through 2030			16,480			17,345
– US Dollar loans	Interest rates ranging from interest 1.30 % to 4.29 % per annum at 30 June 2016 with maturities through 2031	66	6.6312	440	71	6.4936	461
Less:Current portion				(6,604)			(5,613)
Long-term bank loans				**10,316**			**12,193**
Long-term loans from Sinopec Group Company and fellow subsidiaries							
– Renminbi loans	Interest rates ranging from interest free to 3.27 % per annum at 30 June 2016 with maturities through 2021			44,330			44,350
– US Dollar loans	No loans at 30 June 2016	—	6.6312	—	29	6.4936	186
Less: Current portion				(242)			(236)
Long-term loans from Sinopec Group Company and fellow subsidiaries				**44,088**			**44,300**
Total				**54,404**			**56,493**

The maturity analysis of the Group's long-term loans is as follows:

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Between one and two years	6,837	8,988
Between two and five years	46,394	10,467
After five years	1,173	37,038
Total	**54,404**	**56,493**

Long-term loans are primarily unsecured, and carried at amortised costs.

30 DEBENTURES PAYABLE

The Group

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Short-term corporate bonds (i)	10,000	30,000
Debentures payable:		
– Corporate Bonds (ii)	83,638	88,121
Less: Current portion	(18,000)	(4,868)
Total	**65,638**	**83,253**

Note:

(i) The company issued 180-day corporate bonds of face value RMB 10 billion to corporate investors in the PRC debenture market on 23 September 2015 at par value of RMB 100. The effective cost of the 180-day corporate bonds is 2.99% per annum. The short-term bonds were due on 23 March 2016 and have been fully paid by the Group at maturity.

The company issued 182-day corporate bonds of face value RMB 16 billion to corporate investors in the PRC debenture market on 14 December 2015 at par value of RMB 100. The effective cost of the 182-day corporate bonds is 2.90% per annum. The short-term bonds were due on 14 June 2016 and have been fully paid by the Group at maturity.

The company issued 180-day corporate bonds of face value RMB 4 billion to corporate investors in the PRC debenture market on 31 December 2015 at par value of RMB 100. The effective cost of the 180-day corporate bonds is 2.75% per annum. The short-term bonds were due on 30 June 2016 and have been fully paid by the Group at maturity.

The company issued 180-day corporate bonds of face value RMB 10 billion to corporate investors in the PRC debenture market on 17 March 2016 at par value of RMB 100. The effective cost of the 180-day corporate bonds is 2.45% per annum.

(ii) These corporate bonds are carried at amortised cost. At 30 June 2016, RMB 45,500 million are guaranteed by Sinopec Group Company.

31 PROVISIONS

Provisions primarily represent provision for future dismantlement costs of oil and gas properties. The Group has established certain standardised measures for the dismantlement of its retired oil and gas properties by making reference to the industry practices and is thereafter constructively obligated to take dismantlement measures of its retired oil and gas properties. Movement of provision of the Group's obligations for the dismantlement of its retired oil and gas properties is as follows:

	The Group RMB million
Balance at 1 January 2016	33,115
Provision for the period	1,700
Accretion expenses	495
Utilised for the period	(182)
Exchange adjustments	45
Balance at 30 June 2016	**35,173**

32 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities primarily represent long-term payables, special payables and deferred income.

33 SHARE CAPITAL

The Group

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Registered, issued and fully paid:		
95,557,771,046 domestic listed A shares (2015: 95,557,771,046) of RMB 1.00 each	95,558	95,558
25,513,438,600 overseas listed H shares (2015: 25,513,438,600) of RMB 1.00 each	25,513	25,513
Total	**121,071**	**121,071**

The Company was established on 25 February 2000 with a registered capital of 68.8 billion domestic state-owned shares with a par value of RMB 1.00 each. Such shares were issued to Sinopec Group Company in consideration for the assets and liabilities transferred to the Company (Note 1).

33 SHARE CAPITAL *(Continued)*

The Group *(Continued)*
Pursuant to the resolutions passed at an Extraordinary General Meeting held on 25 July 2000 and approvals from relevant government authorities, the Company is authorised to increase its share capital to a maximum of 88.3 billion shares with a par value of RMB 1.00 each and offer not more than 19.5 billion shares with a par value of RMB 1.00 each to investors outside the PRC. Sinopec Group Company is authorised to offer not more than 3.5 billion shares of its shareholdings in the Company to investors outside the PRC. The shares sold by Sinopec Group Company to investors outside the PRC would be converted into H shares.

In October 2000, the Company issued 15,102,439,000 H shares with a par value of RMB 1.00 each, representing 12,521,864,000 H shares and 25,805,750 American Depositary Shares ("ADSs", each representing 100 H shares), at prices of HKD 1.59 per H share and USD 20.645 per ADS, respectively, by way of a global initial public offering to Hong Kong and overseas investors. As part of the global initial public offering, 1,678,049,000 state-owned ordinary shares of RMB 1.00 each owned by Sinopec Group Company were converted into H shares and sold to Hong Kong and overseas investors.

In July 2001, the Company issued 2.8 billion listed A shares with a par value of RMB 1.00 each at RMB 4.22 by way of a public offering to natural persons and institutional investors in the PRC.

During the year ended 31 December 2010, the Company issued 88,774 listed A shares with a par value of RMB 1.00 each, as a result of exercise of 188,292 warrants entitled to the Bonds with Warrants.

During the year ended 31 December 2011, the Company issued 34,662 listed A shares with a par value of RMB 1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2012, the Company issued 117,724,450 listed A shares with a par value of RMB 1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

On 14 February 2013, the Company issued 2,845,234,000 listed H shares ("the Placing") with a par value of RMB 1.00 each at the Placing Price of HKD 8.45 per share. The aggregate gross proceeds from the Placing amounted to approximately HKD 24,042,227,300.00 and the aggregate net proceeds (after deduction of the commissions and estimated expenses) amounted to approximately HKD 23,970,100,618.00.

In June 2013, the Company issued 21,011,962,225 listed A shares and 5,887,716,600 listed H shares as a result of bonus issues of 2 shares converted from the retained earnings, and 1 share transferred from capital reserve for every 10 existing shares.

During the year ended 31 December 2013, the Company issued 114,076 listed A shares with a par value of RMB 1.00 each, as a result of exercise of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2014, the Company issued 1,715,081,853 listed A shares with a par value of RMB 1.00 each, as a result of exercise of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2015, the Company issued 2,790,814,006 listed A shares with a par value of RMB 1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

All A shares and H shares rank pari passu in all material aspects.

Capital management
Management optimises the structure of the Group's capital, which comprises of equity and debts and bonds. In order to maintain or adjust the capital structure of the Group, management may cause the Group to issue new shares, adjust the capital expenditure plan, sell assets to reduce debt, or adjust the proportion of short-term and long-term loans and bonds. Management monitors capital on the basis of the debt-to-capital ratio, which is calculated by dividing long-term loans (excluding current portion) and debentures payable, including long-term debts and loans from Sinopec Group Company and fellow subsidiaries, by the total of equity attributable to owners of the Company and long-term loans (excluding current portion) and debentures payable, and liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. Management's strategy is to make appropriate adjustments according to the Group's operating and investment needs and the changes of market conditions, and to maintain the debt-to-capital ratio and the liability-to-asset ratio of the Group at a range considered reasonable. As at 30 June 2016, the debt-to-capital ratio and the liability-to-asset ratio of the Group were 14.8% (2015: 17.1%) and 43.5% (2015: 45.4%), respectively.

The schedule of the contractual maturities of loans and commitments are disclosed in Notes 29 and 54, respectively.

There were no changes in the management's approach to capital management of the Group during the period. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

34 CAPITAL RESERVE

The movements in capital reserve of the Group are as follows:

	RMB million
Balance at 1 January 2016	121,576
Adjustment for the combination of entities under common control	(2,137)
Contributions to subsidiaries from minority interests	1
Others	(10)
Balance at 30 June 2016	**119,430**

Capital reserve represents mainly: (a) the difference between the total amount of the par value of shares issued and the amount of the net assets transferred from Sinopec Group Company in connection with the Reorganisation; (b) share premiums derived from issuances of H shares and A shares by the Company and excess of cash paid by investors over their proportionate shares in share capital, the proportionate shares of unexercised portion of the Bond with Warrants at the expiration date, and the amount transferred from the proportionate liability component and the derivative component of the converted portion of the 2011 Convertible Bonds; (c) difference between consideration paid for the combination of entities under common control and the transactions with minority interests over the carrying amount of the net assets acquired.

35 OTHER COMPREHENSIVE INCOME

The Group

(a) Each item of other comprehensive income and the influence of the income tax and the process of change to profit or loss

	Six-month periods ended 30 June 2016		
	Before-tax amount RMB million	**Tax effect RMB million**	**Net-of-tax amount RMB million**
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments recognised during the period	(513)	34	(479)
Less: Adjustments of amounts transferred to initial carrying amount of hedged items	165	(27)	138
Total amounts transferred to profit or loss from other comprehensive income during the period	(2,827)	443	(2,384)
Subtotal	**2,149**	**(382)**	**1,767**
Changes in fair value of available-for-sale financial assets recognised during the period	(33)	—	(33)
Subtotal	**(33)**	**—**	**(33)**
Share of other comprehensive income in associates and joint ventures	99	—	99
Subtotal	**99**	**—**	**99**
Translation difference in foreign currency statements	987	—	987
Subtotal	**987**	**—**	**987**
Other comprehensive income	**3,202**	**(382)**	**2,820**

	Six-month periods ended 30 June 2015		
	Before-tax amount RMB million	Tax effect RMB million	Net-of-tax amount RMB million
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments recognised during the period	(3,085)	536	(2,549)
Less: Adjustments of amounts transferred to initial carrying amount of hedged items	427	(70)	357
Total amounts transferred to profit or loss from other comprehensive income during the period	(5,328)	942	(4,386)
Subtotal	**1,816**	**(336)**	**1,480**
Changes in fair value of available-for-sale financial assets recognised during the period	44	(8)	36
Subtotal	**44**	**(8)**	**36**
Share of other comprehensive loss in associates and joint ventures	(118)	—	(118)
Subtotal	**(118)**	**—**	**(118)**
Translation difference in foreign currency statements	(43)	—	(43)
Subtotal	**(43)**	**—**	**(43)**
Other comprehensive income	**1,699**	**(344)**	**1,355**

35 OTHER COMPREHENSIVE INCOME *(Continued)*

The Group *(Continued)*

(b) Reconciliation of other comprehensive income

	Equity Attributable to shareholders of the company					Minority interests	Total other comprehensive income
	The share of other comprehensive income which being reclassified to profit and loss in the future under equity method RMB million	Changes in fair value of available-for-sale financial assets RMB million	Cash flow hedges RMB million	Translation difference in foreign currency statements RMB million	Subtotal RMB million	RMB million	RMB million
31 December 2014	(968)	97	(4,057)	(2,333)	(7,261)	(2,029)	(9,290)
Changes in 2015	(71)	(3)	1,512	369	1,807	(452)	1,355
30 June 2015	(1,039)	94	(2,545)	(1,964)	(5,454)	(2,481)	(7,935)
31 December 2015	(6,557)	114	(838)	(703)	(7,984)	(1,169)	(9,153)
Changes in 2016	2,827	(23)	1,765	414	4,983	(2,163)	2,820
30 June 2016	(3,730)	91	927	(289)	(3,001)	(3,332)	(6,333)

36 SPECIFIC RESERVE

According to relevant PRC regulations, the Group is required to transfer an amount to specific reserve for the safety production fund based on the turnover of certain refining and chemicals products or based on the production volume of crude oil and natural gas. The movements of specific reserve are as follows:

	The Group RMB million
Balance at 1 January 2016	612
Provision for the period	1,736
Utilisation for the period	(1,116)
Balance at 30 June 2016	**1,232**

37 SURPLUS RESERVES

Movements in surplus reserves are as follows:

	The Group		
	Statutory surplus reserve RMB million	Discretionary surplus reserve RMB million	Total RMB million
Balance at 1 January 2016	79,640	117,000	196,640
Appropriation	—	—	—
Balance at 30 June 2016	**79,640**	**117,000**	**196,640**

The Articles of Association of the Company and the PRC Company Law have set out the following profit appropriation plans:

(a) 10% of the net profit is transferred to the statutory surplus reserve. In the event that the reserve balance reaches 50% of the registered capital, no transfer is needed;

(b) After the transfer to the statutory surplus reserve, a transfer to discretionary surplus reserve can be made upon the passing of a resolution at the shareholders' meeting.

38 OPERATING INCOME AND OPERATING COSTS

	Six-month periods ended 30 June			
	The Group		The Company	
	2016 RMB million	2015 RMB million	**2016 RMB million**	2015 RMB million
Income from principal operations	856,796	1,022,449	334,227	428,007
Income from other operations	22,424	18,682	11,922	10,312
Total	**879,220**	**1,041,131**	**346,149**	**438,319**
Operating costs	**665,193**	**820,372**	**237,835**	**317,844**

The income from principal operations represents revenue from sales of crude oil, natural gas, petroleum and chemical products. Operating costs primarily represent the products cost related to the principal operations. The Group's segmental information is set out in Note 56.

39 SALES TAXES AND SURCHARGES

The Group

	Six-month periods ended 30 June	
	2016	2015
	RMB million	RMB million
Consumption tax	95,030	100,665
Special oil income levy	—	5
City construction tax	8,899	9,201
Education surcharge	6,729	7,045
Resources tax	1,776	2,574
Other taxes	397	399
Total	**112,831**	**119,889**

The applicable tax rate of the sales taxes and surcharges are set out in Note 4.

40 FINANCIAL EXPENSES

The Group

	Six-month periods ended 30 June	
	2016	2015
	RMB million	RMB million
Interest expenses incurred	5,078	4,421
Less: Capitalised interest expenses	409	557
Net interest expenses	**4,669**	**3,864**
Accretion expenses (Note 31)	495	520
Interest income	(1,358)	(1,097)
Net foreign exchange loss/(gain)	478	(163)
Total	**4,284**	**3,124**

The interest rates per annum at which borrowing costs were capitalised during the six-month period ended 30 June 2016 by the Group ranged from 3.3% to 5.6% (2015: 1.6% to 5.8%).

41 CLASSIFICATION OF EXPENSES BY NATURE

The operation costs, selling and distribution expenses, general and administrative expenses and exploration expenses (including dry holes) in consolidated income statement classified by nature are as follows:

	Six-month periods ended 30 June	
	2016	2015
	RMB million	RMB million
Purchased crude oil, products and operating supplies and expenses	615,419	770,998
Personnel expenses	29,063	26,719
Depreciation, depletion and amortization	49,105	46,295
Exploration expenses (including dry holes)	4,730	6,031
Other expenses	33,594	33,185
Total	**731,911**	**883,228**

42 EXPLORATION EXPENSES

Exploration expenses include geological and geophysical expenses and written-off of unsuccessful dry hole costs.

43 IMPAIRMENT LOSSES

The Group

	Six-month periods ended 30 June	
	2016	2015
	RMB million	RMB million
Receivables (Note 7, 8, 9)	(90)	(3)
Inventories (Note 10)	256	63
Fixed assets (Note 13)	1,256	145
Construction in progress (Note 14)	1	—
Total	**1,423**	**205**

44 GAIN FROM CHANGES IN FAIR VALUE

The Group

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Changes in fair value of financial assets and financial liabilities at fair value through profit/(loss), net	8	(13)
Fair value loss on the embedded derivative component of the convertible bonds	—	(259)
Unrealised gains from ineffective portion cash flow hedges, net	130	383
Others	(25)	—
Total	**113**	**111**

45 INVESTMENT INCOME

	Six-month periods ended 30 June			
	The Group		The Company	
	2016 RMB million	2015 RMB million	**2016 RMB million**	2015 RMB million
Income from investment of subsidiaries accounted for under cost method	—	—	6,410	2,750
Income from investment accounted for under equity method	4,598	4,135	1,690	1,734
Investment loss from disposal of long-term equity investments	(2)	(3)	(6)	—
Investment income from holding available-for-sale financial assets	34	65	—	—
Investment income from disposal of financial assets and liabilities at fair value through profit or loss	242	7	—	—
Gains from ineffective portion of cash flow hedge	455	311	—	—
Others	67	24	656	495
Total	**5,394**	**4,539**	**8,750**	**4,979**

46 NON-OPERATING INCOME

The Group

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Gain on disposal of non-current assets	131	143
Government grants	971	1,319
Others	255	404
Total	**1,357**	**1,866**

47 NON-OPERATING EXPENSES

The Group

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Loss on disposal of non-current assets	124	204
Fines, penalties and compensation	36	53
Donations	48	51
Others	667	625
Total	**875**	**933**

48 INCOME TAX EXPENSE

The Group

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Provision for income tax for the period	8,031	7,118
Deferred taxation	319	2,236
Under-provision for income tax in respect of preceding year	29	320
Total	**8,379**	**9,674**

Reconciliation between actual income tax expense and accounting profit at applicable tax rates is as follows:

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Profit before taxation	34,760	40,268
Expected income tax expense at a tax rate of 25%	8,690	10,067
Tax effect of non-deductible expenses	337	410
Tax effect of non-taxable income	(1,170)	(1,231)
Tax effect of preferential tax rate (i)	215	(542)
Effect of difference between income taxes at foreign operations tax rate and the PRC statutory tax rate (ii)	(556)	333
Tax effect of utilisation of previously unrecognised tax losses and temporary differences	(345)	(146)
Tax effect of tax losses not recognised	500	435
Write-down of deferred tax assets	43	28
Adjustment for under provision for income tax in respect of preceding years	665	320
Actual income tax expense	**8,379**	**9,674**

Note:

(i) The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain entities of the Group in western regions in the PRC are taxed at preferential income tax rate of 15% through the year 2020.

(ii) It is mainly due to the foreign operation in the Republic of Angola ("Angola") that is taxed at 50% of the assessable income as determined in accordance with the relevant income tax rules and regulations of Angola.

49 DIVIDENDS

(a) Dividends of ordinary shares declared after the balance sheet date

Pursuant to the Company's Articles of Association and a resolution passed at the Directors' meeting on 26 August 2016, the directors authorised to declare the interim dividends for the six-month period ended 30 June 2016 of RMB 0.079 (2015: RMB 0.09) per share totaling RMB 9,565 million (2015: RMB 10,896 million). Dividends declared after the balance sheet date are not recognised as a liability at the balance sheet date.

(b) Dividends of ordinary shares declared during the period

Pursuant to the shareholders' approval at the Annual General Meeting on 18 May 2016, a final dividend of RMB 0.06 per share totaling RMB 7,264 million according to total shares on 23 June 2016 was approved. All dividends have been paid in the six-month period ended 30 June 2016.

Pursuant to the shareholders' approval at the Annual General Meeting on 27 May 2015, a final dividend of RMB 0.11 per share totaling RMB 13,318 million according to total shares on 18 June 2015 was approved. All dividends have been paid on 19 June 2015.

50 SUPPLEMENTAL INFORMATION TO THE CASH FLOW STATEMENT

The Group

(a) Reconciliation of net profit to cash flows from operating activities:

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Net profit	26,381	30,594
Add: Impairment losses on assets	1,423	205
Depreciation of fixed assets	44,869	41,201
Amortisation of intangible assets and long-term deferred expenses	4,236	5,094
Dry hole costs written off	3,619	4,222
Net (gain)/loss on disposal of non-current assets	(7)	61
Fair value gain	(113)	(111)
Financial expenses	3,740	3,515
Investment income	(4,697)	(4,221)
Decrease in deferred tax assets	899	1,724
(Decrease)/increase in deferred tax liabilities	(580)	512
(Increase)/decrease in inventories	(4,091)	13,341
Safety fund reserve	706	1,009
(Increase)/decrease in operating receivables	(9,959)	6,094
Increase/(decrease) in operating payables	9,686	(36,145)
Net cash flow from operating activities	**76,112**	**67,095**

(b) Net change in cash:

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Cash balance at the end of the period	73,250	73,411
Less: Cash at the beginning of the period	68,933	10,526
Net increase of cash	**4,317**	**62,885**

(c) The analysis of cash held by the Group is as follows:

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Cash at bank and on hand		
– Cash on hand	12	42
– Demand deposits	73,238	73,369
Cash at the end of the period	**73,250**	**73,411**

51 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Related parties having the ability to exercise control over the Group

The name of the company	:	China Petrochemical Corporation
Organisation code	:	10169286-X
Registered address	:	No. 22, Chaoyangmen North Street, Chaoyang District, Beijing
Principal activities	:	Exploration, production, storage and transportation (including pipeline transportation), sales and utilisation of crude oil and natural gas; refining; wholesale and retail of gasoline, kerosene and diesel; production, sales, storage and transportation of petrochemical and other chemical products; industrial investment and investment management; exploration, construction, installation and maintenance of petroleum and petrochemical constructions and equipments; manufacturing electrical equipment; research, development, application and consulting services of information technology and alternative energy products; import & export of goods and technology.
Relationship with the Group	:	Ultimate holding company
Types of legal entity	:	State-owned
Authorised representative	:	Wang Yupu
Registered capital	:	RMB 274,867 million

Sinopec Group Company is an enterprise controlled by the PRC government. Sinopec Group Company directly and indirectly holds 71.32% shareholding of the Company.

(2) Related parties not having the ability to exercise control over the Group

Related parties under common control of a parent company with the Company:
Sinopec Finance (Note)
Sinopec Shengli Petroleum Administration Bureau
Sinopec Zhongyuan Petroleum Exploration Bureau
Sinopec Assets Management Corporation
Sinopec Engineering Incorporation
Sinopec Century Bright Capital Investment Limited
Sinopec Petroleum Storage and Reserve Limited

Associates of the Group:
Sinopec Finance
China Aviation Oil
Zhongtian Synergetic Energy
Shanghai Chemical
CIR

Joint ventures of the Group:
YASREF
BASF-YPC
Taihu
Mansarovar

Note: Sinopec Finance is under common control of a parent company with the Company and is also the associate of the Group.

