

CHINA PETROLEUM & CHEMICAL CORP
Form 6-K
September 01, 2011

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
The Securities Exchange Act of 1934

For the month of August, 2011

CHINA PETROLEUM & CHEMICAL CORPORATION
22 Chaoyangmen North Street,
Chaoyang District, Beijing, 100728
People's Republic of China
Tel: (8610) 59960114

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If "Yes" is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b): 82-_____.)

N/A

This Form 6-K consists of:

A copy of 2011 interim report of China Petroleum & Chemical Corporation (the “Registrant”) published on the website of Hong Kong Stock Exchange.

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This interim report contains forward-looking statements. All statements, other than statements of historical facts, that address business activities, events or developments that the Company expects or anticipates will or may occur in the future (including, but not limited to projections, targets, reserves and other estimates and business plans) are forward-looking statements. The actual results or developments of the Company may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties. The Company makes the forward-looking statements referred to herein as at 26 August 2011 and, unless otherwise required by the relevant regulatory authorities, undertakes no obligation to update these statements.

IMPORTANT NOTICE: THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD OF CHINA PETROLEUM & CHEMICAL CORPORATION (“SINOPEC CORP.”) AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT WARRANT THAT THERE ARE NO FALSE REPRESENTATIONS, MISLEADING STATEMENTS OR MATERIAL OMISSIONS CONTAINED IN THIS INTERIM REPORT, AND SEVERALLY AND JOINTLY ACCEPT FULL RESPONSIBILITY FOR THE AUTHENTICITY, ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THIS INTERIM REPORT. THERE IS NO OCCUPANCY OF NON-OPERATING FUNDS BY THE SUBSTANTIAL SHAREHOLDERS OF SINOPEC CORP. ALL DIRECTORS OF SINOPEC CORP. ATTENDED THE FIFTEENTH MEETING OF THE FOURTH SESSION OF THE BOARD. MR. FU CHENGYU, CHAIRMAN OF THE BOARD, MR. WANG TIANPU, VICE CHAIRMAN AND PRESIDENT AND MR. WANG XINHUA, CHIEF FINANCIAL OFFICER AND HEAD OF THE CORPORATE FINANCE DEPARTMENT WARRANT THE AUTHENTICITY AND COMPLETENESS OF THE INTERIM FINANCIAL STATEMENTS CONTAINED IN THIS INTERIM REPORT.

THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 OF SINOPEC CORP. AND ITS SUBSIDIARIES (“THE COMPANY”) PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (“ASBE”), AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) HAVE BEEN AUDITED BY KPMG HUAZHEN AND KPMG RESPECTIVELY, AND BOTH FIRMS HAVE ISSUED STANDARD UNQUALIFIED OPINIONS ON THE INTERIM FINANCIAL STATEMENTS CONTAINED IN THIS INTERIM REPORT.

COMPANY PROFILE

Sinopec Corp. is one of the largest integrated energy and chemical companies with upstream, midstream and downstream operations in China. The principal operations of the Company include: the exploration and production, pipeline transportation and sales of petroleum and natural gas; petroleum refining; production; storage and transportation of petroleum products, petrochemical products, synthetic fiber, fertilizer and other chemical products; import & export, as well as import and export agency business of oil, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and research, development and application of technologies and information.

Sinopec Corp. holds true to its mission of “Enterprise Development, Contribution to the Country, Shareholder Value Creation, Social Responsibility and Employee Wellbeing”. It operates to the highest standard of integrity and work ethics, builds mutual success with partners through collaboration. Through dedication and passion to build Sinopec as a national flagship, together with professionalism and a deliverable-driven spirit, we will strive to realize the group’s vision of becoming a “first-class global energy and chemical corporation”.

