Bull K Timothy
Form 4
December 01, 2010

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Bull K Timothy

(Last) (First) (Middle)

4468 TWENTY-ONE MILE ROAD

(Street)

KENT CITY, MI 49330

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CHOICEONE FINANCIAL SERVICES INC [(None)]

3. Date of Earliest Transaction (Month/Day/Year)
11/30/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	11/30/2010		W	V	500	A	$ 0	62,612	D	
Common Stock								4,102	I	By spouse's trust

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Bull K Timothy 4468 TWENTY-ONE MILE ROAD KENT CITY, MI 49330	X			

Signatures

/s/ K. Timothy Bull	12/01/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. #000000 0.5pt solid; TEXT-ALIGN: left" valign="bottom" nowrap="nowrap"> shareholdings[1]

to pledges or lock up

China Petrochemical Corporation

State-owned share

70.86

85,792,671,101

0

0

HKSCC (Nominees) Limited[2]

H share

20.97

25,389,957,078

10,150,206

Unknown

A share

2.10

2,536,767,453

(794,962,690
)

0

Hong Kong Securities Clearing Company Ltd

A share

0.52

628,695,771

227,712,826

0

A share

0.27

322,037,900

0

Explanation of Responses:

0

005L FH002

A share

0.17

201,034,007

147,861,384

0

基 四零一組合

A share

0.09

105,000,072

105,000,072

0

長江

A share

0.09

104,088,736

15,630,041

0

傳統
普通 品-005L-CT001

A share

0.08

102,603,687

82,370,646

0

工商銀行-上 50交易型開放式 指數 投 基

A share

0.07

79,382,930

(1,169,000
)

0

Notes:

1. As compared with the number of shares as at 31 December 2017.

2. Sinopec Century Bright Capital Investment Limited, a wholly-owned overseas subsidiary of China Petrochemical Corporation, holds 553,150,000 H shares, accounting for 0.46% of the total share capital of Sinopec Corp. Such shareholdings are included in the total number of shares held by HKSCC Nominees Limited.

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

Apart from - - -005L-FH002 and -傳統-普通 & administrated by , Sinopec Corp. is not aware of any connected relationship or acting in concert among or be above-mentioned shareholders.

(2) Information disclosed by H share shareholders in accordance with the Securities and Futures Ordinance (SFO) as of 30 June 2018

Name of shareholders	Status of shareholders	Number of shares interests held or regarded as held		Approximate percentage of Sinopec Corp.’s issued share capital (H share) (%)	
BlackRock, Inc.	Interests of corporation controlled by the substantial shareholder	2,047,836,932	(L)	8.03	(L)
		16,000	(S)	0.00	(S)
Citigroup Inc.	Person having a security interest in shares	1,744,300	(L)	0.01	(L)
	Interests of corporation controlled by the substantial	145,310,062	(L)	0.57	(L)
	shareholder	92,456,947	(S)	0.36	(S)

	Custodian corporation/Approved lending agent	1,641,417,830	(L)	6.43	(L)
Schroders Plc	Investment manager	1,548,527,001	(L)	6.07	(L)
JPMorgan Chase & Co.	Beneficial owner	478,700,855	(L)	1.88	(L)
		157,452,151	(S)	0.62	(S)
	Investment manager	103,077,862	(L)	0.40	(L)
	Trustee (exclusive of passive trustee)	1,006,400	(L)	0.00	(L)
	Custodian corporation/Approved lending agent	956,876,795	(L)	3.75	(L)

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

3 CHANGES IN THE CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER

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

6

CHAIRMAN’S STATEMENT

Dear Shareholders and Friends,

On 15 May 2018, shareholders of Sinopec Corp. elected the members of the seventh session of the board of directors (the “Board”) at the annual general meeting. It is my honour to be elected as a board member and the chairman of the Board. There are four independent non-executive directors on the Board and the nomination committee is formed, the Company’s corporate governance structure is further enhanced. On behalf of the Board, I would like to express my sincere gratitude to you all for your trust and support!

Since the establishment of the Company, each and every session of the boards and management teams has led and motivated our staff to pioneer in innovation and to propel the Company to forge ahead. Riding on the robust growth of China’s economy, the Company expanded the operational scale and reinforced our competitive edges substantially, hence laying a solid foundation for our sustainable development. In the first half of this year, the Company closely followed the macro-environment and planned strategically with the whole domain. We carried out businesses in a practical manner and fully realised the strengths of our integrated value chain to improve profitability. While stepping up efforts to strengthen production and operations and pursue market expansion, we took various measures to optimise our corporate structure, deepen reform, and enhance management standards, work safety and environment protection. Remarkable progress and achievements were made in our endeavours. We secured stable and higher-quality growth of the Company along with improved performance. Our operational results for the reporting period substantially improved when compared with the same period last year.

In accordance with the International Financial Reporting Standards, the Company recorded turnover and other operating revenue of RMB 1.3 trillion for the first half of 2018, representing an 11.5% year-on-year growth. Profit attributable to shareholders of the Company surged by 51.8% year-on-year to RMB 42.4 billion. Earnings per share reached RMB 0.35. The asset-liability ratio was 47.1% as at the end of the reporting period. Taken into account the Company’s profitability, cash flow, shareholder returns and the future development, the Board resolved to pay an interim dividend of RMB 0.16 per share, representing a 60% growth from a year ago.

While China’s economy is entering a period of important strategic opportunities, it gains a strong foothold for its long-term development. The energy sector is undergoing a profound transformation. We are also experiencing an unprecedented boom in technological innovations. The Company will therefore take a proactive approach to adapt to changes in the macro-environment and grasp the opportunities that may arise. We will implement the strategies for the next two Three-Year periods and another two decades period going forward to drive our sustainable development, insist on deepening reform and ensure a full compliance with laws and regulations in corporate governance. The advantages created by the Party building will be utilised to promote our corporate development. By adhering to the guiding principles of “reform, management, innovation and development”, we will ensure our comprehensive, sustainable and high-quality development and strive to become a long-lasting world-class energy and chemical company.

The board of directors approved Sinopec Corp.’s Three-Year Rolling Development Program for 2018-2020. Going forward, Sinopec Corp. will continue to implement the strategies of “value-orientation, innovation-driven, integrated resource allocation, openness to cooperation, and green and low carbon growth”. We will deepen the supply-side structural reform, make technological innovation as the primary driving force for development, reinforce our value chain, consolidate traditional businesses, strengthen extended businesses, cultivate new businesses and seize the opportunities brought forth by the “Belt and Road” initiative to expand overseas operations. Our efforts are to make substantial progress by strengthening our core competence and extending our value chain to middle-end and high-end.

We will accelerate the development of traditional businesses. As for upstream, we will ensure stable oil output, increase gas production, reduce costs and boost efficiency. At the same time, we will reinforce our resources base by placing emphasis on expanding proved reserves through high-efficiency exploration. While attaching great importance to production quality, efficiency enhancement and cost management, we will step up efficient plan to stabilise oil production. Meanwhile, we will concentrate on resources coordination, pipeline networks and marketing to promote a rapid and sustainable development of natural gas business. As for refining, we will pursue structural adjustments, improve production efficiency and profitability, increase the concentration of production capacity and speed up the construction of large-scale refining and chemical bases such as Maoming-Zhanjiang Base. In response to the changes in market demand, we will accelerate the improvement in production facilities and product mix and promote the upgrading of refined oil products. As for marketing distribution, we will coordinate efforts to strengthen our network and reinforce our competitive advantages. We will focus on developing a premier marketing network with better logistic support, expand proprietary trade, enlarge operational scale, optimize non-fuel business, improvement in services. As for chemical, we will continue to adhere to the “basic + high-end” principle and speed up the pace of optimisation and adjustment: we will expand production capacity through the construction of refining and chemical bases to enhance our competitive advanced capacity and optimise our feedstock structure. Moreover, we will vigorously promote the upgrading of three major synthetic materials and the development of new materials and drive the development of fine chemical, biochemical and coal-chemical products in an orderly manner. The sales volume of our chemical products will be further enhanced through the integration of “production, marketing, and research and development” to enhance our competitiveness in the market.

We will accelerate to realise the coordination of extended business. We will expand the value chain of our natural gas operation, actively exploring direct distribution to high-end users and the vehicle and vessel gas market. With the support of “Internet Plus” business model, we will develop our service station into a Life-Style comprehensive station. Meanwhile, our logistic network will be further strengthened through the enhancement of storage and transportation facilities as well as the accelerated development of aviation fuel, natural gas and chemicals storage and transportation facilities. We will also optimise our global trading network, expand new energy trading operation on a timely basis, and vigorously develop our E-commerce and Internet of Things network, thereby facilitating the integration of our trading and services businesses and creating an E-commerce ecosystem for petrochemical industry, and substantially improving our operating efficiency and coordination capability.

We will accelerate the cultivation of new drivers for sustainable development. By utilising Sinopec Capital Co., Ltd., as an investment platform jointly set up by the Company and Sinopec Group, we will focus on strategic emerging businesses which have synergies with our traditional business such as new energy, new materials, energy-saving and environmental friendly products and intelligent manufacturing, and grasp the strategic opportunities to facilitate the Company’s sustainable and high-quality development.

We will accelerate to achieve new advantages in green development. By improving HSSE management system, creating a long-term work safety management mechanism, promoting the comprehensive implementation of ‘Green Enterprise Campaign’, improving our energy efficiency, and promoting resource recycling, we will make the green and safe development as our core competence.

While opportunities and challenges coexist, glory comes from struggle. I am confident that Sinopec Corp. will have a brighter future under your patronage. I believe that with your continuing support, the Board and management team will not lose sight of our objectives. We will lead the entire staff to drive the sustainable and healthy growth of Sinopec Corp, giving back to our country, shareholders, employees, customers and the society by delivering better operating results.

Dai Houliang

Chairman and President

Beijing, China
24 August 2018

8

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

In the first half of 2018, global economy recorded slow recovery, while China economy, maintained an overall stable performance securing progress in its economic development with gross domestic product (GDP) grew by 6.8%. While the domestic demand for oil products maintained steady growth, the market witnessed strong competition because of abundant supply. According to the statistics of NDRC, domestic consumption of refined oil products increased by 5.7% compared with the first half of 2017, among which gasoline consumption increased by 4.6%, consumption growth for kerosene and diesel was 10.9% and 5.6%, respectively. Domestic demand for natural gas recorded higher growth rate, up by 17.5% compared with the first half of 2017. Domestic consumption of major chemicals maintained significant growth with consumption of ethylene equivalent up by 9.3% year on year, and gross margin for chemical products remained at a high level.

For the first half of 2018, international crude oil prices fluctuated with upward trend. The average spot price of Platts Brent for the first half of 2018 was USD 70.55 per barrel, increased by 36.2% year on year.

1 OPERATIONS REVIEW

(1) Exploration and production

In the first half of 2018, capturing the recovery of crude oil price, the Company promoted efficient exploration and effective production to increase proved reserves, reduced costs and expenses and achieved good results. Our continuing efforts in exploration paid off with new oil and gas discoveries in Sichuan Basin, Tarim Basin, and Yin’e Basin. In development, we adopted a profit-oriented approach in resumption of crude oil production.) We also accelerated natural gas development by enhancing production-supply-storage-marketing system building to realise synergy along the entire value chain. Production in the first half of 2018 was 224.59 million barrels of oil equivalent, of which domestic crude production was 123.68 million barrels, overseas crude production was 19.95 million barrels, and total gas production was 476.2 billion cubic feet, increased by 5.3% compared to the same period of last year.

Exploration and Production: Summary of Operations

	Six-month periods ended 30 June		Changes
	2018	2017	(%)
Oil and gas production (mmboe)	224.59	221.38	1.4
Crude oil production (mmbbls)	143.63	145.98	(1.6)
China	123.68	123.16	0.4
Overseas	19.95	22.82	(12.6)
Natural gas production (bcf)	476.20	452.12	5.3

(2) Refining

In the first half of 2018, with the market-oriented approach, we optimised product mix to produce more gasoline and jet fuel, and the diesel-to-gasoline ratio further decreased. We actively promoted the GB VI refined oil products quality upgrading. Export of refined oil products was increased to help maintain high utilisation of refining facilities. Crude oil sourcing and allocation optimisation continued to lower our feedstock cost. We comprehensively optimised our production plans to ensure safe and reliable operations. The advantage of centralised marketing was given full play, and profitability of LPG, asphalt, and sulphur maintained at a high level. In the first half of 2018, we processed 121 million tonnes of crude oil, and produced 76.37 million tonnes of refined oil products, with production of gasoline and kerosene up by 5.7% and 9.4% respectively from levels in the first half of 2017.

Refining: Summary of Operations
million tonnes

	Six-month periods ended 30 June		Changes
	2018	2017	(%)
Refinery throughput	120.72	117.79	2.5
Gasoline, diesel and kerosene production	76.37	74.11	3.0
Gasoline	30.04	28.41	5.7
Diesel	32.09	32.67	(1.8)
Kerosene	14.25	13.03	9.4
Light chemical feedstock production	19.34	18.94	2.1

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

(3) Marketing and distribution

In the first half of 2018, confronted with fierce competition, the Company brought our advantages in distribution network into full play, and achieved good operational results. We coordinated internal and external resources, intensified efforts to explore more markets, expanded retail scale, and achieved sustained growth in total domestic sales volume. We proactively promoted precision marketing and differentiated marketing, and improved our marketing network to reinforce existing advantages. The total sales volume of refined oil products in the first half of 2018 was 96.48 million tonnes, of which domestic sales accounted for 88.45 million tonnes, up by 1.4% year on year. We strengthened development of key convenience store goods and proprietary brand to promote a rapid growth of non-fuel business.

10

Explanation of Responses:

Marketing and Distribution: Summary of Operations

	Six-month periods ended 30 June		Change
	2018	2017	(%)
Total sales volume of refined oil products (million tonnes)	96.48	98.55	(2.1)
Total domestic sales volume of refined oil products (million tonnes)	88.45	87.22	1.4
Retail (million tonnes)	59.28	58.68	1.0
Direct sales and Distribution (million tonnes)	29.16	28.54	2.2
Annualised average throughput per station (tonne/station)	3,870	3,832	1.0

	As of 30 June 2018	As of 31 December 2017	Change from the end of last year (%)
Total number of Sinopec-branded service stations	30,645	30,633	0.04
Number of company-operated stations	30,639	30,627	0.04
Number of convenience stores	26,424	25,775	2.5

(4) Chemicals

In the first half of 2018, we constantly fine-tuned chemical feedstock mix to further lower costs, optimised product mix by enhancing the dynamic optimisation of facilities and product chains to provide more products needed by the market. We strengthened the integration among production, marketing, R&D, and application, and intensified efforts on R&D, production and sales of high value-added products, with the ratio of specialty products of synthetic resin reached 64.0% and our differential ratio of synthetic fibre reached 90.3%. Ethylene production for the first half of 2018 was 5.786 million tonnes, up by 3.2% year on year. We coordinated internal and external resources, implemented precision marketing and further expanded the market, with total chemical sales volume increased by 14.1% from the corresponding period in 2017 to 42.56 million tonnes.

Major Chemical Products: Summary of Operations
1,000 tonnes

	Six-month periods ended 30 June		Changes
	2018	2017	(%)
Ethylene	5,786	5,609	3.2
Synthetic resin	8,068	7,802	3.4
Synthetic fiber monomer and polymer	4,601	4,659	(1.2)
Synthetic fiber	603	616	(2.1)
Synthetic rubber	405	412	(1.7)

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

11

Explanation of Responses:

2. SAFETY MANAGEMENT AND ENVIRONMENTAL PROTECTION

The Company prioritised safe production and intensified safety supervision. In the first half of this year, we promote the construction of tiered risk control and operation hazard identification, prevention and rectification system. We advanced safety control of contractors and on-site operation, enhanced process safety of chemicals business, security and staff healthy management, and further consolidated the foundation of safe production at operational level. Above all, we achieved safe production and operations.

The Company actively implemented its green and low-carbon strategy and launched “Green Enterprise Campaign”. We effectively carried out pollution prevention and control and constantly pushed forward energy efficiency improvement. We also accelerated carbon asset management and made great progress in energy and environment work.

3. CAPITAL EXPENDITURES

Focusing on quality and return on investment, the Company continuously optimised its investment projects. In the first half of 2018, total capital expenditures were RMB 23.687 billion. Capital expenditures for the exploration and production segment were RMB 10.762 billion, mainly for oil and gas capacity building, Wen 23 Gas Storage Project, Erdos-Anping-Cangzhou Gas Pipeline Project, the first phase of Xinjiang Coal Gas Pipeline Project as well as overseas projects. Capital expenditures for the refining segment were RMB 4.61 billion, mainly for the Zhongke integrated refining and chemical project, product mix optimisation of Zhenhai, Maoming and Tianjin, and GB VI gasoline and diesel quality upgrading projects. Capital expenditures for the marketing and distribution segment were RMB 5.373 billion, mainly for constructing refined oil products depots, pipelines and service stations and revamping of underground oil tanks, as well as other safety and environmental protection hazard removal projects. Capital expenditures for the chemicals segment were RMB 2.635 billion, mainly for integrated refining and chemical projects of Zhongke and Gulei, high-efficiency and environment-friendly aromatics project in Hainan and Zhong’an United Coal Chemical project. Capital expenditures for corporate and others were RMB 307 million, mainly for R&D facilities and information technology application projects.

BUSINESS PROSPECTS

Looking into the second half of 2018, we expect China’s economy to maintain steady growth and the demand for refined oil products and petrochemicals to increase steadily with more robust demand for high-end products. Along with the adjustments of China’s energy structure, demand for natural gas will maintain robust growth. For the second half of 2018, the uncertainty of international crude oil prices will increase due to trade frictions and geopolitical tensions.

Confronted with the present situation, the Company will integrate reform, management, innovation and development, to fully improve operational performances, expand markets, reduce costs, prevent risks and realise structural adjustments. Our focuses are on the following aspects:

For Exploration and Production, we will continue to advance high-efficiency exploration, profitable production and cost reduction. In crude oil development, we will accelerate profitable development of new oilfields and resumed production of suspended wells, deepen the structural adjustments of mature fields, and increase yields of profitable crude oil. In natural gas development, we will advance key projects for capacity construction, enhance the efficiency and quality of developed gas fields, as well as promote synergy of production, supply, storage and marketing to push forward the development of natural gas. In the second half of 2018, we plan to produce 146 million barrels of crude oil, of which domestic production will account for 125 million barrels and overseas production will account for 21 million barrels. We plan to produce 497.8 billion cubic feet of natural gas during the period.