51 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(3) The principal related party transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures, which were carried out in the ordinary course of business, are as follows:

	Note	The Group Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Sales of goods	(i)	83,694	110,325
Purchases	(ii)	55,676	47,411
Transportation and storage	(iii)	561	603
Exploration and development services	(iv)	5,701	9,237
Production related services	(v)	2,943	3,157
Ancillary and social services	(vi)	3,169	3,266
Operating lease charges for land	(vii)	5,264	5,313
Operating lease charges for buildings	(vii)	160	226
Other operating lease charges	(vii)	189	99
Agency commission income	(viii)	60	45
Interest income	(ix)	98	71
Interest expense	(x)	600	672
Net deposits withdrawn from/(placed with) related parties	(ix)	6,538	(2,949)
Net loans repaid to related parties	(xi)	(1,201)	(10,633)

The amounts set out in the table above in respect of the six-month periods ended 30 June 2016 and 2015 represent the relevant costs and income as determined by the corresponding contracts with the related parties.

Included in the transactions disclosed above, for the six-month period ended 30 June 2016 are: a) purchases by the Group from Sinopec Group Company and fellow subsidiaries amounting to RMB 52,786 million (2015: RMB 44,278 million) comprising purchases of products and services (i.e. procurement, transportation and storage, exploration and development services and production related services) of RMB 43,593 million (2015: RMB 34,801 million), ancillary and social services provided by Sinopec Group Company and fellow subsidiaries of RMB 3,169 million (2015: RMB 3,266 million), operating lease charges for land and buildings paid by the Group of RMB 5,264 million and 160 million (2015: RMB 5,313 million and RMB 226 million), respectively and interest expenses of RMB 600 million (2015: RMB 672 million); and b) sales by the Group to Sinopec Group Company and fellow subsidiaries amounting to RMB 20,889 million (2015: RMB 34,755 million), comprising RMB 20,777 million (2015: RMB 34,680 million) for sales of goods, RMB 98 million (2015: RMB 71 million) for interest income and RMB 14 million (2015: RMB 4 million) for agency commission income.

As at 30 June 2016 and 31 December 2015, there were no guarantees given to banks by the Group in respect of banking facilities to Sinopec Group Company and fellow subsidiaries, associates and joint ventures, except for the disclosure set out in Note 55(b). Guarantees given to banks by the Group in respect of banking facilities to associates and joint ventures are disclosed in Note 55(b).

Note:

(i) Sales of goods represent the sale of crude oil, intermediate petrochemical products, petroleum products and ancillary materials.

(ii) Purchases represent the purchase of material and utility supplies directly related to the Group's operations such as the procurement of raw and ancillary materials and related services, supply of water, electricity and gas.

(iii) Transportation and storage represents the cost for the use of railway, road and marine transportation services, pipelines, loading, unloading and storage facilities.

(iv) Exploration and development services comprise direct costs incurred in the exploration and development such as geophysical, drilling, well testing and well measurement services.

(v) Production related services represent ancillary services rendered in relation to the Group's operations such as equipment repair and general maintenance, insurance premium, technical research, communications, firefighting, security, product quality testing and analysis, information technology, design and engineering, construction of oilfield ground facilities, refineries and chemical plants, manufacture of replacement parts and machinery, installation, project management and environmental protection.

(vi) Ancillary and social services represent expenditures for social welfare and support services such as educational facilities, media communication services, sanitation, accommodation, canteens, property maintenance and management services.

(vii) Operating lease charges represent the rental paid to Sinopec Group Company for operating leases in respect of land, buildings and equipment.

(viii) Agency commission income represents commission earned for acting as an agent in respect of sales of products and purchase of materials for certain entities owned by Sinopec Group Company.

(ix) Interest income represents interest received from deposits placed with Sinopec Finance and Sinopec Century Bright Capital Investment Limited, finance companies controlled by Sinopec Group Company. The applicable interest rate is determined in accordance with the prevailing saving deposit rate.

(x) Interest expense represents interest charges on the loans and advances obtained from Sinopec Group Company and fellow subsidiaries.

(xi) The Group obtained or repaid loans from or to Sinopec Group Company and fellow subsidiaries.

51 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(3) The principal related party transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures, which were carried out in the ordinary course of business, are as follows: *(Continued)*

In connection with the Reorganisation, the Company and Sinopec Group Company entered into a number of agreements under which 1) Sinopec Group Company will provide goods and products and a range of ancillary, social and supporting services to the Group and 2) the Group will sell certain goods to Sinopec Group Company. These agreements impacted the operating results of the Group for the six-month period ended 30 June 2016. The terms of these agreements are summarised as follows:

(a) The Company has entered into a non-exclusive "Agreement for Mutual Provision of Products and Ancillary Services"("Mutual Provision Agreement") with Sinopec Group Company effective from 1 January 2000 in which Sinopec Group Company has agreed to provide the Group with certain ancillary production services, construction services, information advisory services, supply services and other services and products. While each of Sinopec Group Company and the Company is permitted to terminate the Mutual Provision Agreement upon at least six months' notice, Sinopec Group Company has agreed not to terminate the agreement if the Group is unable to obtain comparable services from a third party. The pricing policy for these services and products provided by Sinopec Group Company to the Group is as follows:

- the government-prescribed price;
- where there is no government-prescribed price, the government guidance price;
- where there is neither a government-prescribed price nor a government guidance price, the market price; or
- where none of the above is applicable, the price to be agreed between the parties, which shall be based on a reasonable cost incurred in providing such services plus a profit margin not exceeding 6%.

(b) The Company has entered into a non-exclusive "Agreement for Provision of Cultural and Educational, Health Care and Community Services" with Sinopec Group Company effective from 1 January 2000 in which Sinopec Group Company has agreed to provide the Group with certain cultural, educational, health care and community services on the same pricing terms and termination conditions as agreed to in the above Mutual Provision Agreement.

(c) The Company has entered into a number of lease agreements with Sinopec Group Company to lease certain lands and buildings effective on 1 January 2000. The lease term is 40 or 50 years for lands and 20 years for buildings, respectively. The Company and Sinopec Group Company can renegotiate the rental amount every three years for land. The Company and Sinopec Group Company can renegotiate the rental amount for buildings every year. However such amount cannot exceed the market price as determined by an independent third party.

(d) The Company has entered into agreements with Sinopec Group Company effective from 1 January 2000 under which the Group has been granted the right to use certain trademarks, patents, technology and computer software developed by Sinopec Group Company.

(e) The Company has entered into a service station franchise agreement with Sinopec Group Company effective from 1 January 2000 under which its service stations and retail stores would exclusively sell the refined products supplied by the Group.

51 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(4) Balances with Sinopec Group Company and fellow subsidiaries, associates and joint ventures

The balances with the Group's related parties at 30 June 2016 and 31 December 2015 are as follows:

	The ultimate holding company		Other related companies	
	At 30 June 2016 RMB million	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million
Cash and cash equivalents	—	—	11,765	18,303
Accounts receivable	3	1	15,352	22,392
Prepayments and other current assets	92	34	2,817	9,050
Other non-current assets	—	—	18,859	17,760
Accounts payable	7	5	11,484	13,190
Advances from customers	12	20	1,489	1,792
Other payables	101	29	9,098	18,616
Other non-current liabilities	—	—	8,302	8,226
Short-term loans	—	—	42,698	43,693
Long-term loans (including current portion) (Note)	—	—	44,330	44,536

Note: The long-term borrowings mainly include an interest-free loan with a maturity period of 20 years amounting to RMB 35,560 million from the Sinopec Group Company through the Sinopec Finance. This borrowing is a special arrangement to reduce financing costs and improve liquidity of the Company during its initial global offering in 2000.

Amounts due from/to Sinopec Group Company and fellow subsidiaries, associates and joint ventures, other than short-term loans and long-term loans, bear no interest, are unsecured and are repayable in accordance with normal commercial terms. The terms and conditions associated with short-term loans and long-term loans payable to Sinopec Group Company and fellow subsidiaries are set out in Note 21 and Note 29.

As at and for the six-month period ended 30 June 2016, and as at and for the year ended 31 December 2015, no individually significant impairment losses for bad and doubtful debts were recorded in respect of amounts due from Sinopec Group Company and fellow subsidiaries, associates and joint ventures.

(5) Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The key management personnel compensations are as follows:

	Six-month periods ended 30 June	
	2016 RMB thousand	2015 RMB thousand
Short-term employee benefits	3,066	4,820
Retirement scheme contributions	268	401
Total	**3,334**	**5,221**

Financial Statements (PRC)

52 PRINCIPAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that it believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in Note 3. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Oil and gas properties and reserves

The accounting for the exploration and production segment's oil and gas activities is subject to accounting rules that are unique to the oil and gas industry. The Group has used the successful efforts method to account for oil and gas business activities. The successful efforts method reflects the volatility that is inherent in exploring for mineral resources in that costs of unsuccessful exploratory efforts are charged to expense. These costs primarily include dry hole costs, seismic costs and other exploratory costs.

Engineering estimates of the Group's oil and gas reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved". Proved and proved developed reserves estimates are updated at least annually and take into account recent production and technical information about each field. In addition, as prices and cost levels change from year to year, the estimate of proved and proved developed reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Future dismantlement costs for oil and gas properties are estimated with reference to engineering estimates after taking into consideration the anticipated method of dismantlement required in accordance with industry practices in the similar geographic area, including estimation of economic life of oil and gas properties, technology and price level. The present values of these estimated future dismantlement costs are capitalised as oil and gas properties with equivalent amounts recognised as provisions for dismantlement costs.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expense, impairment expense and future dismantlement costs. Capitalised costs of proved oil and gas properties are amortised on a unit-of-production method based on volumes produced and reserves.

(b) Impairment for assets

If circumstances indicate that the net book value of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with "ASBE 8 – Impairment of Assets". The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. For goodwill, the recoverable amount is estimated annually. The recoverable amount is the greater of the fair value less costs to sell and the present value of expected future cash flows. It is difficult to precisely estimate the fair value because quoted market prices for the Group's assets or cash-generating units are not readily available. In determining the value of expected future cash flows, expected cash flows generated by the asset or the cash-generating unit are discounted to their present value, which requires significant judgement relating to sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling price and amount of operating costs.

(c) Depreciation

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Management reviews the estimated useful lives of the assets at least annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Allowances for doubtful accounts

Management estimates impairment losses for bad and doubtful debts resulting from the inability of the Group's customers to make the required payments. Management bases the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(e) Allowance for diminution in value of inventories

If the costs of inventories become higher than their net realisable values, an allowance for diminution in value of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Management bases the estimates on all available information, including the current market prices of the finished goods and raw materials, and historical operating costs. If the actual selling prices were to be lower or the costs of completion were to be higher than estimated, the actual allowance for diminution in value of inventories would be higher than estimated.

53 PRINCIPAL SUBSIDIARIES

The Company's principal subsidiaries have been consolidated into the Group's financial statements for the six-month period ended 30 June 2016. The following list contains the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group:

Full name of enterprise	Principal activities	Registered capital/ paid-up capital million	Actual investment at 30 June 2016 million	Percentage of equity interest/ voting right held by the Group %	Minority Interests at 30 June 2016 RMB million
(a) Subsidiaries acquired through group restructuring:					
China Petrochemical International Company Limited	Trading of petrochemical products	RMB 1,400	RMB 1,856	100.00	27
China International United Petroleum and Chemical Company Limited	Trading of crude oil and petrochemical products	RMB 3,000	RMB 4,585	100.00	3,606
Sinopec Catalyst Company Limited	Production and sale of catalyst products	RMB 1,500	RMB 1,500	100.00	183
Sinopec Yangzi Petrochemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB 13,203	RMB 15,651	100.00	26
Sinopec Pipeline Storage & Transportation Company Limited	Pipeline storage and transportation of crude oil	RMB 12,000	RMB 12,000	100.00	—
Sinopec Lubricant Company Limited	Production and sale of refined petroleum products, lubricant base oil, and petrochemical materials	RMB 3,374	RMB 3,374	100.00	106
Sinopec Yizheng Chemical Fibre Limited Liability Company	Production and sale of polyester chips and polyester fibres	RMB 4,000	RMB 6,491	100.00	—
Sinopec Marketing Company Limited ("Marketing Company")	Marketing and distribution of refined petroleum products	RMB 28,403	RMB 20,000	70.42	62,610
Sinopec Kantons Holdings Limited ("Sinopec Kantons")	Trading of crude oil and petroleum products	HKD 248	HKD 3,952	60.34	3,306
Sinopec Shanghai Petrochemical Company Limited ("Shanghai Petrochemical")	Manufacturing of synthetic fibres, resin and plastics, intermediate petrochemical products and petroleum products	RMB 10,800	RMB 5,820	50.56	11,108
Fujian Petrochemical Company Limited ("Fujian Petrochemical") (i)	Manufacturing of plastics, intermediate petrochemical products and petroleum products	RMB 5,745	RMB 2,873	50.00	3,080
(b) Subsidiaries established by the Group:					
Sinopec International Petroleum Exploration and Production Limited ("SIPL")	Investment in exploration, production and sale of petroleum and natural gas	RMB 8,000	RMB 8,000	100.00	16,070
Sinopec Overseas Investment Holding Limited ("SOIH")	Investment holding	USD 300	USD 300	100.00	37
Sinopec Chemical Sales Company Limited	Marketing and distribution of petrochemical products	RMB 1,000	RMB 1,165	100.00	54
Sinopec Great Wall Energy & Chemical Company Limited	Coal chemical industry investment management, production and sale of coal chemical products	RMB 20,739	RMB 20,773	100.00	303
Sinopec Beihai Refining and Chemical Limited Liability Company	Import and processing of crude oil, production, storage and sale of petroleum products and petrochemical products	RMB 5,294	RMB 5,240	98.98	74
Sinopec Qingdao Refining and Chemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB 5,000	RMB 4,250	85.00	857
Sinopec-SK(Wuhan) Petrochemical Company Limited ("Zhonghan Wuhan")	Production, sale, research and development of ethylene and downstream byproducts	RMB 6,270	RMB 4,076	65.00	2,578
(c) Subsidiaries acquired through business combination under common control:					
Sinopec Hainan Refining and Chemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB 3,986	RMB 2,990	75.00	1,754
Sinopec Qingdao Petrochemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB 1,595	RMB 7,248	100.00	—
Gaoqiao Petrochemical Company Limited (Note 1)	Manufacturing of intermediate petrochemical products and petroleum products	RMB 8,735	RMB 4,804	55.00	3,975
(d) Subsidiaries acquired through business combination not under common control:					
Sinopec Zhanjiang Dongxing Petrochemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB 4,397	RMB 3,225	75.00	694

* The minority interests of subsidiaries which the Group holds 100% of equity interests at the end of the period are the minority interests of their subsidiaries.

Except for Sinopec Kantons and SOIH, which are incorporated in Bermuda and Hong Kong, respectively, all of the above principal subsidiaries are incorporated and operate their businesses principally in the PRC.

Note:

(i) The Group consolidated the financial statements of the entity because it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those return through its power over the entity.

53 PRINCIPAL SUBSIDIARIES *(Continued)*

Summarised financial information on subsidiaries with material minority interests

Set out below are the summarised financial information which the amount before inter-company eliminations for each subsidiary that has minority interests that are material to the Group.

Summarised consolidated balance sheet

	Fujian Petrochemical		Shanghai Petrochemical		Sinopec Kantons		SIPL		Marketing Company		Zhonghan Wuhan	
	At 30 June 2016 RMB million	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million	**At 30 June 2016 RMB million**	At 31 December 2015 RMB million
Current assets	311	140	12,733	8,144	1,438	1,732	15,685	20,231	105,175	102,948	1,042	1,386
Current liabilities	(330)	(73)	(9,587)	(7,726)	(3,017)	(3,488)	(618)	(5,468)	(145,995)	(156,028)	(9,060)	(9,885)
Net current (liabilities)/assets	**(19)**	**67**	**3,146**	**418**	**(1,579)**	**(1,756)**	**15,067**	**14,763**	**(40,820)**	**(53,080)**	**(8,018)**	**(8,499)**
Non-current assets	6,900	5,487	19,191	19,878	12,944	13,025	40,161	40,075	237,656	240,312	15,383	15,815
Non-current liabilities	(721)	(831)	(155)	(160)	(3,079)	(3,384)	(34,444)	(34,320)	(1,431)	(1,628)	—	—
Net non-current assets	**6,179**	**4,656**	**19,036**	**19,718**	**9,865**	**9,641**	**5,717**	**5,755**	**236,225**	**238,684**	**15,383**	**15,815**

Summarised consolidated statement of comprehensive income and cash flow

Six-month period ended 30 June	Fujian Petrochemical		Shanghai Petrochemical		Sinopec Kantons		SIPL		Marketing Company		Zhonghan Wuhan	
	2016 RMB million	2015 RMB million	**2016 RMB million**	2015 RMB million	**2016 RMB million**	2015 RMB million	**2016 RMB million**	2015 RMB million	**2016 RMB million**	2015 RMB million	**2016 RMB million**	2015 RMB million
Turnover	2,420	3,073	36,993	42,152	725	770	2,449	3,661	499,651	564,131	4,196	7,334
Profit/(loss) for the period	1,435	930	3,102	1,748	431	418	(166)	8	12,436	12,150	46	956
Total comprehensive income/(loss)	1,435	930	3,102	1,748	291	336	265	(13)	12,625	12,295	46	956
Comprehensive income attributable to minority interests	718	465	1,536	873	115	133	312	51	4,134	3,929	16	335
Dividends paid to minority interests	—	—	559	10	21	19	—	—	1,071	—	—	—
Net cash generated from/(used in) operating activities	93	(72)	4,645	1,924	650	524	1,131	2,168	18,615	9,675	800	1,779

54 COMMITMENTS

Operating lease commitments

The Group lease land and buildings, service stations and other equipment through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

At 30 June 2016 and 31 December 2015, the future minimum lease payments of the Group under operating leases are as follows:

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Within one year	13,683	13,737
Between one and two years	13,235	13,265
Between two and three years	13,111	13,199
Between three and four years	12,965	13,091
Between four and five years	13,582	12,430
After five years	279,659	284,300
Total	**346,235**	**350,022**

Capital commitments

At 30 June 2016 and 31 December 2015, the capital commitments of the Group are as follows:

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Authorised and contracted for (i)	110,255	113,017
Authorised but not contracted for	47,705	47,043
Total	**157,960**	**160,060**

These capital commitments relate to oil and gas exploration and development, refining and petrochemical production capacity expansion projects, the construction of service stations and oil depots and investment commitments.

Note:

(i) The investment commitments of the Group is RMB 1,304 million (2015: RMB 4,089 million).

Commitments to joint ventures

Pursuant to certain of the joint venture agreements entered into by the Group, the Group is obliged to purchase products from the joint ventures based on market prices.

Exploration and production licenses

Exploration licenses for exploration activities are registered with the Ministry of Land and Resources. The maximum term of the Group's exploration licenses is 7 years, and may be renewed twice within 30 days prior to expiration of the original term with each renewal being for a two-year term. The Group is obligated to make progressive annual minimum exploration investment relating to the exploration blocks in respect of which the license is issued. The Ministry of Land and Resources also issues production licenses to the Group on the basis of the reserve reports approved by relevant authorities. The maximum term of a full production license is 30 years unless a special dispensation is given by the State Council. The maximum term of the production licenses issued to the Group is 80 years as a special dispensation was given to the Group by the State Council. The Group's production license is renewable upon application by the Group 30 days prior to expiration.

The Group is required to make payments of exploration license fees and production right usage fees to the Ministry of Land and Resources annually and recognised in profit and loss.

Estimated future annual payments of the Group are as follows:

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Within one year	236	283
Between one and two years	86	125
Between two and three years	28	32
Between three and four years	22	22
Between four and five years	22	21
After five years	835	834
Total	**1,229**	**1,317**

The implementation of commitments in previous year and the Group's commitments did not have material discrepancy.

55 CONTINGENT LIABILITIES

(a) The Company has been advised by its PRC lawyers that, except for liabilities constituting or arising out of or relating to the business assumed by the Company in the Reorganisation, no other liabilities were assumed by the Company, and the Company is not jointly and severally liable for other debts and obligations incurred by Sinopec Group Company prior to the Reorganisation.

(b) At 30 June 2016 and 31 December 2015, guarantees by the Group in respect of facilities granted to the parties below are as follows:

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Joint ventures	681	703
Associates (i)	9,375	—
Others	6,209	6,010
Total	**16,265**	**6,713**

Management monitors the conditions that are subject to the guarantees to identify whether it is probable that a loss has occurred, and recognises any such losses under guarantees when those losses are estimable. At 30 June 2016 and 31 December 2015, it was not probable that the Group will be required to make payments under the guarantees. Thus no liabilities have been accrued for a loss related to the Group's obligation under these guarantee arrangements.

(i) The Group provided a guarantee in respect to standby credit facilities granted to Zhongtian Synergetic Energy by banks amount to RMB 17,050 million. As at 30 June 2016, the amount withdrawn by Zhongtian Synergetic Energy from banks and guaranteed by the Group was RMB 9,375 million.

Environmental contingencies

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved, and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to, refineries, oil fields, service stations, terminals and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material. The Group paid normal routine pollutant discharge fees of approximately RMB 2,508 million for the six-month period in the consolidated financial statements ended 30 June 2016 (2015: RMB 2,461 million).

Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of an unfavourable outcome of such contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

56 SEGMENT REPORTING

Segment information is presented in respect of the Group's operating segments. The format is based on the Group's management and internal reporting structure.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Exploration and production – which explores and develops oil fields, produces crude oil and natural gas and sells such products to the refining segment of the Group and external customers.

(ii) Refining – which processes and purifies crude oil, which is sourced from the exploration and production segment of the Group and external suppliers, and manufactures and sells petroleum products to the chemicals and marketing and distribution segments of the Group and external customers.

(iii) Marketing and distribution – which owns and operates oil depots and service stations in the PRC, and distributes and sells refined petroleum products (mainly gasoline and diesel) in the PRC through wholesale and retail sales networks.

(iv) Chemicals – which manufactures and sells petrochemical products, derivative petrochemical products and other chemical products to external customers.

(v) Corporate and others – which largely comprise the trading activities of the import and export companies of the Group and research and development undertaken by other subsidiaries.

The segments were determined primarily because the Group manages its exploration and production, refining, marketing and distribution, chemicals, and corporate and others businesses separately. The reportable segments are each managed separately because they manufacture and/or distribute distinct products with different production processes and due to their distinct operating and gross margin characteristics.

56 SEGMENT REPORTING *(Continued)*

(1) Information of reportable segmental revenues, profits or losses, assets and liabilities

The Group's chief operating decision maker evaluates the performance and allocates resources to its operating segments on an operating income basis, without considering the effects of finance costs or investment income. Inter-segment transfer pricing is based on the market price or cost plus an appropriate margin, as specified by the Group's policy.

Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Segment assets include all tangible and intangible assets, except for cash at bank and on hand, long-term equity investments, deferred tax assets and other unallocated assets. Segment liabilities exclude short-term loans, short-term debentures payable, non-current liabilities due within one year, long-term loans, debentures payable, deferred tax liabilities, other non-current liabilities and other unallocated liabilities.

Reportable information on the Group's operating segments is as follows:

	Six-month periods ended 30 June	
	2016	2015
	RMB million	RMB million
Income from principal operations		
Exploration and production		
External sales	22,960	29,041
Inter-segment sales	26,162	37,982
	49,122	**67,023**
Refining		
External sales	49,622	63,478
Inter-segment sales	345,251	419,928
	394,873	**483,406**
Marketing and distribution		
External sales	489,025	555,472
Inter-segment sales	1,282	1,639
	490,307	**557,111**
Chemicals		
External sales	126,293	141,509
Inter-segment sales	17,415	22,409
	143,708	**163,918**
Corporate and others		
External sales	168,896	232,949
Inter-segment sales	143,119	182,119
	312,015	**415,068**
Elimination of inter-segment sales	(533,229)	(664,077)
Consolidated income from principal operations	**856,796**	**1,022,449**
Income from other operations		
Exploration and production	3,387	3,378
Refining	2,096	2,329
Marketing and distribution	10,662	8,527
Chemicals	5,478	3,726
Corporate and others	801	722
Consolidated income from other operations	**22,424**	**18,682**
Consolidated operating income	**879,220**	**1,041,131**

56 SEGMENT REPORTING *(Continued)*

(1) Information of reportable segmental revenues, profits or losses, assets and liabilities *(Continued)*

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Operating (loss)/profit		
By segment		
Exploration and production	(22,293)	(2,129)
Refining	32,176	14,132
Marketing and distribution	15,056	14,421
Chemicals	9,473	9,951
Corporate and others	71	452
Elimination	(1,428)	982
Total segment operating profit	**33,055**	**37,809**
Investment (loss)/income		
Exploration and production	(458)	(277)
Refining	1,008	875
Marketing and distribution	1,435	966
Chemicals	2,568	1,787
Corporate and others	841	1,188
Total segment investment income	**5,394**	**4,539**
Financial expenses	(4,284)	(3,124)
Gain from changes in fair value	113	111
Operating profit	**34,278**	**39,335**
Add: Non-operating income	1,357	1,866
Less: Non-operating expenses	875	933
Profit before taxation	**34,760**	**40,268**

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Assets		
Segment assets		
Exploration and production	427,210	447,307
Refining	255,605	264,573
Marketing and distribution	280,024	283,416
Chemicals	147,409	151,646
Corporate and others	117,567	108,921
Total segment assets	**1,227,815**	**1,255,863**
Cash at bank and on hand	76,986	69,666
Long-term equity investments	88,711	84,293
Deferred tax assets	6,818	7,469
Other unallocated assets	32,294	29,977
Total assets	**1,432,624**	**1,447,268**
Liabilities		
Segment liabilities		
Exploration and production	83,443	96,725
Refining	54,989	58,578
Marketing and distribution	117,885	118,476
Chemicals	20,850	27,160
Corporate and others	102,455	104,193
Total segment liabilities	**379,622**	**405,132**
Short-term loans	70,327	74,729
Non-current liabilities due within one year	25,351	11,277
Long-term loans	54,404	56,493
Debentures payable	65,638	83,253
Deferred tax liabilities	8,431	8,259
Other non-current liabilities	13,539	13,673
Other unallocated liabilities	5,329	4,887
Total liabilities	**622,641**	**657,703**

56 SEGMENT REPORTING *(Continued)*

(1) Information of reportable segmental revenues, profits or losses, assets and liabilities *(Continued)*

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

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Capital expenditure		
Exploration and production	5,168	13,418
Refining	2,774	3,187
Marketing and distribution	2,610	3,781
Chemicals	2,440	2,519
Corporate and others	482	603
	13,474	**23,508**
Depreciation, depletion and amortisation		
Exploration and production	26,348	23,806
Refining	8,488	8,168
Marketing and distribution	7,038	7,345
Chemicals	6,300	6,177
Corporate and others	931	799
	49,105	**46,295**
Impairment losses on long-lived assets		
Refining	1,108	—
Marketing and distribution	31	5
Chemicals	118	140
	1,257	**145**

(2) Geographical information

The following tables set out information about the geographical information of the Group's external sales and the Group's non-current assets, excluding financial instruments and deferred tax assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
External sales		
Mainland China	704,300	813,905
Others	174,920	227,226
	879,220	**1,041,131**

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Non-current assets		
Mainland China	1,000,740	1,057,530
Others	46,098	56,081
	1,046,838	**1,113,611**

57 FINANCIAL INSTRUMENTS

Overview

Financial assets of the Group include cash at bank, equity investments other than long-term equity investment, accounts receivable, bills receivable, available-for-sale financial assets, derivative financial instruments and other receivables. Financial liabilities of the Group include short-term and long-term loans, accounts payable, bills payable, debentures payable, employee benefits payable, derivative financial instruments and other payables.

The Group has exposure to the following risks from its uses of financial instruments:

- credit risk;
- liquidity risk;
- market risk;

57 FINANCIAL INSTRUMENTS *(Continued)*

Overview *(Continued)*
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, and set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group's audit committee.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's deposits placed with financial institutions and receivables from customers. To limit exposure to credit risk relating to deposits, the Group primarily places cash deposits only with large financial institution in the PRC with acceptable credit ratings. The majority of the Group's accounts receivable relates to sales of petroleum and chemical products to related parties and third parties operating in the petroleum and chemical industries. No single customer accounted for greater than 10% of total accounts receivable at 30 June 2016, except for the amounts due from Sinopec Group Company and fellow subsidiaries.The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on accounts receivable. The Group maintains an impairment loss for doubtful accounts and actual losses have been within management's expectations.

The carrying amounts of cash at bank, trade accounts and bills receivables, derivative financial instruments and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

Liquidity risk
Liquidity risk is the risk that the Group encounters short fall of capital when meeting its obligation of financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed capital conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group prepares monthly cash flow budget to ensure that they will always have sufficient liquidity to meet its financial obligation as they fall due. The Group arranges and negotiates financing with financial institutions and maintains a certain level of standby credit facilities to reduce the liquidity risk.

At 30 June 2016, the Group has standby credit facilities with several PRC financial institutions which provide the Group to borrow up to RMB 334,641 million (2015: RMB 297,997 million) on an unsecured basis, at a weighted average interest rate of 3.46 % (2015: 2.50%). At 30 June 2016, the Group's outstanding borrowings under these facilities were RMB 50,963 million (2015: RMB 32,991 million) and were included in loans.

The following table sets out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates current at the balance sheet date) and the earliest date the Group would be required to repay:

	At 30 June 2016					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within one year or on demand RMB million	More than one year but less than two years RMB million	More than two years but less than five years RMB million	More than five years RMB million
Short-term loans	70,327	71,151	71,151	—	—	—
Non-current liabilities due within one year	25,351	25,932	25,932	—	—	—
Short-term debentures payable	10,000	10,059	10,059	—	—	—
Long-term loans	54,404	56,168	695	7,267	11,184	37,022
Debentures payable	65,638	77,701	2,561	20,260	32,437	22,443
Bills payable	3,836	3,836	3,836	—	—	—
Accounts payable	151,800	151,800	151,800	—	—	—
Other payables and employee benefits payable	67,418	67,418	67,418	—	—	—
Total	**448,774**	**464,065**	**333,452**	**27,527**	**43,621**	**59,465**

57 FINANCIAL INSTRUMENTS *(Continued)*

Liquidity risk *(Continued)*

	At 31 December 2015					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within one year or on demand RMB million	More than one year but less than two years RMB million	More than two years but less than five years RMB million	More than five years RMB million
Short-term loans	74,729	75,314	75,314	—	—	—
Non-current liabilities due within one year	11,277	11,405	11,405	—	—	—
Short-term debentures payable	30,000	30,486	30,486	—	—	—
Long-term loans	56,493	58,156	703	9,366	10,930	37,157
Debentures payable	83,253	97,611	3,314	32,274	39,502	22,521
Bills payable	3,566	3,566	3,566	—	—	—
Accounts payable	130,558	130,558	130,558	—	—	—
Other payables and employee benefits payable	87,522	87,522	87,522	—	—	—
Total	**477,398**	**494,618**	**342,868**	**41,640**	**50,432**	**59,678**

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's working capital requirements and repay its short-term debts and obligations when they become due.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(a) Currency risk

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Group's currency risk exposure primarily relates to short-term and long-term debts denominated in US Dollars, Euro and Hong Kong Dollars, and the Group enters into foreign exchange contracts to manage currency risk exposure.

Included in short-term and long-term debts denominated are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

The Group

	At 30 June 2016 million	At 31 December 2015 million
Gross exposure arising from loans and borrowings		
US Dollars	USD 44	USD 1,181
Euro	EUR 1	EUR 1,108
Hong Kong Dollars	HKD 6	HKD 6

A 5 percent strengthening/weakening of Renminbi against the following currencies at 30 June 2016 and 31 December 2015 would have increased/decreased net profit for the period/year of the Group by the amounts shown below. This analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the foreign currency balances to which the Group has significant exposure as stated above, and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015.

The Group

	At 30 June 2016 million	At 31 December 2015 million
US Dollars	11	288
Euro	—	295

Other than the amounts as disclosed above, the amounts of other financial assets and liabilities of the Group are substantially denominated in the functional currency of respective entity of the Group.

(b) Interest rate risk

The Group's interest rate risk exposure arises primarily from its short-term and long-term loans. Loans carrying interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and terms of repayment of short-term and long-term loans of the Group are disclosed in Note 21 and Note 29, respectively.

At 30 June 2016, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would decrease/increase the Group's net profit for the period by approximately RMB 11 million (2015: RMB 91 million). This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and the change was applied to the Group's loans outstanding at that date with exposure to cash flow interest rate risk. The analysis is performed on the same basis for 2015.

57 FINANCIAL INSTRUMENTS *(Continued)*

Market risk *(Continued)*

(c) Commodity price risk

The Group engages in oil and gas operations and is exposed to commodity price risk related to price volatility of crude oil, refined oil products and chemical products. The fluctuations in prices of crude oil, refined oil products and chemical products could have significant impact on the Group. The Group uses derivative financial instruments, including commodity futures and swaps, to manage a portion of such risk.

At 30 June 2016, the Group had certain commodity contracts of crude oil, refined oil products and chemical products designated as qualified cash flow hedges and economic hedges. At 30 June 2016, the net fair value of such derivative hedging financial instruments is derivative financial assets of RMB 605 million (2015: RMB 7,875 million) recognised in other receivables and derivative financial liabilities of RMB 3,640 million (2015: RMB 2,750 million) recognised in other payables.

At 30 June 2016, it is estimated that a general strengthening/weakening of USD 10 per barrel in basic price of derivative financial instruments, with all other variables held constant, would impact the fair value of derivative financial instruments, which would decrease/increase the Group's profit for the period by approximately RMB 716 million (2015: decrease/increase RMB 1,951 million), and decrease/increase the Group's other comprehensive income by approximately RMB 3,430 million (2015: decrease/increase RMB 3,052 million). This sensitivity analysis has been determined assuming that the change in prices had occurred at the balance sheet date and the change was applied to the Group's derivative financial instruments at that date with exposure to commodity price risk. The analysis is performed on the same basis for 2015.

Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy. With the fair value of each financial instrument categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

At 30 June 2016

The Group

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Assets				
Available-for-sale financial assets:				
– Listed	232	—	—	232
Derivative financial instruments:				
– Derivative financial assets	289	316	—	605
	521	**316**	**—**	**837**
Liabilities				
Derivative financial instruments:				
– Derivative financial liabilities	2,102	1,538	—	3,640
	2,102	**1,538**	**—**	**3,640**

57 FINANCIAL INSTRUMENTS *(Continued)*

Fair values *(Continued)*

(i) Financial instruments carried at fair value *(Continued)*

At 31 December 2015

The Group

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Assets				
Available-for-sale financial assets:				
– Listed	261	—	—	261
Derivative financial instruments:				
– Derivative financial assets	4,235	3,640	—	7,875
	4,496	**3,640**	**—**	**8,136**
Liabilities				
Derivative financial instruments:				
– Derivative financial liabilities	305	2,445	—	2,750
	305	**2,445**	**—**	**2,750**

During the period, there were no transfers between instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

The fair values of the Group's financial instruments carried at other than fair value (other than long-term debts and unquoted security investments) approximate their carrying amounts due to the short-term maturity of these instruments. The fair values of long-term debts are estimated by discounting future cash flows using current market interest rates offered to the Group for debt with substantially the same characteristics and maturities ranging 1.17% to 4.90% (2015: 1.08% to 4.90%). The following table presents the carrying amount and fair value of the Group's long-term debts other than loans from Sinopec Group Company and fellow subsidiaries at 30 June 2016 and 31 December 2015:

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Carrying amount	100,558	105,927
Fair value	98,646	103,482

The Group has not developed an internal valuation model necessary to make the estimate of the fair value of loans from Sinopec Group Company and fellow subsidiaries as it is not considered practicable to estimate their fair value because the cost of obtaining discount and borrowing rates for comparable borrowings would be excessive based on the Reorganisation of the Group, its existing capital structure and the terms of the borrowings.

Other unquoted equity investments are individually and in the aggregate not material to the Group's financial position or results of operations. There are no listed market prices for such interests in the PRC and, accordingly, a reasonable estimate of fair value could not be made without incurring excessive costs. The Group intends to hold these unquoted equity investments for long term purpose.

Except for the above items, the financial assets and liabilities of the Group are carried at amounts not materially different from their fair values at 30 June 2016 and 31 December 2015.

58 BASIC AND DILUTED EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by the net profit attributable to equity shareholders of the Company and the weighted average number of outstanding ordinary shares of the Company:

	Six-month periods ended 30 June **2016**	2015
Net profit attributable of equity shareholders of the Company (RMB million)	19,250	24,456
Weighted average number of outstanding ordinary shares of the Company (million)	121,071	120,630
Basic earnings per share (RMB/Share)	**0.159**	**0.203**

58 BASIC AND DILUTED EARNINGS PER SHARE *(Continued)*

(i) Basic earnings per share *(Continued)*

The calculation of the weighted average number of ordinary shares is as follows:

	Six-month periods ended 30 June 2016	2015
Weighted average number of outstanding ordinary shares of the Company at 1 January (million)	121,071	118,280
Conversion of the 2011 Convertible Bonds (million)	—	2,350
Weighted average number of outstanding ordinary shares of the Company at 30 June (million)	**121,071**	**120,630**

(ii) Diluted earnings per share

Diluted earnings per share is calculated by the net profit attributable to equity shareholders of the Company (diluted) and the weighted average number of ordinary shares of the Company (diluted):

	Six-month periods ended 30 June 2016	2015
Net profit attributable to equity shareholders of the Company (diluted) (RMB million)	19,248	24,455
Weighted average number of outstanding ordinary shares of the Company (diluted) (million)	121,071	120,630
Diluted earnings per share (RMB/Share)	**0.159**	**0.203**

The calculation of the weighted average number of ordinary shares (diluted) is as follows:

	Six-month periods ended 30 June 2016	2015
The weighted average number of the ordinary shares issued at 30 June (million)	121,071	120,630
Weighted average number of the ordinary shares issued at 30 June (diluted) (million)	**121,071**	**120,630**

59 RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revised) issued by the CSRC and relevant accounting standards, the Group’s return on net assets and earnings per share are calculated as follows:

	Six-month period ended 30 June 2016			Six-month period ended 30 June 2015		
	Weighted average return on net assets (%)	**Basic earnings per share (RMB/Share)**	**Diluted earnings per share (RMB/Share)**	Weighted average return on net assets (%)	Basic earnings per share (RMB/Share)	Diluted earnings per share (RMB/Share)
Net profit attributable to the Company’s ordinary equity shareholders	2.81	0.159	0.159	3.80	0.203	0.203
Net profit deducted extraordinary gains and losses attributable to the Company’s ordinary equity shareholders	2.67	0.151	0.151	3.65	0.194	0.194

羅兵咸永道

Independent Auditor's Report
To the Shareholders of China Petroleum & Chemical Corporation
(incorporated in People's Republic of China with limited liability)

We have audited the consolidated interim financial statements of China Petroleum & Chemical Corporation ("the Company") and its subsidiaries set out on pages 99 to 148, which comprise the consolidated balance sheet as at 30 June 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated interim financial statements that give a true and fair view in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board, and for such internal control as the directors determine is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated interim financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated interim financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated interim financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 30 June 2016, and of their financial performance and cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2016

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CONSOLIDATED INCOME STATEMENT

for the six-month period ended 30 June 2016
(Amounts in million, except per share data)

	Note	Six-month periods ended 30 June 2016 RMB	2015 RMB
Turnover and other operating revenues			
Turnover	3	856,796	1,022,449
Other operating revenues	4	22,424	18,682
		879,220	**1,041,131**
Operating expenses			
Purchased crude oil, products and operating supplies and expenses		(615,419)	(770,998)
Selling, general and administrative expenses	5	(33,056)	(32,236)
Depreciation, depletion and amortisation		(49,105)	(46,295)
Exploration expenses, including dry holes		(4,730)	(6,031)
Personnel expenses	6	(29,063)	(26,719)
Taxes other than income tax	7	(112,831)	(119,889)
Other operating income, net	8	92	1,533
Total operating expenses		**(844,112)**	**(1,000,635)**
Operating profit		**35,108**	**40,496**
Finance costs			
Interest expense	9	(5,164)	(4,384)
Interest income		1,358	1,097
Loss on embedded derivative component of the convertible bonds		—	(259)
Foreign currency exchange (losses)/gains, net		(478)	163
Net finance costs		**(4,284)**	**(3,383)**
Investment income		99	86
Share of profits less losses from associates and joint ventures		4,598	4,135
Profit before taxation		**35,521**	**41,334**
Tax expense	10	(8,379)	(9,674)
Profit for the period		**27,142**	**31,660**
Attributable to:			
Owners of the Company		19,919	25,423
Non-controlling interests		7,223	6,237
Profit for the period		**27,142**	**31,660**
Earnings per share:	13		
Basic		**0.165**	**0.211**
Diluted		**0.165**	**0.211**

The notes on pages 106 to 148 form part of these interim financial statements. Details of dividends payable to owners of the Company attributable to the profit for the period are set out in Note 11.

(Amounts in million)

	Note	Six-month periods ended 30 June 2016 RMB	2015 RMB
Profit for the period		**27,142**	**31,660**
Other comprehensive income:	12		
Items that may be reclassified subsequently to profit or loss (net of tax and after reclassification adjustments):			
Cash flow hedges		1,767	1,480
Available-for-sale securities		(33)	36
Share of other comprehensive income/(loss) of associates and joint ventures		99	(118)
Foreign currency translation differences		987	(43)
Total items that may be reclassified subsequently to profit or loss		**2,820**	**1,355**
Total other comprehensive income		**2,820**	**1,355**
Total comprehensive income for the period		**29,962**	**33,015**
Attributable to:			
Owners of the Company		24,902	27,230
Non-controlling interests		5,060	5,785
Total comprehensive income for the period		**29,962**	**33,015**

The notes on pages 106 to 148 form part of these interim financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2016

(Amounts in million)

	Note	30 June 2016 RMB	31 December 2015 RMB
Non-current assets			
Property, plant and equipment, net	14	723,465	733,449
Construction in progress	15	126,790	152,325
Goodwill	16	6,317	6,271
Interest in associates	17	42,132	40,712
Interest in joint ventures	18	46,579	43,581
Available-for-sale financial assets	19	11,137	10,964
Deferred tax assets	25	6,818	7,469
Lease prepayments	20	52,567	51,049
Long-term prepayments and other assets	21	69,145	67,791
Total non-current assets		**1,084,950**	**1,113,611**
Current assets			
Cash and cash equivalents		73,250	68,933
Time deposits with financial institutions		3,736	733
Trade accounts receivable	22	63,253	56,142
Bills receivable	22	11,962	10,964
Inventories	23	149,443	145,608
Prepaid expenses and other current assets	24	46,030	51,277
Total current assets		**347,674**	**333,657**
Current liabilities			
Short-term debts	26	62,233	71,517
Loans from Sinopec Group Company and fellow subsidiaries	26	42,940	43,929
Trade accounts payable	27	151,800	130,558
Bills payable	27	3,836	3,566
Accrued expenses and other payables	28	181,509	212,214
Income tax payable		3,078	1,048
Total current liabilities		**445,396**	**462,832**
Net current liabilities		**97,722**	**129,175**
Total assets less current liabilities		**987,228**	**984,436**
Non-current liabilities			
Long-term debts	26	75,954	95,446
Loans from Sinopec Group Company and fellow subsidiaries	26	44,088	44,300
Deferred tax liabilities	25	8,431	8,259
Provisions	29	35,233	33,186
Other long-term liabilities		14,888	15,084
Total non-current liabilities		**178,594**	**196,275**
		808,634	**788,161**
Equity			
Share capital	30	121,071	121,071
Reserves		570,571	555,126
Total equity attributable to owners of the Company		**691,642**	**676,197**
Non-controlling interests		**116,992**	**111,964**
Total equity		**808,634**	**788,161**

Approved and authorised for issue by the board of directors on 26 August 2016.

Wang Yupu
Chairman
(Legal representative)

Dai Houliang
Vice Chairman, President

Wang Dehua
Head of accounting department

The notes on pages 106 to 148 form part of these interim financial statements.

