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THE BOARD OF DIRECTORS (THE "BOARD") OF CHINA PETROLEUM & CHEMICAL CORPORATION ("SINOPEC CORP.") IS PLEASED TO ANNOUNCE THE INTERIM REPORT OF SINOPEC CORP. AND ITS SUBSIDIARIES (TOGETHER, THE "COMPANY") FOR THE SIX MONTHS ENDED 30 JUNE 2001. THE INTERIM FINANCIAL STATEMENTS ARE UNAUDITED.

COMPANY PROFILE

LEGAL NAME
中国石油化工股份有限公司

ENGLISH NAME
China Petroleum & Chemical Corporation

CHINESE ABBREVIATION
中國石化

ENGLISH ABBREVIATION
Sinopec Corp.

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NEWSPAPERS FOR DISCLOSURE OF INFORMATION
Hong Kong Economic Times
South China Morning Post (in English)
China Securities News
Shanghai Securities News
Securities Times

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PLACES OF LISTING OF SHARES, STOCK NAMES AND STOCK CODES

H Shares: Hong Kong Stock Exchange
Stock name: Sinopec Corp
Stock code: 0386

ADSs: New York Stock Exchange
Stock name: SINOPEC CORP
Stock code: SNP

London Stock Exchange
Stock name: SINOPEC CORP
Stock code: SNP

A Shares: Shanghai Stock Exchange
Stock name: Sinopec Corp
Stock code: 600028

PRINCIPAL FINANCIAL DATA AND INDICATORS

1. The following information is extracted from the Company's unaudited interim financial statements which have been prepared in accordance with the International Accounting Standard 34 — "Interim Financial Reporting".

	Six-month periods ended 30 June	
	2001	2000
	RMB millions	RMB millions
Turnover and other operating revenues	164,307	149,367
Operating profit	15,859	14,619
Profit from ordinary activities before taxation	14,074	11,916
Taxation	3,911	3,490
Profit attributable to shareholders	9,580	7,513
Basic earnings per share (Rmb Yuan)	0.11	0.11

2. Prepared in accordance with PRC Accounting Rules and Regulations (unaudited)

	Note	Six-month period ended 30 June 2001 RMB millions	Six-month period ended 30 June 2000 RMB millions	Year ended 31 December 2000 RMB millions
Net profit		8,107	6,047	16,154
Net profit before non-operating profits/losses	(i)	9,208	5,706	16,450
Earnings per share (RMB Yuan)				
Fully diluted	(ii)	0.097	0.088	0.193
Weighted average	(iii)	0.097	0.088	0.227
Considering the effect of change in issued share capital between the period end and interim report announcement date	(iv)	0.094	note (xi)	
Return on net assets (%)				
Fully diluted	(v)	6.31	6.49	13.37
Weighted average	(vi)	6.52	6.67	16.20
Net cash flow from operating activities per share (RMB Yuan)	(vii)	0.097		

		At 30 June 2001 RMB millions	At 31 December 2000 RMB millions
Total assets		364,924	340,918
Total liabilities to total assets ratio (%)		58.51	57.73
Shareholders' funds (excluding minority interests)		128,416	120,793
Net assets value per share (RMB Yuan)			
Period end	(viii)	1.531	1.440
Considering the effect of change in issued share capital between the period end and interim report announcment date	(ix)	1.481	
Adjusted net assets value per share (RMB Yuan)	(x)	1.517	1.420

Note:

(i) Non-operating profits / losses for the six-month period ended 30 June 2001 include:

	RMB millions
Non-operating income	110
Non-operating expenses	(1,753)
	(1,643)
Tax effect on the above items	542
Net non-operating losses	(1,101)

(ii) Fully diluted earnings per share = net profit for the period / total number of shares issued at the end of the period

(iii) Weighted average earnings per share = net profit for the period/ (total number of shares at the beginning of the period + number of shares increased due to the transfer from reserves to capital or share dividend dispatched during the period + (number of shares increased due to the issue of new shares or the transfer from debt to capital during the period * number of months from the next month following the date on which number of shares increased to the end of the period / number of months in the period) – (number of shares decreased due to the re-purchase of shares or stock diminution during the period * number of months from the next month following the date on which number of shares decreased to the end of the period / number of months in the period))

In respect of the six-month period ended 30 June 2000 and the year ended 31 December 2000, as if the 68,800,000,000 shares issued upon the legal formation of Sinopec Corp. on 25 February 2000 has been outstanding as at 1 January 2000.

(iv) Earnings per share considering the effect of change in issued share capital between the period end and interim report announcement date = net profit for the period / (total number of shares issued at the end of the period + number of shares increased or decreased between the period end and announcement date)

(v) Fully diluted return on net assets = (net profit for the period / shareholders' funds at the end of the period) *100%

(vi) Weighted average return on net assets = net profit for the period / (net assets at the beginning of the period + net profit of the period / 2 + (net assets increased due to the issue of new shares or the transfer from debt to capital during the period * number of months from the next month following the date on which net assets increased to the end of the period / number of months in the period) – (net assets decreased due to the re-purchase of shares or cash dividend dispatched during the period* number of months from the next month following the date on which net assets decreased to the end of the period / number of months in the period))

(vii) Net cash flow from operating activities per share = net cash flow from operating activities for the period / total number of shares issued at the end of the period

(viii) Net assets value per share = shareholders' funds at the end of the period / total number of shares issued at the end of the period

(ix) Net assets value per share considering the effect of change in issued share capital between the period end and interim report announcement date = shareholders' funds at the end of the period/(total number of shares issued at the end of the period + number of shares increased or decreased between the period end and announcement date)

(x) Adjusted net assets value per share = (shareholders' funds at the end of the period – receivables aged over 3 years – deferred expenses – net losses on current and fixed assets pending to be disposed of – pre-operating expenses – long-term deferred expenses – debit balance of Housing Revolving Fund) / total number of shares issued at the end of the period

(xi) No interim report announcement on the Company's accounts for the six-month period ended 30 June 2000 was required

3. Appendix to income statements prepared in accordance with the PRC Accounting Rules and Regulations (unaudited)

	Six-month period ended 30 June 2001 Return on net assets		Six-month period ended 30 June 2000 Return on net assets	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	22.80%	23.54%	27.23%	27.98%
Operating profit	10.38%	10.72%	9.77%	10.04%
Net profit	6.31%	6.52%	6.49%	6.67%
Net profit before non-operating profits / losses	7.17%	7.40%	6.13%	6.30%

	Six-month period ended 30 June 2001 Earnings per share		Six-month period ended 30 June 2000 Earnings per share	
	Fully diluted RMB	Weighted average RMB	Fully diluted RMB	Weighted average RMB
Profit from principal operations	0.349	0.349	0.369	0.369
Operating profit	0.159	0.159	0.132	0.132
Net profit	0.097	0.097	0.088	0.088
Net profit before non-operating profits / losses	0.110	0.110	0.083	0.083

CHANGE IN SHARE CAPITAL AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

CHANGE IN SHARE CAPITAL

(1) During the reporting period, the total number of shares and the share capital structure of Sinopec Corp. remained unchanged.

(2) Capital structure (for the six-month period ended 30 June 2001)

Classification	Number of Shares at start of period (10,000 Shares)	Changes	Number of Shares at end of period (10,000 Shares)
1. State-owned shares	6,712,195.1	0	6,712,195.1
of which:			
Promoters shares	4,774,256.1	0	4,774,256.1
Four financial institutions	1,937,939.0	0	1,937,939.0
2. Publicly traded H Shares listed abroad	1,678,048.8	0	1,678,048.8
Of which: ADS	152,968.1	(98,186.9)	54,781.2
Total number of shares	8,390,243.9	0	8,390,243.9

SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

(1) As at 30 June 2001, according to shareholders' list of Sinopec Corp., there were 4,553 shareholders.

(2) As at 30 June 2001, the number of shares held by the 10 largest shareholders of Sinopec Corp. were as follows:

Name of company	Type of Shares held	Number of Shares held (10,000 shares)	Percentage of total shareholding
China Petrochemical Group Company	State-owned Shares	4,774,256.1	56.90%
HKSCC (Nominees) Limited	H Shares	898,679.1	10.71%
China Development Bank	State-owned Shares	877,557.0	10.46%
China Xinda Asset Management Corp.	State-owned Shares	872,065.0	10.39%
ExxonMobil Far East Holdings Ltd.	H Shares	316,852.9	3.78%
Shell Eastern (PTE) Ltd.	H Shares	196,642.2	2.34%
bp Oil Espana S.A.	H Shares	182,922.9	2.18%
China Orient Asset Management Corp.	State-owned Shares	129,641.0	1.55%
China Huarong Asset Management Corp.	State-owned Shares	58,676.0	0.70%
ABB Asea Brown Bovers Ltd.	ADS	45,730.7	0.55%

(3) During the reporting period, no registered shareholder holding 5% or more of the entire share capital of Sinopec Corp. pledged or locked-up their shares in Sinopec Corp.

(4) Among the 10 principal shareholders of Sinopec Corp., ExxonMobil Far East Holdings Ltd., Shell Eastern (PTE) Ltd., bp Oil Espanas S.A., and ABB Asea Brown Bovers Ltd. are the strategic investors in Sinopec Corp. The agreed lock-up period for their shares is one year from 18 October 2000 to 18 October 2001.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

In the first half of the year 2001, while the global economy has experienced a general slow down in growth, the economy of the PRC has continued to maintain its rapid growth with a 7.9% growth in the GDP for the PRC in that period, which was driven by the continued increase in domestic consumer demand and the high increase in domestic investment in the PRC. In turn, this led to a stable growth in domestic demand in the PRC for refined oil and petrochemical products. According to the Company's statistics, the apparent consumption of refined oil products (including gasoline, diesel and kerosene and jet fuel) during the first half of this year increased 3.59%, and the apparent consumption of petrochemical products (ethylene as the calculating basis) increased 7.2% against the same period last year. The Company believes this is highly conducive to creating a positive market environment.

The Company positively organised its production operations in response to the market in the first half of 2001 and had improved operating results. The turnover and other operating revenue was RMB 164.307 billion, an increase of 10.0% against the same period last year; operating profit was RMB 15.859 billion (based on International Accounting Standards), an increase of 8.48% against the same period last year; and profit attributable to shareholders was RMB 9.580 billion (based on International Accounting Standards), an increase of 27.51% against the same period last year.

The Company continued its internal corporate reorganisation and stepped up its reform of its corporate governance structure, with new results. Sinopec Corp. issued 2.8 billion A shares in the PRC's domestic equity market at a price of RMB 4.22 per share listing on the Shanghai Stock Exchange on 8 August 2001. A total of RMB 11.816 billion of proceeds was raised, which will be used largely to fund the acquisition of China National Star Petroleum Corporation ("China National Star") and the construction of the Ningbo-Shanghai-Nanjing crude oil pipeline and Maoming-Guizhou-Kunming pipeline for refined oil.

(1) Exploration and Production Segment

The international crude oil price stayed relatively high during the first half of 2001. The Platt's Singapore average spot quote for Brent in the first half of the year was US$26.76 per barrel which was US$0.12 per barrel higher than US$26.64 per barrel in the same period last year and was down US$1.78 per barrel from the average price of US$26.64 per barrel in the year 2000.

Domestic pricing for crude oil in the first half of 2001 closely followed the price for crude oil in the international market fluctuating at a high price level.

During the first half of 2001, the Company made the most of the advantageous opportunity presented by high oil prices, and adhering to the unified principle of "reserves, production, profit", continued its expansion in upstream businesses, achieving good results in its exploration and production activities. The Company increased its production of crude oil and made significant increases in its natural gas production. In particular, the Company extracted 156.6 thousand million tonnes of crude oil which, due to high oil prices, was economically viable to extract. A number of quality gas/oil wells and blocks were discovered in promising areas, which are estimated to increase oil reserves which can be economically extracted by 142.6 mmbbls, crude oil production capacity by 8.66 mmbbls and gas production capacity by 3.53 billion cubic feet (bcf), which provides a good end to production operations for the first half of the year.

Operating Summary of Exploration and Production Segment

	First Half, 2001	First Half, 2000	Change (%)
Oil production (mmbbls)	123.23	122.92	0.25
Natural gas production (bcf)	44.4	40.6	9.36

(2) Refining Segment

In the first half of 2001, the domestic pricing mechanism for crude oil in the PRC has become increasingly market oriented. From March 2001, the State Development Planning Commission is no longer making monthly announcements of domestic crude oil prices. Instead, Sinopec Corp. and domestic crude oil suppliers determine the domestic crude oil price by reference to the crude oil price on the international market after negotiation of adjustments, and then file that price with the State Development Planning Commission. Since June 2000 the pricing for domestic refined oil products has been linked to the refined oil prices in the Singapore market.

Over the first half of 2001, the refining segment's allocation of crude oil resources and refinery throughput was reasonable based on the market conditions. Apart from processing part of its high cost crude oil inventories, the Company purchased 50.92 million tonnes of crude oil, of which the amount of low cost high sour crude oil increased dramatically compared to the same period last year. The Company's total processing volume of crude oil during the first half of this year accounted for 51% of the nation's total processing volume of crude oil. Relying on technological advances and systematic management, the Company has adjusted its product mix, increased its product quality, reduced its production costs and improved all major technological and economic indicators.

(3) Marketing and Distribution Segment

During the first half of 2001, as a result of factors such as the general slow-down in the growth of the global economy and a reduction in exports from the domestic market, the growth rate for domestic consumption of refined oil products (gasoline, diesel, kerosene and jet fuel) was 3.59%, being below than expected. In addition, there was an oversupply of refined products in the Company's principal market during the first half of the year due to the increase in refinery throughput in the PRC which meant that product prices failed to reach expected levels and caused an increase in competition.

Operating Summary of Refining Segment

	First Half, 2001	First Half, 2000	Change
Crude processing volume (mbbls/day)	2,109.0	2,094.0	0.72%
Of which:			
Sour crude processing volume (mbbls/day)	396.7	283.5	39.93%
Refinery utilisation (%)	80.4	80.0	0.4
Gasoline, diesel, kerosene and jet fuel production (million tonnes)	30.53	29.94	1.97%
Of which:			
gasoline (million tonnes)	9.721	9.724	(0.03%)
diesel (million tonnes)	18.55	17.78	4.33%
kerosene and jet fuel (million tonnes)	2.26	2.44	(7.38%)
Diesel to gasoline ratio	1.91	1.83	0.08
Light product yield (%)	70.58	70.10	0.48
Composite commercial yield (%)	91.70	91.99	(0.29)

Note: the crude oil processing volume is converted at 1 tonne=7.35 barrels

Operating Summary of Marketing and Distribution Segment

	First Half, 2001	First Half, 2000	Change (%)
Total sales of refined oil products (thousand tonnes)	33,670	32,480	3.66
Of which:			
wholesale (thousand tonnes)	13,960	22,680	(38.45)
distribution volume (thousand tonnes)	5,480	not applicable	not applicable
retail (thousand tonnes)	14,230	9,800	45.20
Throughput per petrol station (tonne/station)	1,394	1,356	2.80
Percentage of total sales constituted by retail sales (%)	42.3	30.2	12.1
Total number of petrol stations	27,749	20,527	35.18
Of which, number of franchised sites	4,184	2,990	39.93

In the first half of 2001, despite the business environment of intense competition, the Company focused on expanding its sales volume of refined products, retail sales volume of refined products and distribution volume. The Company's market share for refined oil products in its principal market was 84.7%, and its share of the retail market has increased from 56% in the first half of last year to 66% in the reporting period. In the same period, the Company has further improved and developed its retail network, and in the last half year, has revamped 1,100 existing petrol stations and added 3,306 petrol stations.