For Refining, with efficiency-oriented approach, we will optimise our production plans based on market demand to consolidate our competitive advantages in refining business. We will continue to adjust our product mix by further lowering the diesel-to-gasoline ratio and increasing the production of gasoline, jet fuel and light chemical feedstock. We will complete GB VI refined oil products upgrading project as scheduled. We will fully optimise operations and ensure safe and stable production, and we plan to process 121 million tonnes of crude oil in the second half of the year.

For Marketing and Distribution, we will intensify our marketing strategy of balancing profit and volume by optimising resources allocation and operational efficiency. We will make efforts to expand retail scale through implementing precision marketing as well as differentiated marketing. We will further improve our marketing network to reinforce existing advantages and enhance the ability of exporting refined oil products. We will push forward the construction and operation of natural gas stations and expand natural gas market for automobiles. We will take the advantage of “Internet +” marketing strategy and accelerate the development and marketing of proprietary brand and products to advance the growth of non-fuel business. In the second half, we plan to sell 90.50 million tonnes of refined oil products in the domestic market in the second half of 2018.

For Chemicals, we will focus on the“basic and high-end” development concept to adjust our feedstock structure and lower cost. We will fine-tune our product slate, improve the coordination among mechanism combining production, marketing, research and application, advance new product development, promotion and application, and deliver more high-end products. We will put more emphasis on the dynamic optimisation of facilities and product chains and improving the utilisation and production scheduling based on market demands. Meanwhile, we will promote the precision marketing and services, improve customer services and provide total solutions and value-added services. We plan to produce 5.734 million tonnes of ethylene in the second half of 2018.

In the second half of the year, the Company will continue to focus on growth pattern upgrading, insist on specialised development, market-oriented operation, optimised global presence and integrated planning to enhance efficiency and deliver superior operating results.

12

MANAGEMENT’S DISCUSSION AND ANALYSIS

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE COMPANY’S INTERIM FINANCIAL STATEMENTS AND THE ACCOMPANYING NOTES. PARTS OF THE FOLLOWING FINANCIAL DATA, UNLESS OTHERWISE STATED, WERE CONSISTENT WITH THE COMPANY’S INTERIM FINANCIAL STATEMENTS THAT HAVE BEEN PREPARED ACCORDING TO IFRS.

1 CONSOLIDATED RESULTS OF OPERATIONS

In the first half of 2018, the Company’s turnover and other operating revenues were RMB 1,300.3 billion, representing an increase of 11.5% year on year, and operating profit was RMB 61.6 billion, representing an increase of 56.6% year on year.

The following table sets forth the principal revenue and expenses items from the Company’s consolidated financial statements for the first half of 2018 and the corresponding period in 2017:

	Six-month periods ended 30 June		
	2018	2017	Change
	RMB million	RMB million	(%)
Turnover and other operating revenues	1,300,252	1,165,837	11.5
Turnover	1,268,803	1,137,828	11.5
Other operating revenues	31,449	28,009	12.3
Operating expenses	(1,238,676)	(1,126,528)	10.0
Purchased crude oil, products, and operating supplies and expenses	(994,797)	(887,028)	12.1
Selling, general and administrative expenses	(31,332)	(30,131)	4.0
Depreciation, depletion and amortisation	(51,902)	(55,217)	(6.0)
Exploration expenses, including dry holes	(4,362)	(4,542)	(4.0)
Personnel expenses	(37,340)	(31,328)	19.2
Taxes other than income tax	(118,721)	(116,297)	2.1
Other operating expense, net	(222)	(1,985)	(88.8)
Operating profit	61,576	39,309	56.6
Net finance costs	(263)	(1,289)	(79.6)
Investment income and share of profit less losses from associates and joint ventures	7,458	7,937	(6.0)
Profit before taxation	68,771	45,957	49.6
Tax expense	(14,586)	(8,915)	63.6
Profit for the period	54,185	37,042	46.3
Attributable to:			
Owners of the Company	42,386	27,915	51.8
Non-controlling interests	11,799	9,127	29.3

(1) Turnover and other operating revenues

In the first half of 2018, the Company’s turnover was RMB 1,268.8 billion, representing an increase of 11.5% year on year. The change was mainly attributable to the increase of international crude oil prices as well as the Company’s efforts in exploiting our advantages in distribution network, implementing precision marketing, coordinating internal and external resources and expanding the market in the market competition.

Explanation of Responses:

The following table sets forth the external sales volume, average realised prices and respective change rates of the Company’s major products in the first half of 2018 as compared with the first half of 2017.

	Sales Volume (thousand tonnes)			Average realised price (VAT excluded) (RMB/tonne, RMB/thousand cubic meters)		
	Six-month periods ended 30 June		Change	Six-month periods ended 30 June		Change
	2018	2017	(%)	2018	2017	(%)
Crude oil	3,580	3,341	7.2	2,880	2,357	22.2
Natural gas (million cubic meters)	11,799	11,554	2.1	1,362	1,270	7.2
Gasoline	43,623	41,400	5.4	7,635	6,966	9.6
Diesel	39,749	44,951	(11.6)	5,701	4,889	16.6
Kerosene	12,071	12,748	(5.3)	4,220	3,547	19.0
Basic chemical feedstock	20,005	17,015	17.6	5,287	4,888	8.2
Synthetic fibre monomer and polymer	5,495	5,018	9.5	6,729	5,947	13.1
Synthetic resin	7,190	6,301	14.1	8,495	7,994	6.3
Synthetic fibre	639	638	0.2	9,405	8,317	13.1
Synthetic rubber	533	551	(3.3)	10,612	13,423	(20.9)

Most of the crude oil and a small portion of natural gas produced by the Company were internally used for refining and chemical production with the remaining sold to other customers. In the first half of 2018, the turnover from crude oil, natural gas and other upstream products sold externally amounted to RMB 41.1 billion, increased by 24.5% year on year, accounting for 3.2% of the Company’s turnover and other operating revenues. The change was mainly attributable to the increase of realised price of crude oil and natural gas, and external sales volume as the Company seized the opportunity of crude oil price recovery to expedite crude oil capacity reconstruction and promote the building of natural gas production-supply-stroage-sale system.

Petroleum products (mainly consisting of oil products and other refined petroleum products) sold externally by the Refining Segment and the Marketing and Distribution Segment achieved external sales revenues of RMB 718.6 billion, representing an increase of 9.9% year on year and accounting for 55.3% of the Company’s turnover and other operating revenues. Those changes were mainly due to the rise of downstream product prices, high utilisation rates maintained by the Company when actively respond to the challenge of market over-supply, as well as increase of gasoline sales volume as the result of actively expanding market and promoting sales. The sales revenue of gasoline, diesel and kerosene was RMB 610.6 billion, representing an increase of 10.3% year on year, accounting for 85.0% of the sales revenue of petroleum products. Sales revenue of other refined petroleum products was RMB 108.0 billion, representing an increase of 7.6% year on year, accounting for 15.0% of the sales revenue of petroleum products.

The Company’s external sales revenue of chemical products was RMB 218.8 billion, representing an increase of 22.5% year on year, accounting for 16.8% of its turnover and other operating revenues. The change was mainly due to the increases in chemical product sales volume and prices as the result of the Company seizing opportunities to expand trade scale and explore market.

(2) Operating expenses

In the first half of 2018, the Company’s operating expenses were RMB 1,238.7 billion, representing an increase of 10.0% year on year. The change was mainly due to the increase of crude oil prices and relevant petroleum and petrochemical products prices. The operating expenses mainly consisted of the following:

Purchased crude oil, products and operating supplies and expenses were RMB 994.8 billion, representing an increase of 12.1% year on year, accounting for 80.3% of total operating expenses, of which:

‧ Crude oil purchasing expenses were RMB 314.5 billion, representing an increase of 30.0% year on year. Throughput of crude oil purchased externally in the first half of 2018 was 98.25 million tonnes (excluding the volume processed for third parties), increased by 10.8% year on year. The average cost of crude oil purchased externally was RMB 3,201 per tonne, increased by 17.3% year on year.

‧ The Company’s purchasing expenses of refined oil products were RMB 160.8 billion, representing an increase of 9.6% over the same period of 2017.

‧ The Company’s purchasing expense related to trading activities were RMB 263.6 billion, representing an increase of 3.0% over the same period of 2017. This was mainly due to the increase in prices of purchased crude oil and refined oil.

‧ Other purchasing expenses were RMB 255.9 billion, increased by 5.6% year on year. The change was mainly due to the upward trend of other petrochemical market and the increase in prices of petrochemical products over the same period of 2017.

Selling, general and administrative expenses of the Company totalled RMB 31.3 billion, representing an increase of 4.0% year on year. This was mainly because the Company increased input in research and development activities and promoted sales volume resulting in rise of freight and miscellaneous fee.

Depreciation, depletion and amortisation expenses of the Company were RMB 51.9 billion, representing a decrease of 6.0% year on year. This was mainly due to the decrease of depletion rate as the Company’s proved reserves increased following the increase of crude oil price.

Exploration expenses in the first half of 2018 were RMB 4.4 billion, representing a decrease of 4.0% year on year. This was mainly due to the Company’s constant strengthening of exploration investment control to increase success rate of exploration operation.

Personnel expenses were RMB 37.3 billion, representing an increase of 19.2% year on year. The change was mainly due to: the Company achieved strong result and increased personnel remuneration in 2017, which leads to the increased base of social insurance, housing fund and enterprise annuity in 2018, thus increased fringe payment; Shanghai SECCO was consolidated into the financial statement of the Company at the end of 2017; as the Company improved its profit significantly in the first half of 2018, income of employee was increased accordingly in line with its incentive mechanism.

Taxes other than income tax were RMB 118.7 billion, representing an increase of 2.1% year on year.

Net other operating income were RMB 0.2 billion, representing a decrease of 88.8% year on year. This was mainly due to the decrease of the impairment of oil and gas assets.

(3) Operating profit

In the first half of 2018, the Company’s operating profit was RMB 61.6 billion, representing an increase of 56.6% year on year. This was mainly due to significant decrease of losses in upstream business and steady increase of earning in midstream and downstream businesses.

(4) Net finance costs

In the first half of 2018, the Company’s net finance costs were RMB 0.3 billion, down by RMB 1.0 billion, representing a decrease of 79.6% year on year, which was mainly because the Company enhanced cash flow management and increased cash at bank and on hand. The Company also gained interest income by cash management and optimised debt structure by replacing loans with favourable rates to decrease finance cost.

(5) Profit before taxation

In the first half of 2018, the Company’s profit before taxation amounted to RMB 68.8 billion, representing an increase of 49.6% year on year.

(6) Tax expense

In the first half of 2018, the Company’s tax expense totalled RMB 14.6 billion, up by RMB 5.7 billion, representing an increase of 63.6% year on year. This was mainly due to the increase of earnings and decrease of franked investment income year on year.

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

In the first half of 2018, profit attributable to non-controlling shareholders was RMB 11.8 billion, up by RMB 2.7 billion, representing an increase of 29.3% year on year.

(8) Profit attributable to owners of the Company

In the first half of 2018, profit attributable to owners of the Company was RMB 42.4 billion, representing an increase of 51.8% year on year.

2 RESULTS OF SEGMENT OPERATIONS

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

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

	Operating revenues		As a percentage of consolidated operating revenues before elimination of inter-segment sales		As a percentage of consolidated operating revenues after elimination of inter-segment sales	
	Six-month periods ended 30 June		Six-month periods ended 30 June		Six-month periods ended 30 June	
	2018	2017	2018	2017	2018	2017
	RMB million		(%)		(%)	
Exploration and Production Segment						
External sales*	45,317	36,714	2.1	2.0	3.5	3.1
Inter-segment sales	42,607	37,395	1.9	2.0		
Operating revenues	87,924	74,109	4.0	4.0		
Refining Segment						
External sales*	72,134	66,633	3.3	3.6	5.5	5.7
Inter-segment sales	521,193	421,539	23.8	22.7		
Operating revenues	593,327	488,172	27.1	26.3		
Marketing and Distribution Segment						
External sales*	665,702	604,142	30.4	32.4	51.2	51.8
Inter-segment sales	2,623	1,818	0.1	0.1		
Operating revenues	668,325	605,960	30.5	32.5		
Chemicals Segment						
External sales*	226,211	185,481	10.3	9.9	17.4	16.0
Inter-segment sales	30,057	22,948	1.4	1.2		
Operating revenues	256,268	208,429	11.7	11.1		
Corporate and Others						
External sales*	290,888	272,867	13.3	14.6	22.4	23.4
Inter-segment sales	294,555	215,148	13.4	11.5		
Operating revenues	585,443	488,015	26.7	26.1		
Operating revenue before elimination of inter-segment sales	2,191,287	1,864,685	100.0	100.0		
Elimination of inter-segment sales	(891,035)	(698,848)				
Consolidated operating revenues	1,300,252	1,165,837			100.0	100.0

* Other operating revenues are included.

16

The following table sets forth the operating revenues, operating expenses and operating profit/(loss) by each segment before elimination of the inter-segment transactions for the periods indicated, and the percentage change between the first half of 2018 and the first half of 2017.

	Six-month periods		
	ended 30 June		
	2018	2017	Change
	RMB million		(%)
Exploration and Production Segment			
Operating revenues	87,924	74,109	18.6
Operating expenses	88,336	92,443	(4.4)
Operating loss	(412)	(18,334)	—
Refining Segment			
Operating revenues	593,327	488,172	21.5
Operating expenses	554,395	458,779	20.8
Operating profit	38,932	29,393	32.5
Marketing and Distribution Segment			
Operating revenues	668,325	605,960	10.3
Operating expenses	651,139	589,394	10.5
Operating profit	17,186	16,566	3.7
Chemicals Segment			
Operating revenues	256,268	208,429	23.0
Operating expenses	240,504	196,272	22.5
Operating profit	15,764	12,157	29.7
Corporate and Others			
Operating revenues	585,443	488,015	20.0
Operating expenses	589,897	487,276	21.1
Operating (loss)/profit	(4,454)	739	—
Elimination of inter-segment profit	(5,440)	(1,212)	—

(1) Exploration and Production Segment

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

In the first half of 2018, operating revenues of the segment were RMB 87.9 billion, representing an increase of 18.6% year on year. This was mainly the increase of crude oil and natural gas prices as well as expansion of scale of natural gas and LNG business over the same period of 2017.

In the first half of 2018, the segment sold 17.30 million tonnes of crude oil, representing a decrease of 1.8% over the same period of 2017. Natural gas sales volume was 12.8 bcm, representing an increase of 4.4% over the same period of 2017. Regasified LNG sales volume was 3.55 bcm, representing an increase of 75.2% over the same period of 2017. LNG sales volume was 1.12 million tonnes, representing an increase of 90.7% over the same period of 2017. Average realised prices of crude oil, natural gas, Regasified LNG, and LNG were RMB 2,866 per tonne, RMB 1,374 per thousand cubic meters, RMB 1,822 per thousand cubic meters, and RMB 3,640 per tonne, representing increase of 23.7%, 7.7%, 7.1% and 32.4% respectively over the same period of 2017.

In the first half of 2018, the operating expenses of the segment were RMB 88.3 billion, representing a decrease of 4.4% year on year. This was mainly due to:

‧ Depreciation, depletion and amortisation decreased by RMB 4.8 billion year on year;

‧Oil and gas assets impairment decreased by RMB 3.5 billion year on year;

‧LNG business expanded, purchase expense increased by RMB 3.2 billion;

‧Resource Tax and special oil income levy increased by RMB 0.4 billion and 0.4 billion respectively due to increase of crude oil and natural gas prices.

In the first half of 2018, the oil and gas lifting cost was RMB 768 per tonne, representing an increase of 0.1% year on year.

In the first half of 2018, the operating loss of the segment was RMB 0.4 billion, representing a decrease of loss of RMB 17.9 billion compared with the same period of last year. This was mainly because the segment seized the opportunity of crude oil price recovery to promote efficient exploration, effective production, reduce costs and expenses, and achieved good results.

(2) Refining Segment

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

In the first half of 2018, operating revenues of the segment were RMB 593.3 billion, representing an increase of 21.5% year on year. This was mainly attributable to increased prices of refined oil products, and the high utilisation rate maintained by the Company by proactively confronting with the over-supplied market.

The following table sets forth the sales volumes, average realised prices and the respective changes of the Company’s major refined oil products of the segment in the first half of 2018 and of 2017.

	Sales Volume (thousand tonnes)			Average realised price (VAT excluded, RMB/tonne)		
	Six-month periods ended 30 June		Change	Six-month periods ended 30 June		Change
	2018	2017	(%)	2018	2017	(%)
Gasoline	29,203	26,723	9.3	7,174	6,611	8.5
Diesel	30,731	28,322	8.5	5,567	5,070	9.8
Kerosene	10,706	7,403	44.6	4,167	3,579	16.4
Chemical feedstock	18,980	18,024	5.3	3,728	3,197	16.6
Other refined petroleum products	29,751	28,645	3.9	3,190	2,844	12.2

In the first half of 2018, the sales revenues of gasoline were RMB 209.5 billion, representing an increase of 18.6% year on year, accounting for 35.3% of the segment’s operating revenue.

In the first half of 2018, the sales revenues of diesel were RMB 171.1 billion, representing an increase of 19.1% year on year, accounting for 28.8% of the segment’s operating revenue.

In the first half of 2018, the sales revenues of kerosene were RMB 44.6 billion, representing an increase of 68.4% year on year, accounting for 7.5% of the segment’s operating revenue.

In the first half of 2018, the sales revenues of chemical feedstock were RMB 70.8 billion, representing an increase 22.8% year on year, accounting for 11.9% of the segment’s operating revenue.

In the first half of 2018, the sales revenues of refined petroleum products other than gasoline, diesel, kerosene and chemical feedstock were RMB 94.9 billion, representing an increase of 16.5% year on year, accounting for 16.0% of the segment’s operating revenue.

In the first half of 2018, the segment’s operating expenses were RMB 554.4 billion, representing an increase of 20.8% year on year, which was mainly attributable to increased crude purchasing cost resulting from higher crude oil prices, and increase of tax and surcharges resulting from increase of refinery throughput and adjustment of product mix.

In the first half of 2018, the average cost of processed crude oil was RMB 3,274 per tonne, representing an increase of 17.3% year on year. Total crude oil throughput was 121.55 million tonnes (excluding volume processed for third parties), representing an increase of 9.8% year on year. In the first half of 2018, the total cost of crude oil processed was RMB 397.9 billion, representing an increase of 28.9% year on year, accounting for 71.8% of the segment’s operating expenses, an increase of 4.5 percentage points year on year.