SINOPEC CORP.’S BASIC INFORMATION

| | | |
|----------------------|---|--|
| LEGAL NAME | PLACE OF BUSINESS IN HONG KONG 20th Floor, Office Tower, Convention Plaza 1 Harbour Road, Wanchai, Hong Kong | PLACES OF LISTING OF SHARES, STOCK NAMES AND STOCK CODES A Share: Shanghai Stock Exchange |
| CHINESE ABBREVIATION | NEWSPAPERS FOR INFORMATION DISCLOSURE IN MAINLAND CHINA | Stock name: Stock code: 600028 |
| ENGLISH NAME | China Securities Journal | H Share: Hong Kong Stock Exchange |

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| | | |
|--|---|---|
| China Petroleum & Chemical Corporation | Shanghai Securities News | Stock code: 0386 |
| | Securities Times | |
| ENGLISH ABBREVIATION Sinopec Corp. | INTERNET WEBSITE PUBLISHING THIS INTERIM REPORT | ADR: New York Stock Exchange Stock code: SNP |
| LEGAL REPRESENTATIVE | Designated by the China Securities Regulatory Commission: | London Stock Exchange Stock code: SNP |
| Mr. Fu Chengyu | http://www.sse.com.cn | |
| AUTHORISED REPRESENTATIVE | | FIRST REGISTRATION DATE OF SINOPEC CORP. |
| Mr. Wang Tianpu, Mr. Chen Ge | The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"): | 25 February 2000 |
| SECRETARY TO THE BOARD OF DIRECTORS | http://www.hkex.com.hk | FIRST REGISTRATION PLACE OF SINOPEC CORP. |
| Mr. Chen Ge | The Company's Website: http://www.sinopec.com | 6A Huixindong Street, Chaoyang District, Beijing, PRC |
| REPRESENTATIVE ON SECURITIES MATTERS | PLACES WHERE THE INTERIM REPORT IS AVAILABLE FOR INSPECTION | ENTERPRISE LEGAL BUSINESSES LICENSE REGISTRATION NO. 1000001003298 (10-10) |
| Mr. Huang Wensheng | China: Board Secretariat Sinopec Corp. | |
| REGISTERED ADDRESS, PLACE OF BUSINESS AND CORRESPONDENCE ADDRESS | 22 Chaoyangmen North Street, Chaoyang District, Beijing, China | TAXATION REGISTRATION NO. Jing Guo Shui Chao Zi 110105710926094 |
| 22 Chaoyangmen North Street, Chaoyang District, Beijing, China Postcode: 100728 | USA: Citibank N.A. 388 Greenwich St., 14th Floor New York, NY 10013 USA | ORGANIZATION CODE 71092609-4 |
| Tel: 86-10-59960028 | | |
| Fax: 86-10-59960386 | UK: Citibank N. A. | NAMES AND ADDRESSES OF AUDITORS OF SINOPEC CORP. |
| Website: http://www.sinopec.com | Citigroup Centre Canada Square | Domestic Auditors: KPMG Huazhen Certified Public Accountants |
| E-mail: ir@sinopec.com media@sinopec.com | Canary Wharf London E14 5LB UK | Address: 8/F, Office Tower E2 |

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1 East Chang'an
Avenue
Dongcheng District
Beijing 100738,
PRC

Overseas
Auditors: KPMG Certified
Public
Accountants
Address: 8th Floor
Prince's Building
Central, Hong
Kong

PRINCIPAL FINANCIAL DATA AND INDICATORS

1 FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (“ASBE”)

| Items | At 30 June 2011 RMB millions | At 31 December 2010 RMB millions | Changes from the end of last year (%) |
|--|------------------------------------|--|--|
| Total assets | 1,071,912 | 985,389 | 8.8 |
| Total equity attributable to shareholders of the Company | 454,883 | 421,127 | 8.0 |
| Net assets per share attributable to shareholders of the Company (RMB) | 5.247 | 4.857 | 8.0 |