(Amounts in million)

	Share capital RMB	Capital reserve RMB	Share premium RMB	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Other reserves RMB	Retained earnings RMB	Total equity attributable to owners of the Company RMB	Non-controlling interests RMB	Total equity RMB
Balance at 31 December 2014	118,280	(30,497)	41,824	76,552	117,000	(6,179)	276,061	593,041	52,536	645,577
Contribution from SAMC in the Acquisition of Gaoqiao Branch of SAMC (Note 1)	—	2,214	—	—	—	—	—	2,214	1,811	4,025
Balance at 1 January 2015	118,280	(28,283)	41,824	76,552	117,000	(6,179)	276,061	595,255	54,347	649,602
Profit for the period	—	—	—	—	—	—	25,423	25,423	6,237	31,660
Other comprehensive income (Note 12)	—	—	—	—	—	1,361	—	1,361	(6)	1,355
Total comprehensive income for the period:	—	—	—	—	—	1,361	25,423	26,784	6,231	33,015
Transactions with owners, recorded directly in equity:										
Contributions by and distributions to owners:										
Conversion of the 2011 Convertible Bonds	2,791	—	14,026	—	—	—	—	16,817	—	16,817
Final dividend for 2014 (Note 11)	—	—	—	—	—	—	(13,318)	(13,318)	—	(13,318)
Contributions to subsidiaries from non-controlling interests	—	56,224	—	—	—	446	—	56,670	48,474	105,144
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(364)	(364)
Total contributions by and distributions to owners	2,791	56,224	14,026	—	—	446	(13,318)	60,169	48,110	108,279
Total transactions with owners	2,791	56,224	14,026	—	—	446	(13,318)	60,169	48,110	108,279
Others	—	66	—	—	—	914	(914)	66	(26)	40
Balance at 30 June 2015	**121,071**	**28,007**	**55,850**	**76,552**	**117,000**	**(3,458)**	**287,252**	**682,274**	**108,662**	**790,936**

The notes on pages 106 to 148 form part of these interim financial statements.

(Amounts in million)

	Share capital RMB	Capital reserve RMB	Share premium RMB	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Other reserves RMB	Retained earnings RMB	Total equity attributable to owners of the Company RMB	Non-controlling interests RMB	Total equity RMB
Balance at 31 December 2015	121,071	26,173	55,850	79,640	117,000	(6,781)	281,076	674,029	110,190	784,219
Contribution from SAMC in the Acquisition of Gaoqiao Branch of SAMC (Note 1)	—	2,168	—	—	—	—	—	2,168	1,774	3,942
Balance at 1 January 2016	121,071	28,341	55,850	79,640	117,000	(6,781)	281,076	676,197	111,964	788,161
Profit for the period	—	—	—	—	—	—	19,919	19,919	7,223	27,142
Other comprehensive income (Note 12)	—	—	—	—	—	4,983	—	4,983	(2,163)	2,820
Total comprehensive income for the period	—	—	—	—	—	4,983	19,919	24,902	5,060	29,962
Transactions with owners, recorded directly in equity:										
Contributions by and distributions to owners:										
Final dividend for 2015 (Note 11)	—	—	—	—	—	—	(7,264)	(7,264)	—	(7,264)
Contributions to subsidiaries from non-controlling interests	—	1	—	—	—	—	—	1	74	75
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(2,194)	(2,194)
Profit distribution to SAMC (Note 1)	—	—	—	—	—	—	(47)	(47)	(39)	(86)
Distribution to SAMC in the Acquisition of Gaoqiao Branch of SAMC (Note 1)	—	(2,137)	—	—	—	—	—	(2,137)	2,137	—
Total contributions by and distributions to owners	—	(2,136)	—	—	—	—	(7,311)	(9,447)	(22)	(9,469)
Total transactions with owners	—	(2,136)	—	—	—	—	(7,311)	(9,447)	(22)	(9,469)
Others	—	(10)	—	—	—	620	(620)	(10)	(10)	(20)
Balance at 30 June 2016	**121,071**	**26,195**	**55,850**	**79,640**	**117,000**	**(1,178)**	**293,064**	**691,642**	**116,992**	**808,634**

Note:

(a) According to the Articles of Association of the Company, the Company is required to transfer 10% of its net profit determined in accordance with the accounting policies complying with Accounting Standards for Business Enterprises ("ASBE"), adopted by the Group to statutory surplus reserve. In the event that the reserve balance reaches 50% of the registered capital, no transfer is required. The transfer to this reserve must be made before distribution of a dividend to shareholders. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by issuing of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

The reserve balance has reached 50% of the registered capital, therefore during the six-month period ended 30 June 2016, the Company decided not to transferred statutory surplus reserve (2015: nil).

(b) The usage of the discretionary surplus reserve is similar to that of statutory surplus reserve.

(c) As at 30 June 2016, the amount of retained earnings available for distribution was RMB 174,573 million (2015: RMB 166,996 million), being the amount determined in accordance with ASBE. According to the Articles of Association of the Company, the amount of retained earnings available for distribution to owners of the Company is lower of the amount determined in accordance with the accounting policies complying with ASBE and the amount determined in accordance with the accounting policies complying with International Financial Reporting Standards ("IFRS").

(d) The capital reserve represents (i) the difference between the total amount of the par value of shares issued and the amount of the net assets transferred from Sinopec Group Company in connection with the Reorganisation; and (ii) the difference between the considerations paid over the amount of the net assets of entities and related operations acquired from Sinopec Group Company and non-controlling interests.

(e) The application of the share premium account is governed by Sections 167 and 168 of the PRC Company Law.

The notes on pages 106 to 148 form part of these interim financial statements.

(Amounts in million)

	Note	Six-month periods ended 30 June 2016 RMB	2015 RMB
Net cash generated from operating activities	(a)	**76,112**	**67,095**
Investing activities			
Capital expenditure		(30,086)	(50,287)
Exploratory wells expenditure		(1,267)	(2,646)
Purchase of investments, investments in associates and investments in joint ventures		(14,393)	(3,556)
Proceeds from disposal of investments and investments in associates		19,938	146
Proceeds from disposal of property, plant, equipment and other non-current assets		306	222
Increase in time deposits with maturities over three months		(3,003)	(933)
Interest received		987	828
Investment and dividend income received		1,459	1,274
Net cash used in investing activities		**(26,059)**	**(54,952)**
Financing activities			
Proceeds from bank and other loans		262,851	613,159
Repayments of bank and other loans		(293,977)	(648,938)
Contributions to subsidiaries from non-controlling interests		192	105,196
Dividends paid by the Company		(7,264)	(13,318)
Distributions by subsidiaries to non-controlling interests		(3,469)	(347)
Interest paid		(4,263)	(4,681)
Net cash (used in)/generated from financing activities		**(45,930)**	**51,071**
Net increase in cash and cash equivalents		**4,123**	**63,214**
Cash and cash equivalents at 1 January		**68,933**	**10,526**
Effect of foreign currency exchange rate changes		**194**	**(329)**
Cash and cash equivalents at 30 June		**73,250**	**73,411**

The notes on pages 106 to 148 form part of these interim financial statements.

(Amounts in million)

(a) RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATING ACTIVITIES

	Six-month periods ended 30 June	
	2016	2015
	RMB	RMB
Operating activities		
Profit before taxation	35,521	41,334
Adjustments for:		
Depreciation, depletion and amortisation	49,105	46,295
Dry hole costs written off	3,619	4,222
Share of profits from associates and joint ventures	(4,598)	(4,135)
Investment income	(99)	(86)
Interest income	(1,358)	(1,097)
Interest expense	5,164	4,384
Loss on foreign currency exchange rate changes and derivative financial instruments	647	79
(Income)/Loss on disposal of property, plant, equipment and other non-currents assets, net	(7)	61
Impairment losses on assets	1,423	205
Loss on embedded derivative component of the convertible bonds	—	259
	89,417	**91,521**
Net charges from:		
Accounts receivable and other current assets	(9,959)	6,094
Inventories	(4,091)	13,341
Accounts payable and other current liabilities	12,167	(37,955)
	87,534	**73,001**
Income tax paid	(11,422)	(5,906)
Net cash generated from operating activities	**76,112**	**67,095**

The notes on pages 106 to 148 form part of these interim financial statements.

1 PRINCIPAL ACTIVITIES, ORGANISATION AND BASIS OF PREPARATION

Principal activities

China Petroleum & Chemical Corporation (the "Company") is an energy and chemical company that, through its subsidiaries (hereinafter collectively referred to as the "Group"), engages in oil and gas and chemical operations in the People's Republic of China (the "PRC"). Oil and gas operations consist of exploring for, developing and producing crude oil and natural gas; transporting crude oil and natural gas by pipelines; refining crude oil into finished petroleum products; and marketing crude oil, natural gas and refined petroleum products. Chemical operations include the manufacture and marketing of a wide range of chemicals for industrial uses.

Organisation

The Company was established in the PRC on 25 February 2000 as a joint stock limited company as part of the reorganisation (the "Reorganisation") of China Petrochemical Corporation ("Sinopec Group Company"), the ultimate holding company of the Group and a ministry-level enterprise under the direct supervision of the State Council of the PRC. Prior to the incorporation of the Company, the oil and gas and chemical operations of the Group were carried on by oil administration bureaux, petrochemical and refining production enterprises and sales and marketing companies of Sinopec Group Company.

As part of the Reorganisation, certain of Sinopec Group Company's core oil and gas and chemical operations and businesses together with the related assets and liabilities were transferred to the Company. On 25 February 2000, in consideration for Sinopec Group Company transferring such oil and gas and chemical operations and businesses and the related assets and liabilities to the Company, the Company issued 68.8 billion domestic state-owned ordinary shares with a par value of RMB 1.00 each to Sinopec Group Company. The shares issued to Sinopec Group Company on 25 February 2000 represented the entire registered and issued share capital of the Company on that date. The oil and gas and chemical operations and businesses transferred to the Company were related to (i) the exploration, development and production of crude oil and natural gas, (ii) the refining, transportation, storage and marketing of crude oil and petroleum products, and (iii) the production and sales of chemicals.

Basis of preparation

Pursuant to the resolution passed at the Directors' meeting on 29 October 2015, the Company entered into the JV Agreement with Sinopec Assets Management Corporation ("SAMC") in relation to the formation of the Gaoqiao Petrochemical Co. Ltd. According to the JV Agreement, the Company and SAMC jointly set up Gaoqiao Petrochemical Co. Ltd. for RMB 100 million in cash in 2016. Subsequently, the Company subscribed capital contribution with the net assets of Gaoqiao Branch of the Company and SAMC subscribed capital contribution with the net assets of Gaoqiao Branch of SAMC. The capital contribution was completed on 1 June 2016, after which the Company held 55% of Gaoqiao Petrochemical Co., Ltd.'s voting rights and became the parent company of Gaoqiao Petrochemical Co., Ltd.

As Sinopec Group Company controls both the Group and SAMC, the transaction described above between Sinopec and SAMC has been accounted as business combination under the common control and it has been reflected in the accompanying consolidated financial statements as combination of entities under common control in a manner similar to pooling-of-interests. Accordingly, the assets and liabilities of Gaoqiao Branch of SAMC have been accounted for at historical cost, and the consolidated financial statements of the Group prior to these acquisitions have been restated to include the results of operation and the assets and liabilities of Gaoqiao Branch of SAMC on a combined basis.

The financial condition as at 31 December 2015 and the results of operation for the six-month period ended 30 June 2015 previously reported by the Group have been restated to include the results of operations and the assets and liabilities of Gaoqiao Branch of SAMC on a combined basis as set out below:

	The Group, as previously reported RMB million	Gaoqiao Branch of SAMC RMB million	Elimination and Adjustment* RMB million	The Group, as restated RMB million
Summarised consolidated statement of income for the six-month period ended 30 June 2015:				
Turnover and other operating revenues	1,040,362	1,338	(569)	1,041,131
Profit attributable to owners of the Company	25,394	52	(23)	25,423
Profit attributable to non-controlling interests	6,214	—	23	6,237
Basic earnings per share (RMB)	0.211	—	—	0.211
Diluted earnings per share (RMB)	0.211	—	—	0.211
Summarised consolidated balance sheet as at 31 December 2015:				
Current assets	332,405	1,287	(35)	333,657
Total assets	1,443,129	4,174	(35)	1,447,268
Current liabilities	462,642	225	(35)	462,832
Total liabilities	658,910	232	(35)	659,107
Total equity attributable to owners of the Company	674,029	3,942	(1,774)	676,197
Non-controlling interests	110,190	—	1,774	111,964
Summarised consolidated statement of cash flows for the six-month period ended 30 June 2015:				
Net cash generated from/(used in) operating activities	67,442	(347)	—	67,095
Net cash (used in)/generated from investing activities	(54,982)	30	—	(54,952)
Net cash generated from financing activities	51,039	32	—	51,071
Net increase/(decrease) in cash and cash equivalents	63,499	(285)	—	63,214

1 PRINCIPAL ACTIVITIES, ORGANISATION AND BASIS OF PREPARATION *(Continued)*

Basis of preparation *(Continued)*

* Gaoqiao Branch of SAMC sold its chemical products and steam to the Group. The transactions between the Group and the Gaoqiao Branch of SAMC have been eliminated on combination. All other significant balances and transactions between the Group and Gaoqiao Branch of SAMC have been eliminated on combination.

At the completion date, the non-controlling interests amount to RMB 2,137 million was recognized in relation to SAMC's 45% interest in Gaoqiao Branch of the Company.

The accompanying interim financial statements have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board ("IASB"). IFRS includes International Accounting Standards ("IAS") and related interpretations ("IFRIC"). These interim financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group are set out in Note 2.

(a) New and amended standards and interpretations adopted by the Group

The following is the Amendment to IAS 27 that has been adopted by the Group. The Group has changed cost method to equity method to measure investments in joint ventures and associates in the separate financial statements from 1 January 2016 and accordingly made retrospective adjustments. The Group has not early adopted any new standard or interpretation that is not yet effective for the current accounting period.

Amendment to IAS 27, 'Method to measure investments in subsidiaries, joint ventures and associates', allows entities to use equity method to measure investments in subsidiaries, joint ventures and associates in their separate financial statements. Previously, IAS 27 allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. The amendment is effective for annual period beginning on or after 1 January 2016.

(b) New and amended standards and interpretations not yet adopted by the Group

The following relevant IFRSs, amendments to existing IFRSs and interpretation of IFRS have been published and are mandatory for accounting periods beginning on or after 1 January 2017 or later periods and have not been early adopted by the Group. Management is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application and has so far concluded that, except for IFRS 16, the adoption of these amendments, new standards and new interpretations is unlikely to have a significant impact on the Group's results of operations and financial position.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the whole of IAS 39. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of IAS 39. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

IFRS 15, 'Revenue from contracts with customers', establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 replaces the previous revenue standards: IAS 18 'Revenue' and IAS 11 'Construction Contracts' and the related Interpretations on revenue recognition: IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for the Construction of Real Estate', IFRIC 18 'Transfers of Assets from Customers' and SIC-31 'Revenue—Barter Transactions Involving Advertising Services'. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

IFRS 16, 'Leases', provides updated guidance on the definition of leases, and the guidance on the combination and separation of contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 requires lessees to recognise lease liability reflecting future lease payments and a 'right-of-use-asset' for almost all lease contracts, with an exemption for certain short-term leases and leases of low-value assets. The lessors accounting stays almost the same as under IAS 17 'Leases'. Management is still assessing the impact of adoption IFRS 16 to the Group's results of operation and financial position. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 is also applied.

Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture. The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

1 PRINCIPAL ACTIVITIES, ORGANISATION AND BASIS OF PREPARATION *(Continued)*

Basis of preparation *(Continued)*

(b) New and amended standards and interpretations not yet adopted by the Group *(Continued)*

Amendments to IAS 7, 'Statement of cash flows', the IASB has issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. Amendments to IAS 7 is effective for annual periods beginning on or after 1 January 2017.

Amendments to IAS 12, 'Income taxes', the IASB has issued amendments to IAS 12,'Income taxes'. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. Amendments to IAS 12 is effective for annual periods beginning on or after 1 January 2017.

The accompanying interim financial statements are prepared on the historical cost basis except for the remeasurement of available-for-sale securities (Note 2(k)), securities held for trading (Note 2(k)), derivative financial instruments (Note 2(l) and (n)) and derivative component of the convertible bonds (Note 2(r)) to their fair values.

The preparation of the interim financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenues and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions and estimation made by management in the application of IFRSs that have significant effect on the interim financial statements and the major sources of estimation uncertainty are disclosed in Note 37.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated interim financial statements comprise the Company and its subsidiaries, and interest in associates and joint ventures.

(i) Subsidiaries and non-controlling interests

Subsidiaries are those entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The interim financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control effectively commences until the date that control effectively ceases.

Non-controlling interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the owners of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(k)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (Note 2(a) (ii)).

The particulars of the Group's principal subsidiaries are set out in Note 35.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

(ii) Associates and joint ventures

An associate is an entity, not being a subsidiary, in which the Group exercises significant influence over its management. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for in the consolidated interim financial statements using the equity method from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 2(j) and (o)).

The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(k)) or, when appropriate, the cost on initial recognition of an investment in an associate (Note 2(a) (ii)).

(iii) Transactions eliminated on consolidation

Inter-company balances and transactions and any unrealised gains arising from inter-company transactions are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination. The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation. Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

(b) Translation of foreign currencies

The presentation currency of the Group is Renminbi. Foreign currency transactions during the period are translated into Renminbi at the applicable rates of exchange quoted by the People's Bank of China ("PBOC") prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Renminbi at the PBOC's rates at the balance sheet date.

Exchange differences, other than those capitalised as construction in progress, are recognised as income or expense in the "finance costs" section of the consolidated income statement.

The results of foreign operations are translated into Renminbi at the applicable rates quoted by the PBOC prevailing on the transaction dates. Balance sheet items, including goodwill arising on consolidation of foreign operations are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The income and expenses of foreign operation are translated into Renminbi at the spot exchange rates or an exchange rate that approximents the spot exchange rates on the transaction dates. The resulting exchange differences are recognised in other comprehensive income and accumulated in equity in the other reserves.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the consolidated income statement when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Cash and cash equivalents

Cash equivalents consist of time deposits with financial institutions with an initial term of less than three months when purchased. Cash equivalents are stated at cost, which approximates fair value.

(d) Trade, bills and other receivables

Trade, bills and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts (Note 2(o)). Trade, bills and other receivables are derecognised if the Group's contractual rights to the cash flows from these financial assets expire or if the Group transfers these financial assets to another party without retaining control or substantially all risks and rewards of the assets.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes the cost of purchase computed using the weighted average method and, in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Property, plant and equipment

An item of property, plant and equipment is initially recorded at cost, less accumulated depreciation and impairment losses (Note 2(o)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to working condition and location for its intended use. The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, when it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is recognised as an expense in the consolidated income statement in the year in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment, other than oil and gas properties, are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised as income or expense in the consolidated income statement on the date of retirement or disposal.

Depreciation is provided to write off the cost amount of items of property, plant and equipment, other than oil and gas properties, over its estimated useful life on a straight-line basis, after taking into account its estimated residual value, as follows:

	Estimated usage period	Estimated residuals rate
Buildings	12 to 50 years	3%
Equipment, machinery and others	4 to 30 years	3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reassessed annually.

(g) Oil and gas properties

The Group uses the successful efforts method of accounting for its oil and gas producing activities. Under this method, costs of development wells, the related supporting equipment and proved mineral interests in properties are capitalised. The cost of exploratory wells is initially capitalised as construction in progress pending determination of whether the well has found proved reserves. The impairment of exploratory well costs occurs upon the determination that the well has not found proved reserves. The exploratory well costs are usually not carried as an asset for more than one year following completion of drilling, unless (i) the well has found a sufficient quantity of reserves to justify its completion as a producing well if the required capital expenditure is made; (ii) drilling of the additional exploratory wells is under way or firmly planned for the near future; or (iii) other activities are being undertaken to sufficiently progress the assessing of the reserves and the economic and operating viability of the project. All other exploration costs, including geological and geophysical costs, other dry hole costs and annual lease rentals, are expensed as incurred. Capitalised costs of proved oil and gas properties are amortised on a unit-of-production method based on volumes produced and reserves.

Management estimates future dismantlement costs for oil and gas properties with reference to engineering estimates after taking into consideration the anticipated method of dismantlement required in accordance with the industry practices and the future cash flows are adjusted to reflect such risks specific to the liability, as appropriate. These estimated future dismantlement costs are discounted at pre-tax risk-free rate and are capitalised as oil and gas properties, which are subsequently amortised as part of the costs of the oil and gas properties.

(h) Lease prepayments

Lease prepayments represent land use rights paid to the relevant government authorities. Land use rights are carried at cost less accumulated amount charged to expense and impairment losses (Note 2(o)). The cost of lease prepayments is charged to expense on a straight-line basis over the respective periods of the rights.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Construction in progress

Construction in progress represents buildings, oil and gas properties, various plant and equipment under construction and pending installation, and is stated at cost less impairment losses (Note 2(o)). Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the periods of construction.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided in respect of construction in progress.

(j) Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, associates or joint ventures. Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired.

Prior to 1 January 2008, the acquisition of the non-controlling interests of a consolidated subsidiary was accounted using the acquisition method whereby the difference between the cost of acquisition and the fair value of the net identifiable assets acquired (on a proportionate share) was recognised as goodwill. From 1 January 2008, any difference between the amount by which the non-controlling interest is adjusted (such as through an acquisition of the non-controlling interests) and the cash or other considerations paid is recognised in equity.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit the synergies of the combination and is tested annually for impairment (Note 2(o)). In respect of associates or joint ventures, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or joint venture and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (Note 2(o)).

(k) Available-for-sale financial assets

Investment in available-for-sale securities are carried at fair value with any change in fair value recognised in other comprehensive income and accumulated separately in equity in other reserves. When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to the consolidated income statement. Investments in equity securities, other than investments in associates and joint ventures, that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (Note 2(o)).

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the consolidated income statement as incurred. At each balance sheet date, the fair value is remeasured, with any resultant gain or loss being recognised in the consolidated income statement.

(l) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (Note 2(n)).

(m) Offsetting financial instruments

Financial assets and liabilities are presented respectively in the consolidated balance sheet, without any offset. However, they are offset and reported in the balance sheet when satisfied the following: (1) There is a legally enforceable right to offset the recognised amounts. (2) There is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Hedging

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on re-measurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in other reserves. The ineffective portion of any gain or loss is recognised immediately in the consolidated income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to the consolidated income statement in the same period or periods during which the asset acquired or liability assumed affects the consolidated income statement (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to the consolidated income statement in the same period or periods during which the hedged forecast transaction affects the consolidated income statement.

When a hedging instrument expires or is sold, terminated, exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to the consolidated income statement immediately.

(ii) Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment.