In the first half of 2018, the refining margin was RMB 544.1 per tonne, up by RMB 70.4 per tonne, representing an increase of 14.9% year on year, which was mainly because the Segment put great efforts to reduce crude oil purchasing cost and enhanced product mix by optimising operation plan according to market demand.

In the first half of 2018, the unit refining cash operating cost (defined as operating expenses less cost of crude oil and refining feedstock, depreciation and amortisation, taxes other than income tax and other operating expenses, divided by the throughput of crude oil and refining feedstock) was RMB 167.7 per tonne, representing a decrease of 0.3% year on year, which was mainly because the segment ensured safe and reliable operations, increased total throughput, advanced economical efficiency and technological level, and further enhanced cost control management.

The segment constantly optimised product mix, increased export of refined oil products, optimised crude oil sourcing to lower feedstock cost and achieved good result. In the first half of 2018, the segment realised an operating profit of RMB 38.9 billion, up by RMB 9.5 billion, representing an increase of 32.5% year on year.

(3) Marketing and Distribution Segment

The business activities of the marketing and distribution segment include purchasing refined oil products from the refining segment and the third parties, conducting direct sales and wholesale to domestic customers and retailing, distributing oil products through the segment’s retail and distribution network, as well as providing related services.

In the first half of 2018, the operating revenues of the segment were RMB 668.3 billion, increased by 10.3% year on year. This was mainly due to the increasing refined oil products prices and gasoline sales volume. The sales revenues of gasoline were RMB 333.1 billion, representing an increase of 15.5% year on year; the sales revenue of diesel was RMB 227.3 billion, up by 3.0% year on year and the sales revenue of kerosene was RMB 50.9 billion, up by 12.7% year on year.

The following table sets forth the sales volumes, average realised prices and respective percentage changes of the segment’s four major refined oil products in the first half of 2018 and 2017, including detailed information about retail, direct sales and distribution of gasoline and diesel:

	Sales Volume (thousand tonnes)			Average realised price (VAT excluded, RMB/tonne)		
	Six-month periods ended 30 June		Change	Six-month periods ended 30 June		Change
	2018	2017	(%)	2018	2017	(%)
Gasoline	43,633	41,413	5.4	7,634	6,966	9.6
Retail	33,625	32,701	2.8	8,050	7,364	9.3
Direct sales and Distribution	10,008	8,712	14.9	6,236	5,470	14.0
Diesel	39,858	45,107	(11.6)	5,702	4,890	16.6
Retail	20,037	20,954	(4.4)	6,212	5,595	11.0
Direct sales and Distribution	19,821	24,153	(17.9)	5,186	4,278	21.2
Kerosene	12,071	12,748	(5.3)	4,220	3,547	19.0
Fuel oil	10,528	11,808	(10.8)	2,653	2,218	19.6

In the first half of 2018, the operating expenses of the segment were RMB 651.1 billion, up by RMB 61.7 billion, representing an increase of 10.5% year on year. This was mainly due to: procurement costs of refined oil products increased RMB 57.7 billion as the result of rising oil price; non-fuel business cost increased RMB 1.8 billion as a result of volume expansion; employee expense increased by RMB 0.5 billion; depreciation increased RMB 0.4 billion.

In the first half of 2018, the segment’s marketing cash operating cost (defined as the operating expenses less the purchase costs, taxes other than income tax, depreciation and amortisation, divided by the sales volume) was RMB 198 per tonne, representing an increase of 8.7% year on year. This was mainly due to total sales volume decreased 4.97 million tonne and labor costs increased.

In the first half of 2018, the operating revenues of non-fuel business was RMB 16.3 billion, representing an increase of RMB 2.2 billion compared with the same period of 2017; the profit of non-fuel business was RMB 1.7 billion representing an increase of RMB 0.4 billion compared with the same period of 2017.

In the first half of 2018, the segment brought our advantages in integrated business and distribution network into full play, enhanced efforts to optimise internal and external resources, actively responded to market rebalancing, expanded markets, balanced profits and volume and achieved good result.

In the first half of 2018, the segment’s operating profit was RMB 17.2 billion, up by RMB 0.6 billion, representing an increase of 3.7% year on year.

(4) Chemicals Segment

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

In the first half of 2018, operating revenues of the chemicals segment were RMB 256.3 billion, representing an increase of 23.0% year on year, which was mainly due to increased petrochemical products sales volume and prices year on year as the Company seized market opportunities to expand market, promote sales and optimise structure.

The sales revenue generated by the segment’s six major categories of chemical products (namely basic organic chemicals, synthetic fibre monomer and polymer, synthetic resin, synthetic fibre, synthetic rubber, and chemical fertiliser) totalled RMB 242.5 billion, representing an increase of 23.4% year on year, accounting for 94.6% of the operating revenues of the segment.

19

The following table sets forth the sales volume, average realised price and respective changes of each of the segment’s six categories of chemical products in for the first half of 2018 and 2017.

	Sales Volume (thousand tonnes) Six-month periods ended 30 June		Change	Average realised price (VAT excluded, RMB/tonne) Six-month periods ended 30 June		Change
	2018	2017	(%)	2018	2017	(%)
Basic organic chemicals	25,824	21,599	19.6	5,091	4,755	7.1
Synthetic fibre monomer and polymer	5,541	5,050	9.7	6,740	5,956	13.2
Synthetic resin	7,194	6,311	14.0	8,495	7,993	6.3
Synthetic fibre	639	638	0.2	9,405	8,317	13.1
Synthetic rubber	540	553	(2.4)	10,686	13,465	(20.6)
Chemical fertiliser	409	321	27.4	2,024	1,956	3.5

In the first half of 2018, the operating expenses of the segment were RMB 240.5 billion, representing an increase of 22.5% year on year, which was mainly due to increased feedstock price following the increase of crude oil price.

In the first half of 2018, the segment seized the opportunity of good margin, continued the ‘basic and high-end’ chemical business development concept, strengthened the integration among production, sales, R&D and application, further promoted optimisation of feedstock, product and facilities to lower feedstock cost, increase high value added products’ proportion and achieved good result.

The segment’s operating profit in the first half of 2018 was RMB 15.8 billion, up by RMB 3.6 billion, representing an increase of 29.7% year on year.

(5) Corporate and Others

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

In the first half of 2018, the operating revenues generated from Corporate and Others were RMB 585.4 billion, representing an increase of 20.0% year on year. This was mainly due to increase of international oil prices and refined oil product trading.

In the first half of 2018, the operating expenses for corporate and others were RMB 589.9 billion, representing an increase of 21.1% year on year. This was mainly due to increase of procurement costs as the result of higher international oil prices.

In the first half of 2018, the segment’s operating loss amounted to RMB 4.5 billion.

3 ASSETS, LIABILITIES, EQUITY AND CASH FLOWS

The major funding sources of the Company are its operating activities and short-term and long-term loans. The major use of funds includes operating expenses, capital expenditures, and repayment of the short-term and long-term debts.

(1) Assets, liabilities and equityUnit: RMB million

	As of	As of

	30 June 2018	31 December 2017	Change
Total assets	1,617,304	1,595,504	21,800
Current assets	568,938	529,049	39,889
Non-current assets	1,048,366	1,066,455	(18,089)
Total liabilities	761,126	742,614	18,512
Current liabilities	577,065	579,446	(2,381)
Non-current liabilities	184,061	163,168	20,893
Total equity attributable to owners of the Company	720,113	726,120	(6,007)
Share capital	121,071	121,071	—
Reserves	599,042	605,049	(6,007)
Non-controlling Interests	136,065	126,770	9,295
Total equity	856,178	852,890	3,288

As of 30 June 2018, the Company’s total assets were RMB 1,617.3 billion, representing an increase of RMB 21.8 billion compared with that at the end of 2017, of which:

‧ Current assets were RMB 568.9 billion, representing an increase of RMB 39.9 billion compared with that as of the end of 2017. This was mainly attributable to increased RMB 38.9 billion in inventories as the result of increased crude oil prices, refined oil prices and inventory volume.

‧ Non-current assets were RMB 1,048.4 billion, representing a decrease of RMB 18.1 billion compared with that as of the end of 2017. The change of RMB 30.8 billion was mainly due to depreciation & depletion of PPE and etc. an increase of RMB 3.8 billion in interest in associates and joint ventures, an increase of RMB 3.9 billion in deferred tax assets and an increase of RMB 3.6 billion in long-term prepayments and other non-current assets.

As of 30 June 2018, the Company’s total liabilities were RMB 761.1 billion, representing an increase of RMB 18.5 billion compared with that as of the end of 2017, of which:

‧ Current liabilities were RMB 577.1 billion, representing a decrease of RMB 2.4 billion compared with that as of the end of 2017.

‧ Non-current liabilities were RMB 184.1 billion, representing an increase of RMB 20.9 billion compared with that as of the end of 2017. This was mainly due to the increase of long-term loans as the result of building natural gas and pipeline projects. Meanwhile, other non-current liabilities increased because subsidiary companies received relocation compensation from government.

As of 30 June 2018, total equity attributable to owners of the Company was RMB 720.1 billion, representing a decrease of RMB 6.0 billion compared with that as of the end of 2017, which was mainly due to a decrease of RMB 6.0 billion in reserves as the result of dividend payment partly offset by increase of net earnings in the first half of 2018.

(2) Cash Flow

The following table sets forth the major items in the consolidated cash flow statements for the first half of 2018 and of 2017.

Unit: RMB million

	Six-month periods ended 30 June		Changes in
Major items of cash flows	2018	2017	amount
Net cash generated from operating activities	71,620	60,847	10,773
Net cash generated from/(used in) investing activities	19,258	(40,002)	59,260
Net cash used in financing activities	(49,308)	(16,038)	(33,270)
Net increase in cash and cash equivalents	41,570	4,807	36,763

In the first half of 2018, net cash generated from operating activities was RMB 71.6 billion, representing an increase of RMB 10.8 billion in net cash inflow year on year. This was mainly due to significant progress in business performance over the same period of 2017.

In the first half of 2018, net cash generated from investing activities was RMB 19.3 billion, representing an increase of RMB 59.3 billion in cash inflow year on year. This was mainly due to: RMB 48 billion proceeds from sales of financial assets which are measured at fair value and whose changes are recorded into current period profit or loss;

increase of RMB 21.8 billion in principal and interests of time deposits received at maturity; and net cash used in investing activities increased by RMB 18.5 billion.

On 30 June 2018, net cash used in financing activities was RMB 49.3 billion, representing an increase of cash outflow of RMB 33.3 billion year on year. This was mainly due to cash dividend distribution of RMB 48.4 billion. In 2017, dividend was paid in July.

As of 30 June 2018, the Cash and Cash equivalents were RMB 154.8 billion.

(3) Contingent Liabilities
Please refer to “Material Guarantee Contracts and Their Performances” in the “Significant Events” section of this report.

(4) Capital Expenditures
Please refer to “Capital Expenditures” in the “Business Review and Prospects” section of this report.

(5) Research & Development expenditure and enviornmental expenditure
Research and Development expenditure includes expensed expenditure that are recorded in the profit and loss of the period and capitalised expenditure. In the first half of 2018, the Company’s research and development expenditure amounted to RMB 4.2 billion, among which expensed expenditure was RMB 4.1 billion.

Environmental expenditures refer to the normal routine pollutant cleaning fees paid by the Company, excluding capitalised cost of pollutant treatment facilities. In the first half of 2018, the environmental expenses amounted to RMB 3 billion.

(6) Measurement of fair values of derivatives and relevant system
The Company has established sound decision-making mechanism, business process and internal control systems relevant to financial instrument accounting and information disclosure.

21

Items relevant to measurement of fair values

Unit: RMB million

Items	Beginning of the reporting period	End of the reporting period	Profits and losses from variation of fair values in the current reporting period	Impact on income statement	Accumulated variation of fair values recorded as equity	Funding source
Financial assets held for trading						Self-owned fund
Structured deposit	51,196	7,108	(87)	84	—	
Equity investment	—	153	(19)	(19)	—	
Other investment	—	8	8	8	—	
Other equity instruments investment						Self-owned fund
Listed	178	159	(19)	—	—	
Unlisted	—	1,321	2	—	—	
Derivative financial instruments	(522)	(810)	(391)	(391)	—	Self-owned fund
Cash flow hedges	(1,617)	4,642	28	28	(2,991)	Self-owned fund
Total	49,235	12,581	(478)	(307)	(2,991)	

4 ANALYSIS OF FINANCIAL STATEMENTS PREPARED UNDER ASBE

The major differences between the Company’s financial statements prepared under ASBE and IFRS are set out in Section C of the financial statements of the Company from page 135 in this report.

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

	Six-month periods ended 30 June 2018 RMB million	2017 RMB million
Operating income		
Exploration and Production Segment	87,924	74,109
Refining Segment	593,327	488,172
Marketing and Distribution Segment	668,325	605,960
Chemicals Segment	256,268	208,429
Corporate and Others	585,443	488,015
Elimination of inter-segment sales	(891,035)	(698,848)
Consolidated operating income	1,300,252	1,165,837
Operating profit/(loss)		
Exploration and Production Segment	(1,249)	(18,799)

Refining Segment	37,981	28,320
Marketing and Distribution Segment	17,411	15,977
Chemicals Segment	15,210	11,917
Corporate and Others	(3,211)	259
Elimination of inter-segment sales	(5,440)	(1,212)
Financial expenses, losses/gains from changes in fair value, investment income and disposal income/expenses	5,389	7,134
Other income	1,849	1,321
Consolidated operating profit	67,940	44,917
Net profit attributable to equity shareholders of the Company	41,600	27,092

Operating profit: In the first half of 2018, the operating profit of the Company was RMB 67.9 billion, representing an increase of 51.3% year on year. This was mainly due to significant decrease of loss in upstream business and steady increase of earning in midstream and downstream businesses as a result of value creation, improvement of assets quality and profitability, operation upgrades, and new achievements in management made by the company.

Net profit: In the first half of 2018, net profit attributable to the equity shareholders of the Company was RMB 41.6 billion, representing an increase of 53.6% year on year.

22

(2) Financial data prepared under ASBE:

	At 30 June 2018 RMB million	At 31 December 2017 RMB million	Changes RMB million
Total assets	1,617,304	1,595,504	21,800
Non-current liabilities	182,928	161,988	20,940
Shareholders’ equity	857,311	854,070	3,241

Total assets: As of 30 June 2018, the Company’s total assets were RMB 1,617.3 billion, representing an increase of RMB 21.8 billion compared with that at the end of 2017. This was mainly due to the increase of inventories resulting from increase of crude oil and refined oil prices, and inventory volume.

Non-current liabilities: As of 30 June 2018, the Company’s non-current liabilities were RMB 182.9 billion, representing an increase of RMB 20.9 billion from that at the end of 2017. This was mainly due to the increase of long-term loans as the result of building natural gas and pipeline projects. Meanwhile, other non-current liabilities increased because subsidiary companies received relocation compensation from government.

Shareholders’ equity: As of 30 June 2018, total shareholders’ equity of the Company was RMB 857.3 billion, representing an increase of RMB 3.2 billion compared with that at the end of 2017.

(3) The results of the principal operations by segments

Segments	Operating income (RMB million)	Operating cost (RMB million)	Gross profit margin* (%)	Increase of operating income on a year-on-year basis (%)	(Decrease)/ increase of operating cost on a year-on-year basis (%)	Increase/ (decrease) of gross profit margin on a year-on-year basis (percentage point)
Exploration and Production	87,924	71,233	12.9	18.6	(2.4)	17.2
Refining	593,327	433,726	8.2	21.5	27.6	0.1
Marketing and Distribution	668,325	619,769	7.1	10.3	10.7	(0.2)
Chemicals	256,268	229,064	10.2	23.0	24.2	(0.5)
Corporate and Others	585,443	582,523	0.5	20.0	20.6	(0.5)
Elimination of inter-segment sales	(891,035)	(885,596)	N/A	N/A	N/A	N/A
Total	1,300,252	1,050,719	10.1	11.5	11.5	0.9

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

23

5 THE CAUSE AND IMPACT OF THE CHANGE IN THE COMPANY’S ACCOUNTING POLICY﹑ESTIMATES AND METHOD

In 2018, the Company has three major events about the change in accounting policy:

(1) Ministry of Finance (MOF) issued Cai Kuai [2018] No. 15 “Announcement of the revision of general enterprise financial statements format for 2018” in June 2018. The Company has adopted the above guidelines to prepare financial statements for the six-month period ended 30 June 2018. The comparative financial statements of 2017 have been adjusted. The impact to the Company’s financial statements is as follows:

a. The impact on items in the consolidated balance sheet:

Contents and reasons of the changes	Item	31 December 2017 RMB million	1 January 2017 RMB million
Bills receivable and accounts receivable are combined into bills and accounts receivable	Bills receivable and accounts receivable	84,701	63,486
	Accounts receivable	(68,494)	(50,289)
	Bills receivable	(16,207)	(13,197)
Fixed assets and Fixed assets pending for	Fixed assets	146	—
disposal are combined into fixed assets	Other non-current assets	(146)	—
Bills payable and accounts payable are combined into bills and accounts payable	Bills payable and accounts payable	206,535	180,129
	Accounts payable	(200,073)	(174,301)
	Bills payable	(6,462)	(5,828)
Interests payable, dividends payable and other	Other payables	6,843	2,006
payables are combined into other payables	Dividends payable	(6,843)	(2,006)

b. The impact on items in the consolidated income statement:

		Six-month
	p	period ended 30 June 2017

Contents and reasons of the changes	Item	RMB million
The research and development expenses originally included in the general and administrative expenses were separately presented as the research and development expenses in income statements	Research and development expenses	2,672
	General and administrative expenses	(2,672)

(2) MOF issued revised “No.14 Accounting Standard for Business Enterprises – Revenue” (“New Revenue Standard”) in 2017 and the New Revenue Standard was effective on 1 January 2018. The Company has adopted the above standard to prepare the financial statements for the six-month period ended 30 June 2018. The New Revenue Standard has no significant impact on the shareholder’s equity in the consolidated balance sheet. The Company’s comparative financial statements of 2017 have not been restated. Other financial statement items that affected by the Company’s initial implementation of the standard are as follows:

Contents and reasons of the changes	Item	At 1 January 2018 RMB million
Advances from customers were reclassified as contract liabilities	Contract liabilities	120,734
	Advances from customers	(120,734)

24

(3) MOF issued revised “No.22 Accounting Standards for Business Enterprises – Financial instruments: recongnition and measurement”, revised “No.23 Accounting Standards for Business Enterprises – Transfer of financial assets”, revised “No.24 Accounting Standards for Business Enterprises – Hedging” and revised “No.37 Accounting Standards for Business Enterprises – Presentation of financial instruments” (collectively referred to as “New Financial Instruments Standards”). The Company has adopted the above guidelines to prepare the financial statements of the six-month period ended 30 June 2018. The impact to the Company’s financial statements is presented as below:

a. At 1 January 2018, the comparatives of classification and measurement between the New Financial Instruments Standards and the Financial Instruments Standards before revision are as below:

Financial Instruments Standards before revision			New Financial Instruments Standards		
Item	Measurement	RMB million	Item	Measurement	RMB million
Financial assets at fair value through profit or loss	Measured at fair value through profit or loss	51,196	Financial assets held for trading	Measured at fair value through profit or loss	51,196
Available-for-sale financial assets	Measured at fair value through other comprehensive income (equity instruments)	178	Other equity instrument investments	Measured at fair value through other comprehensive income	1,676
	Measured at cost (equity instruments)	1,498			

25

SIGNIFICANT EVENTS

1 CORPORATE GOVERNANCE

(1) During the reporting period, the new sessions of the Board and the Board of Supervisors were formed and the senior management was appointed. The members of each of the Board committees were elected and the nomination committee was established. Sinopec Corp. committed itself to continuously improving its corporate governance. It timely established the terms of references of the nomination committee, amended its Articles of Association, Rules and Procedures for Board of Directors’ Meetings and the internal control procedures. The Company actively implemented “the year of party building quality”, using high-quality party building to drive the high-qualify development of the Company. The Company also fulfilled its social responsibilities. Sinopec Corp. actively participated in the UN Global Compact activities and achieved positive results. The improvement of the investor relations and information disclosure quality earned the capital market’s recognition.