| Items | Six-month periods ended 30 June 2011 RMB millions | 2010 RMB millions | Charges over the same period of the preceding year (%) |
|---|---|----------------------|--|
| Operating profit | 56,237 | 53,463 | 5.2 |
| Profit before taxation | 56,755 | 53,812 | 5.5 |
| Net profit attributable to shareholders of the Company | 40,239 | 36,776 | 9.4 |
| Net profit attributable to shareholders of the Company before extraordinary gain and loss | 39,824 | 34,948 | 14.0 |
| Basic earnings per share (RMB) | 0.464 | 0.424 | 9.4 |
| Basic earnings per share (before extraordinary gain and loss) (RMB) | 0.459 | 0.403 | 14.0 |
| Diluted earnings per share (RMB) | 0.452 | 0.418 | 8.1 |
| Net cash flow from operating activities | 30,863 | 55,845 | (44.7) |
| Net cash flow from operating activities per share (RMB) | 0.356 | 0.644 | (44.7) |
| Weighted average return on net assets (%) | 9.10 | 9.26 | (0.16) percentage point |

Extraordinary items and corresponding amounts:

| Items | Six-month periods ended 30 June 2011 (Income)/expense RMB millions |
|---|---|
| Gain on disposal of non-current assets | (541) |
| Donations | 20 |
| Gain on holding and disposal of various investments | (62) |

| | |
|--|-------|
| Other non-operating income and expenses, net | 6 |
| Subtotal | (577) |
| Tax effect | 144 |
| Total | (433) |
| Attributable to: | |
| Equity shareholders of the Company | (415) |
| Non-controlling interests | (18) |

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

| Items | Six-month periods ended 30 June | | Charges over the same period of the preceding year (%) |
|--|---------------------------------|----------------------|--|
| | 2011 RMB millions | 2010 RMB millions | |
| Operating profit | 58,439 | 55,304 | 5.7 |
| Profit attributable to equity shareholders of the Company | 41,174 | 36,798 | 11.9 |
| Return on capital employed (%) Note | 6.58 | 6.51 | 0.07 percentage points |
| Basic earnings per share (RMB) | 0.475 | 0.424 | 11.9 |
| Diluted earnings per share (RMB) | 0.462 | 0.419 | 10.3 |
| Net cash generated from operating activities | 30,570 | 55,563 | (45.0) |
| Net cash generated from operating activities per share (RMB) | 0.353 | 0.641 | (45.0) |

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

| Items | At 30 June | At 31 December | Changes from the end of last year (%) |
|---|----------------------|----------------------|--|
| | 2011 RMB millions | 2010 RMB millions | |
| Total assets | 1,082,367 | 995,822 | 8.7 |
| Total equity attributable to equity shareholders of the Company | 452,962 | 419,604 | 7.9 |
| Net assets per share (RMB) | 5.224 | 4.840 | 7.9 |

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

1 CHANGES IN THE SHARE CAPITAL OF SINOPEC CORP.

During the reporting period, there was no change in the share capital of Sinopec Corp.

2 NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

As at 30 June 2011, there were a total of 823,404 shareholders of Sinopec Corp., of which 816,457 were holders of A share and 6,947 were holders of H share. The public float of Sinopec Corp. satisfied the minimum requirements under the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