During the first half of 2001, the Company actively rationalised its allocation of resources, and cut distribution costs, increased internal reform, streamlined management hierarchy, merged a number of local-level oil companies and reduced management expenses.

(4) Chemical Segment

Benefiting from the continued growth of the economy in the PRC, the domestic consumption of chemical products has maintained its growth in the first half of 2001. The apparent domestic consumption of synthetic resin, synthetic rubber, synthetic fiber and monomers/polymer for synthetic fiber was 11.6563 million tonnes, 0.8243 million tonnes, 4.2396 million tonnes, and 6.5676 million tonnes respectively, representing increases of 21%, 19%, 20%, and 32% respectively compared with the first half of last year. However, the PRC still imports large quantities of chemical products in order to satisfy demand.

During the first half of this year, the pricing for petrochemical products in domestic markets has dropped to different extents due to the impact of the global economic slow-down, an oversupply of petrochemical products in Asia, a drop in the prices of petrochemical products in the international market and a 2% reduction in tariffs on imports of certain synthetic resin and monomers for synthetic fibers and other products. At the same time, due to the high price of crude oil on the international market, the price of chemical feedstock, such as naphtha, remained high.

In the first half 2001, the majority of the Company's chemical production facilities were running at full-load except for those at planned revamping. The ethylene production was up 6.3% compared with the same period last year. There were new developments in the adjustment of product mix, and product quality and grade continued to increase. The Company's production of performance compound for synthetic resin for the first half of the year was 681 thousand tonnes, up 10.7% over the same period last year and the production of differential fiber was 162.4 thousand tonnes, up 2.5% over the same period last year. The sales to production ratio for the Company's key petrochemical products was 101.1% and the direct sales ratio was 57.8%. In addition, the Company actively promoted the electronic commerce of its chemical products. The sales of chemicals through electrconic commerce reached RMB 7.4 billion, being 5 times more than last year. The Company believes this will help to consolidate its market share and increase the percentage of its direct sales.

Production of Major Chemicals in the Chemical Segment

	First Half, 2001 (thousand tonnes)	First Half, 2000 (thousand tonnes)	Change (%)
Ethylene	1,146.0	1,078.3	6.28
Synthetic resin	1,677.7	1,460.1	14.90
Of which: Performance compound resins	681.0	615.0	10.73
Synthetic rubber	200.7	150.6	33.27
Monomers and polymer for synthetic fiber	1,843.5	1,937.2	(4.84)
Synthetic fiber	493.1	524.5	(5.99)
Of which: differential fiber	162.4	158.4	2.53
Urea	1,176.4	2,116.7	(44.42)

In the first half of 2001, the Company pursued its costs cutting program and, based on its focus on reducing the outsourcing cost of crude oil and other major raw materials, reducing consumption of materials and energy and sales expenses and general and administrative expense, has had good results in cutting costs and increasing efficiency. During the first half of this year, the four business segments together reduced costs by a total of RMB 1.382 billion, and achieved 63.1% of the annual cost reduction target of RMB 2.19 billion. Of that amount, the exploration and production segment saved RMB 190 million, the refining segment saved RMB 385 million, the chemicals segment saved RMB 522 million and the marketing and distribution segment saved RMB 285 million.

BUSINESS PROSPECTS

(1) Market Prospects

The Company expects the PRC economy and its industry to exhibit the following characteristics over the second half of 2001:

- **The PRC economy is expected to continue its stable growth**
  Although there is a slow down in the economy of the United States resulting in a slow down in the global economy, the PRC government will continue its active fiscal policy to expand domestic demand and to promote sustained economic growth, which will encourage steady growth in domestic demand for oil and petrochemical products, thus creating opportunity for development for the Company.

- **The PRC's accession into the World Trade Organisation ("WTO") is expected to bring both challenges and opportunities**
  It's expected that in the second half of this year, the PRC will be on the brink of joining the WTO. Based on the tariff reductions and the opening of markets, the entry of the PRC into the WTO will present the Company with both challenges and opportunities. The main challenge will be the increasingly intense and direct international competition while the opportunities will come from the stardard market environment and the increasingly globalised economy which will mean opportunities for development.

- **International crude oil prices are expected to remain relatively high**
  Based on an analysis of the global supply and demand for crude oil, the Company expects crude oil prices to reduce slightly in the latter half of 2001 relative to the price during the first half of this year. The average price for Brent spot in Singapore is expected to stay at around US$25 per barrel.

- **The oil refining margin in Asia is expected to stay at a relatively low level**
  The excessive increase in oil refining capacity in Asia and the slow-down in the rate of increase in demand, caused the utilisation rate and oil refining margin of refineries in the local area to drop. The situation is not expected to improve in the second half of 2001. In particular, during June to mid-August this year, the Singapore gasoline price fell below that for crude oil, with serious price distortions, which had a big impact on the oil refining margin.

- **Prices for chemicals are expected to continue fluctuating at low levels**
  As the pace of growth in the world economy slows down, the cyclical change for chemical products is likely to slow down, and prices will continue to fluctuate at low levels without returning to high levels.

(2) Production Operations

Faced with the challenge of severe market conditions, in the second half of the year the Company will adopt the following measures in its four segments of operations:

- **Exploration and Production Segment**
  The Company will continue to make the most of the opportunity presented by the high crude oil prices to increase its production of crude oil, which is profitable while crude oil prices are high and intends to produce a total of 267.7 mmbbls of crude oil for the year (including Sinopec National Star), an increase of 8.2% over last year and a total of 148.3 billion cubic feet of natural gas, an increase of 85.8% over last year. The Company will increase its investment in exploration in new and existing areas for oil and gas blocks with potential to increase its

replacement reserves. Relying on technological advances and systematic management, the Company will reduce costs and, in particular, its lifting costs. In addition, the Company will conclude the acquisition of Sinopec National Star to increase its upstream resources and reduce its exploration and development costs and lifting costs.

- **Refining Segment**
  Based on market demand, the Company will focus on rationalising the allocation of its resources, reduce its inventory level of refined products and refinery throughput. It is expected that the refinery throughput for 2001 will be about the same as that for 2000 (or slightly lower). Taking advantage of the benefits of centralised purchasing, the Company will strive to reduce its costs of purchases and, at the same time, increase the refinery processing volume of sour crude. With improvements in management and technology, the Company will reduce its material consumption and power consumption and reduce its cash operating costs. In accordance with market and environmental requirements the Company will adjust its product structure, improve product quality and increase its diesel to gasoline ratio.

- **Marketing Segment**
  The Company will continue to expand the turnover and market share to improve its overall competitiveness. It is expected that the sales volume of refined products in the year 2001 will be 70 million tonnes. Key initiatives include streamlining the Company's sales network and expanding retail sales. It is expected that total retail sales volume of refined products in the year 2001 will be 30 million tonnes. Other initiatives include improving pump volume per petrol station, changing the sales channels to increase the percentage of direct sales. It is expected that the total direct sales volume of refined oil products in the year 2001 will be 10 million tonnes. The Company will improve conduct cost management, rationalise the allocation of refined oil product resources, optimise the flow of refined oil products, reduce the per tonne oil transported and operation expenses. The Company will continue to reform, realize streamlining of management hierarchy by merging local level companies and reduce management expenses.

- **Chemicals Segment**
  The Company will continue to tap the synergetic advantage in terms of integrated business structure and regional location, rationalise the allocation of chemical feedstock, ensure that chemical facilities operate profitably to full load. The planned ethylene production for the year is 2.20 million tonnes. The Company aims to consolidate and unify the sales of its chemical subsidiaries and expand the proportion of its direct sales, which is planned to reach 58% before the year-end. The Company's B to B electronic commerce will be further developed with the aim of reaching RMB 15 billion by the end of the year. The Company will actively develop new products, improve product grade, increase production of high added value products, enhance management, reduce costs and increase competitiveness.

The Company will adhere to the strategy of "expanding market, increasing resources, cutting costs to improve profitability and discipline in capital expenditure" to maintain continued growth in its production business in 2001, despite severe market conditions, setting a base for future business growth.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE FINANCIAL DATA SET OUT IN THIS SECTION ARE UNAUDITED AND IN COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARD 34 "INTERIM FINANCIAL REPORTING".

CONSOLIDATED RESULTS OF OPERATIONS

The following table sets out the main income and expense items from the consolidated profit and loss account of the Company for the relevant periods.

TURNOVER AND OTHER OPERATING REVENUES

The Company's turnover and other operating revenues in the first half of 2001 was RMB 164.3 billion, up 10% over the same period in 2000.

Sales of crude oil and natural gas

During the first half of 2001, the Company's turnover of crude oil and natural gas was RMB 3.7 billion, down 2.6% from the same period in 2000, largely due to the fact that the Company increased internal supply capacity of crude oil, while external sales of crude oil in the first half of 2001 was down 2.2% from the same period last year to 2.22 million tonnes.

Sales of refined oil products

During the first half of 2001, both the Company's refining and marketing and distribution segments made external sales of oil products (mainly including gasoline, diesel, kerosene and jet fuel and other refined oil products.) In the first half of 2001, income from the external sales of oil products by those two segments was RMB 120.6 billion, accounting for 75.9% of the Company's total turnover. Sales of gasoline reached RMB 34.3 billion, up 23.5% compared

	Six-month periods ended 30 June **2001** **RMB billions**	 2000 RMB billions	Change between first half, 2001 and same period in 2000
Turnover and other operating revenues	**164.3**	**149.4**	**10.0%**
Of which: Turnover	158.9	147.8	7.5%
Other operating revenues	5.4	1.6	237.5%
Operating expenses	**(148.4)**	**(134.8)**	**10.1%**
Of which: Purchased crude oil, products and operating supplies and expenses	(115.2)	(105.3)	9.4%
Selling, general and administrative expenses	(8.3)	(8.4)	(1.2%)
Depreciation, depletion and amortisation	(10.0)	(9.6)	4.2%
Exploration expenses (including dry holes)	(1.7)	(1.1)	54.5%
Personnel expenses	(5.7)	(5.1)	11.8%
Employee reduction expenses	(1.3)	—	—
Taxes other than income tax	(5.9)	(5.6)	5.4%
Operating profit	**15.9**	**14.6**	**8.9%**
Net Finance costs	**(2.0)**	**(2.8)**	**(28.6%)**
Investment income	0.2	0.1	100.0%
Profit from ordinary activities before taxation	**14.1**	**11.9**	**18.5%**
Taxation	(3.9)	(3.5)	11.4%
Profit from ordinary activities after taxation	**10.2**	**8.4**	**21.4%**
Minority interests	(0.6)	(0.9)	(33.3%)
Profit attributable to shareholders	**9.6**	**7.5**	**28.0%**

to the same period in the year 2000. Sales of diesel in the first half of 2001 reached RMB 54.5 billion, up 16% compared to the same period in the year 2000. The increase in sales of gasoline and diesel was largely because of the rise in sales volume and price of these products and, in particular, due to the increased retail volume of the two products.

Sales of chemicals

The Company's revenues from external sales of chemical products in the first half of 2001 were RMB 26.1 billion, down 6.2% from the same period in 2000, largely due to the weak global market for chemical products which led to lower prices in the first half of 2001 than in the same period of the previous year. The prices for the synthetic resin, synthetic fiber, monomers/polymers for synthetic fiber and fertilizers were down 2%, 7%, 11% and 7% respectively.

Other operating revenues

The Company's other operating revenues during the first half of 2001 were RMB 5.4 billion, up 237.5% compared to RMB 1.6 billion in the first half of 2000, largely due to the increase in income from connected transactions.

OPERATING EXPENSES

The Company's total operating expenses in the first half of 2001 were RMB 148.4 billion, up 10.2% compared to RMB 134.7 billion in the first half of 2000.

Purchased crude oil, products and operating supplies and expenses

The total of the Company's purchases of crude oil, products and operating supplies and expenses for the first half of 2001 was RMB 115.2 billion, accounting for 77.6% of the total operating expenses, up 9.4% compared with RMB 105.3 billion in the first half of 2000. The purchase cost of crude oil was RMB 63.6 billion, about the same as the figure of RMB 63.3 billion for the first half of last year. A total of 36.93 million tonnes of crude oil was purchased during the first half of 2001, down 3% compared with 38 million tonnes in the first half of 2000. The average cost for crude oil was RMB 1,721 per tonne, up 3.2% from RMB 1,667 per tonne in the same period last year.

The Company's outsourcing expenses for other raw materials during the first half of 2001 were RMB 42.4 billion, accounting for 28.6% of the total operating expenses and up 24.7% from RMB 34 billion in the first half of 2000. The main reasons were the additional RMB 4.6 billion for the purchase of oil feedstock, catalysts and other auxiliary materials, and RMB 4.2 billion for the purchase of chemical feedstock and refined partly products. That amount was offset partly by approximately RMB 400 million by a reduction in purchases of raw materials by the exploration and production segment.

During the first half of 2001, the Company's crude oil consumption was 51.76 million tonnes, up 1% compared with 51.24 million tonnes in the first half of 2000. Approximately 26.39 million tonnes, 50.99% of the total crude oil consumed by the Company in the first half of 2001, came from imports, which were down by 120 thousand tonnes compared with the first half of 2000. Approximately 5.72 million tonnes of crude oil, 11.05% of the Company's total consumption, came from PetroChina Company Limited, down 2.85 million tonnes compared with the first half of 2000. Approximately 3.35 million tonnes of crude oil, 6.47% of the Company's total consumption, came from CNOOC Limited, up 470 thousand tonnes compared with the first half of 2000. Approximately 14.84 million tonnes of crude, 28.7% of the Company's total consumption, was supplied by the Company's exploration and production segment, up 1.6 million tonnes compared with the first half of 2000.

Selling, general and administrative expenses

The Company's selling, general and administrative expenses in the first half of 2001 were RMB 8.3 billion, down 1.2% compared with RMB 8.4 billion in the first half of 2000, largely due to the implementation of cost-cutting measures.

Depreciation, depletion and amortisation

The Company's depreciation, depletion and amortisation in the first half of 2001 was RMB 10 billion, up 4.2% compared with RMB 9.6 billion in the same period in 2000, largely due to an increase in the Company's expenses in 2000 associated with an increase in its property, plant, equipment and oil and gas assets.

Exploration expenses

The Company's exploration expenses in the first half of 2001 were RMB 1.7 billion, up 54.5% compared with RMB 1.1 billion in the same period in 2000, largely due to the Company's increased investment in exploration activities and resources.

Personnel expenses

The Company's personnel expenses in the first half of 2001 were RMB 5.7 billion, up RMB 0.6 billion, 11.8%, compared with the first half of 2000, largely due to an increase in employee's performance bonus.