During the reporting period, on 15 May 2018, Sinopec Corp. convened 2017 Annual General Meeting in Beijing, China in accordance with relevant laws, regulations and the notice, convening and holding procedures under the Articles of Association. For the details of the meeting, please refer to the poll results announcement published in China Securities Journal, Shanghai Securities News, and Securities Times on 16 May 2018 and on the website of Hong Kong Stock Exchange on 15 May 2018.

(2) During the reporting period, none of Sinopec Corp., the Board, directors, supervisors, senior management, controlling shareholders, or de facto controller of Sinopec Corp. was investigated by the CSRC, administratively punished or publicly reprimanded by the CSRC, the Hong Kong Securities and Futures Commission, and the Securities and Exchange Commission of the United States, or public censured by the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the New York Stock Exchange, or the London Stock Exchange.

(3) Equity interests of directors, supervisors, and other senior management

As of 30 June 2018, apart from 13,000 A shares of Sinopec Corp. held by Director and Vice President Mr. Ling Yiqun, none of the directors, supervisors, or other senior management of Sinopec Corp. held any shares of Sinopec Corp.

Save as disclosed above, the directors, supervisors or other senior management of Sinopec Corp. confirmed that none of them had any interest or short positions in any shares, underlying shares or debentures of Sinopec Corp. or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the registry pursuant to Section 352 of the SFO or as otherwise notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (Model Code) contained in Appendix 10 base on the Hong Kong Listing Rules.

As required by the Hong Kong Stock Exchange, Sinopec Corp. has formulated the Rules Governing Shares and Changes in Shares Held by Company Directors, Supervisors and Senior Management and the Model Code of Securities Transactions by Company Employees (the Rules and the Code) to stipulate securities transaction by relevant employees. The standards of the Rules and the Code are no less strict than those set out in the Model Code. Upon the specific inquiries made by Sinopec Corp., all the directors confirmed that they had complied with the required standards of the Model Code as well as those set out in the Rules and the Code during the reporting period.

(4) Compliance with the Corporate Governance Code

During the reporting period, Sinopec Corp. have complied with all the code provisions set out in the Corporate Governance Code.

(5) Review of the Interim Report

The Audit Committee of Sinopec Corp. has reviewed and confirmed the Interim Report.

2 DIVIDEND

(1) Dividend distribution for the year ended 31 December 2017

Upon its approval at its 2017 Annual General Meeting, Sinopec Corp. distributed the final cash dividend of RMB 0.40 per share (tax inclusive). The final dividend for 2017 has been distributed to shareholders on or before 14 June 2018 who were registered as existing shareholders as at 4 June 2018. Combined with the 2017 interim cash dividend of RMB 0.10 per share (tax inclusive), the total cash dividend for the whole year 2017 amounted to RMB 0.50 per share (tax inclusive).

(2) Interim dividend distribution plan for the six months ended 30 June 2018

As approved at the third meeting of the seventh session of the Board, the interim dividend for the six months ended 30 June 2018 of RMB 0.16 per share (tax inclusive) will be distributed based on the total number of shares as of 11 September 2018 (record date) in cash.

The 2018 interim dividend distribution plan, with the consideration of interest of shareholders and development of the Company, is in compliance with the Articles of Association and relevant procedures. The independent non-executive directors have issued independent opinions on it.

The interim cash dividend will be distributed on or before 21 September 2018 (Friday) to all shareholders whose names appear on the register of members of Sinopec Corp. on the record date of 11 September 2018 (Tuesday). To be entitled to the interim dividend, holders of H shares shall lodge their share certificates and transfer documents with Hong Kong Registrars Limited at 1712-1716, 17th floor, Hopewell Centre, No. 183 Queen’s Road East, Wanchai, Hong Kong, for registration of transfer, no later than 4:30 p.m. on 4 September 2018 (Tuesday). The register of members of the H shares of Sinopec Corp. will be closed from 5 September 2018 (Wednesday) to 11 September 2018 (Tuesday) (both days inclusive).

The dividend will be denominated and declared in RMB and distributed to domestic shareholders and Shanghai-Hong Kong Stock Connect shareholders in RMB and to foreign shareholders in Hong Kong Dollars. The exchange rate for dividend to be paid in Hong Kong dollars is based on the average benchmark exchange rate of RMB against Hong Kong Dollar as published by the People’s Bank of China one week ahead of the date of declaration of the interim dividend, i.e. 24 August 2018 (Friday).

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

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

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (关於 港 票市場交易互聯互通&
(Caishui [2014] No. 81):

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

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

27

3 MAJOR PROJECTS

(1) Tianjin LNG project

The first phase of Tianjin LNG project with designed receiving capacity of 3 million tonnes per year consists mainly of the construction of wharf, terminal and transportation pipelines. It was completed and put into operation at the end of January 2018. The Company’s self-owned fund accounts for approximately 40% of the project investment and bank loan is the main source of the remaining 60%. As of 30 June 2018, the aggregate investment was RMB 11 billion.

(2) Zhongke integrated refining and chemical project

Zhongke integrated refining and petrochemical project consists mainly of a 10,000,000 tpa refinery, 800,000 tpa ethylene unit, 300,000 tonne jetty and relevant utilities. The mechanical completion is expected to be achieved in June 2020. The Company’s self-owned fund accounts for 30% of the project investment, bank loan is the main source for the remaining 70%. As of 30 June 2018, the aggregate investment was RMB 8.5 billion.

(3) Xinqi pipeline project

The first phase of Xinqi gas pipeline project mainly consists of pipeline from Qianjiang to Shaoguan with total length of 839.5 kilometres and designed transmission capacity of 6 billion cubic meters per year. It is expected to be completed and put into operation in July 2020. The Company’s self-owned fund accounts for 38% of the project investment and bank loan is the main source of the remaining 62%. As of 30 June 2018, the aggregate investment was RMB 2.9 billion.

(4) E-An-Cang gas pipeline project

The first phase of E-An-Cang gas pipeline project mainly consists of the main pipeline from Luquan to Cangzhou and two branch pipeline named Puyang and Baoding respectively. Total length of pipeline is 736 kilometres and designed transmission capacity is 9 billion cubic meters per year. It is expected to be completed and put into operation in December 2019. The Company’s self-owned fund accounts for 30% of the project investment and bank loan is the main source of the remaining 70%. As of 30 June 2018, the aggregate investment was RMB 670 million.

(5) Wen 23 gas storage project

The first phase of Wen 23 gas storage project mainly consists of construction of injection and production wells and surface facilities with storage capacity of 8.431 billion cubic meters. The Company’s self-owned fund accounts for 30% of the project investment and bank loan is the main source of the remaining 70%. As of 30 June 2018, the aggregate investment was RMB 2.2 billion.

4 FORMATION OF SINOPEC CAPITAL WITH CHINA PETROCHEMICAL CORPORATION

On 9 July 2018, Sinopec Corp. entered into the Articles of Association (Sinopec Capital AOA) of Sinopec Capital Co., Ltd. (Sinopec Capital) with China Petrochemical Corporation. Pursuant to the Sinopec Capital AOA, Sinopec Corp. proposes to establish Sinopec Capital with China Petrochemical Corporation with a registered capital of RMB 10 billion, of which, Sinopec Corp. will subscribe capital contribution of RMB 4.9 billion by cash, representing 49% of the registered capital of Sinopec Capital; and China Petrochemical Corporation will subscribe capital contribution of RMB 5.1 billion by cash, representing 51% of the registered capital of Sinopec Capital. Upon the establishment of Sinopec Capital, its investments will focus on strategic emerging industries, including new energy, new material, energy conservation and environmental protection, and intelligence manufacturing in relation to the industry chain. In respect of the investment projects which are related to Sinopec Corp.’s principal business, Sinopec Corp. will have the right of first refusal to acquire such projects. The formation of Sinopec Capital will speed up investments in emerging industries and help support Sinopec Corp.’s own business development and industrial chain upgrade. It will play an important role in achieving comprehensive, sustainable and high-quality development of Sinopec Corp. For more details, please refer to relevant announcements published on 11 July 2018 in the China Securities Journal, the Shanghai Securities News and the Securities Times and on the website of the Hong Kong Stock Exchange (dated 10 July 2018).

28

Explanation of Responses:

5CORPORATE BONDS ISSUED AND INTEREST PAYMENTS

Basic information of corporate bonds

	Sinopec Corp.	Sinopec Corp.	Sinopec Corp.	
Bond name	2010 Corporate bond	2012 Corporate bond	2015 Corporate bond (first issue)	
Abbreviation	10石化02	12石化02	15石化01	15石化02
Code	122052	122150	136039	136040
Issuance date	21 May 2010	1 June 2012	19 November 2015	
Maturity date	21 May 2020	1 June 2022	19 November 2018	19 November 2020
Amount issued (RMB billion)	9	7	16	4
Outstanding balance (RMB billion)	9	7	16	4
Interest rate (%)	4.05	4.90	3.30	3.70
Principal and interest repayment	Simple interest is calculated and paid on an annual basis without compounding interests. The principal will be paid at maturity with last installment of interest.			
Payment of interests	Sinopec Corp. had paid in full the interest accrued of “10石化02” and “12石化02” during the reporting period.			
Investor Qualification Arrangement	15石化01 and 15石化02 were publicly offered to qualified investors in accordance with Administration of the Issuance and Trading of Corporate Bonds			
Listing place	Shanghai Stock Exchange			
Corporate bonds trustee	China International Capital Corporation Limited			
	27th-28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing			
	Huang Xu, Zhai Ying			
	(010) 6505 1166			
Credit rating agency	United Credit ratings Co., Ltd.			
	12th Floor, PICC building, No.2 Jianguomenwai Avenue, Chaoyang District, Beijing			
Use of proceeds	Proceeds from the above-mentioned corporate bonds have been used for their designated purpose as disclosed. All the proceeds have been completely used.			
Credit rating	During the reporting period, United Credit ratings Co., Ltd. provided credit rating for 10石化02, 12石化02, 15石化01 and 15石化02 and reaffirmed AAA credit rating in the continuing credit rating report. The long term credit rating of Sinopec Corp. remained AAA with its outlook being stable. Pursuant to relevant regulations, Sinopec Corp. has published latest credit rating results through medias designated by regulators within two months commencing from the announcement date of annual report.			
Credit addition mechanism, repayment scheme and other relative events for corporate bonds during the	During the reporting period, there is no credit addition mechanism and change of the repayment arrangement for the above-mentioned corporate bonds. Sinopec Corp. strictly followed the provisions in the corporate bond prospectus to repay interests of the corporate bonds.			

reporting period	The guarantee of 10石化02 and 12石化02 is China Petrochemical Corporation. For more information of the guarantee, please refer to the interim report of corporate bonds which will be published on website of Shanghai Stock Exchange by China Petrochemical Corporation
Convening of corporate bond holders’ meeting	During the reporting period, the bondholders’ meeting was not convened.
Performance of corporate bonds trustee	During the durations of the above-mentioned bonds, the bond trustee, China International Capital Corporation Limited, has strictly followed the Bond Trustee Management Agreement and continuously tracked the Company’s credit status, utilisation of bond proceeds and repayment of principals and interests of the bond. The bond trustee has also advised the Company to fulfil obligations as described in the corporate bond prospectus and exercised its duty to protect the bondholders’ legitimate rights and interests. The bond trustee disclosed the Trustee Management Affairs Report. The full disclosure is available on the website of Shanghai Stock Exchange (http://www.sse.com.cn)

Principal accounting data and financial indicators as of 30 June 2018

	As of 30 June	As of 31 December		
Principal data	2018	2017	Change	Reasons for change
Current ratio	0.99	0.91	0.08	Due to the increase of cash at bank and on hand and inventories
Quick ratio	0.60	0.59	0.01	Due to the increase of cash at bank and on hand and other receivables
Liability-to-asset ratio	46.99%	46.47%	0.52 percentage points	Due to the increase of long-term loan
Loan repayment rate	100%	100%	—	—

	Six-month period ended 30 June			
	2018	2017	Change	Reasons for change

EBITDA-to-interest coverage ratio	35.40	28.75	6.65	Due to the increase of earning
Interest payment rate	100 %	100 %	—	—

29

During the reporting period, the Company paid in full the interest accrued for the other bonds and debt financing instruments. As at 30 June 2018, the standby credit line provided by several domestic financial institutions to the Company was RMB 366.68 billion in total, facilitating the Company to get such amount of unsecured loans. During the reporting period, Sinopec Corp. fulfilled relevant undertakings in the prospectus of corporate bonds. During the reporting period, Sinopec Corp. repaid the bank loans on time and had no significant matters which could influence the Company’s operation and debt paying ability.

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

6 CORE COMPETITIVENESS ANALYSIS

The Company is a large scale integrated energy and petrochemical company with upstream, mid-stream and downstream operations. The Company is a large scaled oil and gas producer in China; in respect of refining capacity, it ranks first in China; equipped with a well-developed refined oil products sales network, the Company is the largest supplier of refined oil products in China; and in terms of ethylene production capacity, the Company takes the first position in China, and has a well-established marketing network for chemical products.

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

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

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

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

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

7 CONTINUING CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

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

Pursuant to the above-mentioned agreements on continuing connected transactions (as amended from time to time), the aggregate amount of the connected transactions of the Company during the reporting period was RMB 178.952 billion. The purchases amount was RMB 117.270 billion, representing 8.97% of the total amount of this type of transaction for the reporting period, including purchases of products and services (procurement, storage, exploration and development services, and production-related services) of RMB109.338 billion, purchases of auxiliary and community services of RMB 3.255 billion, payment of housing rent of RMB 219 million and rent for use of land of RMB 4.027 billion, and interest expenses of RMB 431 million. The sales amount was RMB 61.682 billion, representing 4.56% of the total amount of this type of transaction for the reporting period, including sales of products and services of RMB 61.228 billion, agency commission income of RMB 19 million, and interest income of RMB 435 million.

8 FUNDS PROVIDED BETWEEN RELATED PARTIES
Unit: RMB million

Related parties	Relations	Funds to related parties: Balance at the beginning of the period	Amount incurred	Balance at the end of the period	Funds from related parties: Balance at the beginning of the period	Amount incurred	Balance at the end of the period
Sinopec Group	Parent company and its subordinate companies*	24,038	(2,119)	21,919	28,268	(1,685)	26,583
Other related parties	Associates and joint ventures	1,678	(738)	940	38	46	84
Total		25,716	(2,857)	22,859	28,306	(1,639)	26,667
Reason for provision of funds between related parties		Loans and other accounts receivable and accounts payable					
Impacts on operating results and financial position		No material negative impact					

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

9 SIGNIFICANT LITIGATION AND ARBITRATION RELATING TO THE COMPANY
No significant litigation, arbitration relating to the Company occurred during the reporting period.

10 CREDIBILITY FOR THE COMPANY, CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER
During the reporting period, the Company and its controlling shareholder did not have any court’s effective judgments which should be executed or any large amount of debt which should be repaid.

11 OTHER MATERIAL CONTRACTS
Saved as disclosed by Sinopec Corp., the Company did not enter into any significant contracts subject to disclosure obligations during the reporting period.

12 SIGNIFICANT EQUITY INVESTMENTS
During the reporting period, the Company did not have significant equity investment.

13 SIGNIFICANT ASSETS AND EQUITY SALE
During the reporting period, there is no significant assets or equity sale of the Company

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

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

31

Explanation of Responses:

15 MATERIAL GUARANTEE CONTRACTS AND THEIR PERFORMANCE

Unit: RMB Million

Major external guarantees (excluding guarantees for controlled subsidiaries)

Guarantor	Relationship with the Company	Name of guaranteed companies	Amount	Transaction date (date of signing)	Period of guarantee	Type	Whether completed or not	Whether overdue or not	Amounts of overdue guarantee	Counter-guarantee	Wh gua for con arti
Sinopec Corp.	The listed company itself	Zhongtian Hechuang Energy Co., Ltd	12,844	25 May 2016	25 May 2016 –31 December 2023 (the mature date is estimated)	Joint liability guarantee	No	No	—	No	No
Sinopec Corp.	The listed company	Zhong An United Coal	2,890	18 April 2018	18 April 2018 –	Joint liability guarantee	No	No	—	No	No
	itself	Chemical Co., Ltd.			31 December 2031						
Sinopec Corp.	The listed company	Yanbu Aramco Sinopec	no specific	31 December 2014	30 years from the date YASRFE	Joint liability guarantee	No	No	—	No	No
	itself	Refining Company	amount agreed,		requires supply of hydrogen from						&#
		(YASREF) Limited	guarantee		Air Liquedie Arabia LLC.						&#
			on contract performance								&#
SSI	Controlled subsidiary	New Bright International	7,308			Joint liability guarantee	No	No	—	Yes	No
		Development Ltd./ Sonangol E.P./SSI15									&#

Total amount of guarantees provided during the reporting period[1]	2,8
Total amount of guarantee balance at the end of reporting period[1] (A)	19,
Guarantees by the Company to the controlled subsidiaries	
Total amount of guarantee provided to controlled subsidiaries during the reporting period	0
Total amount of guarantee for controlled subsidiaries balance at the end of the reporting period (B)	17,
Total amount of guarantees provided by the Company (including those provided for controlled subsidiaries)	
Total amount of guarantees (A+B)	37,

The proportion of the total amount of guarantees attribute to the Sinopec Corp.’s net assets (%)	5.1
Guarantees provided for shareholders, de facto controller and connected parties (C)	315
Amount of debt guarantees provided directly or indirectly for the companies with liabilities to assets ratio over 70% (D)	2,5
The amount of guarantees in excess of 50% of the net assets (E)	Nor
Total amount of the above three guarantee items (C+D+E)	2,9
Explanation of guarantee undue that might involve joint and several liabilities	Nor
Explanation of guarantee status	Nor

1: The amount of guarantees provided during the reporting period and the outstanding balance of guarantees amount at the end of the reporting period include the guarantees provided by the controlled subsidiaries to external parties. The amount of the guarantees provided by these subsidiaries is derived from multiplying the guarantees provided by Sinopec Corp.’s subsidiaries by the percentage of shareholding of Sinopec Corp. in such subsidiaries.