(1) Top ten shareholders

Unit: 1,000 shares

| Name of Shareholders | Nature of shareholders (%) | As a percentage of total shares at the end of reporting period | Number of shares held at the end of reporting period | Number of shares with selling restrictions | Number of shares pledged or lock-ups |
|---|----------------------------|--|--|--|--------------------------------------|
| China Petrochemical Corporation | A share | 75.84 | 65,758,044 | 0 | 0 |
| HKSCC (Nominees) Limited | H share | 19.20 | 16,649,787 | 0 | Unknown |
| Guotai Junan Securities Co., Ltd | A share | 0.30 | 257,479 | 0 | 0 |
| China Life-Dividend-Individual Dividend 005L-FH002 Shanghai | A share | 0.20 | 176,120 | 0 | 0 |
| PICC Life-Dividend-Individual Insurance Dividend | A share | 0.14 | 118,054 | 0 | 0 |
| Yinhua-Dow Jones 88 Selected Securities Inv. Fund | A share | 0.06 | 55,325 | 0 | 0 |
| Harvest Theme New Power Securities Inv. Fund | A share | 0.05 | 46,801 | 0 | 0 |
| SSE 50 ETF Open Index Securities Inv. Fund | A share | 0.04 | 38,181 | 0 | 0 |
| Huaan Hongli Securities Inv. Fund | A share | 0.04 | 37,000 | 0 | 0 |
| EFund 50 Index Securities Inv. Fund | A share | 0.04 | 34,344 | 0 | 0 |

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

We are not aware of any connection or activities in concert among or between the top ten shareholders.

(2) Information disclosed by the shareholders of H Shares according to the Securities and Futures Ordinance as at 30 June 2011

| Name of shareholders | Status of shareholders | Number of shares with interests held or regarded as being held (share) | As a percentage of total interests (H share) of Sinopec Corp. (%) |
|--|--|--|---|
| JPMorgan Chase & Co. | Beneficial owner | 164,152,035(L) | 0.98(L) |
| | | 119,843,749(S) | 0.71(S) |
| | Investment manager | 528,621,480(L) | 3.15(L) |
| | | 0(S) | 0(S) |
| Custodian corporation/Approved lending agent | 526,719,344(L) | 3.14(L) | |
| | | 0(S) | 0(S) |
| Blackrock Inc. | Interests of corporation controlled by the substantial shareholder | 1,112,981,547(L) 99,883,226 (S) | 6.63(L) 0.60(S) |
| Templeton Asset Management Ltd. | Investment manager | 1,009,069,203 (L) | 6.01(L) |

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

3 CHANGES IN THE CONTROLLING SHAREHOLDERS AND THE EFFECTIVE CONTROLLER

There was no change in the controlling shareholder or the de facto controller in the reporting period.

CHAIRMAN'S STATEMENT

Dear Shareholders:

First, I would like to take this opportunity to express my sincere thanks to all of you for your long-term support to Sinopec Corp.

This May, I was elected as a director and chairman of the fourth Session of the Board of Directors, and I am indebted to you and the members of the Board for this honor. I am deeply mindful of the great responsibility you have given me.

Since taking up this post, I have noticed that Sinopec Corp. is such a large-scale company with abundant resources and operates across the value chain of the petroleum and petrochemical industries, promoting the growth of the Chinese economy and providing products and services that people need in their daily life. Sinopec Corp. is the leading energy and petrochemical company in China and enjoys ever-greater influence in the international arena. I feel honored and proud to join the Sinopec Corp. management team.

Through many years of reform and development, Sinopec Corp. has grown rapidly and undergone significant changes. The Sinopec Group, with Sinopec Corp as its core asset, ranked the fifth on Fortune Global 500. Standing on this solid foundation, I am confident that the management team will be able to take Sinopec Corp. to a new level with better management, higher productivity and increased shareholder value.

We are and we will be facing a complicated macro-environment. Climate change is triggering an energy revolution that includes the transformation of energy production and consumption; globalisation is promoting a new round of industrialisation and changes in economies worldwide; and the debt crisis in the United States and Europe is inserting a significant impact on the recovery of global economy. All of these factors will have a profound impact on the trends and transformation of the petroleum and petrochemical industry in China. In response to the changes in the domestic and international macro-environment and in recognition of Sinopec Corp.'s responsibilities as China's leading enterprise in the petroleum and petrochemical industry, our goal is to "build a first-class global energy and petrochemical company."

Against the standards of the world's first-class corporations, we have adjusted and refined our original business strategies including resources, marketing, integration, internationalisation, and added two new strategies namely differentiation and low-carbon development.