The gain or loss from re–measuring the hedging instrument at fair value is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, the Group discontinues prospectively the hedge accounting treatments. If the hedged item is a financial instrument measured at amortised cost, any adjustment to the carrying amount of the hedged item is amortised to profit or loss from the adjustment date to the maturity date using the recalculated effective interest rate at the adjustment date.

(iii)Hedge of net investments in foreign operations

The portion of the gain or loss on re-measurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income and accumulated separately in equity in the other reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to the consolidated income statement. The ineffective portion is recognised immediately in the consolidated income statement. In this period no hedge of net investment in foreign operations was hold by the Group.

(o) Impairment of assets

(i) Trade accounts receivable, other receivables and investment in equity securities that do not have a quoted market price in an active market are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is determined and recognised.

The impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material, and is recognised as an expense in the consolidated income statement. Impairment losses for trade and other receivables are reversed through the consolidated income statement if in a subsequent period the amount of the impairment losses decreases. Impairment losses for equity securities carried at cost are not reversed.

For investments in associates and joint ventures accounted under the equity method (Note 2(a) (ii)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with the accounting policy set out in Note 2(o) (ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with the accounting policy set out in Note 2(o) (ii).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Impairment of assets *(Continued)*

(ii) Impairment of other long-lived assets is accounted as follows:

The carrying amounts of other long-lived assets, including property, plant and equipment, construction in progress, lease prepayments and other assets, are reviewed at each balance sheet date to identify indicators that the assets may be impaired. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. For goodwill, the recoverable amount is estimated at each balance sheet date.

The recoverable amount is the greater of the fair value less costs to disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

The amount of the reduction is recognised as an expense in the consolidated income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to disposal, or value in use, if determinable.

Management assesses at each balance sheet date whether there is any indication that an impairment loss recognised for a long-lived asset, except in the case of goodwill, which in prior years may no longer exist. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A subsequent increase in the recoverable amount of an asset, when the circumstances and events that led to the write-down or write-off cease to exist, is recognised as an income. The reversal is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. An impairment loss in respect of goodwill is not reversed.

(p) Trade, bills and other payables

Trade, bills and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated income statement over the period of borrowings using the effective interest method.

(r) Convertible bonds

(i) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments that contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issuance of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until the bond is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is transferred to share premium.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Convertible bonds *(Continued)*

(ii) Other convertible bonds

Convertible bonds issued with a cash settlement option and other embedded derivative features are accounted for as compound financial instruments that contain a liability component and a derivative component.

At initial recognition, the derivative component of the convertible bonds is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issuance of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately as an expense in the consolidated income statement.

The derivative component is subsequently remeasured at each balance sheet date and any gains or losses arising from change in the fair value are recognised in the consolidated income statement. The liability component is subsequently carried at amortised cost until extinguished on conversion or redemption. The interest expense recognised in the consolidated income statement on the liability component is calculated using the effective interest method. Both the liability and the related derivative components are presented together for financial statements reporting purposes.

If the convertible bonds are converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in the consolidated income statement.

(s) Provisions and contingent liability

A provision is recognised for liability of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provisions for future dismantlement costs are initially recognised based on the present value of the future costs expected to be incurred in respect of the Group's expected dismantlement and abandonment costs at the end of related oil and gas exploration and development activities. Any subsequent change in the present value of the estimated costs, other than the change due to passage of time which is regarded as interest cost, is reflected as an adjustment to the provision and oil and gas properties.

(t) Revenue recognition

Revenues associated with the sale of crude oil, natural gas, petroleum and chemical products and ancillary materials are recorded when the customer accepts the goods and the significant risks and rewards of ownership and title have been transferred to the buyer. Revenue from the rendering of services is recognised in the consolidated income statement upon performance of the services. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the possible return of goods, or when the amount of revenue and the costs incurred or to be incurred in respect of the transaction cannot be measured reliably.

Interest income is recognised on a time apportioned basis that takes into account the effective yield on the asset.

A government grant that becomes receivable as compensation for expenses or losses already incurred with no future related costs is recognised as income in the period in which it becomes receivable.

(u) Borrowing costs

Borrowing costs are expensed in the consolidated income statement in the period in which they are incurred, except to the extent that they are capitalised as being attributable to the construction of an asset which necessarily takes a period of time to get ready for its intended use.

(v) Repairs and maintenance expenditure

Repairs and maintenance expenditure is expensed as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Environmental expenditures

Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations are expensed as incurred.

Liabilities related to future remediation costs are recorded when environmental assessments and/or cleanups are probable and the costs can be reliably estimated. As facts concerning environmental contingencies become known to the Group, the Group reassesses its position both with respect to accrued liabilities and other potential exposures.

(x) Research and development expense

Research and development expenditures are expensed in the period in which they are incurred. Research and development expense amounted to RMB 3,112 million for the six-month period ended 30 June 2016 (2015: RMB 1,934 million).

(y) Operating leases

Operating lease payments are charged to the consolidated income statement on a straight-line basis over the period of the respective leases.

(z) Employee benefits

The contributions payable under the Group's retirement plans are recognised as an expense in the consolidated income statement as incurred and according to the contribution determined by the plans. Further information is set out in Note 33.

Termination benefits, such as employee reduction expenses, are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(aa) Income tax

Income tax comprises current and deferred tax. Current tax is calculated on taxable income by applying the applicable tax rates. Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes only to the extent that it is probable that future taxable income will be available against which the assets can be utilised. Deferred tax is calculated on the basis of the enacted tax rates or substantially enacted tax rates that are expected to apply in the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged or credited to the consolidated income statement, except for the effect of a change in tax rate on the carrying amount of deferred tax assets and liabilities which were previously charged or credited to other comprehensive income or directly in equity.

The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax liability within the same legal tax unit and jurisdiction to the extent appropriate, and is not available for set off against the taxable profit of another legal tax unit. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(bb) Dividends

Dividends and distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date, are not recognised as a liability at the balance sheet date and are separately disclosed in the notes to the financial statements. Dividends are recognised as a liability in the period in which they are declared.

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business.

3 TURNOVER

Turnover primarily represents revenue from the sales of crude oil, natural gas, petroleum and chemical products.

4 OTHER OPERATING REVENUES

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Sale of materials, service and others	21,979	18,288
Rental income	445	394
	22,424	**18,682**

5 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The following items are included in selling, general and administrative expenses:

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Operating lease charges	7,469	7,152
Impairment losses:		
– trade accounts receivable	(1)	4
– other receivables	(91)	3
– accounts prepayments	2	3

6 PERSONNEL EXPENSES

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Salaries, wages and other benefits	24,950	22,706
Contributions to retirement schemes (Note 33)	4,113	4,013
	29,063	**26,719**

7 TAXES OTHER THAN INCOME TAX

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Consumption tax (i)	95,030	100,665
Special oil income levy (ii)	—	5
City construction tax (iii)	8,899	9,201
Education surcharge	6,729	7,045
Resources tax	1,776	2,574
Other	397	399
	112,831	**119,889**

Note:

(i) Consumption tax was levied based on sales quantities of taxable products, tax rate of products is presented as below:

Products	Effective from 13 December 2014 RMB/Ton	Effective from 13 January 2015 RMB/Ton
Gasoline	1,943.20	2,109.76
Diesel	1,293.60	1,411.20
Naphtha	1,939.00	2,105.20
Solvent oil	1,794.80	1,948.64
Lubricant oil	1,576.40	1,711.52
Fuel oil	1,116.50	1,218.00
Jet fuel oil	1,370.60	1,495.20

(ii) In accordance with PRC rules and regulations, the threshold above which special oil income levy was imposed (with the five-level progressive tax rates varying from 20% to 40%) has been raised from USD 55 per barrel to USD 65 per barrel from 1 January 2015.

(iii) City construction tax is levied on an entity based on its total paid amount of value-added tax, consumption tax and business tax.

8 OTHER OPERATING INCOME, NET

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Government grant (i)	1,026	1,376
Gain/(loss) on disposal of property, plant, equipment and other non-currents assets, net	7	(61)
Ineffective portion of change in fair value of cash flow hedges	585	694
Net realised and unrealised gain/(loss) on derivative financial instruments not qualified as hedging	250	(13)
Donations	(48)	(51)
Fines, penalties and compensations	(36)	(53)
Impairment losses on long-lived assets (ii)	(1,257)	(145)
Others	(435)	(214)
	92	**1,533**

Note:

(i) Government grants for the six-month periods ended 30 June 2016 and 2015 primarily represent financial appropriation income and non–income tax refunds received from respective government agencies without conditions or other contingencies attached to the receipts of the grants.

(ii) Impairment losses on long-lived assets for the six-month period ended 30 June 2016 primarily represent impairment losses recognised in the refining segment of RMB 1,108 million (2015:RMB Nil) and for the chemicals segment of RMB 118 million (2015: 140 million) (Note 14).The assets in the refining and chemicals segment were written down mainly due to the termination of operations of certain production facilities.

9 INTEREST EXPENSE

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Interest expense incurred	5,078	4,421
Less: Interest expense capitalised*	(409)	(557)
	4,669	**3,864**
Accretion expenses (Note 29)	495	520
Interest expense	**5,164**	**4,384**
* Interest rates per annum at which borrowing costs were capitalised for construction in progress	**3.3% to 5.6%**	**1.6% to 5.8%**

10 TAX EXPENSE

Tax expense in the consolidated income statement represents:

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Current tax		
– Provision for the period	8,031	7,118
– Adjustment of prior years	29	320
Deferred taxation (Note 25)	319	2,236
	8,379	**9,674**

10 TAX EXPENSE *(Continued)*

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

	Six-month periods ended 30 June	
	2016	2015
	RMB million	RMB million
Profit before taxation	35,521	41,334
Expected PRC income tax expense at a statutory tax rate of 25%	8,880	10,334
Tax effect of non-deductible expenses	161	158
Tax effect of non-taxable income	(1,184)	(1,246)
Tax effect of preferential tax rate (i)	215	(542)
Effect of difference between income taxes at foreign operations tax rate and the PRC statutory tax rate (ii)	(556)	333
Tax effect of utilisation of previously unrecognised tax losses and temporary differences	(345)	(146)
Tax effect of tax losses not recognised	500	435
Write-down of deferred tax assets	43	28
Adjustment of prior years	665	320
Actual income tax expense	**8,379**	**9,674**

Note:

(i) The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain entities of the Group in western regions in the PRC are taxed at preferential income tax rate of 15% through the year 2020.

(ii) It is mainly due to the foreign operation in the Republic of Angola ("Angola") that is taxed at 50% of the assessable income as determined in accordance with the relevant income tax rules and regulations of Angola.

11 DIVIDENDS

Dividends payable to owners of the Company attributable to the period represent:

	Six-month periods ended 30 June	
	2016	2015
	RMB million	RMB million
Interim dividends declared after the balance sheet date of RMB 0.079 per share (2015: RMB 0.09 per share)	**9,565**	**10,896**

Pursuant to the Company's Articles of Association and a resolution passed at the Directors' meeting on 26 August 2016, the directors authorised to declare the interim dividends for the year ending 31 December 2016 of RMB 0.079 (2015: RMB 0.09) per share totaling RMB 9,565 million (2015: RMB 10,896 million). Dividends declared after the balance sheet date are not recognised as a liability at the balance sheet date.

Dividends payable to owners of the Company attributable to the previous financial year, approved during the period represent:

	Six-month periods ended 30 June	
	2016	2015
	RMB million	RMB million
Final cash dividends in respect of the previous financial year, approved during the period of RMB 0.06 per share (2015: RMB 0.11 per share)	**7,264**	**13,318**

Pursuant to the shareholders' approval at the Annual General Meeting on 18 May 2016, a final dividend of RMB 0.06 per share totaling RMB 7,264 million according to total shares of 23 June 2016 was approved. All dividends have been paid in the six-month period ended 30 June 2016 (2015: RMB 13,318 million).

Pursuant to the shareholders' approval at the Annual General Meeting on 27 May 2015, a final dividend of RMB 0.11 per share totaling RMB 13,318 million in respect of the year ended 31 December 2014 was declared. Cash dividends have been paid on 19 June 2015.

12 OTHER COMPREHENSIVE INCOME

	Six-month period ended 30 June 2016			Six-month period ended 30 June 2015		
	Before tax amount RMB million	**Tax effect RMB million**	**Net of tax amount RMB million**	Before tax amount RMB million	Tax effect RMB million	Net of tax amount RMB million
Cash flow hedges:						
Effective portion of changes in fair value of hedging instruments recognised during the period	(513)	34	(479)	(3,085)	536	(2,549)
Amounts transferred to initial carrying amount of hedged items	(165)	27	(138)	(427)	70	(357)
Reclassification adjustments for amounts transferred to the consolidated income statement	2,827	(443)	2,384	5,328	(942)	4,386
Net movement during the period recognised in other comprehensive income	**2,149**	**(382)**	**1,767**	**1,816**	**(336)**	**1,480**
Available-for-sale securities:						
Changes in fair value recongnised during the period	(33)	—	(33)	44	(8)	36
Net movement during the period recognised in other comprehensive income	**(33)**	**—**	**(33)**	**44**	**(8)**	**36**
Share of other comprehensive income/ (loss) of associates and joint ventures	99	—	99	(118)	—	(118)
Foreign currency translation differences	987	—	987	(43)	—	(43)
Other comprehensive income	**3,202**	**(382)**	**2,820**	**1,699**	**(344)**	**1,355**

13 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the six-month period ended 30 June 2016 is based on the profit attributable to ordinary owners of the Company of RMB 19,919 million (2015: RMB 25,423 million) and the weighted average number of shares of 121,071,209,646 (2015: 120,629,864,875) during the period.

The calculation of diluted earnings per share for the six-month period ended 30 June 2016 is based on the profit attributable to ordinary owners of the Company (diluted) of RMB 19,917 million (2015: RMB 25,422 million) and the weighted average number of shares of 121,071,209,646 (2015: 120,629,864,875) calculated as follows:

(i) Profit attributable to ordinary owners of the Company (diluted)

	Six-month periods ended 30 June	
	2016 RMB million	2015 RMB million
Profit attributable to ordinary owners of the Company	19,919	25,423
After tax effect of employee share option scheme of Shanghai Petrochemical	(2)	(1)
Profit attributable to ordinary owners of the Company (diluted)	**19,917**	**25,422**

(ii) Weighted average number of shares (diluted)

	Six-month periods ended 30 June	
	2016 Number of shares	2015 Number of shares
Weighted average number of shares at 30 June	121,071,209,646	120,629,864,875
Weighted average number of shares (diluted) at 30 June	**121,071,209,646**	**120,629,864,875**

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14 PROPERTY, PLANT AND EQUIPMENT

	Plants and buildings RMB million	Oil and gas properties RMB million	Equipment, machinery and others RMB million	Total RMB million
Cost:				
Balance at 1 January 2015	101,648	569,172	815,123	1,485,943
Additions	26	983	260	1,269
Transferred from construction in progress	1,257	13,406	19,020	33,683
Reclassifications	(245)	(14)	259	—
Exchange adjustments	(1)	(32)	(1)	(34)
Reclassification to lease prepayments and other long-term assets	(236)	—	(620)	(856)
Disposals	(271)	—	(1,738)	(2,009)
Balance at 30 June 2015	**102,178**	**583,515**	**832,303**	**1,517,996**
Balance at 1 January 2016	107,873	613,134	880,711	1,601,718
Additions	16	1,700	538	2,254
Transferred from construction in progress	1,391	16,341	17,262	34,994
Reclassifications	415	(64)	(351)	—
Exchange adjustments	39	862	57	958
Reclassification to lease prepayments and other long-term assets	(7)	—	(765)	(772)
Disposals	(112)	—	(1,553)	(1,665)
Balance at 30 June 2016	**109,615**	**631,973**	**895,899**	**1,637,487**
Accumulated depreciation:				
Balance at 1 January 2015	40,523	329,267	411,871	781,661
Depreciation for the period	1,740	18,110	21,750	41,600
Impairment losses for the period	31	—	114	145
Reclassifications	(85)	(7)	92	—
Exchange adjustments	—	(20)	—	(20)
Reclassification to lease prepayments and other long-term assets	(81)	—	(174)	(255)
Written back on disposals	(137)	—	(1,372)	(1,509)
Balance at 30 June 2015	**41,991**	**347,350**	**432,281**	**821,622**
Balance at 1 January 2016	44,469	374,191	449,609	868,269
Depreciation for the period	1,867	20,279	23,225	45,371
Impairment losses for the period	80	—	1,176	1,256
Reclassifications	27	(26)	(1)	—
Exchange adjustments	14	578	26	618
Reclassification to lease prepayments and other long-term assets	(1)	—	(88)	(89)
Written back on disposals	(85)	—	(1,318)	(1,403)
Balance at 30 June 2016	**46,371**	**395,022**	**472,629**	**914,022**
Net book value:				
Balance at 1 January 2015	61,125	239,905	403,252	704,282
Balance at 30 June 2015	**60,187**	**236,165**	**400,022**	**696,374**
Balance at 1 January 2016	63,404	238,943	431,102	733,449
Balance at 30 June 2016	**63,244**	**236,951**	**423,270**	**723,465**

The additions to oil and gas properties of the Group for the six-month period ended 30 June 2016 included RMB 1,700 million (2015: RMB 983 million) of estimated dismantlement costs for site restoration (Note 29).

15 CONSTRUCTION IN PROGRESS

	Six-month periods ended 30 June	
	2016	2015
	RMB million	RMB million
Balance at 1 January	152,325	177,716
Additions	15,500	26,829
Exchange adjustments	35	(2)
Disposal	(66)	(290)
Dry hole costs written off	(3,619)	(4,222)
Transferred to property, plant and equipment	(34,994)	(33,683)
Reclassification to lease prepayments and other long-term assets	(2,390)	(1,126)
Impairment losses for the period	(1)	—
Balance at 30 June	**126,790**	**165,222**

As at 30 June 2016, the amount of capitalised cost of exploratory wells included in construction in progress related to the exploration and production segment was RMB 12,629 million (2015: RMB 15,584 million). The geological and geophysical costs paid during the six-month period ended 30 June 2016 were RMB 1,047 million (2015: RMB 1,622 million).

16 GOODWILL

	30 June 2016 RMB million	31 December 2015 RMB million
Cost	13,974	13,928
Less: Accumulated impairment losses	(7,657)	(7,657)
	6,317	**6,271**

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the following Group's cash-generating units:

	Principal activities	**30 June 2016 RMB million**	31 December 2015 RMB million
Sinopec Beijing Yanshan Petrochemical Branch ("Sinopec Yanshan")	Manufacturing of intermediate petrochemical products and petroleum products	1,157	1,157
Sinopec Zhenhai Refining and Chemical Branch ("Sinopec Zhenhai")	Manufacturing of intermediate petrochemical products and petroleum products	4,043	4,043
Sinopec (Hong Kong) Limited	Trading of petrochemical products	899	853
Multiple units without individually significant goodwill		218	218
		6,317	**6,271**

Goodwill represents the excess of the cost of purchase over the fair value of the underlying assets and liabilities. The recoverable amounts of the above cash generating units are determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one-year period and pre-tax discount rates primarily ranging from 10.7% to 10.9% (2015: 10.7% to 11.3%). Cash flows beyond the one-year period are maintained constant. Based on the estimated recoverable amount, no impairment loss was recognised.

Key assumptions used for cash flow forecasts for these entities are the gross margin and sales volume. Management determined the budgeted gross margin based on the gross margin achieved in the period immediately before the budget period and management's expectation on the future trend of the prices of crude oil and petrochemical products. The sales volume was based on the production capacity and/or the sales volume in the period immediately before the budget period.

17 INTEREST IN ASSOCIATES

The Group's investments in associates are with companies primarily engaged in the oil and gas, petrochemical, and marketing and distribution operations in the PRC.

The Group's principal associates are as follows:

Name of company	% of ownership interests	Principal activities	Measurement method	Country of incorporation	Principal place of business
Sinopec Finance Company Limited ("Sinopec Finance")	49.00	Provision of non–banking financial services	Equity method	PRC	PRC
China Aviation Oil Supply Company Limited ("China Aviation Oil")	29.00	Marketing and distribution of refined petroleum products	Equity method	PRC	PRC
Zhongtian Synergetic Energy Company Limited ("Zhongtian Synergetic Energy")	38.75	Manufacturing of coal–chemical products	Equity method	PRC	PRC
Shanghai Chemical Industry Park Development Company Limited ("Shanghai Chemical")	38.26	Planning, development and operation of the Chemical Industry Park in Shanghai, the PRC	Equity method	PRC	PRC
Caspian Investments Resources Ltd. ("CIR") (i)	50.00	Crude oil and natural gas extraction	Equity method	British Virgin Islands	The Republic of Kazakhstan

Summarised financial information and reconciliation to their carrying amounts in respect of the Group's principal associates:

	Sinopec Finance		China Aviation Oil		Zhongtian Synergetic Energy		Shanghai Chemical		CIR (i)	
	30 June 2016 RMB million	31 December 2015 RMB million	**30 June 2016 RMB million**	31 December 2015 RMB million	**30 June 2016 RMB million**	31 December 2015 RMB million	**30 June 2016 RMB million**	31 December 2015 RMB million	**30 June 2016 RMB million**	31 December 2015 RMB million
Current assets	131,544	154,437	12,970	8,240	11,497	10,168	4,324	2,487	4,450	4,826
Non-current assets	16,839	15,739	5,375	5,220	40,044	37,571	2,485	2,693	7,030	7,768
Current liabilities	(125,481)	(147,952)	(7,590)	(4,717)	(6,307)	(16,536)	(1,113)	(404)	(1,124)	(1,305)
Non-current liabilities	(103)	(114)	(322)	(321)	(27,856)	(15,407)	(1,721)	(981)	(1,054)	(1,282)
Net assets	**22,799**	**22,110**	**10,433**	**8,422**	**17,378**	**15,796**	**3,975**	**3,795**	**9,302**	**10,007**
Net assets attributable to owners of the Company	22,799	22,110	9,149	7,438	17,378	15,796	3,975	3,795	9,302	10,007
Net assets attributable to non-controlling interests	—	—	1,284	984	—	—	—	—	—	—
Share of net assets from associates	11,172	10,834	2,653	2,157	6,734	6,121	1,187	1,121	4,651	5,004
Carrying Amounts	**11,172**	**10,834**	**2,653**	**2,157**	**6,734**	**6,121**	**1,187**	**1,121**	**4,651**	**5,004**

Summarised statement of comprehensive income

Six-month periods ended 30 June	Sinopec Finance		China Aviation Oil		Zhongtian Synergetic Energy (ii)		Shanghai Chemical		CIR (i)
	2016 RMB million	2015 RMB million	**2016 RMB million**	2015 RMB million	**2016 RMB million**	2015 RMB million	**2016 RMB million**	2015 RMB million	**2016 RMB million**
Turnover	1,217	1,873	32,021	39,702	—	—	1,218	—	931
Profit/(loss) for the periods	720	1,641	1,973	1,423	—	—	174	110	(905)
Other comprehensive (loss)/income	(31)	(1)	—	—	—	—	—	—	199
Total comprehensive income/(loss)	**689**	**1,640**	**1,973**	**1,423**	**—**	**—**	**174**	**110**	**(706)**
Dividends declared by associates	—	—	—	336	—	—	—	—	—
Share of profit/(loss) from associates	353	804	496	289	—	—	66	42	(453)
Share of other comprehensive (loss)/income from associates	(15)	(1)	—	—	—	—	—	—	100

The share of profit and other comprehensive loss for the six-month period ended 30 June 2016 in all individually immaterial associates accounted for using equity method in aggregate was RMB 594 million (2015: RMB 580 million) and 103 million (2015: RMB 32 million) respectively. As at 30 June 2016, the carrying amount of all individually immaterial associates accounted for using equity method in aggregate was RMB 15,735 million (2015: RMB 15,475 million).