32

16PERFORMANCE OF THE UNDERTAKINGS

					Whether	Whether
Background	Type of Undertaking	Party	Contents	Term for performance	bears deadline or not	strictly performed or not
Undertakings	IPO	China	1 Compliance with the connected transaction agreements;	From 22 June 2001	No	Yes
related to Initial Public Offerings (IPOs)		Petrochemical Corporation	2 Solving the issues regarding the legality of land-use rights certificates and property ownership rights certificates within a specified period of time;			
			3 Implementation of the Reorganisation Agreement (please refer to the definition of Reorganisation Agreement in the H share prospectus of Sinopec Corp.);			
			4 Granting licenses for intellectual property rights;			
			5 Avoiding competition within the same industry;			
			6 Abandonment of business competition and conflicts of interest with Sinopec Corp.			
Other undertakings	Other	China Petrochemical Corporation	Given that China Petrochemical Corporation engages in the same or similar businesses as Sinopec Corp. with regard to the exploration and production of overseas petroleum and natural gas, China Petrochemical Corporation hereby grants a 10-year option to Sinopec Corp. with the following provisions: (i) after a thorough analysis from political, economic and other perspectives, Sinopec Corp. is entitled to require China Petrochemical Corporation to sell its overseas oil and gas assets owned as of the date of the undertaking and still in its possession upon Sinopec Corp.’s exercise of the option to Sinopec Corp.; (ii) in relation to the overseas oil and gas assets acquired by China Petrochemical Corporation after the issuance of the undertaking, within 10 years of the completion of such acquisition, after a thorough analysis from political, economic and other perspectives, Sinopec Corp. is entitled to require China Petrochemical Corporation to sell these assets to	Within 10 years after 29 April 2014 or the date when China Petrochemical Corporation acquires the assets	Yes	Yes

Sinopec Corp. China Petrochemical Corporation undertakes to transfer the assets as required by Sinopec Corp. under aforesaid items (i) and (ii) to Sinopec Corp., provided that the exercise of such option complies with applicable laws and regulations, contractual obligations and other procedural requirements.

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

33

17 STRUCTURED ENTITY CONTROLLED BY THE COMPANY

None

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

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

19 SHARE OPTION INCENTIVE SCHEME OF SINOPEC CORP.’S SUBSIDIARY, SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED (SHANGHAI PETRO)

(i) Initial Grant of the Share Option:
Grant Date: 6 January 2015
Number of Participants: 214 persons
Number of Share Options Granted: 38,760,000

(ii) The exercise condition of the first grant of first exercise schedule of share option
Exercise Date: 29 August 2017
Number of exercisable share options: 14,212,500
Number of lapsed share options: 5,228,900
Number of exercised share options: 14,176,600
Date of completing registration for newly increased shares: 27 September 2017
Number of participants who exercised the option: 199
Exercise price: RMB 3.85/share

(iii) The exercise condition of the first grant of second exercise schedule of share option
Exercise Date: 12 January 2018
Number of exercisable share options: 9,636,900
Number of lapsed share options: 520,700
Number of exercised share options: 9,636,900
Date of completing registration for newly increased shares: 14 February 2018
Number of participants who exercised the option: 185
Exercise price: RMB 3.85/share

(iv) Outstanding share options of Directors, chief executive and substantial shareholder as at the end of the Reporting Period

At the beginning of the reporting period, the total number of outstanding A shares share options held by directors, chief executive, 3 substantial shareholders and vice president Mr. Jin Wenmin, of Shanghai Petro were 966,000 options. During the reporting period, vice president of Shanghai Petro Mr. Jin Wenmin was appointed as executive director of Shanghai Petro on 13 June 2018. The total number of exercised share options held by Mr. Gao Jinping, Jin Qiang, and Guo Xiaojun is 483,000. As at the end of the Reporting Period, the total number of outstanding A shares share options held by the following 4 persons, Vice Chairman and Vice President of Shanghai Petro Mr. Gao Jinping, Director and Vice President of Shanghai Petro Mr. Jin Qiang, Director, Vice President and Secretary to the Board of Shanghai Petro Mr. Guo Xiaojun and Director and Vice President of Shanghai Petro Mr. Jin Wenmin were 483,000 options.

(v) Outstanding share options granted to employees other than the persons mentioned in item (ii)

At the beginning of the reporting period, a total number of 18.1385 million outstanding A shares share options were held by Shanghai Petro’s key business personnel. During the reporting period, a total number of 9.1539 million share options had been exercised by Shanghai Petro’s key business personnel during the second exercise period. During the reporting period, a total of 520,700 A shares share options granted to Shanghai

Petro’s key business personnel had been lapsed due to their resignations and etc,. At the end of the Reporting Period, the number of outstanding A shares share options held by Shanghai Petro’s key business personnel was 8.4639 million.

(vi) Exercise of the Share Options under the Initial Grant and adjustment of exercise price

According to the pricing principle disclosed by Shanghai Petro on the determination of exercise price, the exercise price under the initial grant was RMB 4.20 per share (in the event of dividends payment, capitalisation of capital reserves, bonus issue, subdivision or reduction of shares or allotment of shares during the validity period, the exercise price shall be adjusted according to the Share Option Incentive Scheme). On 15 June 2016, the 2015 annual profit distrbution plan of Shanghai Petro was considered and passed at its 2015 Annual General Meeting, whereby cash dividend of RMB1.00 was paid for each 10 shares of Shanghai Petro. On 15 June 2017, the 2016 annual profit distribution plan of Shanghai Petro was considered and passed at its 2016 Annual General Meeting, whereby cash dividend of RMB 2.50 was paid for each 10 shares of Shanghai Petro, and the exercise price was adjusted to RMB 3.85 per share accordingly. On 13 June 2018, the 2017 annual profit distribution plan of Shanghai Petro was considered and passed at its 2017 Annual General Meeting, whereby cash dividend of RMB 3.00 was paid for each 10 shares of Shanghai Petro, and the exercise price was adjusted to RMB 3.55 per share accordingly.

(vii) Validity Period and arrangement of exercise

The validity period for the share options shall be five years commencing from the grant date and is subject to the arrangement of exercise. The exercisable period for the share options shall be three years, commencing from the expiry of the two-year period after the grant date. The A shares share option scheme consists of three exercisable period (each year is one exercisable period, the same hereinafter). 40%, 30% and 30% of the total granted share options, meeting the exercisable requirements, could be exercised during the first, second and third exercisable period respectively.

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

Save as disclosed above, during the reporting period, Shanghai Petro granted no A shares share option in accordance with the A shares share option scheme, none of the share options was exercised by the persons granted share option and none of the share option lapsed or was cancelled.

20 RISK FACTORS

In the course of its production and operations, the Company will actively take various measures to circumvent operational risks. However, in practice, it may not be possible to prevent the occurrence of all risks and uncertainties described below.

Risks with regard to the variations from macroeconomic situation: The business results of the Company are closely related to China’s and global economic situation. The development of Chinese economy has entered New Normal. Although various countries have adopted different kinds of macroeconomic policies to eliminate negative effects caused by lower growth of global economy, the turnaround of economic recovery still remains uncertain. Trade protectionism could slow global trade growth, especially in emerging economies. The Company’s business could also be adversely affected by such factors as the impact on export due to trade protectionism from some countries, and impact on import which is likely caused by regional trade agreements, and impact on oversea oil and gas exploration and development, as well as on investment on refining and petrochemical and storage projects, due to the uncertainty of international oil price.

Risks with regard to the cyclical effects from the industry: The majority of the Company’s operating income comes from the sales of refined oil products and petrochemical products, and part of the those businesses and their related products are cyclic and are sensitive to macro-economy, cyclic changes of regional and global economy, the changes of the production capacity and output, demand of consumers, prices and supply of the raw materials, as well as prices and supply of the alternative products etc. Although the Company is an integrated company with upstream, midstream and downstream operations, it can only alleviate the adverse influences of industry cycle to certain extent.

Risks from the macroeconomic policies and government regulation: Although the Chinese government is gradually liberalising the market entry regulations on petroleum and petrochemicals sector, the petroleum and petrochemical industries in China are still subject to entry regulations to a certain degree, which include: issuing licenses in relation to exploration and development of crude oil and natural gas, issuing business licenses for trading crude oil and refined oil, setting caps for retail prices of gasoline, diesel and other refined oil products, the imposing of the special oil income levy, formulation of import and export quotas and procedures, formulation of safety, quality and environmental protection standards and formulation of energy conservation policies. In addition, the changes which have occurred or might occur in macroeconomic and industry policies such as the opening up of crude oil import licenses, and further improvement in pricing mechanism of refined oil products, reforming and improvement in pricing mechanism of natural gas, cost supervision of gas pipeline and access to third party, and reforming in resource tax and environmental tax, will cause effects on our business operations. Such changes might further intensify market competition and have certain effect on the operations and profitability of the Company.

Risks with regard to the changes from environmental legislation requirements: Our production activities generate waste liquids, exhaust gases and solid wastes. The Company has built up the supporting waste treatment systems to prevent and reduce the pollution to the environment. However, the relevant government authorities may issue and implement much stricter environmental protection laws and regulations, adopt much rigorous environment protection standards. Under such situations, the Company may increase expenses in relation to the environment protection accordingly.

Risks from the uncertainties of obtaining additional oil and gas resources: The sustainable development of the Company is partly dependent to a certain extent on our abilities in continuously discovering or acquiring additional oil and natural gas resources. To obtain additional oil and natural gas resources, the Company faces some inherent risks associated with exploration and development and/or with acquisition activities, and the Company has to invest a large amount of capital with no guarantee of certainty. If the Company fails to acquire additional resources through further exploration, development and acquisition to increase the reserves of crude oil and natural gas, the oil and natural gas reserves and production of the Company may decline overtime which may adversely affect the Company’s financial situation and operation performance.

Risks with regard to the external purchase of crude oil: A significant amount of crude oil as needed by the Company is satisfied through external purchases. In recent years, especially influenced by the mismatch between supply and demand of crude oil, geopolitics, global economic growth and other factors, the prices of crude oil fluctuated sharply. Additionally, the supply of crude oil may even be interrupted due to some extreme major incidents in certain regions. Although the Company has taken flexible counter measures, it may not fully avoid risks associated with any significant fluctuation of international crude oil prices and sudden disruption of supply of crude oil from certain regions.

Risks with regard to the operation and natural disasters: Most of the process of petroleum chemical production is exposed to the risks of high temperature, high pressure, inflammation, explosion and is vulnerable to natural disasters. More specifically, the process of petroleum chemical production comprise of the risk with respects to blowout out of control accident in high-sulfur containing gas field and offshore oil and gas field, explosion of petroleum chemical devices, leak of oil and gas pipeline passing through population concentrated area, damaging to oil deport, service station and pipelines due to the typhoon or geological disaster and etc. Such contingencies may cause serious impacts to the society, major financial losses to the Company and grievous injuries to people. The Company has always been paying great emphasis on the safety of production, and has implemented a strict HSSE management system as an effort to avoid such risks as far as possible. Meanwhile, the main assets and inventories of the Company as well as the possible damage to a third party have been insured. However, such measures may not shield the Company from financial losses or adverse impact resulting from such contingencies completely.

Investment risks: Petroleum and chemical sector is a capital intensive industry. Although the Company adopted a prudent investment strategy, and conducted rigorous feasibility study on each investment project, which consists of special verifications in raw material market, technical scheme, profitability, safety and environmental protection, legal compliance, etc., certain investment risks will still exist because of expected investment not being enough due to increased prices of equipment and raw materials, expected progress not being on schedule due to difficulty of application for Environmental Impact Assessment Permit and Safety Impact Assessment Permit, and expected return not being achieved due to price change of commodities, during the implementation of the projects.

Risks with regard to overseas business development and management: The Company engages in oil and gas exploration, refining and chemical, warehouse logistics and international trading businesses in some regions outside China. The Company’s overseas businesses and assets are subject to the jurisdiction of the host country’s laws and regulations. In light of the complicated factors such as imbalance of global economy, competitiveness of industry policies and trade structure, exclusiveness of regional trading blocs, polarisation of benefits distribution, and politicisation of investment and economic and trade issues, including instability of society and political situation in resource countries, trade friction, sanctions, barriers to entry, instability in the financial and taxation policies, public safety, contract defaults, tax dispute, severe environmental protection policies, etc., the Company’s risks with regard to overseas business development and management could be increased.

Currency risks: At present, China implements an administered floating exchange rate regime based on market supply and demand which is regulated with reference to a basket of currencies in terms of the exchange rate of Renminbi. As the Company purchases a significant portion of crude oil in foreign currency which is based on US dollar-denominated prices, fluctuations in the exchange rate of Renminbi against US dollars and certain other foreign currencies may affect the Company’s purchasing costs of crude oil. Meanwhile, according to domestic pricing mechanism of refined oil products, the prices of domestic refined oil products fluctuate with Renminbi exchange rate, and the prices of other domestic refined and chemical products would also be influenced by import price. On the whole, the exchange rate of Renminbi will have little impact on the oil refining and marketing business of the Company.

Cyber-security risks: Informatisation has penetrated to every field of the Company’s operation business. The Company devote significant resources to protect our digital infrastructure and data against cyber-attacks, if our systems for protecting against cyber-security risk prove to be ineffective, we could be adversely affected by, among other things, disruptions to our business operations, loss of proprietary information, including loss of significant data, intellectual property, financial information and employer and customer data, as well as damage to people, property, environment and reputation. As cyber-security attacks continue to evolve, we may be required to expend additional resources to enhance our protective measures against cyber-security breaches.

21 INFORMATION ON MAJOR SUBSIDIARIES

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

Unit:RMB million

Company name	Registed capital	Percentage of share held by Sinopec Corp. (%)	Total asset	Net Assets	Net profit/ investment income	Revenue of principal business	Profit of principal business	Principal business
Sinopec Marketing Co., Ltd.	28,403	70.42	411,307	209,171	14,265	650,246	43,901	Sales of refined oil products

22 ENVIRONMENTAL PROTECTION BY SINOPEC CORP. AND ITS SUBSIDIARIES

During the reporting period, the Company further improved environment protection management of projects construction, enhanced evaluation and examination of projects environment protection, as well as ensuring the environment protection facilities to be designed, built and put into operation with the main project simultaneously. All of the new projects of the Company obtained environmental evaluation approvals by governments. The Company, pursuant to new standards in respect of oil refining and petrochemicals, completed the treatment of effluents and exhaust gases, actively pushed forward the comprehensive treatment of volatile organic compounds, and ensured all of pollution prevention and control facilities operated effectively and stably. The Company revised the self-monitoring scheme in accordance with the national pollutants discharge license and guidance for self-monitoring technology of relevant industries, promoted relevant work in accordance with new requirements for monitoring effluents, exhaust gases and noise, and disclosed environmental monitoring information publicly in accordance with relevant requirements; revised the contingency schemes in respects of environmental emergencies and severe polluted weather and others in accordance with requirements of national environmental emergencies contingency schemes. Certain branches and subsidiaries of Sinopec Corp. are major pollutant discharging companies as stipulated by China’s environment protection authorities polluted. Pursuant to relevant regulations and specific requirements of local related authorities, environmental information of those companies has been disclosed publicly. For more details, please refer to the websites of local government.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

On 29 January 2018, Mr. Wang Zhigang resigned from the positions as the Director, a member of the Strategy Committee of the Board and Senior Vice President of Sinopec Corp. due to his age.

On 29 January 2018, Mr. Zhang Haichao resigned from the positions as the Director, a member of the Strategy Committee of the Board and Senior Vice President of Sinopec Corp. due to his age.

On 7 February 2018, Mr. Liu Zhongyun resigned from the position as the Supervisor of Sinopec Corp. due to change of working arrangement.

On 8 February 2018, Mr. Ling Yiqun was appointed as Senior Vice President of Sinopec Corp.

On 8 February 2018, Mr. Liu Zhongyun was appointed as Senior Vice President of Sinopec Corp.

On 8 February 2018, Mr. Zhao Rifeng was appointed as Vice President of Sinopec Corp.

On 15 May 2018, the members of the Seventh Session of the Board of Directors and the Board of Supervisors (non-employee representative supervisors) were elected at the 2017 general meeting of shareholders. The 1st meeting of the Seventh Session of Board elected Chairman of the Board and appointed members of senior management. The 1st meeting of the Seventh Session of the Board of Supervisors elected Chairman of the Board of Supervisors. The changes of the directors, supervisors and other senior management are as follows:

Board of Directors: Mr. Dai Houliang was elected as Executive Director and Chairman of the Board. Mr. Li Yunpeng, Mr. Jiao Fangzheng, Mr. Ma Yongsheng, Mr. Ling Yiqun, Mr. Liu Zhongyun and Mr. Li Yong were elected as Directors. Mr. Tang Min, Mr. Fan Gang, Mr. Cai Hongbin and Mr. Ng. Kar Ling Johnny were elected as Independent Non-executive Directors. Mr. Jiang Xiaoming and Mr. Andrew Y. Yan were no longer the Independent Non-executive Directors of the Board.

Board of Supervisors: Mr. Zhao Dong was elected as the Chairman of Board of Supervisors. Mr. Jiang Zhenying, Mr. Yang Changjiang, Mr. Zhang Baolong and Mr. Zou Huiping were elected as Supervisors. Mr. Zhou Hengyou, Mr. Yu Renming and Mr. Yu Xizhi were elected as Employee Representative Supervisors.

For details, please refer to the announcements published in China Securities Journal, Shanghai Securities News and Securities Times on 16 May 2018 and on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and Sinopec Corp.

On 7 June 2018, Mr. Jiao Fangzheng resigned from the positions as the Director, a member of the Strategy Committee of the Board and Senior Vice President of Sinopec Corp. due to change of working arrangement.