To achieve our development goals and strategies, we will explore all practical measures to push forward all kinds of activities, and accelerate the transformation of development pattern. In making structural adjustments, our priority will be building on the success of those business areas over which we have a clear edge such as refining, chemicals and sales of refined oil products. We will strengthen our exploration and production business aggressively and rapidly. We will also implement further internal reform and fully utilise our advantages as to industry value chain, our assets, our natural and human resources so as to build a first-class global corporation.

Our untiring objectives are to focus on environmental protection, improve energy efficiency, conserve resources, and enhance our ability to create value in order to contribute to our country, reward our shareholders, serve the society, and benefit our employees.

I am certain that with the support of our shareholders and the joint efforts of our management team and staff, we will build Sinopec Corp. into a highly responsible and most admired first-class global energy and petrochemical company.

Fu, Chengyu
Chairman

Beijing, China
26 August 2011

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BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

The Chinese government implemented a more active fiscal policy and a tighter monetary policy in the first half of 2011, with an aim to enhancing and improving its management of the macro economy. The Chinese economy has continued its steady and robust growth, with GDP increasing by 9.6% in the first half of the year. Domestic demand for refined oil and chemical products grew steadily, but at a slower rate. According to the Company's statistics, domestic apparent consumption of oil products (including gasoline, diesel and kerosene) increased by 7.2% in the first half of the year, and consumption of ethylene equivalents increased by 1.9%.

Sinopec Corp. achieved outstanding results in the first half of 2011. We took full advantage of the integration of our upstream, midstream and downstream businesses, made great efforts to ensure sufficient supply in the domestic oil products market, actively expanded our petrochemical markets, strengthened our leverage on the synergies among production, sales and research, optimised our product mix, satisfied the needs of our customers and expanded our scale of operations.

1 PRODUCTION AND OPERATION

- (1) Exploration and Production Segment
The price of international crude oil rose sharply in the first half of 2011. The average Platts Global Brent spot price was US\$111.16 per barrel, a year-over-year increase of 43.9%. The trend in domestic crude oil prices was basically the same as in the international market.

Movement of International Crude Oil Price

Sinopec Corp. has achieved excellent results in applying new technologies for exploration and production, particularly in solving the challenges of seismic study in complex piedmont tectonic belt, in increasing the drilling speed and efficiency in key regions. We have also made significant progress in conducting staged fracturing tests for horizontal wells in tight sandstone reservoirs. We have successfully undertaken staged fracturing of horizontal wells in our Zhenjing oil field and the Daniudi gas field in Ordos Basin, with a significant increase in production.

In oil exploration, we have made discoveries in three new territories - new strata, new types and new areas - in our matured fields in eastern China, the Tuofutai area of the Tahe oil field in western China, and the northern margin of the Junggar Basin. In gas exploration, we made new discoveries in deep marine facies and middle and shallow strata of the Yuanba area in northeastern Sichuan and in the shallow strata of the western Sichuan Basin. In oil-field development and production, we have made advances in improving the reserve development ratio, oil recovery rate and unit well productivity.

Domestically, Sinopec Corp. produced 150 million barrels of crude oil in the first half of 2011, a year-over-year increase of 0.7%, and 253.85 billion cubic feet of natural gas, an increase of 26.6%. Overseas production of crude oil dropped sharply due to the overhaul of offshore production machinery in the Angola oil field.