Note:

(i) In August 2015, one of the subsidiaries of Sinopec Group Company completed the acquisition from LUKOIL OVERSEAS WEST PROJECT Ltd. a 50% equity interests in CIR and revised CIR's Articles of Association subsequently. According to the revised CIR's Articles of Association, the Group retained significant influences over CIR. As a result, the Group reclassified the investment interest in CIR from joint ventures to associates.

(ii) The main asset of Zhongtian Synergetic Energy was under construction during the period ended 30 June 2016.

18 INTEREST IN JOINT VENTURES

The Group's principal interests in joint ventures are as follows:

Name of entity	% of ownership interests	Principal activities	Measurement method	Country of incorporation	Principal place of business
Yanbu Aramco Sinopec Refining Company Ltd. ("YASREF")	37.50	Petroleum refining and processing business	Equity method	Saudi Arabia	Saudi Arabia
BASF-YPC Company Limited ("BASF-YPC")	40.00	Manufacturing and distribution of petrochemical products	Equity method	PRC	PRC
Taihu Limited ("Taihu")	49.00	Crude oil and natural gas extraction	Equity method	Cyprus	Russia
Mansarovar Energy Colombia Ltd. ("Mansarovar")	50.00	Crude oil and natural gas extraction	Equity method	British Bermuda	Colombia

Summarised balance sheet and reconciliation to their carrying amounts in respect of the Group's principal joint ventures:

	YASREF		BASF-YPC		Taihu		Mansarovar	
	30 June 2016 RMB million	31 December 2015 RMB million	**30 June 2016 RMB million**	31 December 2015 RMB million	**30 June 2016 RMB million**	31 December 2015 RMB million	**30 June 2016 RMB million**	31 December 2015 RMB million
Current assets								
Cash and cash equivalents	3,388	4,171	360	488	122	78	229	262
Other current assets	7,299	5,965	4,869	4,765	2,546	2,243	681	759
Total current assets	**10,687**	**10,136**	**5,229**	**5,253**	**2,668**	**2,321**	**910**	**1,021**
Non-current assets	54,401	54,027	14,565	15,543	5,603	5,662	6,712	7,433
Current liabilities								
Current financial liabilities (i)	(1,079)	(3,362)	(2,060)	(2,005)	(1,982)	(2,315)	—	—
Other current liabilities	(8,277)	(7,886)	(1,880)	(1,864)	(1,174)	(1,088)	(1,033)	(767)
Total current liabilities	**(9,356)**	**(11,248)**	**(3,940)**	**(3,869)**	**(3,156)**	**(3,403)**	**(1,033)**	**(767)**
Non-current liabilities								
Non-current financial liabilities(ii)	(41,112)	(39,214)	(1,710)	(3,113)	(26)	(26)	—	—
Other non-current liabilities	(948)	(978)	—	—	(1,313)	(1,337)	(2,853)	(3,320)
Total non-current liabilities	**(42,060)**	**(40,192)**	**(1,710)**	**(3,113)**	**(1,339)**	**(1,363)**	**(2,853)**	**(3,320)**
Net assets	**13,672**	**12,723**	**14,144**	**13,814**	**3,776**	**3,217**	**3,736**	**4,367**
Net assets attributable to owners of the Company	13,672	12,723	14,144	13,814	3,645	3,106	3,736	4,367
Net assets attributable to non–controlling interests	—	—	—	—	131	111	—	—
Share of net assets from joint ventures	5,127	4,771	5,658	5,526	1,786	1,522	1,868	2,184
Other (iii)	—	—	—	—	744	729	—	—
Carrying Amounts	**5,127**	**4,771**	**5,658**	**5,526**	**2,530**	**2,251**	**1,868**	**2,184**

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18 INTEREST IN JOINT VENTURES *(Continued)*

Summarised statement of comprehensive income

Six-month periods ended 30 June	YASREF		BASF-YPC		Taihu		Mansarovar		CIR
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	2015
	RMB million	RMB million	**RMB million**	RMB million	**RMB million**	RMB million	**RMB million**	RMB million	RMB million
Turnover	20,476	11,538	7,860	7,147	4,418	5,961	496	888	1,830
Depreciation, depletion and amortisation	(1,354)	(739)	(1,138)	(1,165)	(698)	(662)	(603)	(522)	(1,071)
Interest income	10	—	9	16	—	—	2	—	18
Interest expense	(582)	(223)	(99)	(136)	(21)	(18)	(3)	—	(4)
Profit/(Loss) before taxation	619	675	951	(165)	731	944	(804)	(328)	(1,017)
Tax expense	28	9	(233)	16	(249)	(351)	91	56	70
Profit/(loss) for the periods	647	684	718	(149)	482	593	(713)	(272)	(947)
Other comprehensive income/(loss)	302	(192)	—	—	108	1	82	(6)	(12)
Total comprehensive income/(loss)	**949**	**492**	**718**	**(149)**	**590**	**594**	**(631)**	**(278)**	**(959)**
Dividends declared by joint venture	—	—	155	156	—	—	—	—	—
Share of net profit/(loss) from joint ventures	243	257	287	(60)	228	280	(357)	(136)	(474)
Share of other comprehensive income/(loss) from joint ventures	113	(72)	—	—	51	—	41	(3)	(6)

The share of profit and other comprehensive loss for the six-month period ended 30 June 2016 in all individually immaterial joint ventures accounted for using equity method in aggregate was RMB 3,141 million (2015: RMB 2,553 million) and RMB 88 million (2015: RMB 4 million) respectively. As at 30 June 2016, the carrying amount of all individually immaterial joint ventures accounted for using equity method in aggregate was RMB 31,396 million (2015: RMB 28,849 million).

Note:

(i) Excluding trade accounts payable and other payables.

(ii) Excluding provisions.

(iii) Other reflects the excess of consideration transferred over the net fair value of identifiable assets acquired and liabilities assumed as of the acquisition date.

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2016 RMB million	31 December 2015 RMB million
Equity securities, listed and at quoted market price	232	261
Other investment, unlisted and at cost	10,934	10,732
	11,166	**10,993**
Less: Impairment loss for investments	29	29
	11,137	**10,964**

Other investment, unlisted and at cost, represents the Group's interests in privately owned enterprises which are mainly engaged in oil and natural gas activities and chemical production.

The impairment losses relating to investments for the period ended 30 June 2016 amounted to nil (2015: nil).

20 LEASE PREPAYMENTS

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Cost:		
Balance at 1 January	63,324	59,866
Additions	227	195
Transferred from construction in progress	1,877	656
Transferred from other long-term assets	379	148
Exchange adjustments	66	(1)
Reclassification to other assets	(48)	(421)
Disposals	(25)	(5)
Balance at 30 June	**65,800**	**60,438**
Accumulated amortisation:		
Balance at 1 January	12,275	10,725
Amortisation charge for the period	933	821
Transferred from other long-term assets	13	3
Exchange adjustments	22	—
Reclassification to other assets	—	(109)
Written back on disposals	(10)	—
Balance at 30 June	**13,233**	**11,440**
Net book value:	**52,567**	**48,998**

21 LONG-TERM PREPAYMENTS AND OTHER ASSETS

	30 June 2016 RMB million	31 December 2015 RMB million
Operating rights of service stations	25,777	26,097
Long-term receivables from and prepayment to Sinopec Group Company and fellow subsidiaries	18,859	17,759
Prepayments for construction projects to third parties	4,081	2,989
Others (i)	20,428	20,946
Balance at 30 June	**69,145**	**67,791**

Note:

(i) Others mainly comprise prepaid operating lease charges over one year and catalyst expenditures.

The cost of operating rights of service stations is charged to expense on a straight-line basis over the respective periods of the rights. The movement of operating rights of service stations is as follows:

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Operating rights of service stations		
Cost:		
Balance at 1 January	34,407	32,748
Additions	541	604
Decreases	(6)	(29)
Balance at 30 June	**34,942**	**33,323**
Accumulated amortisation:		
Balance at 1 January	8,310	6,673
Additions	859	817
Decreases	(4)	(1)
Balance at 30 June	**9,165**	**7,489**
Net book value at 30 June	**25,777**	**25,834**

22 TRADE ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

	30 June 2016 RMB million	31 December 2015 RMB million
Amounts due from third parties	48,411	34,261
Amounts due from Sinopec Group Company and fellow subsidiaries	10,618	18,672
Amounts due from associates and joint ventures	4,737	3,734
	63,766	**56,667**
Less: Impairment losses for bad and doubtful debts	(513)	(525)
Trade accounts receivable, net	**63,253**	**56,142**
Bills receivable	11,962	10,964
	75,215	**67,106**

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

	30 June 2016 RMB million	31 December 2015 RMB million
Within one year	74,767	66,342
Between one and two years	399	715
Between two and three years	25	36
Over three years	24	13
	75,215	**67,106**

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

	2016 RMB million	2015 RMB million
Balance at 1 January	525	530
Provision for the period	4	4
Written back for the period	(5)	(8)
Written off for the period	(11)	—
Balance at 30 June	**513**	**526**

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

Trade accounts receivable and bills receivable (net of impairment losses for bad and doubtful debts) primarily represent receivables that are neither past due nor impaired. These receivables relate to a wide range of customers for whom there is no recent history of default.

23 INVENTORIES

	30 June 2016 RMB million	31 December 2015 RMB million
Crude oil and other raw materials	70,754	59,376
Work in progress	13,357	22,762
Finished goods	65,734	66,320
Spare parts and consumables	1,260	1,552
	151,105	**150,010**
Less: Allowance for diminution in value of inventories	(1,662)	(4,402)
	149,443	**145,608**

The cost of inventories recognised as an expense in the consolidated income statement amounted to RMB 647,740 million for the six-month period ended 30 June 2016 (2015: RMB 805,422 million). It includes the write-down of inventories of RMB 258 million (2015: RMB 63 million) and the reversal of write-down of inventories made in prior years of RMB 2 million (2015: RMB 0 million), which were recorded in purchased crude oil, products and operating supplies and expenses in the consolidated income statement. The write-down of inventories of RMB 3,034 million for the period ended 30 June 2016 (2015: RMB 1,512 million) was realised primarily with the sales of inventories. The write-down of inventories is mainly related to the finished goods in refining segment.

24 PREPAID EXPENSES AND OTHER CURRENT ASSETS

	30 June 2016 RMB million	31 December 2015 RMB million
Receivables	19,328	20,183
Advances to suppliers	3,797	2,920
Value-added input tax to be deducted	16,908	20,299
Prepaid income tax	5,392	—
Derivative financial instruments	605	7,875
	46,030	**51,277**

25 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and deferred tax liabilities before offset are attributable to the items detailed in the table below:

	Deferred tax assets		Deferred tax liabilities		Net balance	
	30 June 2016 RMB million	31 December 2015 RMB million	**30 June 2016 RMB million**	31 December 2015 RMB million	**30 June 2016 RMB million**	31 December 2015 RMB million
Current						
Receivables and inventories	1,215	1,755	—	—	1,215	1,755
Accruals	875	413	—	—	875	413
Cash flow hedges	136	348	(268)	(98)	(132)	250
Non-current						
Property, plant and equipment	8,091	8,209	(16,865)	(17,340)	(8,774)	(9,131)
Tax losses carried forward	5,192	5,883	—	—	5,192	5,883
Others	93	98	(82)	(58)	11	40
Deferred tax assets/(liabilities)	**15,602**	**16,706**	**(17,215)**	**(17,496)**	**(1,613)**	**(790)**

At 30 June 2016, certain subsidiaries of the Company did not recognise deferred tax of deductible loss carried forward of RMB 19,968 million (2015: RMB 19,338 million), of which RMB 2,000 million (2015: RMB 1,740 million) was incurred for the six-month period ended 30 June 2016, because it was not probable that the future taxable profits will be realised. These deductible losses carried forward of RMB 1,984 million, RMB 3,764 million, RMB 2,629 million, RMB 5,511 million, RMB 3,311 million and RMB 2,769 million will expire in 2016, 2017, 2018, 2019, 2020, 2021 and after, respectively.

Periodically, management performed assessment on the probability that future taxable profit will be available over the period which the deferred tax assets can be realised or utilised. In assessing the probability, both positive and negative evidence was considered, including whether it is probable that the operations will have sufficient future taxable profits over the periods which the deferred tax assets are deductible or utilised and whether the tax losses result from identifiable causes which are unlikely to recur. During the six-month period ended 30 June 2016, write-down of deferred tax assets amounted to RMB 43 million (2015: RMB 28 million) (Note 10).

Movements in the deferred tax assets and liabilities are as follows:

	Balance at 1 January 2015 RMB million	Recognised in consolidated income statement RMB million	Recognised in other comprehensive income RMB million	Others RMB million	Balance at 30 June 2015 RMB million
Current					
Receivables and inventories	2,883	(845)	—	—	2,038
Accruals	258	168	—	—	426
Cash flow hedges	887	—	(336)	—	551
Non-current					
Property, plant and equipment	(8,635)	(1,285)	8	—	(9,912)
Tax losses carried forward	3,474	(278)	—	—	3,196
Embedded derivative component of the convertible bonds	282	—	—	(282)	—
Available-for-sale securities	3	—	(8)	—	(5)
Others	7	4	—	—	11
Net deferred tax liabilities	**(841)**	**(2,236)**	**(336)**	**(282)**	**(3,695)**

25 DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

	Balance at 1 January 2016 RMB million	Recognised in consolidated income statement RMB million	Recognised in other comprehensive income RMB million	**Balance at 30 June 2016 RMB million**
Current				
Receivables and inventories	1,755	(542)	2	1,215
Accruals	413	462	—	875
Cash flow hedges	250	—	(382)	(132)
Non-current				
Property, plant and equipment	(9,131)	486	(129)	(8,774)
Tax losses carried forward	5,883	(696)	5	5,192
Others	40	(29)	—	11
Net deferred tax liabilities	**(790)**	**(319)**	**(504)**	**(1,613)**

26 SHORT-TERM AND LONG-TERM DEBTS AND LOANS FROM SINOPEC GROUP COMPANY AND FELLOW SUBSIDIARIES

Short-term debts represent:

	30 June 2016 RMB million	31 December 2015 RMB million
Third parties' debts		
Short-term bank loans	**27,629**	**31,036**
RMB denominated	25,501	11,357
US Dollar ("USD") denominated	2,128	11,824
Euro ("EUR") denominated	—	7,855
Current portion of long-term bank loans	**6,604**	**5,613**
RMB denominated	6,549	5,559
USD denominated	55	54
Current portion of long-term corporate bonds	**18,000**	**4,868**
USD denominated	—	4,868
RMB denominated	18,000	—
	24,604	**10,481**
Corporate bonds (i)	**10,000**	**30,000**
	62,233	**71,517**
Loans from Sinopec Group Company and fellow subsidiaries		
Short-term loans	**42,698**	**43,693**
RMB denominated	17,293	10,806
USD denominated	23,450	32,878
Hong Kong Dollar ("HKD") denominated	1,951	5
EUR denominated	4	4
Current portion of long-term loans	**242**	**236**
RMB denominated	242	50
USD denominated	—	186
	42,940	**43,929**
	105,173	**115,446**

The Group's weighted average interest rates on short-term loans were 2.4% (2015: 1.7%) at 30 June 2016. The above borrowings are unsecured.

26 SHORT-TERM AND LONG-TERM DEBTS AND LOANS FROM SINOPEC GROUP COMPANY AND FELLOW SUBSIDIARIES *(Continued)*

Long-term debts represent:

	Interest rate and final maturity	**30 June 2016 RMB million**	31 December 2015 RMB million
Third parties' debts			
Long-term bank loans			
RMB denominated	Interest rates ranging from 1.08% to 4.50% per annum at 30 June 2016 with maturities through 2030	16,480	17,345
USD denominated	Interest rates ranging from 1.30% to 4.29 % per annum at 30 June 2016 with maturities through 2031	440	461
		16,920	**17,806**
Corporate bonds (ii)			
RMB denominated	Fixed interest rates ranging from 3.30% to 5.68 % per annum at 30 June 2016 with maturity through 2022	65,500	65,500
USD denominated	Fixed interest rates ranging from 1.25% to 4.25 % per annum at 30 June 2016 with maturities through 2043	18,138	22,621
		83,638	**88,121**
Total third parties' long-term debts		**100,558**	**105,927**
Less: Current portion		(24,604)	(10,481)
		75,954	**95,446**
Long-term loans from Sinopec Group Company and fellow subsidiaries			
RMB denominated	Interest rates ranging from interest free to 3.27% per annum at 30 June 2016 with maturities through 2021	44,330	44,350
USD denominated	No loans at 30 June 2016	—	186
Less: Current portion		(242)	(236)
		44,088	**44,300**
		120,042	**139,746**

Short-term and long-term bank loans, long-term other loans and loans from Sinopec Group Company and fellow subsidiaries are primarily unsecured and carried at amortised cost.

Note:

(i) The Company issued 180-day corporate bonds of face value RMB 10 billion to corporate investors in the PRC debenture market on 23 September 2015 at par value of RMB 100. The effective cost of the 180-day corporate bonds is 2.99% per annum. The short-term bonds were due on 23 March 2016 and have been fully paid by the Group at maturity.

The Company issued 182-day corporate bonds of face value RMB 16 billion to corporate investors in the PRC debenture market on 14 December 2015 at par value of RMB 100. The effective cost of the 182-day corporate bonds is 2.90% per annum.The short-term bonds were due on 14 June 2016 and have been fully paid by the Group at maturity.

The Company issued 180-day corporate bonds of face value RMB 4 billion to corporate investors in the PRC debenture market on 31 December 2015 at par value of RMB 100. The effective cost of the 180-day corporate bonds is 2.75% per annum.The short-term bonds were due on 30 June 2016 and have been fully paid by the Group at maturity.

The Company issued 180-day corporate bonds of face value RMB 10 billion to corporate investors in the PRC debenture market on 17 March 2016 at par value of RMB 100. The effective cost of the 180-day corporate bonds is 2.45% per annum.

(ii) These corporate bonds are carried at amotised cost. At 30 June 2016, RMB 45,500 million are guaranteed by Sinopec Group Company.

27 TRADE ACCOUNTS AND BILLS PAYABLES

	30 June 2016 RMB million	31 December 2015 RMB million
Amounts due to third parties	140,309	117,342
Amounts due to Sinopec Group Company and fellow subsidiaries	5,706	10,348
Amounts due to associates and joint ventures	5,785	2,868
	151,800	**130,558**
Bills payable	3,836	3,566
Trade accounts and bills payables measured at amortised cost	**155,636**	**134,124**

The ageing analysis of trade accounts and bills payables are as follows:

	30 June 2016 RMB million	31 December 2015 RMB million
Within 1 month or on demand	132,708	115,412
Between 1 month and 6 months	13,874	13,682
Over 6 months	9,054	5,030
	155,636	**134,124**

28 ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2016 RMB million	31 December 2015 RMB million
Salaries and welfare payable	3,619	1,185
Interest payable	1,563	1,457
Payables for constructions	44,241	58,778
Other payables	14,860	23,912
Financial liabilities carried at amortised costs	**64,283**	**85,332**
Taxes other than income tax	27,618	31,444
Receipts in advance	85,968	92,688
Derivative financial instruments	3,640	2,750
	181,509	**212,214**

29 PROVISIONS

Provisions primarily represent provision for future dismantlement costs of oil and gas properties. The Group has mainly committed to the PRC government to established certain standardised measures for the dismantlement of its oil and gas properties by making reference to the industry practices and is thereafter constructively obligated to take dismantlement measures of its oil and gas properties.

Movement of provision of the Group's obligations for the dismantlement of its oil and gas properties is as follow:

	2016 RMB million	2015 RMB million
Balance at 1 January	33,115	29,613
Provision for the period	1,700	983
Accretion expenses	495	520
Utilised	(182)	(31)
Exchange adjustments	45	(3)
Balance at 30 June	**35,173**	**31,082**

30 SHARE CAPITAL

	30 June 2016 RMB million	31 December 2015 RMB million
Registered, issued and fully paid		
95,557,771,046 listed A shares (2015: 95,557,771,046) of RMB 1.00 each	95,558	95,558
25,513,438,600 listed H shares (2015: 25,513,438,600) of RMB 1.00 each	25,513	25,513
	121,071	**121,071**

The Company was established on 25 February 2000 with a registered capital of 68.8 billion domestic state-owned shares with a par value of RMB 1.00 each. Such shares were issued to Sinopec Group Company in consideration for the assets and liabilities transferred to the Company (Note 1).

Pursuant to the resolutions passed at an Extraordinary General Meeting held on 25 July 2000 and approvals from relevant government authorities, the Company is authorised to increase its share capital to a maximum of 88.3 billion shares with a par value of RMB 1.00 each and offer not more than 19.5 billion shares with a par value of RMB 1.00 each to investors outside the PRC. Sinopec Group Company is authorised to offer not more than 3.5 billion shares of its shareholdings in the Company to investors outside the PRC. The shares sold by Sinopec Group Company to investors outside the PRC would be converted into H shares.

