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CHINA PETROLEUM & CHEMICAL CORP
Form 6-K
August 31, 2004

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, 2004

China Petroleum & Chemical Corporation
A6, Huixindong Street,
Chaoyang District Beijing, 100029
People's Republic of China
Tel: (8610) 6499-0060

(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 X 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 X

(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:

1) an announcement of resolutions passed at the tenth meeting of the second session of the board of directors, and 2) an announcement on 2004 interim results, made on August 27, 2004, in English of China Petroleum & Chemical Corporation (the "Registrant").

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

China Petroleum & Chemical Corporation

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By: /s/ Chen Ge

Name: Chen Ge

Title: Secretary to the Board of Directors

Date: August 27, 2004

[GRAPHIC OMITTED]
CHINA PETROLEUM & CHEMICAL CORPORATION
(a joint stock limited company incorporated in the People's
Republic of China with limited liability)
(Stock code: 386)

Announcement of Resolutions Passed
at the Tenth Meeting of
the Second Session of the Board of Directors

China Petroleum & Chemical Corporation ("Sinopec Corp.") and all members of its board of directors warrant the authenticity, accuracy and completeness of the information contained in this announcement, and severally and jointly accept full responsibility for any misrepresentations, misleading statements or material omissions contained in this announcement.

The Tenth Meeting of the Second Session of the Board of Directors of Sinopec Corp. was held at the Conference Room at the 20th Floor of Sinopec Corp.'s offices on 27 August 2004 and was attended by 7 directors out of 13 directors. Mr Chen Tonghai, Chairman, Mr Wang Jiming, Vice Chairman, Messrs. Zhang Jiaren, Cao Xianghong, Liu Genyuan, Chen Qingtai and Cao Yaofeng, directors, attended the meeting. Messrs. Mou Shuling, Gao Jian, Fan Yifei, Ho Tsu Kwok Charles, Shi Wanpeng and Zhang Youcai, directors, were unable to attend the meeting due to business engagement. Mr. Mou Shuling appointed and authorised Mr. Cao Xianghong to attend and vote on his behalf. Mr. Gao Jian appointed and authorised Mr. Chen Tonghai, Chairman, to attend and vote on his behalf. Mr. Fan Yifei appointed and authorised Mr. Wang Jiming, Vice Chairman, to attend and vote on his behalf. Messrs. Ho Tsu Kwok Charles, Shi Wanpeng and Zhang Youcai appointed and authorised Mr. Chen Qingtai to attend and vote on their behalf at the meeting. A quorum as set out in the provisions of the Articles of Association was present. The meeting was convened and chaired by Mr Chen Tonghai and, after careful consideration by the directors at the meeting, the following resolutions were passed:

1. The Report on the Performance Review for the First Half of Year 2004 and Work Arrangements for the Second Half of Year 2004 was approved.
2. The Dividend Distribution plan for the First Half of Year 2004 was approved.

According to the financial statements for the first half of year 2004 prepared in accordance with the PRC Accounting Rules and Regulations and International Financial Reporting Standards, the audited net profits were RMB15.039 billion and RMB16.151 billion, respectively. In accordance with the provisions of the Articles of Association of Sinopec Corp., profits available for distribution to shareholders shall be the lower of the amount as determined in accordance with the PRC Accounting Rules and Regulations and International Financial Reporting Standards. Based on the

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amount of RMB15.039 billion, 10% of the net profit (RMB1.504 billion) was transferred to the statutory surplus reserve and another 10% (RMB1.504 billion) was transferred to the statutory public welfare fund, and no transfer to the discretionary surplus reserve was made for the first half of the year. Taking into account the undistributed profits carried forward of RMB19.975 billion, after deducting the final dividend of year 2003 of RMB5.202 billion, profits available for distribution to the shareholders was RMB26.804 billion. On the basis of the total number of issued shares of 86,702,439,000 shares as at 30 June 2004, cash dividend per share declared is RMB0.04 (including tax). The total amount of cash dividend is RMB3.468 billion.

The interim dividend will be distributed on or before Thursday, 30 September 2004 to the shareholders whose names appear on the register of members of Sinopec Corp. on Monday, 20 September 2004.

3. The financial statements for the first half of year 2004 audited by KPMG Huazhen and KPMG were approved.
4. The interim report for the first half of year 2004 was approved.
5. The proposal of adjusting investment plan for year 2004 was approved.

Sinopec Corp. determines to seize the current opportunity by enhancing investment and speeding up construction progress in key projects. Accordingly, Sinopec Corp. plans to increase its capital expenditure by RMB6.12 billion from RMB5.2 billion to RMB56.32 billion in 2004 (please refer to Sinopec Corp.'s 2004 Interim Report for further details).

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

Beijing, PRC, 27 August 2004

As at the date of this announcement, the directors of the Company are: Messrs. Chen Tonghai, Wang Jiming, Mou Shuling, Zhang Jiaren, Cao Xianghong, Liu Genyuan, Gao Jian and Fan Yifei; the independent directors are: Messrs. Chen Qingtai, Ho Tsu Kwok Charles, Shi Wanpeng and Zhang Youcai; and the employee representative director is: Mr Cao Yaofeng.