2 NO CHANGES IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT DURING THE REPORTING PERIOD

REPORT OF THE PRC AUDITOR

PwC ZT Yue Zi (2018) No.0045

To the Shareholders of China Petroleum & Chemical Corporation,

We have reviewed the accompanying interim financial statements of China Petroleum & Chemical Corporation (hereinafter “Sinopec Corp.”), which comprise the consolidated and company balance sheets as at 30 June 2018, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders’ equity and the consolidated and company cash flow statements for the six months period then ended, and the notes to the financial statements. Management of Sinopec Corp. is responsible for the preparation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises (“ASBE”). Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with China Standard on Review No. 2101—Engagements to Review Financial Statements. This Standard requires that we plan and perform the review to obtain limited assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared in accordance with the requirements of ASBE, and cannot present fairly, in all material respects, the consolidated and the company’s financial position of Sinopec Corp. as at 30 June 2018, and their financial performance and cash flows for the six months period then ended in accordance with the requirements of ASBE.

PricewaterhouseCoopers Zhong Tian LLP	Signing CPA	Zhao Jianrong
Shanghai, the People’s Republic of China		
24 August 2018	Signing CPA	Gao Peng

(A) FINANCIAL STATEMENTS PREPARED UNDER CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	At 30 June 2018 RMB million	At 31 December 2017 RMB million	At 1 January 2017 RMB million
Assets				
Current assets				
Cash at bank and on hand	5	205,153	165,004	142,497
Financial assets held for trading	6	7,269	51,196	—
Bills receivable and accounts receivable	7	79,828	84,701	63,486
Prepayments	8	5,537	4,901	3,749
Other receivables		24,430	16,467	25,596
Inventories	9	225,573	186,693	156,511
Other current assets		21,148	20,087	20,422
Total current assets		568,938	529,049	412,261
Non-current assets				
Available-for-sale financial assets		—	1,676	11,408
Long-term equity investments	10	134,921	131,087	116,812
Other equity instrument investments	11	1,480	—	—
Fixed assets	12	620,044	650,920	690,594
Construction in progress	13	118,957	118,645	129,581
Intangible assets	14	97,396	97,126	85,023
Goodwill	15	8,642	8,634	6,353
Long-term deferred expenses	16	14,387	14,720	13,537
Deferred tax assets	17	19,000	15,131	7,214
Other non-current assets	18	33,539	28,516	25,826
Total non-current assets		1,048,366	1,066,455	1,086,348
Total assets		1,617,304	1,595,504	1,498,609
Liabilities and shareholders’ equity				
Current liabilities				
Short-term loans	20	57,985	54,701	30,374
Bills payable and accounts payable	21	234,386	206,535	180,129
Advances from customers		—	120,734	95,928
Contract liabilities	22	123,567	—	—
Employee benefits payable	23	12,467	7,162	1,618
Taxes payable	24	39,831	71,940	52,886
Other payables	25	88,043	91,693	79,636
Short-term debentures payable		—	—	6,000
Non-current liabilities due within one year	26	20,786	26,681	38,972
Total current liabilities		577,065	579,446	485,543
Non-current liabilities				
Long-term loans	27	79,274	67,754	62,461
Debentures payable	28	31,518	31,370	54,985
Provisions	29	41,423	39,958	39,298
Deferred tax liabilities	17	5,814	6,466	7,661
Other non-current liabilities	30	24,899	16,440	16,136

Total non-current liabilities		182,928	161,988	180,541
Total liabilities		759,993	741,434	666,084
Shareholders’ equity				
Share capital	31	121,071	121,071	121,071
Capital reserve	32	119,577	119,557	119,525
Other comprehensive income	33	(4,422)	(4,413)	(932)
Specific reserve		1,752	888	765
Surplus reserves	34	199,682	199,682	196,640
Retained earnings		283,533	290,459	275,163
Total equity attributable to shareholders of the Company		721,193	727,244	712,232
Minority interests		136,118	126,826	120,293
Total shareholders’ equity		857,311	854,070	832,525
Total liabilities and shareholders’ equity		1,617,304	1,595,504	1,498,609

These financial statements have been approved by the board of directors on 24 August 2018.

Dai Houliang	Wang Dehua
Chairman, President	Chief Financial Officer
(Legal representative)	

The accompanying notes form part of these financial statements.

40

UNAUDITED BALANCE SHEET
As at 30 June 2018

	Note	At 30 June 2018 RMB million	At 31 December 2017 RMB million	At 1 January 2017 RMB million
Assets				
Current assets				
Cash at bank and on hand		96,071	92,545	98,250
Financial assets held for trading		2,008	48,179	—
Bills receivable and accounts receivable	7	33,312	37,766	38,803
Prepayments		1,950	4,429	3,454
Other receivables		55,112	63,820	45,643
Inventories		55,692	44,933	46,942
Other current assets		19,175	27,189	32,743
Total current assets		263,320	318,861	265,835
Non-current assets				
Available-for-sale financial assets		—	395	297
Long-term equity investments	10	277,186	275,557	268,451
Other equity instrument investments		395	—	—
Fixed assets	12	309,012	329,814	373,020
Construction in progress	13	49,575	50,046	49,277
Intangible assets		8,418	8,340	7,913
Long-term deferred expenses		1,921	1,958	1,980
Deferred tax assets		9,298	6,834	—
Other non-current assets		9,155	10,690	10,952
Total non-current assets		664,960	683,634	711,890
Total assets		928,280	1,002,495	977,725
Liabilities and shareholders’ equity				
Current liabilities				
Short-term loans		12,431	17,330	9,256
Bills payable and accounts payable		95,031	86,604	78,548
Advances from customers		—	3,413	2,360
Contract liabilities		3,106	—	—
Employee benefits payable		8,622	4,854	312
Taxes payable		24,930	42,549	32,423
Other payables		101,494	143,274	113,841
Short-term debentures payable		—	—	6,000
Non-current liabilities due within one year		20,084	19,539	38,082
Total current liabilities		265,698	317,563	280,822
Non-current liabilities				
Long-term loans		67,727	63,667	58,448
Debentures payable		20,000	20,000	36,000
Provisions		32,126	31,405	29,767
Deferred tax liabilities		—	—	505
Other non-current liabilities		2,908	2,591	2,607
Total non-current liabilities		122,761	117,663	127,327
Total liabilities		388,459	435,226	408,149
Shareholders’ equity				

Share capital	121,071	121,071	121,071
Capital reserve	68,789	68,789	68,769
Other comprehensive income	196	196	263
Specific reserve	933	482	393
Surplus reserves	199,682	199,682	196,640
Retained earnings	149,150	177,049	182,440
Total shareholders’ equity	539,821	567,269	569,576
Total liabilities and shareholders’ equity	928,280	1,002,495	977,725

These financial statements have been approved by the board of directors on 24 August 2018.

Dai Houliang	Wang Dehua
Chairman, President	Chief Financial Officer
(Legal representative)	

The accompanying notes form part of these financial statements.

41

UNAUDITED CONSOLIDATED INCOME STATEMENT
For the six-month period ended 30 June 2018

	Note	Six-month periods ended 30 June 2018 RMB million	2017 RMB million
Operating income	35	1,300,252	1,165,837
Less: Operating costs	35/38	1,050,719	942,602
Taxes and surcharges	36	118,721	116,297
Selling and distribution expenses	38	27,661	25,955
General and administrative expenses	38	33,908	33,231
Research and development expenses	38/39	4,080	2,672
Financial expenses	37	263	1,289
Exploration expenses, including dry holes	38/40	4,362	4,542
Impairment losses	41	137	4,076
Credit impairment losses		(38)	—
Add: Other income	42	1,849	1,321
Investment income	43	5,884	8,152
(Losses)/gains from changes in fair value		(450)	369
Asset disposal income/(expense)		218	(98)
Operating profit		67,940	44,917
Add: Non-operating income	44	630	741
Less: Non-operating expenses	45	703	626
Profit before taxation		67,867	45,032
Less: Income tax expense	46	14,586	8,915
Net profit		53,281	36,117
Classification by going concern:			
Continuous operating net profit		53,281	36,117
Termination of net profit		—	—
Classification by ownership:			
Equity shareholders of the Company		41,600	27,092
Minority interests		11,681	9,025
Basic earnings per share (RMB/Share)	56	0.344	0.224
Diluted earnings per share (RMB/Share)	56	0.344	0.224
Net profit		53,281	36,117
Other comprehensive income	33		
Items that may not be reclassified subsequently to profit or loss			
Changes in fair value of other equity instrument investments		(17)	—
Items that may be reclassified subsequently to profit or loss			
Other comprehensive income that can be converted into profit or loss under the equity method		(113)	277
Changes in fair value of available-for-sale financial assets		—	(7)
Cash flow hedges		(508)	162
Foreign currency translation differences		896	(1,542)
Total other comprehensive income		258	(1,110)
Total comprehensive income		53,539	35,007
Attributable to:			
Equity shareholders of the Company		41,603	26,450

Minority interests	11,936	8,557

These financial statements have been approved by the board of directors on 24 August 2018.

Dai Houliang	Wang Dehua
Chairman, President	Chief Financial Officer
(Legal representative)	

The accompanying notes form part of these financial statements.

42

UNAUDITED INCOME STATEMENT
For the six-month period ended 30 June 2018

	Note	Six-month periods ended 30 June 2018 RMB million	2017 RMB million
Operating income	35	494,612	411,410
Less: Operating costs	35	369,561	306,503
Taxes and surcharges		83,045	77,324
Selling and distribution expenses		1,405	1,280
General and administrative expenses		16,810	17,003
Research and development expenses		3,888	2,506
Financial expenses		1,389	1,395
Exploration expenses, including dry holes		4,173	4,143
Impairment losses		49	3,681
Credit impairment losses		(14)	—
Add: Other income		593	358
Investment income	43	9,861	8,873
Losses from changes in fair value		(171)	—
Asset disposal income/ (expenses)		252	(118)
Operating profit		24,841	6,688
Add: Non-operating income		145	303
Less: Non-operating expenses		289	340
Profit before taxation		24,697	6,651
Less: Income tax expense		4,082	478
Net profit		20,615	6,173
Classification by going concern:			
Continuous operating net profit		20,615	6,173
Termination of net profit		—	—
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Other comprehensive loss that can be converted into profit or loss under the equity method		—	(11)
Cash flow hedges		—	22
Total other comprehensive income		—	11
Total comprehensive income		20,615	6,184

These financial statements have been approved by the board of directors on 24 August 2018.

Dai Houliang — Chairman, President (Legal representative)
Wang Dehua — Chief Financial Officer

The accompanying notes form part of these financial statements.

43

Explanation of Responses:

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
For the six-month period ended 30 June 2018

	Note	Six-month periods ended 30 June 2018 RMB million	2017 RMB million
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,464,593	1,310,796
Refund of taxes and levies		905	788
Other cash received relating to operating activities		33,582	33,601
Sub-total of cash inflows		1,499,080	1,345,185
Cash paid for goods and services		(1,145,090)	(1,021,990)
Cash paid to and for employees		(32,167)	(28,759)
Payments of taxes and levies		(204,541)	(190,325)
Other cash paid relating to operating activities		(45,662)	(43,264)
Sub-total of cash outflows		(1,427,460)	(1,284,338)
Net cash flow from operating activities	48(a)	71,620	60,847
Cash flows from investing activities:			
Cash received from disposal of investments		49,244	717
Cash received from returns on investments		3,609	3,395
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,480	216
Other cash received relating to investing activities		42,408	20,595
Net cash received from disposal of subsidiaries and other business entities		—	1
Sub-total of cash inflows		102,741	24,924
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(35,084)	(28,742)
Cash paid for acquisition of investments		(6,840)	(3,253)
Other cash paid relating to investing activities		(38,371)	(32,914)
Net cash paid for the acquisition of subsidiaries and other business entities		(3,188)	(17)
Sub-total of cash outflows		(83,483)	(64,926)
Net cash flow from investing activities		19,258	(40,002)
Cash flows from financing activities:			
Cash received from capital contributions		502	331
Including: Cash received from minority shareholders’ capital contributions to subsidiaries		502	331
Cash received from borrowings		317,798	269,008
Sub-total of cash inflows		318,300	269,339
Cash repayments of borrowings		(308,961)	(279,559)
Cash paid for dividends, profits distribution or interest		(58,634)	(5,818)
Including: Subsidiaries’ cash payments for distribution of dividends or profits to minority shareholders		(7,250)	(2,608)
Other cash paid relating to financing activities		(13)	—
Sub-total of cash outflows		(367,608)	(285,377)

Net cash flow from financing activities		(49,308)	(16,038)
Effects of changes in foreign exchange rate		(34)	(148)
Net increase in cash and cash equivalents	48(b)	41,536	4,659

These financial statements have been approved by the board of directors on 24 August 2018.

Dai Houliang	Wang Dehua
Chairman, President	Chief Financial Officer
(Legal representative)	

The accompanying notes form part of these financial statements.

44

UNAUDITED CASH FLOW STATEMENT
For the six-month period ended 30 June 2018

	Note	Six-month periods ended 30 June	
	Note	2018 RMB million	2017 RMB million
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		575,001	488,179
Refund of taxes and levies		521	401
Other cash received relating to operating activities		2,267	11,055
Sub-total of cash inflows		577,789	499,635
Cash paid for goods and services		(388,198)	(305,731)
Cash paid to and for employees		(17,980)	(15,729)
Payments of taxes and levies		(133,955)	(121,123)
Other cash paid relating to operating activities		(7,019)	(25,772)
Sub-total of cash outflows		(547,152)	(468,355)
Net cash flow from operating activities		30,637	31,280
Cash flows from investing activities:			
Cash received from disposal of investments		57,751	5,242
Cash received from returns on investments		23,497	10,444
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		469	409
Other cash received relating to investing activities		21,526	11,555
Net cash received from disposal of subsidiaries and other business entities		—	1
Sub-total of cash inflows		103,243	27,651
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(17,135)	(17,267)
Cash paid for acquisition of investments		(2,864)	(5,519)
Other cash paid relating to investing activities		(5,010)	(13,010)
Sub-total of cash outflows		(25,009)	(35,796)
Net cash flow from investing activities		78,234	(8,145)
Cash flows from financing activities:			
Cash received from borrowings		56,132	76,625
Sub-total of cash inflows		56,132	76,625
Cash repayments of borrowings		(95,449)	(93,317)
Cash paid for dividends or interest		(51,028)	(2,690)
Sub-total of cash outflows		(146,477)	(96,007)
Net cash flow from financing activities		(90,345)	(19,382)
Net increase in cash and cash equivalents		18,526	3,753

These financial statements have been approved by the board of directors on 24 August 2018.

Dai Houliang	Wang Dehua
Chairman, President	Chief Financial Officer
(Legal representative)	

Explanation of Responses:

The accompanying notes form part of these financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 30 June 2018

	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Total shareholders’ equity attributable to equity shareholders of the Company	Minority interests	Total sharehold equity
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2017	121,071	119,525	(932)	765	196,640	275,163	712,232	120,293	832,525
Change for the period									
1. Net profit	—	—	—	—	—	27,092	27,092	9,025	36,117
2. Other comprehensive income (Note 33)	—	—	(642)	—	—	—	(642)	(468)	(1,110
Total comprehensive income	—	—	(642)	—	—	27,092	26,450	8,557	35,007
Transactions with owners, recorded directly in shareholders’ equity:									
3. Appropriations of profits:									
– Distributions to shareholders (Note 47)	—	—	—	—	—	(20,582)	(20,582)	—	(20,582
4. Transaction with minority interests	—	—	—	—	—	—	—	341	341
5. Distributions to minority interests	—	—	—	—	—	—	—	(2,341)	(2,341
Total transactions with owners, recorded directly in shareholders’ equity	—	—	—	—	—	(20,582)	(20,582)	(2,000)	(22,582
6. Net increase in specific reserve for the period	—	—	—	774	—	—	774	96	870
7. Others	—	4	—	—	—	—	4	2	6

Balance at 30 June 2017	121,071	119,529	(1,574)	1,539	196,640	281,673	718,878	126,948	845,826
Balance at 31 December 2017	121,071	119,557	(4,413)	888	199,682	290,459	727,244	126,826	854,070
Change in accounting policy (Note 3(26))	—	—	(12)	—	—	12	—	—	—
Balance at 1 January 2018	121,071	119,557	(4,425)	888	199,682	290,471	727,244	126,826	854,070
Change for the period									
1. Net profit	—	—	—	—	—	41,600	41,600	11,681	53,281
2. Other comprehensive income (Note 33)	—	—	3	—	—	—	3	255	258
Total comprehensive income	—	—	3	—	—	41,600	41,603	11,936	53,539
Transactions with owners, recorded directly in shareholders’ equity:									
3. Appropriations of profits:									
– Distributions to shareholders (Note 47)	—	—	—	—	—	(48,428)	(48,428)	—	(48,428
4. Transaction with minority interests	—	—	—	—	—	—	—	448	448
5. Contributions to subsidiaries from non-controlling interests	—	32	—	—	—	—	32	(119)	(87
6. Distributions to minority interests	—	—	—	—	—	—	—	(3,092)	(3,092
Total transactions with owners, recorded directly in shareholders’ equity	—	32	—	—	—	(48,428)	(48,396)	(2,763)	(51,159
7. Net increase in specific reserve for the period	—	—	—	864	—	—	864	118	982
8. Others	—	(12)	—	—	—	(110)	(122)	1	(121
Balance at 30 June 2018	121,071	119,577	(4,422)	1,752	199,682	283,533	721,193	136,118	857,311

These financial statements have been approved by the board of directors on 24 August 2018.

Dai Houliang	Wang Dehua
Chairman, President	Chief Financial Officer
(Legal representative)	

The accompanying notes form part of these financial statements.