In October 2000, the Company issued 15,102,439,000 H shares with a par value of RMB 1.00 each, representing 12,521,864,000 H shares and 25,805,750 American Depositary Shares ("ADSs", each representing 100 H shares), at prices of HKD 1.59 per H share and USD 20.645 per ADS, respectively, by way of a global initial public offering to Hong Kong and overseas investors. As part of the global initial public offering, 1,678,049,000 state-owned ordinary shares of RMB 1.00 each owned by Sinopec Group Company were converted into H shares and sold to Hong Kong and overseas investors.

In July 2001, the Company issued 2.8 billion listed A shares with a par value of RMB 1.00 each at RMB 4.22 by way of a public offering to natural persons and institutional investors in the PRC.

During the year ended 31 December 2010, the Company issued 88,774 listed A shares with a par value of RMB 1.00 each, as a result of exercise of 188,292 warrants entitled to the Bonds with Warrants.

During the year ended 31 December 2011, the Company issued 34,662 listed A shares with a par value of RMB 1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2012, the Company issued 117,724,450 listed A shares with a par value of RMB 1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

On 14 February 2013, the Company issued 2,845,234,000 listed H shares ("the Placing") with a par value of RMB 1.00 each at the Placing Price of HKD 8.45 per share. The aggregate gross proceeds from the Placing amounted to approximately HKD 24,042,227,300.00 and the aggregate net proceeds (after deduction of the commissions and estimated expenses) amounted to approximately HKD 23,970,100,618.00.

In June 2013, the Company issued 21,011,962,225 listed A shares and 5,887,716,600 listed H shares as a result of bonus issues of 2 shares converted from the retained earnings, and 1 share transferred from the share premium for every 10 existing shares.

During the year ended 31 December 2013, the Company issued 114,076 listed A shares with a par value of RMB 1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2014, the Company issued 1,715,081,853 listed A shares with a par value of RMB 1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2015, the Company issued 2,790,814,006 listed A shares with a par value of RMB 1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

All A shares and H shares rank pari passu in all material aspects.

30 SHARE CAPITAL *(Continued)*

Capital management

Management optimises the structure of the Group's capital, which comprises of equity and debts. In order to maintain or adjust the capital structure of the Group, management may cause the Group to issue new shares, adjust the capital expenditure plan, sell assets to reduce debt, or adjust the proportion of short-term and long-term loans. Management monitors capital on the basis of the debt-to-capital ratio, which is calculated by dividing long-term loans (excluding current portion), including long-term debts and loans from Sinopec Group Company and fellow subsidiaries, by the total of equity attributable to owners of the Company and long-term loans (excluding current portion), and liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. Management's strategy is to make appropriate adjustments according to the Group's operating and investment needs and the changes of market conditions, and to maintain the debt-to-capital ratio and the liability-to-asset ratio of the Group at a range considered reasonable. As at 30 June 2016, the debt-to-capital ratio and the liability-to-asset ratio of the Group were 14.8 % (2015: 17.1%) and 43.6 % (2015: 45.5%), respectively.

The schedule of the contractual maturities of loans and commitments are disclosed in Notes 26 and 31, respectively.

There were no changes in the management's approach to capital management of the Group during the period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

31 COMMITMENTS AND CONTINGENT LIABILITIES

Operating lease commitments

The Group leases land and buildings, service stations and other equipment through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

At 30 June 2016 and 31 December 2015, the future minimum lease payments under operating leases are as follows:

	30 June 2016 RMB million	31 December 2015 RMB million
Within one year	13,683	13,737
Between one and two years	13,235	13,265
Between two and three years	13,111	13,199
Between three and four years	12,965	13,091
Between four and five years	13,582	12,430
Thereafter	279,659	284,300
	346,235	**350,022**

Capital commitments

At 30 June 2016 and 31 December 2015, capital commitments are as follows:

	30 June 2016 RMB million	31 December 2015 RMB million
Authorised and contracted for (i)	110,255	113,017
Authorised but not contracted for	47,705	47,043
	157,960	**160,060**

These capital commitments relate to oil and gas exploration and development, refining and petrochemical production capacity expansion projects, the construction of service stations and oil depots and investment commitments.

Note:

(i) The investment commitments of the Group is RMB 1,304 million (2015: RMB 4,089 million).

Commitments to joint ventures

Pursuant to certain of the joint venture agreements entered into by the Group, the Group is obliged to purchase products from the joint ventures based on market prices.

31 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

Exploration and production licenses

Exploration licenses for exploration activities are registered with the Ministry of Land and Resources. The maximum term of the Group's exploration licenses is 7 years, and may be renewed twice within 30 days prior to expiration of the original term with each renewal being for a two-year term. The Group is obligated to make progressive annual exploration investment relating to the exploration blocks in respect of which the license is issued. The Ministry of Land and Resources also issues production licenses to the Group on the basis of the reserve reports approved by relevant authorities. The maximum term of a full production license is 30 years unless a special dispensation is given by the State Council. The maximum term of production licenses issued to the Group is 80 years as a special dispensation was given to the Group by the State Council. The Group's production license is renewable upon application by the Group 30 days prior to expiration.

The Group is required to make payments of exploration license fees and production right usage fees to the Ministry of Land and Resources annually which are expensed.

Estimated future annual payments are as follows:

	30 June 2016 RMB million	31 December 2015 RMB million
Within one year	236	283
Between one and two years	86	125
Between two and three years	28	32
Between three and four years	22	22
Between four and five years	22	21
Thereafter	835	834
	1,229	**1,317**

Contingent liabilities

At 30 June 2016 and 31 December 2015, guarantees by the group in respect of facilities granted to the parties below are as follows:

	30 June 2016 RMB million	31 December 2015 RMB million
Joint ventures	681	703
Associates (ii)	9,375	—
Others	6,209	6,010
	16,265	**6,713**

Management monitors the conditions that are subject to the guarantees to identify whether it is probable that a loss has occurred, and recognises any such losses under guarantees when those losses are estimable. At 30 June 2016 and 31 December 2015, it was not probable that the Group will be required to make payments under the guarantees. Thus no liability has been accrued for a loss related to the Group's obligation under these guarantee arrangements.

Note:

(ii) The Group provided a guarantee in respect to standby credit facilities granted to Zhongtian Synergetic Energy by banks amount to RMB 17,050 million. As at 30 June 2016, the amount withdrawn by Zhongtian Synergetic Energy and guaranteed by the Group was RMB 9,375 million.

Environmental contingencies

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved, and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect management's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to refineries, oil fields, service stations, terminals and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material. The Group recognized normal routine pollutant discharge fees of approximately RMB 2,508 million for the six-month period in the consolidated financial statements ended 30 June 2016 (2015: RMB 2,461 million).

Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of an unfavourable outcome of such contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

32 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to control or common control. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(a) Transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures

The Group is part of a larger group of companies under Sinopec Group Company, which is controlled by the PRC government, and has significant transactions and relationships with Sinopec Group Company and fellow subsidiaries. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

The principal related party transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures, which were carried out in the ordinary course of business, are as follows:

		Six-month periods ended 30 June	
	Note	**2016**	2015
		RMB million	RMB million
Sales of goods	(i)	83,694	110,325
Purchases	(ii)	55,676	47,411
Transportation and storage	(iii)	561	603
Exploration and development services	(iv)	5,701	9,237
Production related services	(v)	2,943	3,157
Ancillary and social services	(vi)	3,169	3,266
Operating lease charges for land	(vii)	5,264	5,313
Operating lease charges for buildings	(vii)	160	226
Other operating lease charges	(vii)	189	99
Agency commission income	(viii)	60	45
Interest income	(ix)	98	71
Interest expense	(x)	600	672
Net deposits withdrawn from/(placed with) related parties	(ix)	6,538	(2,949)
Net loans repaid to related parties	(xi)	(1,201)	(10,633)

The amounts set out in the table above in respect of the six-month periods ended 30 June 2016 and 2015 represent the relevant costs and income as determined by the corresponding contracts with the related parties.

Included in the transactions disclosed above, for the six-month period, ended 30 June 2016 are: a) purchases by the Group from Sinopec Group Company and fellow subsidiaries amounting to RMB 52,786 million (2015: RMB 44,278 million) comprising purchases of products and services (i.e. procurement, transportation and storage, exploration and development services and production related services) of RMB 43,593 million (2015: RMB 34,801 million), ancillary and social services provided by Sinopec Group Company and fellow subsidiaries of RMB 3,169 million (2015: RMB 3,266 million), operating lease charges for land and buildings paid by the Group of RMB 5,264 million and RMB 160 million (2015: RMB 5,313 million and RMB 226 million), respectively and interest expenses of RMB 600 million (2015: RMB 672 million); and b) sales by the Group to Sinopec Group Company and fellow subsidiaries amounting to RMB 20,889 million (2015: RMB 34,755 million), comprising RMB 20,777 million (2015: RMB 34,680 million) for sales of goods, RMB 98 million (2015: RMB 71 million) for interest income and RMB 14 million (2015: RMB 4 million) for agency commission income.

At 30 June 2016 and 31 December 2015, there were no guarantees given to banks by the Group in respect of banking facilities to related parties, except for the guarantees disclosed in Note 31.

32 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures *(Continued)*

Note:

(i) Sales of goods represent the sale of crude oil, intermediate petrochemical products, petroleum products and ancillary materials.

(ii) Purchases represent the purchase of materials and utility supplies directly related to the Group's operations such as the procurement of raw and ancillary materials and related services, supply of water, electricity and gas.

(iii) Transportation and storage represent the cost for the use of railway, road and marine transportation services, pipelines, loading, unloading and storage facilities.

(iv) Exploration and development services comprise direct costs incurred in the exploration and development such as geophysical, drilling, well testing and well measurement services.

(v) Production related services represent ancillary services rendered in relation to the Group's operations such as equipment repair and general maintenance, insurance premium, technical research, communications, firefighting, security, product quality testing and analysis, information technology, design and engineering, construction of oilfield ground facilities, refineries and chemical plants, manufacture of replacement parts and machinery, installation, project management and environmental protection.

(vi) Ancillary and social services represent expenditures for social welfare and support services such as educational facilities, media communication services, sanitation, accommodation, canteens, property maintenance and management services.

(vii) Operating lease charges represent the rental paid to Sinopec Group Company for operating leases in respect of land, buildings and equipment.

(viii) Agency commission income represents commission earned for acting as an agent in respect of sales of products and purchase of materials for certain entities owned by Sinopec Group Company.

(ix) Interest income represents interest received from deposits placed with Sinopec Finance and Sinopec Century Bright Capital Investment Limited, finance companies controlled by Sinopec Group Company. The applicable interest rate is determined in accordance with the prevailing saving deposit rate. The balance of deposits at 30 June 2016 was RMB 11,765 million (2015: RMB 18,303 million).

(x) Interest expense represents interest charges on the loans and advances obtained from Sinopec Group Company and fellow subsidiaries.

(xi) The Group obtained or repaid loans from or to Sinopec Group Company and fellow subsidiaries.

In connection with the Reorganisation, the Company and Sinopec Group Company entered into a number of agreements under which 1) Sinopec Group Company will provide goods and products and a range of ancillary, social and supporting services to the Group and 2) the Group will sell certain goods to Sinopec Group Company. These agreements impacted the operating results of the Group for the six-month period ended 30 June 2016. The terms of these agreements are summarised as follows:

- The Company has entered into a non-exclusive "Agreement for Mutual Provision of Products and Ancillary Services" ("Mutual Provision Agreement") with Sinopec Group Company effective from 1 January 2000 in which Sinopec Group Company has agreed to provide the Group with certain ancillary production services, construction services, information advisory services, supply services and other services and products. While each of Sinopec Group Company and the Company is permitted to terminate the Mutual Provision Agreement upon at least six months notice, Sinopec Group Company has agreed not to terminate the agreement if the Group is unable to obtain comparable services from a third party. The pricing policy for these services and products provided by Sinopec Group Company to the Group is as follows:

  (1) the government-prescribed price;

  (2) where there is no government-prescribed price, the government-guidance price;

  (3) where there is neither a government-prescribed price nor a government-guidance price, the market price; or

  (4) where none of the above is applicable, the price to be agreed between the parties, which shall be based on a reasonable cost incurred in providing such services plus a profit margin not exceeding 6%.

- The Company has entered into a non-exclusive "Agreement for Provision of Cultural and Educational, Health Care and Community Services" with Sinopec Group Company effective from 1 January 2000 in which Sinopec Group Company has agreed to provide the Group with certain cultural, educational, health care and community services on the same pricing terms and termination conditions as described in the above Mutual Provision Agreement.

- The Company has entered into a series of lease agreements with Sinopec Group Company to lease certain lands and buildings effective on 1 January 2000. The lease term is 40 or 50 years for lands and 20 years for buildings, respectively. The Company and Sinopec Group Company can renegotiate the rental amount every three years for land. The Company and Sinopec Group Company can renegotiate the rental amount for buildings every year. However such amount cannot exceed the market price as determined by an independent third party.

- The Company has entered into agreements with Sinopec Group Company effective from 1 January 2000 under which the Group has been granted the right to use certain trademarks, patents, technology and computer software developed by Sinopec Group Company.

- The Company has entered into a service stations franchise agreement with Sinopec Group Company effective from 1 January 2000 under which its service stations and retail stores would exclusively sell the refined products supplied by the Group.

32 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures *(Continued)*

Amounts due from/to Sinopec Group Company and fellow subsidiaries, associates and joint ventures included in the following accounts captions are summarised as follows:

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Trade accounts receivable	15,355	22,393
Prepaid expenses and other current assets	2,909	9,084
Long-term prepayments and other assets	18,859	17,760
Total	**37,123**	**49,237**
Trade accounts payable	11,491	13,195
Accrued expenses and other payables	10,700	20,457
Other long-term liabilities	8,302	8,226
Short-term loans and current portion of long-term loans from Sinopec Group Company and fellow subsidiaries	42,940	43,929
Long-term loans excluding current portion from Sinopec Group Company and fellow subsidiaries	44,088	44,300
Total	**117,521**	**130,107**

Amounts due from/to Sinopec Group Company and fellow subsidiaries, associates and joint ventures, other than short-term loans and long-term loans, bear no interest, are unsecured and are repayable in accordance with normal commercial terms. The terms and conditions associated with short-term loans and long-term loans payable to Sinopec Group Company and fellow subsidiaries are set out in Note 26.

The long-term borrowings mainly include an interest-free loan with a maturity period of 20 years amounting to RMB 35,560 million from the Sinopec Group Company (a state-owned enterprise) through the Sinopec Finance. This borrowing is a special arrangement to reduce financing costs and improve liquidity of the Company during its initial global offering in 2000.

As at and for the six-month period ended 30 June 2016, and as at and for the year ended 31 December 2015, no individually significant impairment losses for bad and doubtful debts were recognised in respect of amounts due from Sinopec Group Company and fellow subsidiaries, associates and joint ventures.

(b) Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The key management personnel compensation is as follows:

	Six-month periods ended 30 June	
	2016 RMB'000	2015 RMB'000
Short-term employee benefits	3,066	4,820
Retirement scheme contributions	268	401
	3,334	**5,221**

(c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its staff. The details of the Group's employee benefits plan are disclosed in Note 33. As at 30 June 2016 and 31 December 2015, the accrual for the contribution to post-employment benefit plans was not material.

32 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled energy and chemical enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred as "state-controlled entities").

Apart from transactions with Sinopec Group Company and fellow subsidiaries, the Group has transactions with other state-controlled entities, include but not limited to the followings:

- sales and purchases of goods and ancillary materials;
- rendering and receiving services;
- lease of assets;
- depositing and borrowing money; and
- uses of public utilities.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled.

33 EMPLOYEE BENEFITS PLAN

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its staff. The Group is required to make contributions to the retirement plans at rates ranging from 17.0% to 24.0% of the salaries, bonuses and certain allowances of its staff. In addition, the Group provides a supplementary retirement plan for its staff at rates not exceeding 5% of the salaries. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Group's contributions for the six-month period ended 30 June 2016 were RMB 4,113 million (2015: RMB 4,013 million).

34 SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. The format is based on the Group's management and internal reporting structure.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Exploration and production, which explores and develops oil fields, produces crude oil and natural gas and sells such products to the refining segment of the Group and external customers.

(ii) Refining, which processes and purifies crude oil, that is sourced from the exploration and production segment of the Group and external suppliers, and manufactures and sells petroleum products to the chemicals and marketing and distribution segments of the Group and external customers.

(iii) Marketing and distribution, which owns and operates oil depots and service stations in the PRC, and distributes and sells refined petroleum products (mainly gasoline and diesel) in the PRC through wholesale and retail sales networks.

(iv) Chemicals, which manufactures and sells petrochemical products, derivative petrochemical products and other chemical products mainly to external customers.

(v) Corporate and others, which largely comprises the trading activities of the import and export companies of the Group and research and development undertaken by other subsidiaries.

The segments were determined primarily because the Group manages its exploration and production, refining, marketing and distribution, chemicals, and corporate and others businesses separately. The reportable segments are each managed separately because they manufacture and/or distribute distinct products with different production processes and due to their distinct operating and gross margin characteristics.

34 SEGMENT REPORTING *(Continued)*

(1) Information of reportable segmental revenues, profits or losses, assets and liabilities

The Group's chief operating decision maker evaluates the performance and allocates resources to its operating segments on an operating income basis, without considering the effects of finance costs or investment income. Inter-segment transfer pricing is based on the market price or cost plus an appropriate margin, as specified by the Group's policy.

Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Segment assets include all tangible and intangible assets, except for interest in associates and joint ventures, investments, deferred tax assets, cash and cash equivalents, time deposits with financial institutions and other unallocated assets. Segment liabilities exclude short-term, income tax payable, long-term debts, loans from Sinopec Group Company and fellow subsidiaries, deferred tax liabilities and other unallocated liabilities.

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

	Six-month periods ended 30 June	
	2016	2015
	RMB million	RMB million
Turnover		
Exploration and production		
External sales	22,960	29,041
Inter-segment sales	26,162	37,982
	49,122	**67,023**
Refining		
External sales	49,622	63,478
Inter-segment sales	345,251	419,928
	394,873	**483,406**
Marketing and distribution		
External sales	489,025	555,472
Inter-segment sales	1,282	1,639
	490,307	**557,111**
Chemicals		
External sales	126,293	141,509
Inter-segment sales	17,415	22,409
	143,708	**163,918**
Corporate and others		
External sales	168,896	232,949
Inter-segment sales	143,119	182,119
	312,015	**415,068**
Elimination of inter-segment sales	(533,229)	(664,077)
Turnover	**856,796**	**1,022,449**
Other operating revenues		
Exploration and production	3,387	3,378
Refining	2,096	2,329
Marketing and distribution	10,662	8,527
Chemicals	5,478	3,726
Corporate and others	801	722
Other operating revenues	**22,424**	**18,682**
Turnover and other operating revenues	**879,220**	**1,041,131**

34 SEGMENT REPORTING *(Continued)*

(1) Information of reportable segmental revenues, profits or losses, assets and liabilities *(Continued)*

	Six-month periods ended 30 June 2016 RMB million	2015 RMB million
Result		
Operating (loss)/profit		
By segment		
– Exploration and production	(21,929)	(1,826)
– Refining	32,588	15,320
– Marketing and distribution	15,777	15,188
– Chemicals	9,678	10,056
– Corporate and others	422	776
– Elimination	(1,428)	982
Total segment operating profit	**35,108**	**40,496**
Share of (losses)/profits from associates and joint ventures		
– Exploration and production	(481)	(274)
– Refining	1,015	875
– Marketing and distribution	869	698
– Chemicals	2,547	1,764
– Corporate and others	648	1,072
Aggregate share of profits from associates and joint ventures	**4,598**	**4,135**
Investment income/(loss)		
– Exploration and production	23	(3)
– Refining	(7)	(7)
– Marketing and distribution	42	62
– Chemicals	21	23
– Corporate and others	20	11
Aggregate investment income	**99**	**86**
Net finance costs	**(4,284)**	**(3,383)**
Profit before taxation	**35,521**	**41,334**

	At 30 June 2016 RMB million	At 31 December 2015 RMB million
Assets		
Segment assets		
– Exploration and production	427,210	447,307
– Refining	255,605	264,573
– Marketing and distribution	280,024	283,416
– Chemicals	147,409	151,646
– Corporate and others	117,567	108,921
Total segment assets	**1,227,815**	**1,255,863**
Interest in associates and joint ventures	88,711	84,293
Available-for-sale financial assets	11,137	10,964
Deferred tax assets	6,818	7,469
Cash and cash equivalents and time deposits with financial institutions	76,986	69,666
Other unallocated assets	21,157	19,013
Total assets	**1,432,624**	**1,447,268**
Liabilities		
Segment liabilities		
– Exploration and production	83,491	96,773
– Refining	54,989	58,578
– Marketing and distribution	118,252	118,897
– Chemicals	20,939	27,243
– Corporate and others	102,456	104,194
Total segment liabilities	**380,127**	**405,685**
Short-term debts	52,233	41,517
Income tax payable	3,078	1,048
Long-term debts	75,954	95,446
Loans from Sinopec Group Company and fellow subsidiaries	87,028	88,229
Deferred tax liabilities	8,431	8,259
Other unallocated liabilities	17,139	18,923
Total liabilities	**623,990**	**659,107**

34 SEGMENT REPORTING *(Continued)*

(1) Information of reportable segmental revenues, profits or losses, assets and liabilities *(Continued)*

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

	Six-month periods ended 30 June	
	2016	2015
	RMB million	RMB million
Capital expenditure		
Exploration and production	5,168	13,418
Refining	2,774	3,187
Marketing and distribution	2,610	3,781
Chemicals	2,440	2,519
Corporate and others	482	603
	13,474	**23,508**
Depreciation, depletion and amortisation		
Exploration and production	26,348	23,806
Refining	8,488	8,168
Marketing and distribution	7,038	7,345
Chemicals	6,300	6,177
Corporate and others	931	799
	49,105	**46,295**
Impairment losses on long-lived assets		
Refining	1,108	—
Marketing and distribution	31	5
Chemicals	118	140
	1,257	**145**

(2) Geographical information

The following tables set out information about the geographical information of the Group's external sales and the Group's non-current assets, excluding financial instruments and deferred tax assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

	Six-month periods ended 30 June	
	2016	2015
	RMB million	RMB million
External sales		
Mainland China	704,300	813,905
Others	174,920	227,226
	879,220	**1,041,131**

	30 June 2016	31 December 2015
	RMB million	RMB million
Non-current assets		
Mainland China	1,000,740	1,057,530
Others	46,098	56,081
	1,046,838	**1,113,611**

35 PRINCIPAL SUBSIDIARIES

At 30 June 2016, the following list contains the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group.