Exploration and Production: Summary of Operations

| | Six-month periods ended 30 June | | Changes (%) |
|--------------------------------------|---------------------------------|----------------------|----------------|
| | 2011 RMB millions | 2010 RMB millions | |
| Crude oil production (mmbbls) Note 1 | 156.32 | 165.32 | (5.4) |
| China | 150.22 | 149.19 | 0.7 |
| Africa | 6.10 | 16.13 | (62.2) |
| Natural gas production (bcf) Note 2 | 253.88 | 200.55 | 26.6 |
| Oil and gas production (mmboe) | 198.63 | 198.74 | (0.1) |

(2) Refining

Throughout the first half of 2011, Sinopec Corp. maintained its refining operations at high utilization rate. We made great efforts to increase the production of refined oil products and ensured a stable supply to the market, and we implemented plans to revamp and expand our refineries in an effort to upgrade the quality of oil products to the Guo III Specification. By optimising the procurement and transportation of crude oil, we reduced the costs and improved our profitability. We also strengthened the marketing of products such as asphalt, LPG, petroleum coke and solvent oil. Refinery throughput was 109 million tonnes in the first half of the year, representing a year-over-year increase of 5.0%. Light yield and refining yield increased significantly compared with the same period of 2010.

Refining: Summary of Operations

| | Six-month periods ended 30 June | | Changes (%) |
|--|---------------------------------|----------------------|----------------------|
| | 2011 RMB millions | 2010 RMB millions | |
| Refinery throughput | 108.53 | 103.40 | 5.0 |
| Gasoline, diesel and kerosene production | 63.40 | 60.52 | 4.8 |
| Gasoline | 18.18 | 17.77 | 2.3 |
| Diesel | 38.44 | 36.72 | 4.7 |
| Kerosene incl. jet fuel | 6.77 | 6.03 | 12.3 |
| Light chemical feedstock production | 18.57 | 17.15 | 8.3 |
| Light yield (%) | 76.26 | 75.60 | 0.66 |
| | | | Percentage points |
| Refining yield (%) | 95.30 | 94.65 | 0.65 |
| | | | Percentage points |

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

2. 100% production of joint ventures was included.

(3) Marketing and Distribution

In the first half of 2011, Sinopec Corp. strengthened the procurement and logistics of oil products to ensure the supply to the market. We also improved our service quality, strengthened quality management for outsourced oil products, We optimized our marketing structure by increasing our retail ratio. We proactively promote our non- fuel business. Total domestic sales of refined oil were 75.10 million tonnes over the period, an increase of 10.2% from the first half of 2010. Meanwhile, we made greater efforts in expanding our presence in the overseas market, and achieved significant increase in overseas oil product sales volume as compared with the same period of 2010.

Marketing and Distribution: Summary of Operations

| | Six-month periods ended 30 June | | Changes (%) |
|---|---------------------------------|------------------------------|--|
| | 2011 (million tonnes) | 2010 | |
| Total sales volume of oil products | 80.42 | 71.59 | 12.3 |
| Total domestic sales volume of oil products | 75.10 | 68.15 | 10.2 |
| Retail | 50.20 | 41.70 | 20.4 |
| Direct sales | 15.89 | 15.70 | 1.2 |
| Wholesales | 9.01 | 10.75 | (16.2) |
| Annualized average throughput per station (tonne/station) | 3,341 | 2,841 | 17.6 |
| | | | Increase/decrease at the end of the reporting period |
| | As at 30 June 2011 | As at 31 December 2010 | over at of the last year (%) |
| Total numbers of domestic service stations | 30,399 | 30,116 | 0.9 |
| Company-operated | 30,050 | 29,601 | 1.5 |
| Franchised | 349 | 515 | (32.2) |

(4) Chemicals

In the first half of 2011, we have maintained safe and stable operations in our plants, and actively adjusted our product mix by increasing the proportion of high-end products such as special synthetic resins and differential fibers. We have also improved our service, established a system for high-efficiency production, sales, research and innovation, adjusted plant loads according to supply and demand, fine-tuned our marketing strategies and ensured maximum sales of all products based on market conditions. Production of ethylene was 5.015 million tonnes in the first half of 2011, increased by 19.3% year on year, and the total sales of chemical products were 25.10 million tonnes, increased 6.0% year on year.

| Summary of Production of Major Chemical Products | | | Unit: 1,000 tonnes |
|--|---------------------------------|------|-----------------------|
| | Six-month periods ended 30 June | | Changes (%) |
| | 2011 (Thousand tonnes) | 2010 | |