Employee reduction expenses

In accordance with Sinopec Corp.'s employee reduction plan, Sinopec Corp. recorded employee reduction expenses of RMB 1.3 billion (2000: RMB nil) during the six-month period ended 30 June 2001 in respect of the voluntary resignation of approximately 27,000 employees.

Taxes other than income tax

The taxes other than income tax incurred by the Company in the first half of 2001 were RMB 5.9 billion, up 5.4% compared with RMB 5.6 billion in the same period in 2000, largely due to the increase in sales of gasoline and diesel produced by the Company, giving rise to an increase in consumption tax.

OPERATING PROFIT

The Company's operating profit in the first half of 2001 was RMB 15.9 billion, up 8.9% compared with RMB 14.6 billion in the same period in 2000, largely due to the fact that the increase in the Company's turnover and other operating profits compared to the same period in 2000 exceeded the increase in the Company's operating expenses.

NET FINANCE COST

The Company's net finance costs in the first half of 2001 were RMB 2 billion, down 28.6% compared with RMB 2.8 billion for the same period in 2000, largely due to the provision of non-interest bearing loans of RMB 35.6 billion by Sinopec Group Company to the Company since 30 April 2000 and the interest income from the proceeds from the initial public offering in the second half of 2000 after offsetting all relevant expenses.

PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

The Companys profit from ordinary activities before taxation in the first half of 2001 was RMB 14.1 billion, up 18.5% compared with RMB 11.9 billion for the same period in 2000, largely due to the increase in the Company's operating profit and the reduction in net finance costs.

INCOME TAX

The Company's income tax in the first half of 2001 was RMB 3.9 billion, up 11.4% compared with RMB 3.5 billion for the same period in 2000.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to the Company's shareholders in the first half of 2001 was RMB 9.6 billion, up 28.0% compared with RMB 7.5 billion for the same period in 2000.

DISCUSSION OF SEGMENT OPERATIONS

The Company divides its operations into five principal business segments, the exploration and production segment, the refining segment, the marketing and distribution segment and the chemicals segment, and also the corporate and others segment. Unless otherwise indicated, inter-segment transactions have not been eliminated from the financial data discussed in this section and the operating revenue data for each of the business segments discussed in this section include other operating revenues from each segments.

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

	First half, 2001 RMB billions	First half, 2000 RMB billions	Proportion of Total Operating Revenues Before Elimination of Inter-segment Sales **First half, 2001**	First half, 2000	Proportion of Consolidated Operating Revenues After Elimination of Inter-segment Sales **First half, 2001**	First half, 2000
Operating revenues						
Exploration and Production Segment						
External sales[1]	6.6	4.4	2%	2%	4%	3%
Inter-segment sales	21.7	21.2	8%	9%		
Total operating revenues	**28.3**	**25.6**	**10%**	**11%**		
Refining Segment						
External sales[1]	27.7	30.8	10%	13%	17%	21%
Inter-segment sales	81.6	68.0	30%	28%		
Total operating revenues	**109.3**	**98.8**	**40%**	**41%**		
Marketing and Distribution Segment						
External sales[1]	93.9	78.0	33%	32%	57%	52%
Inter-segment sales	1.4	0.3	1%			
Total operating revenues	**95.3**	**78.3**	**34%**	**32%**		
Chemicals Segment						
External sales[1]	27.7	28.4	10%	11%	17%	19%
Inter-segment sales	2.9	1.5	1%	1%		
Total operating revenues	**30.6**	**29.9**	**11%**	**12%**		
Corporate and others						
External sales[1]	8.4	7.8	3%	3%	5%	5%
Inter-segment sales	4.8	1.0	2%	1%		
Total operating revenues	**13.2**	**8.8**	**5%**	**4%**		
Total operating revenue before elimination of Inter-segment sales	**276.7**	**241.4**	**100%**	**100%**		
Elimination of Inter-segment sales	(112.4)	(92.0)				
Consolidated operating revenues	**164.3**	**149.4**			**100%**	**100%**

Note: (1) Including other operating revenues.

The following table lists the operating revenues, operating expenses and operating profit by segment before elimination of inter-segment transactions for the period indicated.

Exploration and production segment
The exploration and production segment consists of the activities related to exploring, developing, producing and selling crude oil and natural gas.

The operating revenues for the exploration and production segment during the first half of 2001 was RMB 28.3 billion, up 10.5% over the same period in 2000.

The actual average selling price of crude oil was RMB 1,472 per tonne, down 1% from RMB 1,487 per tonne in the same period last year, while internal and external sales went up 2.9% from 16.46 million tonnes in the first half of last year to 16.94 million tonnes.

The operating expenses for the exploration and production segment during the first half of 2001 were RMB 16.7 billion, up 15.2% compared with the same period in 2000. The exploration and production segment's lifting cost per barrel for oil and gas was reduced by US$0.63 per barrel and was down from US$7.26 per barrel in the first half of last year to US$6.63 per barrel.

	First half, 2001 RMB billions	First half, 2000 RMB billions	Percentage change between first half 2001 and same period 2000
Exploration and production segment			
Operating revenues	28.3	25.6	10.5%
Operating expenses	16.7	14.5	15.2%
Total operating profit	**11.6**	**11.1**	**4.5%**
Refining Segment			
Operating revenues	109.3	98.8	10.6%
Operating expenses	106.5	100.4	6.1%
Total operating profit	**2.8**	**(1.6)**	**275.0%**
Marketing and distribution segment			
Operating revenues	95.3	78.3	21.7%
Operating expenses	94.3	75.1	25.6%
Total operating profit	**1.0**	**3.2**	**(68.8%)**
Chemicals Segment			
Operating revenues	30.6	29.9	2.3%
Operating expenses	30.4	27.9	9.0%
Total operating profit	**0.2**	**2.0**	**(90.0%)**
Corporate and others			
Operating revenues	13.2	8.8	50.0%
Operating expenses	12.8	8.8	45.5%
Total operating profit	**0.4**	**0.0**	

The operating profit for the exploration and production segment during the first half of 2001 was RMB 11.6 billion, up 4.5% compared with the same period in 2000.

Refining Segment

The refining segment's activities consist of purchasing crude oil from the Company's exploration and production segment and from third parties, processing crude oil into refined oil products, selling refined oil products to bulk customers and to the Company's marketing and distribution segment.

The operating revenues from the refining segment in the first half of 2001 were RMB 109.3 billion, up 10.6% compared with the first half of last year, largely due to the increased sales of gasoline, diesel, chemical feedstocks and other refined oil products.

- The refining segment's sales of gasoline in the first half of 2001, which constituted approximately 23% of the segment's total operating revenues for the period, increased 13.8% compared with the first half of 2000 to RMB 24.7 billion, largely due to the increased selling price of RMB 2,560 per tonne in the first half of 2001, up 13% compared with the first half of 2000, and the increased sales volume of 9.66 million tonnes in the first half of 2001, up 1% compared with the first half of 2000.
- The refining segment's sales of diesel in the first half of 2001, which constituted approximately 39% of the segment's total operating revenues for the period, increased 14% compared with the first half of 2000 to RMB 42.5 billion, largely due to the increased selling price of RMB 2,260 per tonne in the first half of 2001, up 7% compared with the first half of 2000, and the increased sales volume of 18.79 million tonnes in the first half of 2001, up 6% compared with the first half of 2000.
- The refining segment's sales of chemical feedstocks and other refined oil products in the first half of 2001, which constituted approximately 20% of the segment's total operating revenues for the period, went up 30% compared with the first half of 2000 to RMB 22 billion, largely due to the increased selling price of RMB 2,037 per tonne in the first half of 2001, up 8% compared with the first half of 2000 and the increased sales volume of 10.78 million tonnes in the first half of 2001, up 20% compared with the first half of 2000.

In order to enable the refining segment and marketing and distribution segment to operate more efficiently on an integrated basis, the Company intends to gradually redirect substantially all (with the exception of certain amounts which will be retained by the refining segment for certain special customers and for exports) of the refining segment's sales of gasoline and diesel to the marketing and distribution segment which conducts external sales.

In the first half of 2001, the operating expenses of the refining segment were RMB 106.5 billion, up 6% compared with the same period in 2000, largely due to increased expenses for the purchase of crude oil, oil feedstock, catalysts and auxiliary materials.

In the first half of 2001, the Company's refining margin (defined as sales revenues less crude oil expenses and oil feedstock expenses, divided by the corresponding volume of crude oil and oil feedstock processed) was US$3.67 per barrel, an increase over the same period last year. The main reasons for that increase were the increased sales revenues while the crude oil processing throughput remained unchanged. The Company's cash operating costs (defined as the segment's operating expenses less the sum of purchased crude oil and oil feedstock expenses, depreciation and amortisation, taxes other than income tax and other operating expenses, divided by the volume of crude oil and corresponding oil feedstocks processed) in the first half of 2001 were US$2.07 per barrel, down US$0.19 per barrel from the same period in 2000.

The operating profit of the Company's refining segment in the first half of 2001 was RMB 2.8 billion, up 275% over the same period last year, largely due to the fact that the level of the increase in operating revenues exceeded the level of the increase in operating expenses.

Marketing and Distribution Segment

The marketing and distribution segment consists of the purchasing of refined oil products from the refining segment and third parties and selling and distributing such refined oil products, wholesale to bulk customers and retail through the Company's retail distribution network and related activities.

The operating revenues from the marketing and distribution segment in the first half of 2001 were RMB 95.3 billion, up 21.7% compared with the first half of last year, largely due to increases in the selling prices and volumes of gasoline and diesel.

In the first half of 2001, external sales of gasoline were approximately RMB 30.4 billion, up 21% compared with the first half of 2000, largely due to:

- The average realised retail price was up 15% over the same period in 2000 to RMB 3,212 per tonne and sales volume was up 45.2% to 5.06 million tonnes compared with the first half of 2000. The increase in retail sales volumes was as a result of the expansion of the Company's retail network and improved management.
- The average realised direct sales price to bulk customers was up 17% over the same period in 2000 to RMB 2,614 per tonne and the sales volume was up 634% to 459,000 tonnes compared with the first half of 2000. The large increase in direct sales volume to bulk customers was as a result of the shift of direct sales of gasoline from the Company's refining segment to the marketing and distribution segment, effective 2001.

External sales of diesel in the first half of 2001 were RMB 53.4 billion, up 23% compared with RMB 43.5 billion in the first half of 2000, largely due to:

- The average realised retail price was up 4% over the same period in 2000 to RMB 2,661 per tonne and the sales volume was up 55.3% to 7.41 million tonnes compared with the first half of 2000.
- The average realised direct sales price to bulk customers was up 18% over the same period in 2000 to RMB 2,305 per tonne and the sales volume was up 1.4% to 2.59 million tonnes compared with the first half of 2000.

The operating expenses of the marketing and distribution segment in the first half of 2001 were RMB 94.3 billion, up 25.6% from RMB 75.1 billion compared with the first half of 2000. The operating expenses of gasoline and diesel accounted for 82.3% of the total operating expenses of the marketing and distribution segment in the first half of 2001. The average costs for gasoline and diesel in the first half of 2001 were RMB 2,693 per tonne and RMB 2,332 per tonne, up 16% and 10% respectively against the same period in 2000.

The operating profit from the marketing and distribution segment in the first half of 2001 was RMB 1 billion, down 68.8% compared with the first half of 2000, largely due to oversupply in regional markets and the fact that wholesale and retail prices did not reach expected levels, and, although operating turnover increased in the first half of the year compared to the same period last year, the increase in operating expenses exceeded the increase in operating turnover, causing a reduction in operating profits.

The marketing and distribution segment's cash operating costs (defined as operating expenses less the purchase expenses of goods, taxes other than income tax, and depreciation and amortisation, divided by sales volume) was down RMB 8 per tonne compared with the same period in 2000 to RMB 166 per tonne.

Chemicals Segment

The chemicals segment consists of producing, marketing and distributing petrochemical and inorganic chemical products.

The operating revenues of the chemicals segment in the first half of 2001 were up 2% from RMB 29.9 billion in the first half of 2000 to RMB 30.6 billion, of which RMB 27.7 billion was from external sales, down RMB 700 million or 2%, compared with RMB 28.4 billion in the first half 2000. The main reason was because of the global economic slow-down and the drop in the international prices for petrochemical products which led to a drop in the domestic prices for domestic chemical products other than synthetic rubber.

The operating expenses of the chemicals segment in the first half of 2001 were RMB 30.4 billion, up 9% from RMB 27.9 billion in the first half of 2000. This was largely due to the fact that since June last year, prices for chemical feedstocks such as naphtha have been closely linked to international prices, and due to the effect of high international oil prices in the first half of this year, which remain at high price level, and due to increased consumption of raw materials in line with increases in production.

The operating profit from the chemicals segment in the first half of 2001 was RMB 200 million, down RMB 1.8 billion or 90%, compared with RMB 2 billion in the first half of 2000.

Corporate and Other Segment

The operating revenues from the corporate and other segment in the first half of 2001 were RMB 13.2 billion, up 50.0% compared with RMB 8.8 billion in the first half of 2000. The operating expenses were RMB 12.8 billion, up 45.5% from RMB 8.8 billion in the first half of 2000. The increase in operating revenues and expenses was 45.5%, largely due to the increase in the trading volume of Sinopec International Company Limited, one of the subsidiaries of the Company, turning the operating results of the corporate and other segment from a breakeven into a profit of RMB 400 million.

CASH FLOW AND SOURCE OF CAPITAL

The following table is extracted from the Company's consolidated statement of cash flows for the relevant period indicated.

Net cash generated from Operating Activities

The Company's net cash generated from operating activities in the first half of 2001 was RMB 6.612 billion, down RMB 3.897 billion compared with the first half of 2000. The key reasons are: (1) the increased operating profits resulting an increase in cash inflow of RMB 2.488 billion; (2) the increases in inventory, accounts receivable, notes receivable, payments in advance and other current assets which outweighed increases in accounts payable, notes payable, provisions and other items, resulting an increase in a cash outflow of RMB 3.734 billion over the same period in 2000; (3) cash outflows for interest paid and income tax paid increased RMB3.05 billion against the first half of 2000. In the same period, interest received and profits on investment received were RMB0.399 billion which, after off-setting against cash outflows, reduced the increase of net cash outflows against the same period last year to RMB2.651 billion. The increase was mainly due to the fact that the Company paid income tax monthly in the first half of 2001, while in the year 2000, the Company only started to pay income tax in the second half of the year.

Cash flow per share for the first half of 2001 was RMB 0.08, down RMB 0.07 per share compared with the first half of 2000, largely due to the issue of H Shares in the second half of last year. In the first half of 2000, share capital was 68.8 billion shares, which increased to 83.9 billion shares in the first half of this year.

	First half, 2001 RMB billions	First half, 2000 RMB billions	Change between the first half of 2001 and the same period of 2000 RMB billions
Net cash generated from operating activities	6.612	10.509	(3.897)
Net cash generated from investment activities	(12.286)	(14.620)	(2.334)
Net cash generated from financing activities	14.899	8.366	6.533
Net increase of cash and cash equivalents	9.225	4.255	4.97

Net Cash generated from Investment Activities
The generated net cash flows used in the first half of 2001 for the Company's investment activities were RMB 12.286 billion, down RMB 2.334 billion compared with the first half of 2000. The key reasons are: (1) RMB 11.976 billion cash inflow on the maturity of fixed term deposits resulting in an increase in cash inflow of RMB 9.057 billion compared with the first half of 2000; (2) cash payments of RMB 20.938 billion for the purchase and construction of fixed assets, resulting in an increase in cash outflow of RMB 5.728 billion compared with the first half of 2000; (3) RMB 1.691 billion of cash payments for investment activities, resulting in an increase in cash outflow of RMB 893 million compared with the first half of 2000.