UNAUDITED STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 30 June 2018

	Share capital RMB million	Capital reserve RMB million	Other comprehensive income RMB million	Specific reserve RMB million	Surplus reserves RMB million	Retained earnings RMB million	Total shareholders’ equity RMB million
Balance at 1 January 2017	121,071	68,769	263	393	196,640	182,440	569,576
Change for the period							
1. Net profit	—	—	—	—	—	6,173	6,173
2. Other comprehensive income	—	—	11	—	—	—	11
Total comprehensive income	—	—	11	—	—	6,173	6,184
Transactions with owners, recorded directly in shareholders’ equity:							
3. Appropriations of profits:							
– Distributions to shareholders (Note 47)	—	—	—	—	—	(20,582)	(20,582)
Total transactions with owners, recorded directly in shareholders’ equity	—	—	—	—	—	(20,582)	(20,582)
4. Net increase in specific reserve for the period	—	—	—	439	—	—	439
Balance at 30 June 2017	121,071	68,769	274	832	196,640	168,031	555,617
Balance at 31 December 2017	121,071	68,789	196	482	199,682	177,049	567,269
Change in accounting policy (Note3(26))	—	—	—	—	—	—	—
Balance at 1 January 2018	121,071	68,789	196	482	199,682	177,049	567,269
Change for the period							
1. Net profit	—	—	—	—	—	20,615	20,615
2. Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	20,615	20,615
Transactions with owners, recorded directly in shareholders’ equity:							
3. Appropriations of profits:							
– Distributions to shareholders (Note 47)	—	—	—	—	—	(48,428)	(48,428)
	—	—	—	—	—	(48,428)	(48,428)

Total transactions with owners, recorded directly in shareholders’ equity							
4. Net increase in specific reserve for the period	—	—	—	451	—	—	451
5. Others	—	—	—	—	—	(86)	(86)
Balance at 30 June 2018	121,071	68,789	196	933	199,682	149,150	539,821

These financial statements have been approved by the board of directors on 24 August 2018.

Dai Houliang	Wang Dehua
Chairman, President	Chief Financial Officer
(Legal representative)	

The accompanying notes form part of these financial statements.

47

UNAUDITED NOTES TO THE FINANCIAL STATEMENTS
For the six-month period ended 30 June 2018

1 STATUS OF THE COMPANY

China Petroleum & Chemical Corporation (the “Company”) was established on 25 February 2000 as a joint stock limited company. The company is registered in Beijing, the People’s Republic of China, and the headquarter is located in Beijing, the People’s Republic of China. The approval date of the financial report is 24 August 2018.

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

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

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

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

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

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

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

(3) the production and sale of chemical.

Details of the Company’s principal subsidiaries are set out in Note 51, and there are no significant changes related to the consolidation scope during current period.

2 BASIS OF PREPARATION

(1) Statement of compliance of China Accounting Standards for Business Enterprises (“ASBE”)
The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises – Basic Standards, specific standards and relevant regulations (hereafter referred as ASBE collectively) issued by the MOF on or after 15 February 2006. These financial statements also comply with the

disclosure requirements of “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No.15: General Requirements for Financial Reports” issued by the China Securities Regulatory Commission (“CSRC”). These financial statements present truly and completely the consolidated and company financial position as at 30 June 2018, and the consolidated and company financial performance and the consolidated and company cash flows for the six-month period ended 30 June 2018.

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

(2) Accounting period

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

(3) Measurement basis

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

— Financial assets and financial liabilities held for trading (see Note 3(10))

— Other equity instrument investments (see Note 3(10))

— Derivative financial instruments (see Note 3(10))

(4) Functional currency and presentation currency

The functional currency of the Company’s and most of its subsidiaries are Renminbi. The Group’s consolidated financial statements are presented in Renminbi. The Company and its subsidiaries determine their functional currency according to the main economic environment in where they operate. Some of subsidiaries use other currency as the functional currency. The Company translates the financial statements of subsidiaries from their respective functional currencies into Renminbi (see Note 3(2)) if the subsidiaries’ functional currencies are not Renminbi.

3 SIGNIFICANT ACCOUNTING POLICIES

The Group determines specific accounting policies and accounting estimates based on the characteristics of production and operational activities, mainly reflected in the accounting for allowance for accounts receivable (Note 3(10)), valuation of inventories (Note 3(4)), depreciation of fixed assets and depletion of oil and gas properties (Note 3(6), (7)), measurement of provisions (Note 3(15)), etc.

Principal accounting estimates and judgements of the Group are set out in Note 50.

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(c) Method for preparation of consolidated financial statements (Continued)
Where control of a subsidiary is lost due to partial disposal of the equity investment held in a subsidiary, or any other reasons, the Group derecognises assets, liabilities, minority interests and other equity items related to the subsidiary. The remaining equity investment is remeasured to fair value at the date in which control is lost. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the fair value of the Group’s previous share of the subsidiary’s identifiable net assets recorded from the acquisition date, is recognised in investment income in the period in which control is lost. Other comprehensive income related to the previous equity investment in the subsidiary, is transferred to investment income when control is lost. Other comprehensive income related to the equity investment of the orginal subsidiary shall be converted into the current investment income in the event of loss of control.

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

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

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

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

(2) Transactions in foreign currencies and translation of financial statements in foreign currencies
Foreign currency transactions are, on initial recognition, translated into Renminbi at the spot exchange rates quoted by the People’s Bank of China (“PBOC rates”) at the transaction dates.

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

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

(3) Cash and cash equivalents

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) Inventories

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

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

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

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

Inventories are recorded by perpetual method.

(5) Long-term equity investments

(a) Investment in subsidiaries

In the Company’s separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method. Except for cash dividends or profits distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment. Investments in subsidiaries are stated at cost less impairment losses (see Note 3(11)) in the balance sheet. At initial recognition, such investments are measured as follows:

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

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

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

51

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Long-term equity investments (Continued)

(b) Investment in joint ventures and associates

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

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

An investment in a joint ventures or an associate is accounted for using the equity method, unless the investment is classified as held for sale.

The initial cost of investment in joint ventures and associates is stated at the consideration paid except for cash dividends or profits distributions declared but unpaid at the time of acquisition and therefore included in the consideration paid should be deducted if the investment is made in cash. Under the circumstances that the long-term investment is obtained through non-monetary asset exchange, the initial cost of the investment is stated at the fair value of the assets exchanged if the transaction has commercial substance, the difference between the fair value of the assets exchanged and its carrying amount is charged to profit or loss; or stated at the carrying amount of the assets exchanged if the transaction lacks commercial substance.

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

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

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

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

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

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

(c) The impairment assessment method and provision accrual on investment
The impairment assessment and provision accrual on investments in subsidiaries, associates and joint ventures are stated in Note 3(11).

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) Fixed assets and construction in progress

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

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(11)). Construction in progress is stated in the balance sheet at cost less impairment losses (see Note 3(11)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note 3(18)), and any other costs directly attributable to bringing the asset to working condition for its intended use. According to legal or contractual obligations, costs of dismantling and removing the items and restoring the site on which the related assets located are included in the initial cost.

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

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

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

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

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

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

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

(7) Oil and gas properties

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(8) Intangible assets
Intangible assets, where the estimated useful life is finite, are stated in the balance sheet at cost less accumulated amortisation and provision for impairment losses (see Note 3(11)). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised on a straight-line basis over the expected useful lives, unless the intangible assets are classified as held for sale.

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

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

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

Goodwill is not amortised and is stated at cost less accumulated impairment losses (see Note 3(11)). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

(10) Financial instruments
Financial instruments, refer to the contracts that form one party’s financial assets and form the financial liabilities or equity instruments of the other party. The Group recognises a financial asset or a financial liability when the Group enters into and becomes a party to the underlining contract of the financial instrument.

(a) Financial assets

(i) Classification and measurement
The Group classifies financial assets into different categories depending on the business model for managing the financial assets and the contractual terms of cash flows of the financial assets: (1) financial assets measured at amortised cost, (2) financial assets measured at fair value through other comprehensive income, (3) financial assets measured at fair value through profit or loss.

Financial assets are initially recognised at fair value. For financial assets measured at fair value through profit or loss, the relevant transaction costs are recognised in profit or loss. The transaction costs for other financial assets are included in the initially recognised amount. Accounts receivable or bills receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Group.

Debt instruments

Debt instruments held by the Group mainly include cash at bank and on hand, and receivables, etc. These financial assets are measured at amortised cost.

The business model for managing such financial assets by the Group are held for collection of contractual cash flows. The contractual cash flow characteristics are to give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is recognised using the effective interest rate method.

Equity instruments

Equity instruments that the Group has no power to control, jointly control or exercise significant influence over, are measured at fair value through profit or loss and presented as financial assets held for trading.

In addition, the Group designates some equity instruments that are not held for trading as financial assets at fair value through other comprehensive income, and presented in other equity instrument investments. The relevant dividends of these financial assets are recognised in profit or loss. When derecognised, the cumulative gain or loss previously recognised in other comprehensive income transfer to retained earnings.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment
The Group recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost.

The Group measures and recognises expected credit losses, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions.

For financial instruments that have low credit risk at the balance sheet date, except for receivables related to revenue, the Group assumes that there is no significant increase in credit risk since the initial recognition and measures the loss allowance at an amount equal to 12-month expected credit losses. If there has been a significant increase in credit risk or credit impairment has occurred since the initial recognition of a financial instrument, the Group recognises a loss allowance at an amount equal to lifetime expected credit losses.

For receivables related to revenue, the Group measures loss allowance at an amount equal to lifetime expected credit losses.

The Group recognises loss allowance accrued or written back in profit or loss.

(iii) Derecognition
The Group derecognises a financial asset when a) the contractual right to receive cash flows from the financial asset expires; b) the Group transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset; c) the financial assets have been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but the Group has not retained control.

On derecognition of other equity instrument investments, the difference between the carrying amounts and the sum of the consideration received and any cumulative gain or loss previously recognised in other comprehensive income, is recognised in retained earnings. While on derecognition of other financial assets, this difference is recognised in profit or loss.

(b) Financial liabilities
The Group, at initial recognition, classifies financial liabilities as either financial liabilities subsequently measured at amortised cost or financial liabilities at fair value through profit or loss.

The Group’s financial liabilities are mainly financial liabilities measured at amortised cost, including bills payable and accounts payable, other payables, loans and debentures payable, etc. These financial liabilities are initially measured at the amount of their fair value after deducting transaction costs and use the effective interest rate method for subsequent measurement.

Where the present obligations of financial liabilities are completely or partially discharged, the Group derecognises these financial liabilities or discharged parts of obligations. The differences between the carrying amounts and the consideration received are recognised in profit or loss.

(c) Determination of fair value
If there is an active market for financial instruments, the quoted price in the active market is used to measure fair values of the financial instruments. If no active market exists for financial instruments, valuation techniques are used

to measure fair values. In valuation, the Group adopts valuation techniques that are applicable in the current situation and have sufficient available data and other information to support it, and selects input values that are consistent with the asset or liability characteristics considered by market participants in the transaction of relevant assets or liabilities, and gives priority to relevant observable input values. Use of unobservable input values where relevant observable input values cannot be obtained or are not practicable.

55

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial instruments (Continued)

(d) Derivative financial instruments and hedge accounting
Derivative financial instruments are recognised initially at fair value. At each balance sheet date, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedge accounting.

Hedge accounting is a method which recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item in the same accounting period, to represent the effect of risk management activities.

Hedged items are the items that expose the Group to risks of changes in future cash flows and that are designated as being hedged and that must be reliably measurable. The Group’s hedged items include a forecast transaction that is settled with an undetermined future market price and exposes the Group to risk of variability in cash flows, etc.

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

The hedging relationship meets all of the following hedge effectiveness requirements:

(1) There is an economic relationship between the hedged item and the hedging instrument, which share a risk and that gives rise to opposite changes in fair value that tend to offset each other.

(2) The effect of credit risk does not dominate the value changes that result from that economic relationship.

(3) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument.

— Cash flow hedges

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss. As long as a cash flow hedge meets the qualifying criteria for hedge accounting, the hedging relationship shall be accounted for as follows:

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

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

The gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income.

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

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a nonfinancial liability becomes a firm commitment for which fair value hedge accounting is applied, the entity shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability.

For cash flow hedges, other than those covered by the preceding two policy statements, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the amount that has been accumulated in the cash flow hedge reserve is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, the Group immediately reclassify the amount that is not expected to be recovered into profit or loss.

When the hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting (ie the entity no longer pursues that risk management objective), or when a hedging instrument expires or is sold, terminated, exercised, or there is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship or no longer meets the criteria for hedge accounting, the Group discontinues prospectively the hedge accounting treatments. If the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve and shall be accounted for as cash flow hedges. If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment. A hedged future cash flow that is no longer highly probable to occur may still be expected to occur, if the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve and shall be accounted for as cash flow hedges.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Impairment of other non-financial long-term assets
Internal and external sources of information are reviewed at each balance sheet date for indications that the following assets, including fixed assets, construction in progress, goodwill, intangible assets and investments in subsidiaries, associates and joint ventures may be impaired.

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

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

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

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

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

Impairment losses for assets are not reversed.

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

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

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

(b) Post-employment benefits

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

Basic pension insurance

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

(c) Termination benefits

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(14) Income tax

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

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

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

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

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

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

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

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

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

– they relate to income taxes levied by the same tax authority on either:

– the same taxable entity; or

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

(15) Provisions

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

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

(16) Revenue recognition

Revenue is recogniesd according to the expected consideration amount, when a customer obtains control over the relevant goods or services.

(a) Revenues from sale of goods

Goods produced by the Group are sold directly to customers or shipped to the location specified in contracts. Revenue from sales of goods is recognised upon the confirmation by both parties.

(b) Revenues from the rendering of services

Revenue from the rendering of services is recognised within a period of time by reference to the stage of the completion of the transaction based on the proportion of the incurred costs to the estimated total costs. At the balance sheet date, the Group re-estimates the stage of completion to enable it to reflect changes in performance.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

(18) Borrowing costs
Borrowing costs incurred on borrowings for the acquisition, construction or production of qualified assets are capitalised into the cost of the related assets in the capitalisable period.

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

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

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

(21) Research and development costs
Research costs and development costs that cannot meet the capitalisation criteria are recognised in profit or loss when incurred.

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

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

(24) Related parties
If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control, joint control or exercise significant influence over another party, they are considered to be related parties, except for the two parties significantly influenced by a party. Related

parties may be individuals or enterprises. Where enterprises are subject to state control but are otherwise unrelated, they are not related parties. Related parties of the Group and the Company include, but not limited to:

(a) the holding company of the Company;

(b) the subsidiaries of the Company;

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(25) Segment reporting

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

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

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

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

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

(26) Changes in significant accounting policies

‧ MOF issued Cai Kuai [2018] No. 15 “Announcement of the revision of general enterprise financial statements format for 2018”. The Group has adopted the above guidelines to prepare the financial statements for the six-month period ended 30 June 2018. The comparative financial statements of 2017 have been adjusted. The impact to the Group’s financial statements is as follows:

Contents and reasons of the changes	Item	31 December 2017 RMB million	1 January 2017 RMB million
The Group combined presents bills receivable and accounts receivable into bills and accounts receivable	Bills receivable and accounts receivable	84,701	63,486
	Accounts receivable	(68,494)	(50,289)
	Bills receivable	(16,207)	(13,197)
The Group combined presents fixed assets and fixed assets pending for disposal into fixed assets	Fixed assets	146	—
	Other non-current assets	(146)	—
The Group combined presents bills payable and accounts payable into bills and accounts payable	Bills payable and accounts payable	206,535	180,129
	Accounts payable	(200,073)	(174,301)
	Bills payable	(6,462)	(5,828)
The Group combined presents interests payable, dividends payable and other payables into other payables	Other payables	6,843	2,006
	Dividends payable	(6,843)	(2,006)

Contents and reasons of the changes	Item	Six-month period ended 30 June 2017
The research and development expenses originally included in the general and administrative expenses were separately presented as the research and development expenses in income statements	Research and development expenses	2,672
	General and administrative expenses	(2,672)

‧ MOF issued revised “No.14 Accounting Standard for Business Enterprises – Revenue” (“New Revenue Standard”) in 2017 and the New Revenue Standard was effective on 1 January 2018. The Group has adopted the above standard to prepare the financial statements of the six-month period ended 30 June 2018, while the comparative financial statements of 2017 have not been restated.

The New Revenue Standard has no significant impact on the shareholder’s equity in the consolidated balance sheet. Other financial statement items that affected the Group’s initial plementation of the standard is as follows:

Contents and reasons of the changes	Item	At 1 January 2018 RMB million
Advances from customers were reclassified as contract liabilities by	Contract liabilities	120,734
implementation of the New Revenue Standard	Advances from customers	(120,734)

60

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(26) Changes in significant accounting policies (Continued)

MOF issued revised “No.22 Accounting Standards for Business Enterprises – Financial instruments: recognition and measurement”, revised “No.23 Accounting Standards for Business Enterprises – Transfer of financial assets”, revised “No.24 Accounting Standards for Business Enterprises – Hedging” and revised “No.37 Accounting Standards for Business Enterprises – Presentation of financial instruments” (collectively referred to as “New Financial Instruments Standards”). The New Financial Instruments Standards were effective on 1 January 2018. The Group has adopted the above guidelines to prepare financial statements of the six-month period ended 30 June 2018, while the comparative figures for 2017 have not been restated.

The New Financial Instruments Standards have no significant impact on the shareholder’s equity. The impact to the Group’s financial statements is presented as below:

(a) At 1 January 2018, the comparatives of classification and measurement between the New Financial Instruments Standards and the Financial Instruments Standards before revision are as below:

Financial Instruments Standards before revision			New Financial Instruments Standards		
Item	Measurement	RMB million	Item	Measurement	RMB million
Financial assets at fair value through profit or loss	Measured at fair value through profit or loss	51,196	Financial assets held for trading	Measured at fair value through profit or loss	51,196
Available-for-sale financial assets	Measured at fair value through other comprehensive income (equity instruments)	178	Other equity instrument investments	Measured at fair value through other comprehensive income	1,676
	Measured at cost (equity instruments)	1,498			

(b) At 1 January 2018, the impairment of financial assets measured at amortised cost was recalculated in accordance with the requirements of the New Financial Instruments Standards. There is no significant difference between the allowance under the New Financial Instruments Standards and the Financial Instruments Standards before revision.

4 TAXATION

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

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

	Effective from
	13 January 2015
Products	(RMB/Ton)
Gasoline	2,109.76
Diesel	1,411.20

Naphtha	2,105.20
Solvent oil	1,948.64
Lubricant oil	1,711.52
Fuel oil	1,218.00
Jet fuel oil	1,495.20

61

5 CASH AT BANK AND ON HAND

The Group

	At 30 June 2018			At 31 December 2017		
	Original			Original		
	currency	Exchange	RMB	currency	Exchange	RMB
	million	rates	million	million	rates	million
Cash on hand						
Renminbi			10			14
Cash at bank						
Renminbi			123,861			92,711
US Dollars	4,762	6.6166	31,488	3,760	6.5342	24,561
EUR	572	7.6515	4,412	1	7.8023	10
Hong Kong Dollars	134	0.8431	113	98	0.8359	82
Others			132			112
			160,016			117,490
Deposits at related parities						
Renminbi			27,723			32,117
US Dollars	2,621	6.6166	17,312	2,336	6.5342	15,256
EUR	6	7.6515	47	16	7.8023	126
Others			55			15
			45,137			47,514
Total			205,153			165,004

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

At 30 June 2018, time deposits with financial institutions of the Group amounted to RMB 50,399 million (2017: RMB 51,786 million).