Name of company	Particulars of issued capital (million)	Interests held by the Company %	Interests held by non-controlling interests %	Principal activities
Sinopec International Petroleum Exploration and Production Limited ("SIPL")	RMB 8,000	100.00	—	Investment in exploration, production and sale of petroleum and natural gas
Sinopec Great Wall Energy & Chemical Company Limited	RMB 20,739	100.00	—	Coal chemical industry investment management, production and sale of coal chemical products
Sinopec Yangzi Petrochemical Company Limited	RMB 13,203	100.00	—	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Pipeline Storage & Transportation Company Limited	RMB 12,000	100.00	—	Pipeline storage and transportation of crude oil
Sinopec Yizheng Chemical Fibre Limited Liability Company	RMB 4,000	100.00	—	Production and sale of polyester chips and polyester fibres
Sinopec Lubricant Company Limited	RMB 3,374	100.00	—	Production and sale of refined petroleum products, lubricant base oil, and petrochemical materials
Sinopec Qingdao Petrochemical Company Limited	RMB 1,595	100.00	—	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Chemical Sales Company Limited	RMB 1,000	100.00	—	Marketing and distribution of petrochemical products
China International United Petroleum and Chemical Company Limited	RMB 3,000	100.00	—	Trading of crude oil and petrochemical products
Sinopec Overseas Investment Holding Limited ("SOIH")	USD 300	100.00	—	Investment holding
Sinopec Catalyst Company Limited	RMB 1,500	100.00	—	Production and sale of catalyst products
China Petrochemical International Company Limited	RMB 1,400	100.00	—	Trading of petrochemical products
Sinopec Beihai Refining and Chemical Limited Liability Company	RMB 5,294	98.98	1.02	Import and processing of crude oil, production, storage and sale of petroleum products and petrochemical products
Sinopec Qingdao Refining and Chemical Company Limited	RMB 5,000	85.00	15.00	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Zhanjiang Dongxing Petrochemical Company Limited	RMB 4,397	75.00	25.00	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Hainan Refining and Chemical Company Limited	RMB 3,986	75.00	25.00	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Marketing Company Limited ("Marketing Company")	RMB 28,403	70.42	29.58	Marketing and distribution of refined petroleum products
Sinopec-SK(Wuhan) Petrochemical Company Limited ("Zhonghan Wuhan")	RMB 6,270	65.00	35.00	Production, sale, research and development of ethylene and downstream byproducts
Sinopec Kantons Holdings Limited ("Sinopec Kantons")	HKD 248	60.34	39.66	Trading of crude oil and petroleum products
Gaoqiao Petrochemical Company Limited (Note 1)	RMB 8,735	55.00	45.00	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Shanghai Petrochemical Company Limited ("Shanghai Petrochemical")	RMB 10,800	50.56	49.44	Manufacturing of synthetic fibres, resin and plastics, intermediate petrochemical products and petroleum products
Fujian Petrochemical Company Limited ("Fujian Petrochemical") (i)	RMB 5,745	50.00	50.00	Manufacturing of plastics, intermediate petrochemical products and petroleum products

Except for Sinopec Kantons and SOIH, which are incorporated in Bermuda and Hong Kong respectively, all of the above principal subsidiaries are incorporated and operate their businesses principally in the PRC. All of the above principal subsidiaries are limited companies.

Note:

(i) The Group consolidated the financial statements of the entity because it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

35 PRINCIPAL SUBSIDIARIES *(Continued)*

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information which the amount before inter-company eliminations for each subsidiary that has non-controlling interests that are material to the Group.

Summarised consolidated balance sheet

	Fujian Petrochemical		Shanghai Petrochemical		Sinopec Kantons		SIPL		Marketing Company		Zhonghan Wuhan	
	At 30June 2016 RMB million	At 31December 2015 RMB million	**At 30June 2016 RMB million**	At 31December 2015 RMB million	**At 30June 2016 RMB million**	At 31December 2015 RMB million	**At 30June 2016 RMB million**	At 31December 2015 RMB million	**At 30June 2016 RMB million**	At 31December 2015 RMB million	**At 30June 2016 RMB million**	At 31December 2015 RMB million
Current assets	311	140	12,734	8,144	1,438	1,732	15,685	20,231	105,175	102,948	1,042	1,386
Current liabilities	(330)	(73)	(9,587)	(7,726)	(3,017)	(3,488)	(618)	(5,468)	(145,995)	(156,028)	(9,060)	(9,885)
Net current (liabilities)/assets	(19)	67	3,147	418	(1,579)	(1,756)	15,067	14,763	(40,820)	(53,080)	(8,018)	(8,499)
Non-current assets	6,900	5,487	19,007	19,676	12,944	13,025	40,161	40,075	237,656	240,312	15,383	15,815
Non-current liabilities	(721)	(831)	—	—	(3,079)	(3,384)	(34,444)	(34,320)	(1,431)	(1,628)	—	—
Net non-current assets	6,179	4,656	19,007	19,676	9,865	9,641	5,717	5,755	236,225	238,684	15,383	15,815
Net assets	6,160	4,723	22,154	20,094	8,286	7,885	20,784	20,518	195,405	185,604	7,365	7,316
Attributable to owners of the Company	3,080	2,361	11,061	10,009	4,980	4,738	4,714	4,331	132,795	126,100	4,787	4,755
Attributable to non-controlling interests	3,080	2,362	11,093	10,085	3,306	3,147	16,070	16,187	62,610	59,504	2,578	2,561

Summarised consolidated statement of comprehensive income

	Fujian Petrochemical		Shanghai Petrochemical		Sinopec Kantons		SIPL		Marketing Company		Zhonghan Wuhan	
Six-month period ended 30 June	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB million	RMB million	**RMB million**	RMB million	**RMB million**	RMB million	**RMB million**	RMB million	**RMB million**	RMB million	**RMB million**	RMB million
Turnover	2,420	3,073	36,969	42,126	725	770	2,449	3,661	499,651	564,131	4,196	7,334
Profit/(loss) for the period	1,435	930	3,154	1,788	431	418	(166)	8	12,436	12,150	46	956
Total comprehensive income/(loss)	1,435	930	3,154	1,788	291	336	265	(13)	12,625	12,295	46	956
Comprehensive income attributable to non-controlling interests	718	465	1,562	893	115	133	312	51	4,134	3,929	16	335
Dividends paid to non-controlling interests	—	—	559	10	21	19	—	—	1,071	—	—	—

Summarised statement of cash flows

	Fujian Petrochemical		Shanghai Petrochemical		Sinopec Kantons		SIPL		Marketing Company		Zhonghan Wuhan	
Six-month period ended 30 June	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB million	RMB million	**RMB million**	RMB million	**RMB million**	RMB million	**RMB million**	RMB million	**RMB million**	RMB million	**RMB million**	RMB million
Net cash generated from/(used in) operating activities	93	(72)	4,614	1,777	650	524	1,131	2,168	18,615	9,675	800	1,779
Net cash generated from/(used in) investing activities	5	30	(6)	(259)	(2,632)	(420)	3,578	(2,448)	(3,924)	(7,120)	(890)	(2,632)
Net cash (used in)/generated from financing activities	(3)	(107)	(1,236)	(1,496)	1,521	(82)	(5,144)	641	(4,753)	32,715	(36)	675
Net increase/(decrease) in cash and cash equivalents	95	(149)	3,372	22	(461)	22	(435)	361	9,938	35,270	(126)	(178)
Cash and cash equivalents at 1 January	101	380	1,077	279	886	630	2,042	1,327	14,914	2,682	260	337
Effect of foreign currency exchange rate changes	—	—	2	—	11	—	30	(11)	213	327	—	11
Cash and cash equivalents at 30 June	196	231	4,451	301	436	652	1,637	1,677	25,065	38,279	134	170

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Overview

Financial assets of the Group include cash and cash equivalents, time deposits with financial institutions, investments, trade accounts receivable, bills receivable, amounts due from Sinopec Group Company and fellow subsidiaries, amounts due from associates and joint ventures, available-for-sale financial assets, derivative financial instruments and other receivables. Financial liabilities of the Group include short-term and long-term debts, loans from Sinopec Group Company and fellow subsidiaries, trade accounts payable, bills payable, amounts due to Sinopec Group Company and fellow subsidiaries, derivative financial instruments and other payables.

The Group has exposure to the following risks from its uses of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

The Board of Directors has overall responsibility for the establishment, oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, and appropriate risk limits and controls are set to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management controls and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group's audit committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's deposits placed with financial institutions and receivables from customers. To limit exposure to credit risk relating to deposits, the Group primarily places cash deposits only with large financial institutions in the PRC with acceptable credit ratings. The majority of the Group's trade accounts receivable relate to sales of petroleum and chemical products to related parties and third parties operating in the petroleum and chemical industries. No single customer accounted for greater than 10% of total accounts receivable at 30 June 2016, except the amounts due from Sinopec Group Company and fellow subsidiaries. Management performs ongoing credit evaluations of the Group's customers' financial condition and generally does not require collateral on trade accounts receivable. The Group maintains an impairment loss for doubtful accounts and actual losses have been within management's expectations.

The carrying amounts of cash and cash equivalents, time deposits with financial institutions, trade accounts and bills receivables, derivative financial instruments and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Management prepares monthly cash flow budget to ensure that the Group will always have sufficient liquidity to meet its financial obligations as they fall due. The Group arranges and negotiates financing with financial institutions and maintains a certain level of standby credit facilities to reduce the Group's liquidity risk.

At 30 June 2016, the Group has standby credit facilities with several PRC financial institutions which provide borrowings up to RMB 334,641 million (2015: RMB 297,997 million) on an unsecured basis, at a weighted average interest rate of 3.46% per annum (2015: 2.50%). At 30 June 2016, the Group's outstanding borrowings under these facilities were RMB 50,963 million (2015: RMB 32,991 million) and were included in debts.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

Liquidity risk *(Continued)*

The following table sets out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates current at the balance sheet date) and the earliest date the Group would be required to repay:

	30 June 2016					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million
Short-term debts	62,233	63,553	63,553	—	—	—
Long-term debts	75,954	88,850	2,901	27,286	34,758	23,905
Loans from Sinopec Group Company and fellow subsidiaries	87,028	88,103	43,439	241	8,863	35,560
Trade accounts payable	151,800	151,800	151,800	—	—	—
Bills payable	3,836	3,836	3,836	—	—	—
Accrued expenses and other payables	67,923	67,923	67,923	—	—	—
	448,774	**464,065**	**333,452**	**27,527**	**43,621**	**59,465**

	31 December 2015					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million
Short-term debts	71,517	72,476	72,476	—	—	—
Long-term debts	95,446	110,678	3,747	41,176	41,637	24,118
Loans from Sinopec Group Company and fellow subsidiaries	88,229	89,258	44,439	464	8,795	35,560
Trade accounts payable	130,558	130,558	130,558	—	—	—
Bills payable	3,566	3,566	3,566	—	—	—
Accrued expenses and other payables	88,082	88,082	88,082	—	—	—
	477,398	**494,618**	**342,868**	**41,640**	**50,432**	**59,678**

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's working capital requirements and repay its short-term debts and obligations when they become due.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Group's currency risk exposure primarily relates to short-term and long-term debts and loans from Sinopec Group Company and fellow subsidiaries denominated in USD, EUR and HKD. The Group enters into foreign exchange contracts to manage its currency risk exposure.

Included in short-term and long-term debts and loans from Sinopec Group Company and fellow subsidiaries of the Group are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	30 June 2016 million	31 December 2015 million
Gross exposure arising from loans and borrowings		
USD	USD 44	USD 1,181
EUR	EUR 1	EUR 1,108
HKD	HKD 6	HKD 6

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

Currency risk *(Continued)*

A 5 percent strengthening/weakening of Renminbi against the following currencies at 30 June 2016 and 31 December 2015 would have increased/decreased net profit for the period/year of the Group by the amounts shown below. This analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the foreign currency balances to which the Group has significant exposure as stated above, and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015.

	30 June 2016 RMB million	31 December 2015 RMB million
USD	11	288
EUR	—	295

Other than the amounts as disclosed above, the amounts of other financial assets and liabilities of the Group are substantially denominated in the functional currency of respective entity within the Group.

Interest rate risk

The Group's interest rate risk exposure arises primarily from its short-term and long-term debts. Debts bearing interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates of short-term and long-term debts, and loans from Sinopec Group Company and fellow subsidiaries of the Group are disclosed in Note 26.

As at 30 June 2016, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would decrease/increase the Group's net profit for the period by approximately RMB 11 million (2015: RMB 91 million). This sensitivity analysis has been determined assuming that the change of interest rates was applied to the Group's debts outstanding at the balance sheet date with exposure to cash flow interest rate risk. The analysis is performed on the same basis for 2015.

Commodity price risk

The Group engages in oil and gas operations and is exposed to commodity price risk related to price volatility of crude oil, refined oil products and chemical products. The fluctuations in prices of crude oil, refined oil products and chemical products could have significant impact on the Group. The Group uses derivative financial instruments, including commodity futures and swaps, to manage a portion of this risk. As at 30 June 2016, the Group had certain commodity contracts of crude oil, refined oil products and chemical products designated as qualified cash flow hedges and economic hedges. The fair values of these derivative financial instruments as at 30 June 2016 are set out in Notes 24 and 28.

As at 30 June 2016, it is estimated that a general increase/decrease of USD 10 per barrel in basic price of derivative financial instruments, with all other variables held constant, would impact the fair value of derivative financial instruments, which would decrease/increase the Group's profit for the period by approximately RMB 716 million (2015: decrease/increase RMB 1,951 million), and decrease/increase the Group's other reserves by approximately RMB 3,430 million (2015: decrease/increase RMB 3,052 million). This sensitivity analysis has been determined assuming that the change in prices had occurred at the balance sheet date and the change was applied to the Group's derivative financial instruments at that date with exposure to commodity price risk. The analysis is performed on the same basis for 2015.

Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in IFRS 7, 'Financial Instruments: Disclosures', with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

Fair values *(Continued)*

(i) Financial instruments carried at fair value *(Continued)*

At 30 June 2016

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Assets				
Available-for-sale financial assets:				
– Listed	232	—	—	232
Derivative financial instruments:				
– Derivative financial assets	289	316	—	605
	521	**316**	**—**	**837**
Liabilities				
Derivative financial instruments:				
– Derivative financial liabilities	2,102	1,538	—	3,640
	2,102	**1,538**	**—**	**3,640**

At 31 December 2015

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Assets				
Available-for-sale financial assets:				
– Listed	261	—	—	261
Derivative financial instruments:				
– Derivative financial assets	4,235	3,640	—	7,875
	4,496	**3,640**	**—**	**8,136**
Liabilities				
Derivative financial instruments:				
– Derivative financial liabilities	305	2,445	—	2,750
	305	**2,445**	**—**	**2,750**

During the six-month period ended 30 June 2016 there were no transfers between instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

The disclosures of the fair value estimates, and their methods and assumptions of the Group's financial instruments, are made to comply with the requirements of IFRS 7 and IAS 39 and should be read in conjunction with the Group's consolidated financial statements and related notes. The estimated fair value amounts have been determined by the Group using market information and valuation methodologies considered appropriate. However, considerable judgement is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair values of the Group's financial instruments carried at other than fair value (other than long-term indebtedness and investments in unquoted equity securities) approximate their carrying amounts due to the short-term maturity of these instruments. The fair values of long-term indebtedness are estimated by discounting future cash flows using current market interest rates offered to the Group for debt with substantially the same characterisitics and maturities ranging from 1.17% to 4.90 % (2015: 1.08% to 4.90%). The following table presents the carrying amount and fair value of the Group's long-term indebtedness other than loans from Sinopec Group Company and fellow subsidiaries at 30 June 2016 and 31 December 2015:

	30 June 2016 RMB million	31 December 2015 RMB million
Carrying amount	**100,558**	105,927
Fair value	**98,646**	103,482

The Group has not developed an internal valuation model necessary to estimate the fair values of loans from Sinopec Group Company and fellow subsidiaries as it is not considered practicable to estimate their fair values because the cost of obtaining discount and borrowing rates for comparable borrowings would be excessive based on the Reorganisation, the Group's existing capital structure and the terms of the borrowings.

Investments in unquoted equity securities are individually and in the aggregate not material to the Group's financial condition or results of operations. There are no listed market prices for such interests in the PRC and, accordingly, a reasonable estimate of fair value could not be made without incurring excessive costs. The Group intends to hold these unquoted other investments in equity securities for long term purpose.

Except for the above items, the financial assets and liabilities of the Group are carried at amounts not materially different from their fair values at 30 June 2016 and 31 December 2015.

37 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated interim financial statements. Management bases the assumptions and estimates on historical experience and on various other assumptions that it believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an ongoing basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of such policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the interim financial statements. The significant accounting policies are set forth in Note 2. Management believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated interim financial statements.

Oil and gas properties and reserves

The accounting for the exploration and production's oil and gas activities is subject to accounting rules that are unique to the oil and gas industry. There are two methods to account for oil and gas business activities, the successful efforts method and the full cost method. The Group has elected to use the successful efforts method. The successful efforts method reflects the volatility that is inherent in exploring for mineral resources in that costs of unsuccessful exploratory efforts are charged to expense as they are incurred. These costs primarily include dry hole costs, seismic costs and other exploratory costs. Under the full cost method, these costs are capitalised and written-off or depreciated over time.

Engineering estimates of the Group's oil and gas reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved". Proved and proved developed reserves estimates are updated at least annually and take into account recent production and technical information about each field. In addition, as prices and cost levels change from year to year, the estimate of proved and proved developed reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in relation to depreciation rates.

Future dismantlement costs for oil and gas properties are estimated with reference to engineering estimates after taking into consideration the anticipated method of dismantlement required in accordance with industry practices in similar geographic area, including estimation of economic life of oil and gas properties, technology and price level. The present values of these estimated future dismantlement costs are capitalised as oil and gas properties with equivalent amounts recognised as provisions for dismantlement costs.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expense, impairment loss and future dismantlement costs. Capitalised costs of proved oil and gas properties are amortised on a unit-of-production method based on volumes produced and reserves.

Impairment for long-lived assets

If circumstances indicate that the net book value of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets". The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. For goodwill, the recoverable amount is estimated annually. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets or cash-generating units are not readily available. In determining the value in use, expected cash flows generated by the asset or the cash-generating unit are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

Depreciation

Property, plant and equipment, other than oil and gas properties, are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Management reviews the estimated useful lives of the assets at least annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

37 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Impairment for bad and doubtful debts

Management estimates impairment losses for bad and doubtful debts resulting from the inability of the Group's customers to make the required payments. Management bases the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

Allowance for diminution in value of inventories

If the costs of inventories become higher than their net realisable values, an allowance for diminution in value of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Management bases the estimates on all available information, including the current market prices of the finished goods and raw materials, and historical operating costs. If the actual selling prices were to be lower or the costs of completion were to be higher than estimated, the actual allowance for diminution in value of inventories could be higher than estimated.

38 PARENT AND ULTIMATE HOLDING COMPANY

The directors consider the parent and ultimate holding company of the Group as at 30 June 2016 is Sinopec Group Company, a state-owned enterprise established in the PRC. This entity does not produce financial statements available for public use.

Other than the differences in the classifications of certain financial statements captions and the accounting for the items described below, there are no material differences between the Group's consolidated financial statements prepared in accordance with the accounting policies complying with ASBE and IFRS. The reconciliation presented below is included as supplemental information, is not required as part of the basic financial statements and does not include differences related to classification, presentation or disclosures. Such information has not been subject to independent audit or review. The major differences are:

(I) GOVERNMENT GRANTS

Under ASBE, grants from the government are credited to capital reserve if required by relevant governmental regulations. Under IFRS, government grants relating to the purchase of fixed assets are recognised as deferred income and are transferred to the income statement over the useful life of these assets.

(II) SAFETY PRODUCTION FUND

Under ASBE, safety production fund should be recognised in profit or loss with a corresponding increase in reserve according to PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related fixed assets are purchased, is reduced by the purchased cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRS, payments are expensed as incurred, or capitalised as fixed assets and depreciated according to applicable depreciation methods.

Effects of major differences between the net profit under ASBE and the profit for the period under IFRS are analysed as follows:

	Note	Six-month periods ended 30 June	
		2016	2015
		RMB million	RMB million
Net profit under ASBE		26,381	30,594
Adjustments:			
Government grants	(i)	55	57
Safety production fund	(ii)	706	1,009
Profit for the period under IFRS*		**27,142**	**31,660**

Effects of major differences between the shareholders' equity under ASBE and the total equity under IFRS are analysed as follows:

	Note	**30 June 2016 RMB million**	31 December 2015 RMB million
Shareholders' equity under ASBE		809,983	789,565
Adjustments:			
Government grants	(i)	(1,349)	(1,404)
Safety production fund	(ii)	—	—
Total equity under IFRS*		**808,634**	**788,161**

* The figures are extracted from the consolidated financial statements prepared in accordance with the accounting policies complying with IFRS which have been audited by PricewaterhouseCoopers.

DOCUMENTS FOR INSPECTION

The following documents will be available for inspection during normal business hours after 26 August 2016 (Friday) at the legal address of Sinopec Corp. upon requests by the relevant regulatory authorities and shareholders in accordance with the Articles of Association of Sinopec Corp. and the laws and regulations:

1 The original interim report for the first half of 2016 signed by Mr. Wang Yupu, Chairman of the Board;

2 The original audited financial statements and consolidated financial statements of Sinopec Corp. for the six-month period ended 30 June 2016 prepared in accordance with IFRS and the ASBE, signed by Mr. Wang Yupu, Chairman of the Board, Mr. Dai Houliang, Vice Chairman and President, Mr. Wang Dehua, Head of accounting department;

3 The original auditors' reports in respect of the above financial statements signed by the auditors; and

4 All original documents and announcements published by Sinopec Corp. in the newspapers specified by the CSRC during the reporting period.

By Order of the Board

Wang Yupu
Chairman

Beijing, PRC, 26 August 2016

If there is any inconsistency between the Chinese version and English version of this interim report, the Chinese version shall prevail.

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