Net Cash generated from Financing Activities
The net cash income from financing activities in the first half of 2001 was RMB 14.899 billon, up RMB 6.533 billion compared with the first half of 2000. The key reasons are: (1) RMB 120.329 billion of cash from banks and other loans, resulting in an increase in cash inflow of RMB 59.217 billion compared with the first half of 2000; (2) the repayment of bank and other loans in the sum of RMB 105.196 billion resulting in an increase in cash outflow of RMB 53.824 billion compared with the first half of 2000; (3) repayment of bonds payable, which resulted in a decrease in cash outflows of RMB 683 million compared to the first half of 2000.

Historical and Planned Capital Expenditures
The Company aims to increase return on capital employed and enhance its overall competitiveness. Based on its operating strategy, the Company has centralised the decision-making process in relation to investment, streamlined structure and rationalised projects.

The Company's original planned capital expenditure for the year 2001 is RMB 40.76 billion. Based on market conditions, the Company has adjusted this year's planned capital expenditure to RMB 42.76 billion (which does not include RMB 6.45 billion for the acquisition of Sinopec National Star); of which: Exploration and production segment RMB 14.09 billion; Refining segment RMB 6.62 billion; Marketing and distribution segment RMB 11.39 billion; Chemicals segment RMB 10.3 billion, and Corporate and Others segment RMB 0.36 billion.

The Company's actual capital expenditures (the construction/ acquisition of fixed assets, intangible assets) for the first half of 2001 were approximately RMB 20.7 billion, of which RMB 5.6 billion was spent in the exploration and production segment, RMB 2.8 billion in the refining segment, RMB 7.9 billion in the marketing and distribution segment, RMB 4.2 billion in the chemicals segment and RMB 210 million in the corporate and others segment. The following table sets forth the breakdown of the Company's capital expenditures program.

Capital expenditure	**Planned figure for 2001** in RMB billion	**Actual capital expenditure in the first half, 2001** in RMB billion	**Proportion of planned figure constituted by actual expenditure**
Exploration and Production Segment	14.09	5.57	39.53%
Refining Segment	6.62	2.81	42.45%
Marketing and Distribution Segment	11.39	7.91	69.45%
Chemicals Segment	10.3	4.19	40.68%
Corporate and others Segment	0.36	0.21	58.33%
Total	42.76	20.69	48.39%

DISCLOSURE OF SIGNIFICANT EVENTS

ISSUE AND LISTING OF A SHARES

Sinopec Corp. obtained approval of the China Securities Regulatory Commission for the issue of A Shares in its document of Fa Xing Zi [2001] No. 38 on 20 June 2001 and successfully issued 2,800,000,000 A Shares on 16 July 2001 at an issued price of RMB 4.22 per A Share. The gross proceeds were RMB 11.816 billion and after deduction of expenses the net proceeds were RMB 11.648 billion. The proceeds will be mainly used for the acquisition of Sinopec National Star and constructon of the Ningbo-Shanghai-Nanjing Import Crude Oil Product Pipeline Project and Southwest (Maoming-Guizhou-Kunming) Refined Oil Product Pipeline Project. The A Shares of Sinopec Corp. were listed on the Shanghai Stock Exchange on 8 August 2001, and the stock code is 600028. The main announcements regarding the issue and listing of A Shares were published in the China Securities, Shanghai Securities News and Securities Times on 22 June 2001, 2 July 2001, 12 July 2001 and 31 July 2001, and the contents of relevant announcements were also published in the Hong Kong Economic Times and South China Morning Post in Hong Kong.

ACQUISITION OF SINOPEC NATIONAL STAR

On 24 August 2001, Sinopec Corp. held an extraordinary general meeting at which the independent shareholders approved the acquisition by Sinopec Corp. of Sinopec National Star which has been reorganized and is owned by Sinopec Group Company. Such approval included the acquisition agreement regarding Sinopec National Star. The consideration for the acquisition of Sinopec National Star of US$1.1 billion (RMB 9.13 billion, at an exchange rate of RMB 8.3: US$1), is based on its current crude oil and natural gas reserves, which is equivalent to 622 mmBOE of proved oil and gas reserves of Sinopec National Star at US$1.77 per BOE. Taking into consideration the net liabilities of Sinopec National Star as at 31 December 2000 which was about RMB 2.6839 billion (or about US$324 million), the total acquisition consideration was RMB 6.4461 billion (or about US$779 million). Detailed information on the acquisition of Sinopec National Star was described in the connected transaction and on-going connected transaction circulars of Sinopec Corp. which were sent to the shareholders of H Shares of Sinopec Corp. on 30 June 2001 and the Attachment 3 to the notice of the Extraordinary General Meeting of Sinopec Corp. 2001 which was published in the China Securities, Shanghai Securities News and Securities Times on 10 July 2001.

CONNECTED TRANSACTIONS

On 24 August 2001, Sinopec Corp. held an Extraordinary General Meeting at which the Connected Transaction Adjustment Agreement in relation to the adjustments to the on-going connected transactions was approved.

The Connected Transaction Adjustment Agreement primarily has three parts. The first part is to change the original connected transaction agreements due to increases in the scope of connected transactions as a result of the acquisition of Sinopec National Star. Pursuant to the second part, Sinopec National Star permits Sinopec Group Company to use its intellectual property rights at no consideration. The third part is to extend the period of validity of the Agreement for Mutual Supply of Products, Production and Construction (including utilities), Agreement for the Provision of Cultural, Education, Hygiene and Community Services and the Agency Agreement for Sale of Products from three years to long term (Details of which were included in Part 7 of the prospectus which was published by Sinopec Corp. in the China Securities, Shanghai Securities News and Securities Times on 22 June 2001).

On 29 June 2001, the Hong Kong Stock Exchange has conditionally granted new waivers of the continuing obligations to Sinopec Corp. The conditions for the waivers of the continuing disclosure obligations were described in paragraph

8 of the Letter from the Chairman contained in the connected transaction and on-going connected transaction circulars which were sent to the shareholders of H Shares on 30 June 2001 and the Attachment 3 to the notice of the Extraordinary General Meeting which was published in the China Securities, Shanghai Securities News and Securities Times on 10 July 2001.

The detailed information of connected transactions is listed in the financial report.

IMPLEMENTATION OF THE UNDERTAKINGS OF SINOPEC CORP. AND ITS SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL SHARE CAPITAL, NAMELY SINOPEC GROUP COMPANY, CHINA DEVELOPMENT BANK AND CHINA XINDA ASSET MANAGEMENT CORPORATION.

(1) As at the end of the reporting period, the undertakings of Sinopec Corp. included:

(a) Reforming its three wholly-owned subsidiaries in accordance with the PRC Company Law within the specified time;

(b) Changing the logo presently adopted by patrol stations within the specified time;

(c) Occupying separate office buildings within the specified time;

(d) Complying with the relevant applicable rules of the Hong Kong Stock Exchange regarding connected transactions;

(2) As at the end of the reporting period, the major undertakings of Sinopec Group Company included:

(a) Complying with the connected transaction agreement;

(b) Solving the problems on the validity of land use rights and real estate licences;

(c) Submitting a portion of the proceeds from the sale of Sinopec National Star to the national social security fund, which is equal to 10% of the proceeds from the issue of A Shares of Sinopec Corp;

(d) Executing the Reorganisation Agreement and the Underwriting Agreement of H Shares;

(e) Licensing intellectual property rights;

(f) Avoiding competition in the same business;

(g) Waiving the business competition and conflict of interest with Sinopec Corp.

(3) As at the end of the reporting period, the material undertaking of China Development Bank and China Xinda Asset Management Corporation was: not to sell or transfer their shares in Sinopec Corp. within a fixed period.

Details of the above undertakings were included in the A shares prospectus which was published in the China Securities, Shanghai Securities News and Securities Times on 22 June 2001.

Within the term of the reporting period, Sinopec Corp. has not breached and is not aware of any of the principal shareholders having breached the undertakings.

DISCLOSURE OF SIGNIFICANT EVENTS (CONTINUED)

2000 PROFIT APPROPRIATION PLAN

The 2000 profit appropriation plan was approved at the 2000 Annual General Meeting of Sinopec Corp. held on 5 June 2001. The audited net profits determined in accordance with PRC Accounting Rules and Regulations and International Accounting Standards were RMB 16.154 billion and RMB 19.004 billion respectively. In accordance with the articles of association of Sinopec Corp., the profit distribution shall be based on the lower of the profit after taxation under PRC Accounting Rules and Regulations and the profit after tax determined in accordance with IAS (whichever is the lower). Therefore, the profit to be distributed after taxation is RMB 16.154 billion. After the transfer of 10% of its profit to the statutory surplus reserve fund and another 10% to the statutory public welfare fund, the profit available for distribution is RMB 12.924 billion. Based on 83,902,439,000 shares, being the total number of shares in issue as at the end of 2000, the profit was distributed at RMB 0.08 per share, and the remaining RMB 6.212 billion of undistributed profit was carried forward to the 2001 fiscal year.

The final dividend was distributed on 27 July 2001 to all shareholders whose names appear in the register of members of Sinopec Corp. on 6 May 2001.

2001 INTERIM PROFIT APPROPRIATION TENTATIVE PLAN AND STATUTORY PUBLIC WELFARE FUND TRANSFERRED STOCK CAPITAL TENTATIVE PLAN

The Board of Directors of Sinopec Corp. does not recommend the distribution of any interim dividend nor transfer from capital fund to increase share capital.

USE OF H SHARE PROCEEDS

The proceeds of the H Share issue by Sinopec Corp. were RMB 25.802 billion (or HK$ 24.114 billion), after deducting the preliminary expense of RMB 1.476 billion (or HK$ 1.38 billion) the net proceeds were RMB 24.326 billion (or HK$ 22.734 billion). According to the use of proceeds stated in the H Shares prospectus, a total of RMB 9.095 billion was used by 30 June 2001 of which, RMB 4.595 billion was used mainly for capital expenditure, of which, the Exploration & Production Segment expended RMB 2.995 billions; the Refining Segment expended RMB 0.2 billion; the Marketing and Distribution Segment expended RMB 1 billion; the Chemicals Segment expended RMB 0.4 billion.

PROGRESS OF JOINT-VENTURE PROJECTS

Fujian Refinery Ethylene Joint Venture Project, jointly invested by Sinopec Fujian Refinery Co., Ltd. which is wholly owned by Sinopec Corp., ExxonMobile and Saudi Aramco, was approved by the Board on 24 August 2001, and the feasibility study report of this project has been submitted to the State Development Planning Commission. The joint-venture proportions of Sinopec Fujian Refinery Co., Ltd., ExxonMobil and Saudi Aramco in this project are respectively 50%: 25%: 25%.

HOUSING SUBSIDY PLAN

In accordance with the relevant PRC regulations, the allocation of welfare staff quarters under the housing reform policy has already ceased. Sinopec Corp. is planning to formulate a detailed housing subsidy plan, including wages increment and one-off compensation to eligible employees. In the coming years, after the method of housing subsidies is clearly formulated, it will be reflected as appropriate in the accounts for the relevant year. In order to support Sinopec Corp., Sinpoec Corp's parent company, Sinopec Group Company, is willing to fund the costs of the one-off housing subsidy plan in the future.

EMPLOYEE REDUCTION PLAN

In accordance with Sinopec Corp.'s employee reduction plan, Singpec Corp. recorded employee reduction expenses of RMB 1.3 billion (2000: RMB nil) during the six-month period ended 30 June 2001 in respect of the voluntary resignation of approximately 27,000 employees.

MATERIAL LITIGATION AND ARBITRATION

During the reporting period, there was no material litigation and arbitration which had an adverse impact on the financial condition, achievements, goodwill and business activities as well as future prospects of Sinopec Corp.

EXTERNAL GUARANTEES

In the reporting period, the Company provided external guarantees for a total of RMB 877 million, all of which were provided for unconnected third parties. The main guarantees are as follows:

Company Name	Guaranteed Amount RMB millions
Fujian Petrochemical Industry Company	240
Shanghai Jindi Petrochemical Co. Limited	235
Shanghai Jinsen Resin Co. Limited	54
Fujian Juxing Co. Limited	50
Fujian Quanxing Industrial Development Company	15

THE "FIVE-SEPARATION"

During the reporting period, Sinopec Corp. and its controlling shareholder, Sinopec Group Company, are separate in business, assets, organisation, personnel and accounts.

AMENDMENT OF ARTICLES OF ASSOCIATION

Sinopec Corp. agreed to the amendment of Article 20, 21 and 24 of the articles of association of Sinopec Corp. at the 2000 Annual General Meeting held on 5 June 2001.

APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT

Sinopec Corp. appointed Mr. Wang Yi and Mr. Zhang Enzhao as directors at the 2001 extraordinary general meeting held on 24 August 2001.

By the nomination of the president of Sinopec Corp., Mr. Wang Tianpu was engaged as vice-president of Sinopec Corp. at the 10th meeting of the first term of the Board held on 24 August, 2001.

TRUSTEESHIP, CONTRACT AND LEASEHOLD

During the reporting period, Sinopec Corp. did not have any significant trusteeship, contract and lease of other company's assets nor has placed its assets to or under other company's trusteeship, contract and lease which are required to be disclosed.

TRUST FINANCIAL MANAGEMENT

During the reporting period, no trust financial management was made by Sinopec Corp.

AUDITORS

At the 2000 Annual General Meeting held on 5 June 2001, Sinopec Corp. re-appointed KPMG Huazhen and KPMG as its domestic and international auditors respectively for the year of 2001.

CHANGE OF ACCOUNTING POLICY

According to the notice (Cai Kui Zi [2000] No.25) issued by the Ministry of Finance on 29 December 2000, each joint listed company shall commence executing Enterprise Accounting System in compiling financial statements from 1 January 2001. Sinopec Corp. had adopted Enterprise Accounting System when compiling the accounts for the year of 2000. In respect of the Company's accounts prepared in accordance set with PRC Accounting Rules and Regulations, the accounting policies were the same as those disclosed in the 2000 accounts except for the housing revolving fund.

The details of the change of accounting policy for the hoursing revolving fund are summarised in the financial statements.

OTHER SIGNIFICANT EVENTS

In accordance with the resolutions of the 2000 Annual General Meeting held by Sinopec Corp. on 5 June 2001, the accumulated profit from 1 January 2001 to the issue of A Shares shall be shared by the new and existing shareholders.