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| | | | |
|-------------------------------------|-------|-------|--------|
| Ethylene | 5,015 | 4,202 | 19.3 |
| Synthetic resin | 6,834 | 6,088 | 12.3 |
| Synthetic fibre monomer and polymer | 4,744 | 4,275 | 11.0 |
| Synthetic fibre | 705 | 676 | 4.3 |
| Synthetic rubber | 526 | 485 | 8.5 |
| Urea | 413 | 932 | (55.7) |

Note: 100% production of joint ventures was included.

2 SAFETY, ENERGY CONSERVATION AND EMISSION REDUCTION

The company had always regarded safety and environment protection as the top task while taking measures to ensure that HSE responsibility mechanism was fully practiced. In the first half of the year, safe and clean production was generally maintained. Over the years, the company has been actively promoting energy conservation and emission reduction, laying great emphasis on a green and low-carbon operation during energy exploration, production, processing and utilisation. Over the first half of this year, energy consumption per RMB10, 000 in output) dropped by 3.8%, and COD in discharged wasted water dropped by 9.2%, while SO₂ emission dropped by 10.0% year on year.

3 CAPITAL EXPENDITURE

The capital expenditure plan for the year of 2011 is RMB124.1 billion, and capital expenditures for the first half of the year were RMB33.567 billion in accordance with the progress of the projects. The exploration and production segment accounted for RMB17.406 billion, mainly for exploration and development of the Shengli Tanhai oil field, the Northeast Tahe oil field, natural gas exploration and development in northeastern Sichuan and the Shandong LNG project; the refining segment accounted for RMB3.656 billion, mainly for upgrading diesel quality, revamping refineries in the Beihai and Changling and building the Rizhao-Yizheng crude oil pipeline; the chemicals segment accounted for RMB2.12 billion, mainly for an 800,000 tonne ethylene plant in Wuhan and the revamping of production facilities in line with raw material shift in an MTO plant in Zhongyuan; and the marketing and distribution segment accounted for RMB9.523 billion, mainly for the construction of service stations, on highways, in key cities and new areas, oil depots and a refined oil product transfer network with 786 service stations built or acquired over the period. Capital expenditures by the corporate and others were RMB862 million. The whole year capital expenditure plan will not change.

BUSINESS PROSPECTS

In the second half of the year, uncertainty and instability of the global economic recovery will increase. In China, the government shall take multi-measures to curb inflation, and GDP growth should remain strong but may slow down slightly. We expect that international crude oil prices will fluctuate within a wider range and the domestic demand for refined oil and chemicals products will keep increasing.

In the second half of 2011, Sinopec Corp. will carefully plan its production in line with the market demand and strengthen safety production and thus endeavor to realise excellent operating results.

With respect to exploration and production, we will further expand our exploration of subtle oil and gas reservoirs and complex fault block oil reservoirs, and actively investigate new areas; accelerate the exploration of the Tazhong and Bachu areas in western China, develop the potential strategic blocks to replace the mature fields, accelerate the overall appraisal of the northern and western margin of the Junggar Basin and the southern areas of ordos we will integrate the exploration and development activities in natural gas blocks such as Yuanba, southeast Sichuan and Xinchang, and enhance appraisal efforts in block selection, and exploration of unconventional resources such as shale gas, coal-bed methane and shale oil. In development, Sinopec Corp. will accelerate building up production capacity in new areas and ensure stable production in matured fields. In natural gas development, we will advance the construction of key capacity-building projects in the Dawan block, the Daniudi gas field and southwest Sichuan, accelerate the development and application of process technology for horizontal well projects, and carry out the rolling development and evaluation of the Yuanba area and the construction of auxiliary surface projects. Production volumes in overseas oil fields will gradually recover. Sinopec Corp. plans to produce 165 million barrels of crude oil, including 153 mmbbls from China and 12.4 mmbbls from Africa, and 247.2 billion cubic feet of natural gas in the second half of the year.