6 FINANCIAL ASSETS HELD FOR TRADING

	At 30 June 2018 RMB	At 31 December 2017 RMB
	million	million
Structured deposits	7,108	51,196
Equity instrument investments held for trading	153	—
Other Investments	8	—
Total	7,269	51,196

The financial assets are the structured deposits with financial institutions and cannot be readily convertible to known amounts of cash, which are presented as current assets since they are expected to be expired within 12 months from the end of the reporting period.

The changes in the financial assets at fair value through profit or loss for the six-month periods ended 30 June 2018 amounted to RMB 98 million (2017: nil), which has been recorded in gain from changes in fair value.

7 BILLS RECEIVABLE AND ACCOUNTS RECEIVABLE

	The Group		The Company	
	At 30	At 31	At 30	At 31
	June	December	June	December
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
	million	million	million	million
Bills receivable (a)	8,916	16,207	332	157
Accounts receivable (b)	70,912	68,494	32,980	37,609
Total	79,828	84,701	33,312	37,766

(a) Bills receivable

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

At 30 June 2018, the Group’s derecognised but outstanding bills due to endorsement or discount amounted to RMB 20,501 million (2017: RMB 12,190 million).

At 30 June 2018, the Group considers that its bills of acceptance issued by banks do not pose a significant credit risk and will not cause any significant loss due to the default of drawers.

62

7 BILLS RECEIVABLE AND ACCOUNTS RECEIVABLE (Continued)

(b) Accounts receivable

	The Group		The Company	
	At 30 June 2018 RMB million	At 31 December 2017 RMB million	At 30 June 2018 RMB million	At 31 December 2017 RMB million
Accounts receivable	71,504	69,106	33,121	37,756
Less: Allowance for doubtful accounts	592	612	141	147
Total	70,912	68,494	32,980	37,609

Ageing analysis on accounts receivables is as follows:

	The Group							
	At 30 June 2018				At 31 December 2017			
	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %
Within one year	70,291	98.3	—	—	67,777	98.1	—	—
Between one and two years	687	1.0	138	20.1	715	1.0	142	19.9
Between two and three years	81	0.1	40	49.4	87	0.1	44	50.6
Over three years	445	0.6	414	93.0	527	0.8	426	80.8
Total	71,504	100.0	592		69,106	100.0	612	

	The Company							
	At 30 June 2018				At 31 December 2017			
	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %
Within one year	32,690	98.7	—	—	37,331	98.8	—	—
Between one and two years	163	0.5	16	9.8	134	0.4	17	12.7
Between two and three years	101	0.3	24	23.8	154	0.4	29	18.8
Over three years	167	0.5	101	60.5	137	0.4	101	73.7

Total	33,121	100.0	141	37,756	100.0	147

At 30 June 2018 and 31 December 2017, the total amounts of the top five accounts receivable of the Group are set out below:

	At 30 June 2018		At 31 December 2017	
Total amount (RMB million)	12,652		17,920	
Percentage to the total balance of accounts receivable	17.7	%	25.9	%
Allowance for doubtful accounts	—		—	

During the six-month periods ended 30 June 2018 and 2017, the Group and the Company had no individually significant accounts receivable been fully or substantially provided allowance for doubtful accounts.

During the six-month periods ended 30 June 2018 and 2017, the Group and the Company had no individually significant write-off or recovery of doubtful debts which had been fully or substantially provided for in prior years.

8 PREPAYMENTS

The Group

	The Group	
	At 30 June 2018 RMB million	At 31 December 2017 RMB million
Prepayments	5,571	4,926
Less: Allowance for doubtful accounts	34	25
Total	5,537	4,901

Ageing analysis of prepayments is as follows:

	At 30 June 2018				At 31 December 2017			
	Amount	Percentage to total prepayments	Allowance	Percentage of allowance to prepayments balance	Amount	Percentage to total prepayments	Allowance	Percentage of allowance to prepayments balance
	RMB million	%	RMB million	%	RMB million	%	RMB million	%
Within one year	5,320	95.4	—	—	4,605	93.5	—	—
Between one and two years	72	1.3	8	11.1	173	3.5	14	8.1
Between two and three years	109	2.0	16	14.7	85	1.7	4	4.7
Over three years	70	1.3	10	14.3	63	1.3	7	11.1
Total	5,571	100.0	34		4,926	100.0	25	

At 30 June 2018 and 31 December 2017, the total amounts of the top five prepayments of the Group are set out below:

	At 30 June 2018	At 31 December 2017
Total amount (RMB million)	1,632	1,472
Percentage to the total balance of prepayments	29.3 %	29.9 %

9 INVENTORIES

The Group

	At 30 June	At 31 December
	2018	2017
	RMB million	RMB million
Raw materials	108,703	85,975
Work in progress	14,764	14,774
Finished goods	100,291	84,448

Spare parts and consumables	2,960	2,651
	226,718	187,848
Less: Provision for diminution in value of inventories	1,145	1,155
Total	225,573	186,693

The provision for diminution in value of inventories of the Group was primarily due to the costs were higher than their net realisable value.

10LONG-TERM EQUITY INVESTMENTS

The Group

	Investments in joint ventures RMB million	Investments in associates RMB million	Provision for impairment losses RMB million	Total RMB million
Balance at 1 January 2018	52,272	80,429	(1,614)	131,087
Additions for the period	817	302	—	1,119
Share of profits less losses under the equity method	4,018	2,600	—	6,618
Change of other comprehensive loss under the equity method	(100)	(13)	—	(113)
Other equity movements under the equity method	6	—	—	6
Dividends declared	(2,889)	(1,203)	—	(4,092)
Disposals for the period	(4)	(80)	—	(84)
Foreign currency translation differences	199	196	(19)	376
Movement of provision for impairment	—	—	4	4
Balance at 30 June 2018	54,319	82,231	(1,629)	134,921

The Company

	Investments in subsidiaries RMB million	Investments in joint ventures RMB million	Investments in associates RMB million	Provision for impairment losses RMB million	Total RMB million
Balance at 1 January 2018	253,011	14,822	15,579	(7,855)	275,557
Additions for the period	1,012	466	1	—	1,479
Share of profits less losses under the equity method	—	1,485	578	—	2,063
Dividends declared	—	(1,323)	(490)	—	(1,813)
Disposals for the period	(100)	—	—	—	(100)
Balance at 30 June 2018	253,923	15,450	15,668	(7,855)	277,186

For the six-month period ended 30 June 2018, the Group and the Company had no individually significant long-term investment impairment.

Details of the Company’s principal subsidiaries are set out in Note 51.

Principal joint ventures and associates of the Group are as follows:

(a)Principal joint ventures and associates

Name of investees	Legal	Principal activities	Registered	Percentage

	Principal place of business	Register location	representative		Capital RMB million	of equity/voting right directly or indirectly held by the Company	
1.Joint ventures							
Fujian Refining & Petrochemical Company Limited (“FREP”)	PRC	PRC	Gu Yuefeng	Manufacturing refining oil products	14,758	50.00	%
BASF-YPC Company Limited (“BASF-YPC”)	PRC	PRC	Wang Jingyi	Manufacturing and distribution of petrochemical products	12,547	40.00	%
Taihu Limited (“Taihu”)	Russia	Cyprus	NA	Crude oil and natural gas extraction	25,000 USD	49.00	%
Yanbu Aramco Sinopec Refining Company Ltd. (“YASREF”)	Saudi Arabia	Saudi Arabia	NA	Petroleum refining and processing	1,560 million USD	37.50	%
Sinopec SABIC Tianjin Petrochemical Company Limited (“Sinopec SABIC Tianjin”)	PRC	PRC	UWAIDH AL‧HARETHI	Manufacturing and distribution of petrochemical products	9,796	50.00	%
2.Associates							
Sinopec Sichuan to East China Gas Pipeline Co., Ltd. (“Pipeline Ltd”)	PRC	PRC	Quan Kai	Operation of natural gas pipelines and auxiliary facilities	200	50.00	%
Sinopec Finance Company Limited (“Sinopec Finance”)	PRC	PRC	Zhao Dong	Provision of non-banking financial services	18,000	49.00	%
PAO SIBUR Holding (“SIBUR”)	Russia	Russia	NA	Proccessing natural gas and manufacturing petrochemical products	21,784 million RUB	10.00	%
Zhongtian Synergetic Energy Company Limited (“Zhongtian Synergetic Energy”)	PRC	PRC	Peng Yi	Mining coal and manufacturing of coal-chemical products	17,516	38.75	%
Caspian Investments Resources Ltd. (“CIR”)	The Republic of	British Virgin	NA	Crude oil and natural gas	10,000 USD	50.00	%

	Islands	extraction
Kazakhstan		

Except that SIBUR is a public joint stock company, other joint ventures and associates above are limited companies.

65

10 LONG-TERM EQUITY INVESTMENTS (Continued)

(b) Major financial information of principal joint ventures

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

	FREP		BASF-YPC		Taihu		YASREF		Sinopec SABIC Tianjin	
	At 30 June 2018 RMB million	At 31 December 2017 RMB million	At 30 June 2018 RMB million	At 31 December 2017 RMB million	At 30 June 2018 RMB million	At 31 December 2017 RMB million	At 30 June 2018 RMB million	At 31 December 2017 RMB million	At 30 June 2018 RMB million	At 31 December 2017 RMB million
Current assets										
Cash and cash equivalents	7,641	5,772	1,835	1,800	2,011	2,352	3,778	4,916	5,657	6,524
Other current assets	12,172	11,013	5,706	5,335	2,422	2,462	11,390	10,816	3,579	2,709
Total current assets	19,813	16,785	7,541	7,135	4,433	4,814	15,168	15,732	9,236	9,233
Non-current assets	19,014	19,740	11,517	12,075	8,476	7,978	50,917	51,553	13,547	13,248
Current liabilities	(8,533)	(6,184)	(2,348)	(2,215)	(1,886)	(1,934)	(19,059)	(17,271)	(4,599)	(5,782)
Non-current liabilities	(13,285)	(13,890)	(456)	(974)	(1,570)	(2,758)	(34,015)	(36,509)	(3,341)	(4,142)
Net assets	17,009	16,451	16,254	16,021	9,453	8,100	13,011	13,505	14,843	12,557
Net assets attributable to owners of the company	17,009	16,451	16,254	16,021	9,124	7,818	13,011	13,505	14,843	12,557
Net assets attributable to minority interests	—	—	—	—	329	282	—	—	—	—
Share of net assets from joint ventures	8,505	8,226	6,502	6,409	4,471	3,831	4,879	5,064	7,422	6,279
Carrying Amounts	8,505	8,226	6,502	6,409	4,471	3,831	4,879	5,064	7,422	6,279

Summarised income statement

Six-month periods ended 30 June	FREP		BASF-YPC		Taihu		YASREF		Sinopec SABIC Tianjin	
	2018 RMB million	2017 RMB million	2018 RMB million	2017 RMB million	2018 RMB million	2017 RMB million	2018 RMB million	2017 RMB million	2018 RMB million	20 RM mil
Turnover	28,846	24,412	10,143	10,440	7,508	5,933	36,772	28,509	11,587	10
Interest income	77	100	22	14	38	65	46	9	73	39
Interest expense	(327)	(450)	(24)	(41)	(32)	(66)	(654)	(703)	(94)	(1
Profit/(loss) before taxation	3,889	3,825	1,654	2,218	1,511	787	(84)	149	2,200	2,6
Tax expense	(929)	(934)	(396)	(563)	(306)	(211)	(183)	29	(564)	(6
Profit/(loss) for the period	2,960	2,891	1,258	1,655	1,205	576	(267)	178	1,636	2,0
Other comprehensive income/(loss)	—	—	—	—	148	(211)	(227)	(286)	—	&#
Total comprehensive income/(loss)	2,960	2,891	1,258	1,655	1,353	365	(494)	(108)	1,636	2,0
Dividends from joint ventures	1,200	—	409	329	—	—	—	—	—	&#
Share of net profit/(loss) from joint ventures	1,480	1,445	503	662	570	272	(100)	67	818	1,0
Share of other comprehensive income/(loss) from joint pventures	—	—	—	—	70	(100)	(85)	(107)	—	&#

The share of profit and other comprehensive loss for the six-month period ended 30 June 2018 in all individually immaterial joint ventures accounted for using equity method in aggregate was RMB 747 million (2017: RMB 1,576 million) and RMB 85 million (2017: other comprehensive income RMB 495 million) respectively. As at 30 June 2018, the carrying amount of all individually immaterial joint ventures accounted for using equity method in aggregate was RMB 21,615 million (31 December 2017: RMB 21,552 million).

10 LONG-TERM EQUITY INVESTMENTS (Continued)

(c) Major financial information of principal associates

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

	Pipeline Ltd		Sinopec Finance		SIBUR(i)		Zhongtian Synergetic Energy		CIR	
	At 30 June 2018 RMB million	At 31 December 2017 RMB million	At 30 June 2018 RMB million	At 31 December 2017 RMB million	At 30 June 2018 RMB million	At 31 December 2017 RMB million	At 30 June 2018 RMB million	At 31 December 2017 RMB million	At 30 June 2018 RMB million	At 31 Decemb 2017 RMB million
Current assets	12,818	11,317	184,234	161,187	19,921	20,719	7,513	8,232	5,356	5,612
Non-current assets	39,854	40,972	14,192	17,782	156,818	158,938	50,255	51,553	2,064	1,673
Current liabilities	(555)	(933)	(173,499)	(154,212)	(17,524)	(20,554)	(6,109)	(10,668)	(871)	(908
Non-current liabilities	(3,052)	(3,176)	(355)	(6)	(63,754)	(61,771)	(33,424)	(31,494)	(172)	(170
Net assets	49,065	48,180	24,572	24,751	95,461	97,332	18,235	17,623	6,377	6,207
Net assets attributable to owners of the Company	49,065	48,180	24,572	24,751	94,893	96,761	18,235	17,623	6,377	6,207
Net assets attributable to minority interests	—	—	—	—	568	571	—	—	—	&#8212
Share of net assets from associates	24,533	24,090	12,040	12,128	9,489	9,676	7,066	6,829	3,189	3,104
Carrying Amounts	24,533	24,090	12,040	12,128	9,489	9,676	7,066	6,829	3,189	3,104

Summarised income statement

Six-month periods ended 30 June	Pipeline Ltd		Sinopec Finance		SIBUR(i)		Zhongtian Synergetic Energy		CIR	
	2018 RMB million	2017 RMB million	2018 RMB million	2017 RMB million	2018 RMB million	2017 RMB million	2018 RMB million	2017 RMB million	2018 RMB million	2017 RMB million
Turnover	2,402	3,037	2,007	1,641	27,642	24,980	5,645	—	1,287	1,289

Profit/(loss) for the period	849	1,284	821	720	2,853	5,580	482	—	88	(197
Other comprehensive (loss)/income	—	—	—	(22)	(3,144)	267	—	—	82	(162
Total comprehensive income/(loss)	849	1,284	821	698	(291)	5,847	482	—	170	(359
Dividends declared by associates	—	—	490	—	158	110	—	—	—	&#8212
Share of profit/(loss) from associates	425	642	402	353	285	558	187	—	44	(99
Share of other comprehensive (loss)/ income from associates	—	—	—	(11)	(314)	27	—	—	41	(81

The share of profit and other comprehensive income for the six-month period ended 30 June 2018 in all individually immaterial associates accounted for using equity method in aggregate was RMB 1,257 million (2017: RMB 1,164 million) and RMB 260 million (2017: RMB 54 million) respectively. As at 30 June 2018, the carrying amount of all individually immaterial associates accounted for using equity method in aggregate was RMB 25,210 million (31 December 2017: RMB 23,899 million).

Note:

(i) Sinopec is able to exercise significant influence in SIBUR since Sinopec has a member in SIBUR’s Board of Director and has a member in SIBUR’s Management Board.

11 OTHER EQUITY INSTRUMENT INVESTMENTS

	At 30 June 2018 RMB million	At 31 December 2017 RMB million
Equity securities	159	—
Other investment	1,321	—
Total	1,480	—

Other investment represents the Group’s interests in privately owned enterprises which are mainly engaged in oil and natural gas acstivities and chemical production.

The impairment losses relating to investments for the period ended 30 June 2018 amounted to 17 million.

67

12 FIXED ASSETS

The Group

	At 30 June 2018 RMB million	At 31 December 2017 RMB million
Fixed assets (a)	619,991	650,774
Fixed assets pending for disposal	53	146
Total	620,044	650,920

(a) Fixed assets

	Plants and buildings RMB million	Oil and gas properties RMB million	Equipment, machinery and others RMB million	Total RMB million
Cost:				
Balance at 1 January 2018	120,013	667,657	940,312	1,727,982
Additions for the period	101	745	1,377	2,223
Transferred from construction in progress	721	5,985	7,888	14,594
Reclassifications	1,248	75	(1,323)	—
Decreases for the period	(287)	—	(2,684)	(2,971)
Exchange adjustments	20	539	30	589
Balance at 30 June 2018	121,816	675,001	945,600	1,742,417
Accumulated depreciation:				
Balance at 1 January 2018	48,368	456,459	498,246	1,003,073
Additions for the period	2,014	21,442	23,383	46,839
Reclassifications	229	18	(247)	—
Decreases for the period	(164)	—	(2,031)	(2,195)
Exchange adjustments	9	457	16	482
Balance at 30 June 2018	50,456	478,376	519,367	1,048,199
Provision for impairment losses:				
Balance at 1 January 2018	3,832	39,358	30,945	74,135
Additions for the period	2	—	114	116
Reclassifications	85	—	(85)	—
Decreases for the period	(7)	—	(50)	(57)
Exchange adjustments	—	33	—	33
Balance at 30 June 2018	3,912	39,391	30,924	74,227
Net book value:				
Balance at 30 June 2018	67,448	157,234	395,309	619,991
Balance at 31 December 2017	67,813	171,840	411,121	650,774

12 FIXED ASSETS (Continued)

The Company

	At 30 June 2018 RMB million	At 31 December 2017 RMB million
Fixed assets (a)	308,970	329,814
Fixed assets pending for disposal	42	—
Total	309,012	329,814

(a) Fixed assets

	Plants and buildings RMB million	Oil and gas properties RMB million	Equipment, machinery and others RMB million	Total RMB million
Cost:				
Balance at 1 January 2018	49,022	555,133	456,939	1,061,094
Additions for the period	—	257	145	402
Transferred from construction in progress	136	4,549	3,115	7,800
Reclassifications				