FINANCIAL STATEMENTS
A. INTERIM ACCOUNTS PREPARED UNDER INTERNATIONAL ACCOUNTING STANDARD ("IAS") 34 "INTERIM FINANCIAL REPORTING" (NOTE 5(i))
1. CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

(Amounts in millions except per share data)

	Note	Six-month periods ended 30 June **2001** RMB	2000 RMB (*Audited*)
Turnover and other operating revenues			
Turnover		158,857	147,798
Other operating revenues		5,450	1,569
		164,307	**149,367**
Operating expenses			
Purchased crude oil, products and operating supplies and expenses		(115,185)	(105,289)
Selling, general and administrative expenses		(8,257)	(8,425)
Depreciation, depletion and amortisation		(10,037)	(9,609)
Exploration expenses, including dry holes		(1,730)	(1,071)
Personnel expenses		(5,687)	(5,113)
Employee reduction expenses	5(iii)	(1,301)	—
Taxes other than income tax		(5,909)	(5,637)
Other operating expenses, net		(342)	396
Total operating expenses		**(148,448)**	**(134,748)**
Operating profit		**15,859**	**14,619**
Finance costs			
Interest expense		(2,876)	(3,367)
Interest income		733	311
Foreign exchange losses		(103)	(75)
Foreign exchange gains		277	351
Net finance costs		**(1,969)**	**(2,780)**
Investment income		77	95
Share of profits less losses from associates and jointly controlled entities		107	(18)
Profit from ordinary activities before taxation	5(iv)	**14,074**	**11,916**
Taxation	5(v)	(3,911)	(3,490)
Profit from ordinary activities after taxation		**10,163**	**8,426**
Minority interests		(583)	(913)
Profit attributable to shareholders		**9,580**	**7,513**
Dividends	5(vi)	(6,712)	(579)
Retained profit for the period		**2,868**	**6,934**
Basic earnings per share	5(vii)	**0.11**	**0.11**

The notes on pages 28 to 34 form part of these interim accounts.

2. CONSOLIDATED BALANCE SHEET (UNAUDITED)

(Amounts in millions)

	Note	**At 30 June 2001 RMB**	At 31 December 2000 RMB *(Audited)*
Non-current assets			
Property, plant and equipment		189,094	189,495
Construction in progress		25,898	16,150
Investments		3,005	2,754
Interests in associates and jointly controlled entities		3,379	2,045
Deferred tax assets		1,210	1,155
Other assets		1,837	1,602
Total non-current assets		**224,423**	**213,201**
Current assets			
Cash and cash equivalents		28,519	19,304
Time deposits with financial institutions		11,440	21,830
Trade accounts receivables	5(viii)	16,316	12,687
Bills receivable	5(viii)	4,012	2,603
Inventories		54,701	50,229
Prepaid expenses and other current assets		34,375	27,555
Total current assets		**149,363**	**134,208**
Current liabilities			
Short-term debts		63,157	50,453
Loans from Sinopec Group Company and fellow subsidiaries		7,375	8,211
Trade accounts payable	5(ix)	13,466	19,403
Bills payable	5(ix)	18,194	11,203
Accrued expenses and other payables		39,716	31,697
Income tax payable		1,436	2,706
Total current liabilities		**143,344**	**123,673**
Net current assets		**6,019**	**10,535**
Total assets less current liabilities		**230,442**	**223,736**
Non-current liabilities			
Long-term debts		34,782	31,873
Loans from Sinopec Group Company and fellow subsidiaries		36,909	36,801
Deferred tax liabilities		2,403	1,775
Other liabilities		565	434
Total non-current liabilities		**74,659**	**70,883**
Minority interests		**23,044**	**22,982**
Net assets		**132,739**	**129,871**
Shareholders' funds			
Share capital		83,902	83,902
Reserves		48,837	45,969
		132,739	**129,871**

The notes on pages 28 to 34 form part of these interim accounts.

3. CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(Amounts in millions)

	Six-month periods ended 30 June **2001** **RMB**	 2000 RMB *(Audited)*
Net cash generated from operating activities	6,612	10,509
Net cash used in investing activities	(12,286)	(14,620)
Net cash generated from financing activities	14,899	8,366
Net increase in cash and cash equivalents	9,225	4,255
Effect of foreign exchange rate	(10)	(1)
Cash and cash equivalents at 1 January	19,304	21,338
Cash and cash equivalents at 30 June	28,519	25,592

The notes on pages 28 to 34 form part of these interim accounts.

4. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS (UNAUDITED)

(Amounts in millions)

	Share capital RMB	Revaluation reserve RMB	Capital reserve RMB	Share premium RMB	Statutory surplus reserve RMB	Statutory public welfare fund RMB	Other reserves RMB	Retained earnings RMB	Total RMB
At 1 January 2001	83,902	32,121	(14,579)	9,224	1,615	1,615	—	15,973	129,871
Dividend declared (Note 5(vi))	—	—	—	—	—	—	—	(6,712)	(6,712)
Revaluation surplus realised	—	(30)	—	—	—	—	—	30	—
Profit attributable to shareholders	—	—	—	—	—	—	—	9,580	9,580
At 30 June 2001	83,902	32,091	(14,579)	9,224	1,615	1,615	—	18,871	132,739
(Audited)									
At 1 January 2000	—	32,320	—	—	—	—	53,322	1,478	87,120
Dividend paid	—	—	—	—	—	—	—	(579)	(579)
Capitalisation upon legal establishment of the Company	68,800	—	(14,579)	—	—	—	(53,322)	(899)	—
Profit attributable to shareholders	—	—	—	—	—	—	—	7,513	7,513
At 30 June 2000	68,800	32,320	(14,579)	—	—	—	—	7,513	94,054

The notes on pages 28 to 34 form part of these interim accounts.

5. NOTES ON THE UNAUDITED INTERIM ACCOUNTS

(i) PRINCIPAL ACTIVITIES, ORGANISATION AND BASIS OF PREPARATION

China Petroleum & Chemical Corporation ("the Company") is an oil and energy company that, through its subsidiaries (hereinafter collectively referred to as the "Group"), engages in fully integrated oil and gas and chemical operations in the People's Republic of China ("the PRC").

The Company was established in the PRC on 25 February 2000 as a joint stock limited company as part of 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.

These interim accounts are unaudited, but have been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants. KPMG's independent review report to the Board of Directors is included on page 35.

The interim accounts have been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with IAS 34 "Interim Financial Reporting" adopted by the International Accounting Standards Board.

The financial information relating to the financial year ended 31 December 2000 included in the interim accounts does not constitute the Company's statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2000 are available from the Company's registered office. The Company's independent auditors have expressed an unqualified opinion on those accounts in their report dated 12 April 2001.

The accounting policies have been consistently applied by the Group and, except for the adoption of IAS 39 "Financial Instruments: Recognition and Measurement" which is effective for accounts covering periods beginning on or after 1 January 2001, are consistent with those adopted in the 2000 annual accounts.

IAS 39 establishes principles for recognising, measuring and disclosing information about financial assets and financial liabilities. IAS 39 defines several categories of financial assets and liabilities. It requires an entity to measure at fair value assets and liabilities qualified as trading or available-for-sale, and to recognise changes in fair value through profit and loss account for trading assets and liabilities and in shareholders' funds for available-for-sale assets. In addition, IAS 39 requires an entity to recognise all derivatives instruments on the balance sheet at fair value.

The Group considers the adoption of IAS 39 did not have material impact on its financial position or results of operations.

The Company also prepares a set of interim accounts which complies with the PRC Accounting Rules and Regulations. A reconciliation of the Group's profit attributable to shareholders and shareholders' funds prepared under IAS and the PRC Accounting Rules and Regulations is presented in Section C.

(ii) SEGMENTAL REPORTING

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

	Six-month periods ended 30 June **2001** **RMB millions**	2000 RMB millions *(Audited)*
Turnover		
Exploration and production		
External sales	4,227	4,253
Inter-segment sales	21,693	21,177
	25,920	25,430
Refining		
External sales	26,747	30,252
Inter-segment sales	81,615	67,941
	108,362	98,193
Marketing and distribution		
External sales	93,844	77,816
Inter-segment sales	1,372	283
	95,216	78,099
Chemicals		
External sales	26,087	27,823
Inter-segment sales	2,928	1,485
	29,015	29,308
Corporate and others		
External sales	7,952	7,654
Inter-segment sales	4,841	1,086
	12,793	8,740
Elimination of inter-segment sales	(112,449)	(91,972)
Turnover	**158,857**	**147,798**
Other operating revenues		
Exploration and production	2,423	141
Refining	960	561
Marketing and distribution	103	174
Chemicals	1,598	570
Corporate and others	366	123
Other operating revenues	**5,450**	**1,569**
Turnover and other operating revenues	**164,307**	**149,367**

(ii) SEGMENTAL REPORTING *(continued)*

	Six-month periods ended 30 June 2001 RMB millions	2000 RMB millions (Audited)
Operating profit/(loss)		
By segment		
· Exploration and production	11,570	11,055
· Refining	2,776	(1,571)
· Marketing and distribution	974	3,155
· Chemicals	186	1,938
· Corporate and others	353	42
Total operating profit	**15,859**	**14,619**
Share of profits less losses from investments accounted for under the equity method		
· Exploration and production	53	8
· Refining	(3)	—
· Marketing and distribution	74	11
· Chemicals	(19)	(39)
· Corporate and others	2	2
Aggregate share of profits less losses from investments accounted for under the equity method	**107**	**(18)**
Finance costs		
Interest expense	(2,876)	(3,367)
Interest income	733	311
Foreign exchange losses	(103)	(75)
Foreign exchange gains	277	351
Net finance costs	**(1,969)**	**(2,780)**
Investment income	77	95
Profit from ordinary activities before taxation	**14,074**	**11,916**
Taxation	(3,911)	(3,490)
Profit from ordinary activities after taxation	**10,163**	**8,426**
Minority interests	(583)	(913)
Profit attributable to shareholders	**9,580**	**7,513**

In view of the fact that the Group operates mainly in the PRC, no geographical segmental information is presented.

(iii) EMPLOYEE REDUCTION EXPENSES

In accordance with the Group's employee reduction plan, the Group recorded employee reduction expenses of RMB 1,301 million (2000: RMB nil) during the six-month period ended 30 June 2001 in respect of the voluntary resignation of approximately 27,000 employees.

(iv) PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six-month periods ended 30 June	
	2001	2000
	RMB	RMB
	millions	millions
		(Audited)
Interest on debts and advances	3,256	3,591
Less: Amount capitalised as construction in progress	(380)	(224)
Interest expenses, net	2,876	3,367
Cost of inventories	127,958	116,860
Loss on disposal of property, plant and equipment	258	147
Impairment losses on long-lived assets	—	92
Reversal of impairment losses on long-lived assets, net of depreciation effect	—	(936)

(v) TAXATION

	Six-month periods ended 30 June	
	2001	2000
	RMB	RMB
	millions	millions
		(Audited)
Provision for PRC income tax		
- the Group	3,303	3,545
- associates and jointly controlled entities	34	3
Deferred taxation	574	(58)
	3,911	3,490

The provision for PRC current income tax is based on a statutory rate of 33% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC during the six-month periods ended 30 June 2000 and 2001, except for certain subsidiaries of the Company, which are taxed at a preferential rate of 15%.

(vi) DIVIDENDS

Pursuant to the shareholders' approval at the Annual General Meeting held on 5 June 2001, a final dividend of RMB 0.08 per share totalling RMB 6,712 million in respect of the year ended 31 December 2000 was paid on 27 July 2001.

The Board of Directors has resolved not to pay any interim dividend for the year ending 31 December 2001.

(vii) BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the six-month period ended 30 June 2001 is based on the profit attributable to shareholders of RMB 9,580 million and 83,902,439,000 shares in issue during the period. The calculation of basic earnings per share for the six-month period ended 30 June 2000 is based on the profit attributable to shareholders of RMB 7,513 million and 68,800,000,000 shares issued and outstanding upon the legal formation of the Company on 25 February 2000 as if such shares had been outstanding during the six-month period ended 30 June 2000.

(viii) TRADE ACCOUNTS AND BILLS RECEIVABLES

	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions *(Audited)*
Trade accounts receivables	19,185	15,504
Less: Allowance for doubtful accounts	(2,869)	(2,817)
	16,316	12,687
Bills receivable	4,012	2,603
	20,328	15,290

The ageing analysis of trade accounts and bills receivables (net of allowance for doubtful accounts) is as follows:

	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions *(Audited)*
Invoice date:		
Within one year	18,164	14,043
Between one and two years	1,273	638
Over two years	891	609
	20,328	15,290

Sales are generally on a cash term. Credit sales are generally only available for major customers with well-established trading records.

(ix) TRADE ACCOUNTS AND BILLS PAYABLES

	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions *(Audited)*
Trade accounts payable	13,466	19,403
Bills payable	18,194	11,203
	31,660	30,606

The ageing analysis of trade accounts and bills payables is as follows:

	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions *(Audited)*
Due within 1 month or on demand	18,852	22,613
Due after 1 month but within 6 months	12,808	7,993
	31,660	30,606

(x) CAPITAL COMMITMENTS

The Group had capital commitments as follows:

	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions *(Audited)*
Authorised and contracted for	9,826	15,491
Authorised but not contracted for	23,030	37,466
	32,856	52,957

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

(xi) CONTINGENT LIABILITIES

Guarantees given to banks in respect of banking facilities granted to the parties below are as follows:

	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions *(Audited)*
Sinopec Group Company and fellow subsidiaries	—	55
Third parties	877	862
	877	917

(xii) RELATED PARTY TRANSACTIONS

The principal related party transactions are with Sinopec Group Company and fellow subsidiaries and are as follows:

	Six-month periods ended 30 June	
	2001 RMB millions	2000 RMB millions *(Audited)*
Sales of goods	19,564	19,732
Purchases	10,080	7,778
Transportation and storage	708	814
Exploration and development services	2,981	2,774
Production related services	2,359	2,211
Ancillary and social services	1,224	1,318
Operating lease charges	1,196	1,192
Agency commission income	3	6
Intellectual property licence fee paid	5	5
Interest received	38	44
Interest paid	290	255
Net deposits (withdrawn from)/ placed with related parties	(2,018)	2,364
Net loans (repaid to)/ obtained from related parties	(728)	30,265

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms or in accordance with the agreements governing such transactions, and all of which have been confirmed by the independent non-executive directors.

Other than those separately disclosed on the consolidated balance sheet, details of amounts due from / (to) Sinopec Group Company and fellow subsidiaries are as follows:

	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions *(Audited)*
Trade accounts receivables	3,532	3,280
Prepaid expenses and other current assets	12,780	10,593
Trade accounts payable	(2,237)	(6,074)
Accrued expenses and other payables	(11,688)	(13,256)

(xiii) POST BALANCE SHEET EVENTS

(a) Pursuant to the resolutions passed at the Annual General Meeting held on 5 June 2001, the Company issued 2,800,000,000 domestically listed ordinary shares ("A shares") with a par value of RMB 1.00 each at RMB 4.22 on 16 July 2001 to natural persons and institutional investors in the PRC. Total gross proceeds of the A shares offering was RMB 11.8 billion. The A shares were listed on the Shanghai Stock Exchange on 8 August 2001. All the A and H shares rank pari passu in all material respects.

(b) On 24 August 2001, the Company held an Extraordinary General Meeting to consider an ordinary resolution in connection with the purchase by the Company of the entire equity interest of Sinopec National Star Petroleum Company ("Sinopec National Star") from Sinopec Group Company for a consideration of RMB 6.45 billion. The resolution was duly passed.