With respect to refining, Sinopec Corp. will continue to maintain high utilisation, upgrade product quality and produce more clean fuel. We will further optimise our product mix by increasing the output of high-quality lubrication oil, asphalt and fuel oil; improve the procurement and transport of crude oil and take measures to reduce costs. Sinopec Corp. plans to process 114 million tonnes of crude oil in the second half of 2011.

With respect to marketing and distribution, Sinopec Corp. will further improve and expand its marketing network to increase its sales volume. We will develop more flexible marketing strategies, improve our marketing structure and service quality, strengthen quantity and quality control of refined oil products and intensify our brand marketing. Meanwhile, Sinopec Corp. will continue to develop its non-fuel businesses. We anticipate that the total domestic refined oil product sales volume will be 74.9 million tonnes in the second half of the year.

At the same time, with respect to chemicals, we will accelerate the optimisation of our product mix, increase the proportion of high-value-added products, manage supplies so that we can adjust our product mix and the mix of raw materials in a nimble manner, accelerate the construction of our logistics system, improve our marketing network, strengthen the relationship among production, marketing and research, improve marketing services and increase customer satisfaction. In the second half of the year, we are planning to produce 4.835 million tonnes of ethylene.

Mindful of the goal of building a first-class corporation in the world in the petroleum and petrochemical industry, Sinopec Corp. will spare no efforts in carrying out its strategies relating to resources, marketing, integration of business segments, internationalisation, differentiation and low-carbon development. In response to the developments of the domestic and international economic climate, we will continue to optimise our marketing strategies, reinforce production safety and strive to achieve our operational targets for 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S AUDITED INTERIM FINANCIAL STATEMENTS AND THE ACCOMPANYING NOTES. PARTS OF THE FOLLOWING CONCERNED FINANCIAL DATA, UNLESS OTHERWISE STATED, WERE ABSTRACTED FROM THE COMPANY'S AUDITED INTERIM FINANCIAL STATEMENTS THAT HAVE BEEN PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS").

1 CONSOLIDATED RESULTS OF OPERATIONS

In the first half of 2011, influenced by many factors including geopolitical issues, international crude oil price increased significantly. Chinese economy realised relatively rapid growth. Demand for petroleum and petrochemical products increased steadily, and the price of crude oil, refined oil products and petrochemical products increased compared with the same period of last year. The Company took active measures to adjust the crude oil procurement strategies, optimized the production and operation, adhered to the structural adjustment, constantly improved marketing capabilities, laid great emphasis on the safety of production, energy conservation and took the full advantage of the business scale and synergies, all of which have contributed to good business results. In the first half of 2011, the Company's turnover and other operating revenues were RMB 1,233.3 billion, and the operating profit was RMB 58.4 billion, representing a year-on-year increase of 31.5% and 5.7% respectively.

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

| | | Six-month periods ended 30 June | | Change (%) |
|---------------------------------------|--|---------------------------------|-------------------------|---------------|
| | | 2011 RMB millions | 2010 RMB millions | |
| Turnover and other operating revenues | | 1,233,272 | 937,736 | 31.5 |
| Of which: | Turnover | 1,216,941 | 924,336 | 31.7 |
| | Other operating revenues | 16,331 | 13,400 | 21.9 |
| Operating expenses | | (1,174,833) | (882,432) | 33.1 |
| Of which: | Purchased crude oil, products, and operating supplies and expenses | (1,001,431) | (734,277) | 36.4 |
| | Selling, general and administrative expenses | (26,281) | (22,907) | 14.7 |
| | Depreciation, depletion and amortisation | (30,510) | (29,288) | 4.2 |
| | Exploration expenses (including dry holes) | (5,652) | (5,747) | (1.7) |
| | Personnel expenses | (18,094) | | |