Under IAS, turnover and net profit of Sinopec National Star for the six-month period ended 30 June 2001 was RMB 1,464 million and RMB 183 million, respectively.

6. INDEPENDENT REVIEW REPORT

KPMG

To the Board of Directors of China Petroleum & Chemical Corporation

INTRODUCTION

We have been instructed by the Company to review the interim accounts as set out on pages 24 to 34.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim accounts to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" adopted by the International Accounting Standards Board. The interim accounts are the responsibility of, and have been approved by, the directors.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim accounts and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim accounts.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim accounts for the six-month period ended 30 June 2001.

KPMG
Certified Public Accountants
Hong Kong, China, 24 August 2001

B. INTERIM ACCOUNTS PREPARED UNDER THE PRC ACCOUNTING RULES AND REGULATIONS

1. BALANCE SHEETS (UNAUDITED)

	Note	The Group		The Company	
		At 30 June 2001 RMB millions	At 31 December 2000 RMB millions *(Audited)*	**At 30 June 2001 RMB millions**	At 31 December 2000 RMB millions *(Audited)*
Assets					
Current assets					
Cash at bank and in hand		39,959	41,134	26,225	29,267
Bills receivable		4,012	2,603	1,357	1,191
Interest receivable		32	70	13	45
Trade accounts receivables	4(iii)	16,316	12,687	15,408	12,059
Other receivables	4(iv)	26,161	20,105	25,495	17,107
Dividends receivable		—	—	1,158	—
Advances to suppliers		5,787	5,265	3,725	3,947
Inventories	4(v)	54,444	49,761	35,913	32,234
Total current assets		**146,711**	**131,625**	**109,294**	**95,850**
Long-term investments					
Long-term equity investments (Including equity investment differences: the Group RMB 830 million (2000: RMB 553 million), the Company RMB 764 million (2000: RMB 473 million))	4(vi)	7,214	5,235	76,101	79,581
Fixed assets					
Fixed assets, at cost		346,869	338,081	156,263	149,968
Less: Accumulated depreciation		163,626	152,454	69,157	64,371
		183,243	185,627	87,106	85,597
Less: Impairment loss		391	391	391	391
Net book value of fixed assets		182,852	185,236	86,715	85,206
Construction materials		285	468	86	114
Construction in progress	4(vii)	25,654	16,150	14,561	9,535
Total fixed assets		**208,791**	**201,854**	**101,362**	**94,855**
Intangible assets		**1,007**	**1,049**	**794**	**812**
Deferred tax assets		**1,201**	**1,155**	**777**	**734**
Total assets		**364,924**	**340,918**	**288,328**	**271,832**

The notes on pages 41 to 50 form part of these interim accounts.

1. BALANCE SHEETS (UNAUDITED) (CONTINUED)

	Note	The Group		The Company	
		At 30 June 2001 RMB millions	At 31 December 2000 RMB millions *(Audited)*	**At 30 June 2001 RMB millions**	At 31 December 2000 RMB millions *(Audited)*
Liabilities and shareholders' funds					
Current liabilities					
Short-term loans		62,572	50,654	42,339	35,818
Bills payable		18,194	11,203	11,132	6,409
Trade accounts payable		13,466	19,403	20,040	19,269
Receipts in advance		2,754	2,456	1,560	1,409
Wages payable		915	739	326	296
Staff welfare payable		670	599	316	273
Dividends payable		6,712	6,712	6,712	6,712
Taxes payable		2,328	4,093	(291)	1,247
Other payables		1,286	826	315	226
Other creditors		22,706	23,122	15,616	19,622
Accrued expenses		1,386	336	980	240
Current portion of long-term loans		7,960	8,010	4,590	4,945
Total current liabilities		**140,949**	**128,153**	**103,635**	**96,466**
Long-term liabilities					
Long-term loans		68,921	65,904	55,850	54,536
Debentures payable		2,770	2,770	—	—
Housing revolving fund	4(ii)	—	(862)	—	—
Other long-term payables		565	434	427	37
Total long-term liabilities		**72,256**	**68,246**	**56,277**	**54,573**
Deferred tax liabilities		**329**	**427**	—	—
Total liabilities		**213,534**	**196,826**	**159,912**	**151,039**
Minority interests		**22,974**	**23,299**	—	—
Shareholders' funds					
Share capital		83,902	83,902	83,902	83,902
Capital reserve		27,449	27,449	27,449	27,449
Surplus reserves (Including statutory public welfare fund of RMB 1,615 million (2000: RMB 1,615 million))		3,230	3,230	3,230	3,230
Undistributed profits		13,835	6,212	13,835	6,212
Total shareholders' funds		**128,416**	**120,793**	**128,416**	**120,793**
Total liabilities and shareholders' funds		**364,924**	**340,918**	**288,328**	**271,832**

The notes on pages 41 to 50 form part of these interim accounts.

2. INCOME STATEMENTS AND PROFIT APPROPRIATION STATEMENTS (UNAUDITED)

	Note	The Group			The Company		
		Six-month periods ended 30 June		Year ended 31 December	Six-month periods ended 30 June		Year ended 31 December
		2001	2000	2000	**2001**	2000	2000
		RMB millions	RMB millions	RMB millions (*Audited*)	**RMB millions**	RMB millions	RMB millions (*Audited*)
Income from principal operations	4(viii)	**158,857**	**147,798**	**322,932**	**115,579**	**102,063**	**222,337**
Less:Cost of sales		123,674	116,835	249,234	100,207	89,571	190,184
Sales tax and surcharges		5,906	5,603	12,101	3,731	3,434	7,656
Profit from principal operations		**29,277**	**25,360**	**61,597**	**11,641**	**9,058**	**24,497**
Add: Profit from other operations	4(ix)	594	353	1,028	359	185	675
Less:Selling expenses		5,802	5,140	11,583	4,014	3,201	7,940
Administrative expenses		6,792	7,620	17,172	3,480	4,491	11,651
Financial expenses	4(x)	2,213	2,780	4,843	1,272	1,774	2,990
Exploration expenses, including dry holes		1,730	1,071	2,883	840	659	1,568
Operating profit/(loss)		**13,334**	**9,102**	**26,144**	**2,394**	**(882)**	**1,023**
Add: Investment income	4(xi)	184	77	235	9,800	9,941	23,431
Non-operating income	4(xii)	110	85	215	39	41	137
Less:Non-operating expenses	4(xiii)	1,753	(424)	657	1,009	164	751
Profit before taxation		**11,875**	**9,688**	**25,937**	**11,224**	**8,936**	**23,840**
Less:Taxation	4(xiv)	3,194	2,692	7,954	3,117	2,889	7,686
Minority interests		574	949	1,829	—	—	—
Net profit		**8,107**	**6,047**	**16,154**	**8,107**	**6,047**	**16,154**
Add: Undistributed profits at the beginning of the period as previously reported		6,212	—	—	6,212	—	—
Less:Written off debit balance of Housing Revolving Fund	4(ii)	484	—	—	484	—	—
Undistributed profits at the beginning of the period (as restated)		5,728	—	—	5,728	—	—
Distributable profits		**13,835**	**6,047**	**16,154**	**13,835**	**6,047**	**16,154**
Less:Transfer to statutory surplus reserve	4(xv)	—	—	1,615	—	—	1,615
Transfer to statutory public welfare fund	4(xv)	—	—	1,615	—	—	1,615
Distributable profits to shareholders		**13,835**	**6,047**	**12,924**	**13,835**	**6,047**	**12,924**
Less:Dividends	4(xvi)	—	—	6,712	—	—	6,712
Undistributed profits		**13,835**	**6,047**	**6,212**	**13,835**	**6,047**	**6,212**

The notes on pages 41 to 50 form part of these interim accounts.

3. CASH FLOW STATEMENTS (UNAUDITED)

	Note	The Group	The Company
		Six-month period ended 30 June 2001	
		RMB millions	**RMB millions**
Cash flows from operating activities			
Cash received from sale of goods and rendering services		180,646	131,779
Rental received		135	72
Other cash received relating to operating activities		605	249
Sub-total of cash inflows		181,386	132,100
Cash paid for goods and services		(138,690)	(110,395)
Cash paid for operating leases		(1,370)	(987)
Cash paid to and on behalf of employees		(5,471)	(2,870)
VAT paid		(4,547)	(1,595)
Income tax paid		(4,573)	(1,615)
Taxes paid other than VAT and income tax		(7,040)	(4,195)
Other cash paid relating to operating activities		(11,538)	(16,755)
Sub-total of cash outflows		(173,229)	(138,412)
Net cash inflow/(outflow) from operating activities	(a)	**8,157**	**(6,312)**
Cash flows from investing activities			
Net cash received from disposal of fixed assets and intangible assets		156	90
Cash received from disposal of investments		70	—
Dividend received		—	9,666
Other cash received relating to investing activities		12,945	11,814
Sub-total of cash inflows		13,171	21,570
Cash paid for acquisition of fixed assets and intangible assets		(20,795)	(11,885)
Cash paid for acquisition of investments		(2,046)	(1,213)
Other cash paid relating to investing activities		(1,581)	(257)
Sub-total of cash outflows		(24,422)	(13,355)
Net cash (outflow)/inflow from investing activities		**(11,251)**	**8,215**
Cash flows from financing activities			
Proceeds from loans		120,329	71,667
Sub-total of cash inflows		120,329	71,667
Repayment of loans		(105,196)	(64,040)
Cash paid for dividends, distribution of profits or interest		(2,580)	(1,768)
Dividend paid to minority interests by subsidiaries		(234)	—
Sub-total of cash outflows		(108,010)	(65,808)
Net cash inflow from financing activities		**12,319**	**5,859**
Effect of foreign exchange rates changes on cash		**(10)**	**(5)**
Net increase in cash and cash equivalents	(b)	**9,215**	**7,757**

The notes on pages 41 to 50 form part of these interim accounts.

3. CASH FLOW STATEMENTS (UNAUDITED) (CONTINUED)

Notes	The Group	The Company
	Six-month period ended 30 June 2001	
	RMB millions	RMB millions
(a) Reconciliation of net profit to cash flows from operating activities		
Net profit	8,107	8,107
Add: Provision for bad and doubtful debts	(416)	(447)
Depreciation of fixed assets	11,860	5,132
Amortisation of intangible assets	82	78
Loss on disposal of fixed assets and intangible assets	258	104
Financial expenses	2,213	1,272
Investment income	(184)	(9,800)
Deferred tax debits	(144)	(43)
Increase in inventories	(4,683)	(3,679)
Increase in operating receivables	(8,908)	(11,179)
(Decrease)/increase in operating payables	(602)	4,143
Minority interests	574	—
Net cash inflow/(outflow) from operating activities	**8,157**	**(6,312)**
(b) Net increase in cash and cash equivalents		
Cash and cash equivalents at the end of the period	28,519	16,948
Less:Cash and cash equivalents at the beginning of the period	19,304	9,191
Net increase in cash and cash equivalents	**9,215**	**7,757**

The notes on pages 41 to 50 form part of these interim accounts.

4. NOTES ON THE UNAUDITED INTERIM ACCOUNTS

(i) BASIS OF PREPARATION

Pursuant to the notice "Cai Kui Zi [2000] No.25" issued by the Ministry of Finance ("MOF") on 29 December 2000, all joint stock limited company should adopt the "Enterprise Accounting Rules and Regulations" in the preparation of the accounts effective from 1 January 2001.

The Group and the Company adopted the "Enterprise Accounting Rules and Regulations" in preparing the 2000 annual accounts. Accordingly, the accounting policies have been consistently applied by the Group and, except for the adjustment for the Housing Revolving Fund detailed in Note 4(ii) below, are consistent with those adopted in the 2000 annual accounts.

(ii) CHANGE IN ACCOUNTING POLICY

Pursuant to the notices "Cai Qi [2000] No. 295" and "Cai Kui Zi [2001] No.5" issued by MOF on 6 September 2000 and 7 January 2001, respectively, the debit balance of Housing Revolving Fund at 31 December 2000, net of the amount attributable to minority interests, should be written-off against the undistributed profits brought forward in 2001. The shareholders' funds of the Group and the Company were reduced by RMB 484 million accordingly.

The effect of the above change in accounting policy is as follows:

	The Group and the Company RMB millions
Undistributed profits at 31 December 2000	6,212
Write-off of debit balance of Housing Revolving Fund, net of the amount attributable to minority interests	(484)
Undistributed profits at 1 January 2001 (as restated)	5,728

(iii) TRADE ACCOUNTS RECEIVABLES

	The Group		The Company	
	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions *(Audited)*	**At 30 June 2001 RMB millions**	At 31 December 2000 RMB millions *(Audited)*
Subsidiaries	—	—	5,101	5,142
Sinopec Group Company and fellow subsidiaries	3,532	3,280	2,507	1,632
Associates and jointly controlled entities	195	117	192	103
Others	15,458	12,107	9,707	7,246
	19,185	15,504	17,507	14,123
Less: Allowance for doubtful accounts	2,869	2,817	2,099	2,064
	16,316	12,687	15,408	12,059

The ageing analysis of trade accounts receivables (net of allowance for doubtful accounts) are as follows:

	The Group				The Company			
	At 30 June 2001 RMB millions	%	At 31 December 2000 RMB millions *(Audited)*	%	**At 30 June 2001 RMB millions**	%	At 31 December 2000 RMB millions *(Audited)*	%
Within one year	14,152	86.7	11,440	90.2	14,315	92.8	11,480	95.2
Between one and two years	1,273	7.8	638	5.0	702	4.6	348	2.9
Between two and three years	352	2.2	359	2.8	227	1.5	208	1.7
Over three years	539	3.3	250	2.0	164	1.1	23	0.2
	16,316	100.0	12,687	100.0	15,408	100.0	12,059	100.0

Except for the balances disclosed in Note 4 (xvii), the above balances did not include balances due from shareholders who own 5% or more shareholding of the Company.

At 30 June 2001, the Group and the Company did not have individual significant trade accounts receivables that aged over three years.

(iv) OTHER RECEIVABLES

	The Group At 30 June 2001 RMB millions	At 31 December 2000 RMB millions (Audited)	The Company At 30 June 2001 RMB millions	At 31 December 2000 RMB millions (Audited)
Subsidiaries	—	—	6,797	1,695
Sinopec Group Company and fellow subsidiaries	11,685	9,956	8,416	7,954
Associates and jointly controlled entities	690	321	690	321
Others	15,345	11,868	10,972	8,936
	27,720	22,145	26,875	18,906
Less: Allowance for doubtful accounts	1,559	2,040	1,380	1,799
	26,161	20,105	25,495	17,107

The ageing analysis of other receivables (net of allowance for doubtful accounts) are as follows:

	The Group At 30 June 2001 RMB millions	%	At 31 December 2000 RMB millions (Audited)	%	The Company At 30 June 2001 RMB millions	%	At 31 December 2000 RMB millions (Audited)	%
Within one year	21,743	83.1	19,139	95.2	18,523	72.6	16,751	97.9
Between one and two years	3,585	13.7	326	1.6	6,726	26.4	167	1.0
Between two and three years	210	0.8	93	0.5	67	0.3	65	0.4
Over three years	623	2.4	547	2.7	179	0.7	124	0.7
	26,161	100.0	20,105	100.0	25,495	100.0	17,107	100.0

At 30 June 2001, the five largest other receivables are shown below:

Name of entity	Particulars	Amount RMB millions
Sinopec Group Company	Current account	3,252
Daqing Petrochemical Complex	Current account	2,105
Fushun Petrochemical Company	Current account	1,194
Yuelian Wanda Petrochemical Company Limited	Current account	543
Lanzhou Chemical Industry Company	Current account	447

Except for the balances disclosed in Note 4 (xvii), the above balances did not include balances due from shareholders who own 5% or more shareholding of the Company.

At 30 June 2001, the Group and the Company did not have individually significant other receivables that aged over three years.

(v) INVENTORIES

	The Group At 30 June 2001 RMB millions	At 31 December 2000 RMB millions (Audited)	The Company At 30 June 2001 RMB millions	At 31 December 2000 RMB millions (Audited)
Raw materials	20,141	18,637	12,759	10,522
Work in progress	6,963	5,828	4,295	3,618
Finished goods	25,001	23,534	17,972	17,493
Spare parts and consumables	2,961	2,603	1,220	1,161
	55,066	50,602	36,246	32,794
Less: Provision for diminution in value of inventories	622	841	333	560
	54,444	49,761	35,913	32,234

The provision for diminution in value of inventories is mainly provided for finished goods.

(vi) LONG-TERM EQUITY INVESTMENTS

The Group

	Listed stock investments RMB millions	Unlisted stock and other equity investments RMB millions	Equity investment differences RMB millions	Provision for impairment losses RMB millions	Total RMB millions
Balance at 1 January 2001	644	4,248	553	(210)	5,235
Additions for the period	—	1,691	355	—	2,046
Share of profits less losses from investments accounted for under the equity method	85	(12)	—	—	73
Disposals for the period	—	(48)	—	—	(48)
Amortisation for the period	—	—	(78)	—	(78)
Provision for impairment losses for the period	—	—	—	(14)	(14)
Balance at 30 June 2001	729	5,879	830	(224)	7,214

The Company

	Listed stock investments RMB millions	Unlisted stock and other equity investments RMB millions	Equity investment differences RMB millions	Provision for impairment losses RMB millions	Total RMB millions
Balance at 1 January 2001	36,953	42,295	473	(140)	79,581
Change in accounting policy (Note 4 (ii))	(484)	—	—	—	(484)
Additions for the period	—	861	352	—	1,213
Share of profits less losses from investments accounted for under the equity method	245	6,440	—	—	6,685
Dividend received	(655)	(10,169)	—	—	(10,824)
Amortisation for the period	—	—	(61)	—	(61)
Provision for impairment losses for the period	—	—	—	(9)	(9)
Balance at 30 June 2001	36,059	39,427	764	(149)	76,101

At 30 June 2001, the Group and the Company had no individually significant provision for long-term equity investments.

Other equity investments represent the Group's interests in the PRC domiciled enterprises which are mainly engaged in non oil and gas and chemical activities and operations. These include unconsolidated investments for which the Group has interests over 50% at insignificant investment cost or the Group has no controlling interests in the board of directors. The stock investments of the Company represent investments in subsidiaries and associates.

(vi) LONG-TERM EQUITY INVESTMENTS (continued)

At 30 June 2001, details of listed stock investments of the Group are as follows:

Name of invested company	Type of Investment	Initial investment cost RMB millions	Balance at 1 January 2001 RMB millions	Share of profits accounted for under the equity method RMB millions	Balance at 30 June 2001 RMB millions	Market value at 30 June 2001 RMB millions
Shengli Oil Field Dynamic Company Limited	Legal person shares	223	362	40	402	1,230
Sinopec Shandong Taishan Petroleum Company Limited	Legal person shares	124	282	45	327	1,953
			644	85	729	

The above listed stock investments cannot be traded on open market, and their market values are for reference only.

At 30 June 2001, details of principal unlisted stock and other equity investments of the Group are as follows:

Name of invested company	Initial investment cost RMB millions	Investment period	Percentage of equity interest held by the Group	Balance at 1 January 2001 RMB millions	Additions for the period RMB millions	Share of profits/(losses) accounted for under the equity method RMB millions	Balance at 30 June 2001 RMB millions
Shanghai Chemical Industry Park Development Co Ltd	430	30 years	38%	250	180	—	430
Shanghai Golden Conti Petrochemical Co Ltd	142	30 years	48%	99	—	(15)	84
Hangzhou Jinshan Real Estate Co Ltd	64	30 years	84%	64	—	—	64
Shanghai Jinpu Packaging Material Co Ltd	50	30 years	50%	50	—	9	59
Shanghai Jinsen Hydrocarbon Resins Co Ltd	49	30 years	40%	28	—	(4)	24
Shanghai BO-KA Co Ltd	21	30 years	67%	21	—	—	21
Jinhuan Petrochemical Development Limited	7	30 years	75%	14	—	1	15
Shanghai Jinshan Associated Industrial Co Ltd	4	30 years	51%	3	—	—	3
Shanghai Jindong Polyester Chemical Co Ltd	3	30 years	50%	3	—	—	3
Fujian Petrochemical Construction Company Ltd	2	30 years	100%	1	—	—	1

Since the results and assets of the above companies which the Group holds more than 50% of equity interest has no material effect on the Group, they are not consolidated.

(vii) CONSTRUCTION IN PROGRESS

	The Group RMB millions	The Company RMB millions
Balance at 1 January 2001	16,150	9,535
Additions for the period	18,928	11,233
Dry hole costs written off	(940)	(560)
Transferred to fixed assets	(8,484)	(5,647)
Balance at 30 June 2001	25,654	14,561

(vii) CONSTRUCTION IN PROGRESS (continued)

Major construction in progress of the Group at 30 June 2001 are as follows:

Project name	Budgeted amount RMB millions	Balance at 1 January 2001 RMB millions	Additions for the period RMB millions	Transferred to fixed assets RMB millions	Balance at 30 June 2001 RMB millions	Percentage of completion	Source of funding	Interest capitalised for the six-month period ended 30 June 2001 RMB millions
660k ton/ year ethylene enhancement project	3,455	1,520	801	—	2,321	67%	Bank loans & self-financing	45
700k ton/year ethylene and polypropylene enhancement project	4,677	378	458	—	836	20%	Government grants, bank loans & self-financing	20
650k ton/year ethylene enhancement project	4,487	243	534	—	777	15%	Bank loans & self-financing	—
Acrylic fibre enhancement project	765	84	424	—	508	67%	Government grants, bank loans & self-financing	13
CFB Boiler system project	545	397	85	—	482	85%	Bank loans	5

The additions of construction in progress of the Group and the Company for the six-month period ended 30 June 2001 include capitalised interest amounting to RMB 136 million and RMB 77 million, respectively.

(viii) INCOME FROM PRINCIPAL OPERATIONS

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

(ix) PROFIT FROM OTHER OPERATIONS

	The Group			The Company		
	Six-month periods ended 30 June		Year ended 31 December	Six-month periods ended 30 June		Year ended 31 December
	2001 RMB millions	2000 RMB millions	2000 RMB millions *(Audited)*	**2001 RMB millions**	2000 RMB millions	2000 RMB millions *(Audited)*
Sales of ancillary materials and goods	246	128	368	157	40	192
Transportation and other services	213	124	447	130	59	299
Rental income	135	101	213	72	86	184
	594	353	1,028	359	185	675

(x) FINANCIAL EXPENSES

	The Group			The Company		
	Six-month periods ended 30 June		Year ended 31 December	Six-month periods ended 30 June		Year ended 31 December
	2001 RMB millions	2000 RMB millions	2000 RMB millions *(Audited)*	**2001 RMB millions**	2000 RMB millions	2000 RMB millions *(Audited)*
Interest expense incurred	3,256	3,591	7,104	2,098	2,144	4,239
Less: Amount capitalised as construction in progress	136	224	575	77	110	324
Interest expenses, net	3,120	3,367	6,529	2,021	2,034	3,915
Interest income	(733)	(311)	(820)	(582)	(135)	(443)
Exchange losses	103	75	84	40	43	21
Exchange gains	(277)	(351)	(950)	(207)	(168)	(503)
	2,213	2,780	4,843	1,272	1,774	2,990

(xi) INVESTMENT INCOME

	The Group			The Company		
	Six-month periods ended 30 June		Year ended 31 December	Six-month periods ended 30 June		Year ended 31 December
	2001 RMB millions	2000 RMB millions	2000 RMB millions *(Audited)*	**2001 RMB millions**	2000 RMB millions	2000 RMB millions *(Audited)*
Investment income accounted for under the cost method	77	95	186	17	68	139
Investment income accounted for under the equity method	107	(18)	49	9,783	9,873	23,292
	184	77	235	9,800	9,941	23,431

(xii) NON-OPERATING INCOME

	The Group			The Company		
	Six-month periods ended 30 June		Year ended 31 December	Six-month periods ended 30 June		Year ended 31 December
	2001 RMB millions	2000 RMB millions	2000 RMB millions *(Audited)*	**2001 RMB millions**	2000 RMB millions	2000 RMB millions *(Audited)*
Gain on disposal of fixed assets	19	37	102	17	27	83
Income from final penalties	7	19	26	3	2	9
Others	84	29	87	19	12	45
	110	85	215	39	41	137

(xiii) NON-OPERATING EXPENSES

	The Group			The Company		
	Six-month periods ended 30 June		Year ended 31 December	Six-month periods ended 30 June		Year ended 31 December
	2001 RMB millions	2000 RMB millions	2000 RMB millions *(Audited)*	**2001 RMB millions**	2000 RMB millions	2000 RMB millions *(Audited)*
Impairment losses on long-lived assets	—	92	187	—	92	92
Reversal of impairment losses on long-lived assets, net of depreciation effect	—	(1,049)	(1,049)	—	(338)	(338)
Loss on disposal of fixed assets	277	184	880	121	107	521
Fines, penalties and compensation	10	39	53	8	36	48
Employee reduction expenses	1,301	—	—	753	—	—
Donations	21	17	120	16	8	51
Others	144	293	466	111	259	377
	1,753	(424)	657	1,009	164	751

In accordance with the Group's employee reduction plan, the Group recorded employee reduction expenses of RMB 1,301 million (2000: RMB nil) during the six-month period ended 30 June 2001 in respect of the voluntary resignation of approximately 27,000 employees.

(xiv) TAXATION

The provision for PRC current income tax is based on a statutory rate of 33% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC during the six-month periods ended 30 June 2000 and 2001, except for certain subsidiaries of the Company, which are taxed at a preferential rate of 15%.

(xv) No transfers have been made to the statutory surplus reserves, the statutory public welfare fund nor the discretionary surplus reserve from net profit for the six-month period ended 30 June 2001 (2000: RMB nil).

(xvi) DIVIDEND PAYABLE

The Board of Directors has resolved not to pay any interim dividend for the year ending 31 December 2001.

(xvii) RELATED PARTY TRANSACTIONS

(a) Related party having the ability to exercise control over the Group

Name of company	:	Sinopec Group Company
Registered address	:	No. 6A Huixin East Street, Chaoyang District, Beijing, China
Principal activities	:	Processing crude oil into refined products and petrochemical products, petrochemical products which include: petrochemical products made from crude oil and natural gas; production, sale and import and export of synthetic fibre and synthetic fibre monomer.
Relationship with the Company	:	Ultimate holding company
Type of legal entity	:	State-owned
Authorised representative	:	Li Yi-zhong
Registered capital	:	RMB 104,912 million

The above registered capital of Sinopec Group Company has not been changed since the reorganisation on 24 July 1998 until 30 June 2001. At 30 June 2001, Sinopec Group Company held 56.9% shareholding of the Company and there is no change during the period ended 30 June 2001.

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

Sinopec Finance Company Limited
Nanjing Chemical Industry Company Limited
Zhongyuan Petrochemical Company
Sichuan Vinylon Company
Nanjing Petrochemical Company
Qingjiang Petrochemical Limited Liability Company
Baoding Petrochemical Company
Maoming Ethylene Plant
Luoyang Petrochemical Polypropylene Industrial Company
Baling Petrochemical Yueyang Petrochemical Company
Tianjin United Chemical Company

The above companies are considered to be related parties of the Company as they are subject to common control of Sinopec Group Company.

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

		Six-month periods ended 30 June	
	Note	**2001 RMB millions**	2000 RMB millions
Sales of goods	(i)	19,564	19,732
Purchases	(ii)	10,080	7,778
Transportation and storage	(iii)	708	814
Exploration and development services	(iv)	2,981	2,774
Production related services	(v)	2,359	2,211
Ancillary and social services	(vi)	1,224	1,318
Operating lease charges	(vii)	1,196	1,192
Agency commission income	(viii)	3	6
Intellectual property licence fee paid	(ix)	5	5
Interest received	(x)	38	44
Interest paid	(xi)	290	255
Net deposit (withdrawn from)/placed with related parties	(xii)	(2,018)	2,364
Net loans (repaid to)/obtained from related parties	(xiii)	(728)	30,265

(xvii) RELATED PARTY TRANSACTIONS (continued)

Notes:

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

(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) These transactions represent transportation and storage related services rendered, such as 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 of crude oil 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, fire fighting, security, product quality testing and analysis, information technology, design and engineering, construction which includes the 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 and buildings.

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

(ix) Intellectual property licence fee represents reimbursement paid to Sinopec Group Company for fees required to maintain the validity of certain licences, for trademarks, patents, technology and computer software.

(x) Interest received represents interest received from deposits placed with related companies. The applicable interest rate is determined in accordance with the prevailing saving deposit rate. The balance of deposits at 30 June 2001 was RMB 4,583 million.

(xi) Interest paid represents interest charges on the loans and advances obtained from Sinopec Group Company and Sinopec Finance Company Limited, a finance company controlled by Sinopec Group Company.

(xii) Deposits were placed with/withdrawn from Sinopec Finance Company Limited.

(xiii) The Group obtained/repaid loans and advances from/to Sinopec Group Company and Sinopec Finance Company Limited.

(d) Loans from Sinopec Group Company and fellow subsidiaries at 30 June 2001 amounted to RMB 44,284 million (31 December 2000: RMB 45,012 million). Included in loans from Sinopec Group Company and fellow subsidiaries at 30 June 2001 is a Renminbi denominated interest-free loan of RMB 35,561 million (31 December 2000: RMB 35,561 million) due to Sinopec Group Company with maturity in 2020. The Group may choose to repay by one repayment in 2020 or two equal instalments in 2020 and 2021 upon maturity of the loan in 2020.

(e) Details of amounts due from/ (to) related parties of the Group are as follows:

	Ultimate holding company		Other related parties	
	30 June 2001 RMB millions	31 December 2000 RMB millions *(Audited)*	**30 June 2001 RMB millions**	31 December 2000 RMB millions *(Audited)*
Trade accounts receivables	539	440	2,993	2,840
Advances to suppliers	302	499	793	138
Other receivables	3,252	2,034	8,433	7,922
Trade accounts payable	(981)	(734)	(1,256)	(5,340)
Other payables	(2,254)	(852)	(9,434)	(12,404)

(xviii) CAPITAL COMMITMENTS

The Group and the Company had capital commitments as follows:

	The Group		The Company	
	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions *(Audited)*	**At 30 June 2001 RMB millions**	At 31 December 2000 RMB millions *(Audited)*
Authorised and contracted for	9,826	15,491	7,661	1,450
Authorised but not contracted for	23,030	37,466	2,238	18,968
	32,856	52,957	9,899	20,418

(xix) 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) Guarantees given to banks in respect of banking facilities granted to the parties below are as follows:

	The Group		The Company	
	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions *(Audited)*	**At 30 June 2001 RMB millions**	At 31 December 2000 RMB millions *(Audited)*
Sinopec Group Company and fellow subsidiaries	—	55	—	—
Third parties	877	862	—	—
	877	917	—	—

(xx) POST BALANCE SHEET EVENTS

(a) Pursuant to the resolutions passed at the Annual General Meeting held on 5 June 2001, the Company issued 2,800,000,000 A shares with a par value of RMB 1.00 each at RMB 4.22 on 16 July 2001 to natural persons and institutional investors in the PRC. Total gross proceeds of the A shares offering was RMB 11.8 billion. The A shares were listed on the Shanghai Stock Exchange on 8 August 2001. All the A and H shares rank pari passu in all material respects.

(b) On 24 August 2001, the Company held an Extraordinary General Meeting to consider an ordinary resolution in connection with the purchase by the Company of the entire equity interest of Sinopec National Star from Sinopec Group Company for a consideration of RMB 6.45 billion. The resolution was duly passed.

(xxi) SEGMENTAL INFORMATION

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

	Six-month periods ended 30 June		Year ended 31 December
	2001 RMB millions	2000 RMB millions	2000 RMB millions (Audited)
Income from principal operations			
Exploration and production			
External sales	4,227	4,253	9,846
Inter-segment sales	21,693	21,177	46,213
	25,920	25,430	56,059
Refining			
External sales	26,747	30,252	67,872
Inter-segment sales	81,615	67,941	162,153
	108,362	98,193	230,025
Marketing and distribution			
External sales	93,844	77,816	174,645
Inter-segment sales	1,372	283	652
	95,216	78,099	175,297
Chemicals			
External sales	26,087	27,823	56,224
Inter-segment sales	2,928	1,485	3,443
	29,015	29,308	59,667
Corporate and others			
External sales	7,952	7,654	14,345
Inter-segment sales	4,841	1,086	11,527
	12,793	8,740	25,872
Elimination of inter-segment sales	(112,449)	(91,972)	(223,988)
Income from principal operations	**158,857**	**147,798**	**322,932**
Cost of sales, sales tax and surcharges			
Exploration and production	13,681	13,731	26,391
Refining	103,469	95,904	222,186
Marketing and distribution	87,837	70,176	157,743
Chemicals	26,233	25,387	51,491
Corporate and others	12,277	8,298	24,919
Elimination of inter-segment cost of sales	(113,917)	(91,058)	(221,395)
Cost of sales, sales tax and surcharges	**129,580**	**122,438**	**261,335**
Profit from principal operations			
Exploration and production	13,183	10,330	27,155
Refining	5,417	2,744	7,759
Marketing and distribution	7,379	7,923	17,554
Chemicals	2,782	3,921	8,176
Corporate and others	516	442	953
Profit from principal operations	**29,277**	**25,360**	**61,597**

C. DIFFERENCES BETWEEN INTERIM ACCOUNTS PREPARED UNDER THE PRC ACCOUNTING RULES AND REGULATIONS AND IAS

Other than the differences in the classification of certain financial statement assertions and the accounting treatment of the items described below, there are no material differences between the Group's interim accounts prepared under the PRC Accounting Rules and Regulations and IAS. The major differences are:

(i) DEPRECIATION OF OIL AND GAS PROPERTIES

Under the PRC Accounting Rules and Regulations, oil and gas properties are depreciated on a straight-line basis. Under IAS, oil and gas properties are depreciated on the unit of production method.

(ii) CAPITALISATION OF GENERAL BORROWING COSTS

Under IAS, to the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the borrowing costs should be capitalised as part of the cost of that asset. Under the PRC Accounting Rules and Regulations, only borrowing costs on funds that are specifically borrowed for construction are eligible for capitalisation as fixed assets.

(iii) IMPAIRMENT LOSSES OF LONG-LIVED ASSETS

Under the PRC Accounting Rules and Regulation and IAS, provisions for impairment losses are recognised when the carrying value of long-lived assets exceeds the higher of their net selling price and the value in use. Value in use involves discounting the estimated future cash flows of the assets. Due to the difference in the depreciation method of oil and gas properties discussed in (i) above, the provision for impairment losses and reversal of impairment loss under the PRC Accounting Rules and Regulations would be different from the amounts recorded under IAS.

(iv) ALLOCATION OF STAFF QUARTERS

Under IAS, the loss on allocation of staff quarters should be charged to the profit and loss account. Under the PRC Accounting Rules and Regulations, losses arising from such allocation are debited in the Housing Revolving Fund in accordance with "Cai Kui Zi [1995] No. 14" issued by the Ministry of Finance on 3 March 1995. Effects on deferred taxation that had been recognised in the accounts prepared under IAS were reversed to the profit and loss account during 2000. In accordance with notices "Cai Qi [2000] No. 295" and "Cai Kui Zi [2001] No. 5" issued by the Ministry of Finance on 6 September 2000 and 7 January 2001, respectively, the Group's debit balance of the Housing Revolving Fund at 31 December 2000, net of the amount attributable to minority interests, was written-off against the undistributed profits brought forward in 2001. Accordingly, there was no difference in shareholders' funds under IAS and the PRC Accounting Rules and Regulations in this respect at 30 June 2001.

(v) DIVIDENDS DECLARED AFTER THE BALANCE SHEET DATE

Under IAS, dividends are recognised as liability and stated in the accounts only on the date of its declaration. Under the PRC Accounting Rules and Regulations, dividends relating to an accounting period declared after the period end date are recognised as a liability in that accounting period.

Effects of major differences between the PRC Accounting Rules and Regulations and IAS on net profit are analysed as follows:

		Six-month periods ended 30 June	
		2001	2000
		RMB millions	RMB millions
Net profit under the PRC Accounting Rules and Regulations		8,107	6,047
IAS adjustments:			
Depreciation of oil and gas properties	(i)	1,955	2,341
Capitalisation of general borrowing costs	(ii)	235	—
Reversal of provision for impairment losses of long-lived assets in previous year	(iii)	—	(113)
Effects of the above adjustments on taxation		(717)	(762)
Net profit under IAS		9,580	7,513

C. DIFFERENCES BETWEEN INTERIM ACCOUNTS PREPARED UNDER THE PRC ACCOUNTING RULES AND REGULATIONS AND IAS (CONTINUED)

Effect of major differences between the PRC Accounting Rules and Regulations and IAS on shareholders' funds are analysed as follows:

		At 30 June 2001 RMB millions	At 31 December 2000 RMB millions
Shareholders' funds under the PRC Accounting Rules and Regulations		128,416	120,793
IAS adjustments:			
Depreciation of oil and gas properties	(i)	6,327	4,372
Capitalisation of general borrowing costs	(ii)	235	—
Reversal of provision for impairment losses of long-lived assets in previous year	(iii)	(113)	(113)
Allocation of staff quarters	(iv)	—	(545)
Dividends declared after the balance sheet date	(v)	—	6,712
Effects of the above adjustments on taxation		(2,126)	(1,348)
Shareholders' funds under IAS		132,739	129,871

SUPPLEMENTARY INFORMATION FOR NORTH AMERICAN SHAREHOLDERS

The effects on the profit attributable to shareholders and on shareholders' funds of significant differences between IAS and accounting principles generally accepted in the United States of America ("US GAAP") are summarised below. The US GAAP reconciliation shown below have been prepared by management and have not been subject to independent audit or review.

(i) FOREIGN EXCHANGE GAINS AND LOSSES

Under IAS, foreign exchange differences on funds borrowed for construction are capitalised as property, plant and equipment to the extent that they are regarded as an adjustment to interest costs during the construction period. Under US GAAP, all foreign exchange gains and losses on foreign currency debts are included in current earnings. For the periods presented herein, there were no adjustments related to the capitalisation of foreign exchange gains and losses. The US GAAP adjustments represent the depreciation effect of such originating adjustments described above.

(ii) CAPITALISATION OF PROPERTY, PLANT AND EQUIPMENT

In years prior to those presented herein, certain adjustments arose between IAS and US GAAP with regard to the capitalisation of interest and pre-production results under IAS, that were reversed and expensed under US GAAP. For the periods presented herein, there were no adjustments related to the capitalisation of interest and pre-production results. Accordingly, the US GAAP adjustments represent the depreciation effect of such originating adjustments described above.

(iii) REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

As required by the relevant PRC regulations with respect to the Reorganisation, the property, plant and equipment of the Group were revalued at 30 September 1999. The revaluation results in an increase in shareholders' funds with respect to the increase in carrying amount of certain property, plant and equipment above their historical bases.

Under US GAAP, property, plant and equipment are stated at their historical cost less accumulated depreciation. However, as a result of the tax deductibility of the revaluation surplus, a deferred tax asset related to the reversal of the revaluation surplus is created under US GAAP with a corresponding increase in shareholders' funds.

In addition, under IAS, on disposal of a revalued asset, the related revaluation surplus is transferred from the revaluation reserve to retained earnings. Under US GAAP, the gain and loss on disposal of an asset is determined with reference to the asset's historical carrying amount and included in current earnings.

(iv) IMPAIRMENT OF LONG-LIVED ASSETS

Under IAS, impairment charges are recognised when a long-lived asset's carrying amount exceeds the higher of an asset's net selling price and value in use, which incorporates discounting the asset's estimated future cash flows.

Under US GAAP, determination of the recoverability of a long-lived asset is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognised. Measurement of an impairment loss for a long-lived asset is based on the fair value of the asset.

In addition, under IAS, a subsequent increase in the recoverable amount of an asset is reversed to the consolidated profit and loss account to the extent that an impairment loss on the same asset was previously recognised as an expense when the circumstances and events that led to the write-down or write-off cease to exist. The reversal is reduced by the amount that would have been recognised as depreciation had the write-off not occurred. Under US GAAP, an impairment loss establishes a new cost basis for the impaired asset and the new cost basis should not be adjusted subsequently other than for further impairment losses.

For the six-month period ended 30 June 2001, there was no impairment and reversal of impairment of long-lived assets under IAS . The US GAAP adjustment represents the depreciation effect on the carrying amounts of previously impaired long-lived assets which were subsequently reversed under IAS.

		Six-month periods ended 30 June		
		2001 US$ millions	**2001 RMB millions**	2000 RMB millions
Profit attributable to shareholders under IAS		1,157	9,580	7,513
US GAAP adjustments:				
Foreign exchange gains and losses	(i)	5	38	39
Capitalisation of property, plant and equipment	(ii)	1	6	6
Depreciation on revalued property, plant and equipment	(iii)	239	1,985	1,997
Disposal of property, plant and equipment	(iii)	4	30	—
Impairment of long-lived assets, net of depreciation effect	(iv)	—	—	(34)
Reversal of impairment of long-lived assets, net of depreciation effect	(iv)	4	32	(860)
Deferred tax effects of US GAAP adjustments		(76)	(630)	(328)
Profit attributable to shareholders under US GAAP		1,334	11,041	8,333
Basic and diluted earnings per share under US GAAP		US$0.02	RMB0.13	RMB0.12
Basic and diluted earnings per ADS under US GAAP*		US$1.59	RMB13.16	RMB12.11

* Basic and diluted earning per ADS is calculated on the basis that one ADS is equivalent 100 shares.

		At 30 June 2001 US$ millions	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions
Shareholders' funds under IAS		16,038	132,739	129,871
US GAAP adjustments:				
Foreign exchange gains and losses	(i)	(65)	(542)	(580)
Capitalisation of property, plant and equipment	(ii)	(5)	(42)	(48)
Revaluation of property, plant and equipment	(iii)	(3,034)	(25,114)	(27,129)
Deferred tax adjustments on revaluations	(iii)	928	7,688	8,296
Reversal of impairment of long-lived assets	(iv)	(84)	(694)	(726)
Deferred tax effects of US GAAP adjustments		49	405	427
Shareholders' funds under US GAAP		13,827	114,440	110,111

Note: United States dollar equivalents

For the convenience of readers, amounts in Renminbi have been translated into United States dollars at the rate of US$1.00 = RMB 8.2767 being the noon buying rate in New York City on 29 June 2001 for cable transfers in Renminbi as certified for customs purposed by the Federal Reserve Bank of New York. No representation is made that the Renminbi amounts could have been, or could be, converted into United States dollars at that rate.

COMPLIANCE WITH THE CODE OF BEST PRACTICE
PURCHASE, SALE AND REDEMPTION OF SHARES
INTERESTS OF DIRECTORS', SUPERVISORS' AND OTHER SENIOR MANAGEMENT IN THE SHARE CAPITAL OF SINOPEC CORP.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The directors of Sinopec Corp. are not aware of any information which shows Sinopec Corp. fails to, now or at any time within the six months ended on 30 June 2001, comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

The Audit Committee of Sinopec Corp. convened a meeting on 22 August 2001, and reviewed the unaudited interim accounts of Sinopec Corp. for the reporting period.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the first six months of 2001, neither Sinopec Corp. nor any of its subsidiaries purchased, sold or redeemed any securities of Sinopec Corp.

INTERESTS OF DIRECTORS', SUPERVISORS' AND OTHER SENIOR MANAGEMENT IN THE SHARE CAPITAL OF SINOPEC CORP.

During the reporting period, none of the directors or supervisors or senior managers or any of their spouses or children under the age of 18 had any interest in any shares or debentures of Sinopec Corp. or any associated corporation (with the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) which are required to be notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they have taken or are deemed to have taken under Section 31 or Part 1 of the Schedule to the SDI Ordinance) or which are required to be entered in the register referred to therein, or any interests in warrants to subscribe for shares in Sinopec Corp. or any associated corporation (as so defined) which are required to be notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or, in the case of supervisors, which would be required to be notified as described above if they had been directors.

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the statutary address of Sinopec Corp. during normal business hours from 24 August 2001 by the supervisory institution and shareholders in accordance with the articles of association of Sinopec Corp.:

a) Interim report signed by the Chairman and the president of Sinopec Corp.;

b) Financial statements signed and sealed by the legal representative and the chief financial officer;

c) Articles of Association of Sinopec Corp. (as amended after the Shareholders' Meeting on 5 June 2001);

d) All original documents and announcements published by Sinopec Corp. is the newspapers specified by the China Securities Regulatory Commission during the reporting period.

By Order of the Board
Li Yizhong
Chairman
Beijing, the PRC, 24 August 2001

This report is prepared in both Chinese and English. In the event of any discrepancy in interpretation, the Chinese version shall prevail.

CORPORATE CULTURE

- a management philosophy of “competition and openness”
- a business strategy of “expanding markets and resources, reducing costs to maximize profitability”
- an operating goal of “maximising company profit and shareholders’ return”
- an operating mechanism of “market-oriented external operation, and synergetic internal operation”
- an operating principle of “standardisation, discipline and integrity”
- an incentive system of “encouraging self-motivation through proper reward”