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CHINA PETROLEUM & CHEMICAL CORPORATION
(a joint stock limited company incorporated in the People's
Republic of China with limited liability)
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Announcement of the 2004 Interim Results

Section 1 Important Notice

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

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contained in this announcement.

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

- 1.2 No Director has any doubt as to, or the inability to warrant, the truthfulness, accuracy and completeness of the interim report.
- 1.3 Messrs. Mou Shuling, Gao Jian, Fan Yifei, Ho Tsu Kwok Charles, Shi Wanpeng and Zhang Youcai, Directors of Sinopec Corp., could not attend the tenth meeting of the second session of the Board for reasons of official duties. Mr. Mou Shuling, Director of Sinopec Corp., authorised Mr. Cao Xianghong, Mr. Gao Jian, Director of Sinopec Corp., authorised Mr. Chen Tonghai, Chairman, Mr. Fan Yifei, Director of Sinopec Corp., authorised Mr. Wang Jiming, Vice Chairman and Messrs. Ho Tsu Kwok Charles, Shi Wanpeng and Zhang Youcai, Directors of Sinopec Corp., authorised Mr. Chen Qingtai, respectively, to vote on their behalf in respect of the resolutions put forward in the tenth meeting of the second session of the Board.
- 1.4 The financial statements for the six-month period ended 30 June 2004 of Sinopec Corp. and its subsidiaries ("the Company") prepared in accordance with the PRC Accounting Rules and Regulations and International Financial Reporting Standards ("IFRS") have been audited by KPMG Huazhen and KPMG, respectively, and both firms have issued standard unqualified opinions on the financial statements.
- 1.5 Mr. Chen Tonghai (Chairman of the Board), Mr. Wang Jiming (Vice Chairman and President), Mr. Zhang Jiaren (Director, Senior Vice President and Chief Financial Officer) and Mr. Liu Yun (Head of the Accounting Department) warrant the authenticity and completeness of the financial statements contained in this announcement.

Section 2 Basic Information of Sinopec Corp.

2.1 Basic Information of Sinopec Corp.

Stock name	SINOPEC CORP	SINOPEC CORP	SINOPEC CORP	[Graphic o
Stock code	0386	SNP	SNP	600028
Place of listing	Hong Kong Stock Exchange	New York Stock Exchange	London Stock Exchange	Shanghai S Exchange
			Secretary to the	Representa

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	Authorized Representatives	Board of Directors	on Security Matters
Name	Mr. Wang Jiming	Mr. Chen Ge	Mr. Chen Ge
Address	6A Huixindong Street, Chaoyang District, Beijing, PRC		
Tel	86-10-64990060		
Fax	86-10-64990022		
E-mail	ir@sinopec.com.cn/media@sinopec.com.cn		

2.2 Principal accounting data and financial indicators

2.2.1 Principal accounting data and financial indicators for the first half of 2004 prepared in accordance with the PRC Accounting Rules and Regulations

2.2.1.1 Principal accounting data and financial indicators

Item	At 30 June 2004 RMB millions	At 31 December 2003 RMB million
Current assets	117,062	96,918
Current liabilities	136,314	120,792
Total assets	422,925	390,213
Shareholders' funds (excluding minority interests)	172,276	162,946
Net assets per share (RMB/share) (Fully diluted)	1.987	1.879
Adjusted net assets per share (RMB/share)	1.961	1.850

Item	Six-month periods ended 30 June 2004 RMB millions	2003 RMB millions
Net profit	15,039	9,765
Net profit before non-operating profits/losses	16,332	10,221
Return on net assets (%) (Fully diluted)	8.73	6.25
Return on net assets (%) (Weighted average)	8.82	6.24
Earnings per share (RMB/share) (Fully diluted)	0.173	0.113
Earnings per share (RMB/share)		

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(weighted average)	0.173	0.113
Net cash flow from operating activities	21,694	29,982

2.2.1.2 Items under non-operating profits and losses

|x| applicable |_| inapplicable

Items under non-operating profits/losses:

Six
ended

Loss on disposal of long-term equity investments
 Written back of provisions for impairment losses in previous years
 Non-operating expenses:
 (excluding normal provisions on assets provided in accordance
 with the Accounting Regulations for Business Enterprises)
 Of which: Loss on disposal of fixed assets
 Employee reduction expenses
 Donations
 Non-operating income
 Tax effect

Total

2.2.2 Principal accounting data and financial indicators of the Company for the first half of 2004 prepared in accordance with IFRS

Item	Six-month periods ended 30 June	
	2004	2003
	RMB millions	RMB millions
Operating profit	27,339	18,569
Net profit	16,151	10,727
Return on capital employed (%) *	6.17	4.47
Earnings per share (RMB/share)	0.186	0.124
Net cash flow from operating activities	19,291	28,649

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

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Item	At 30 June 2004 RMB millions	At 31 December 2003 RMB millions
Current assets	120,102	99,328
Current liabilities	137,713	122,005
Total assets	434,937	400,818
Shareholders' funds (excluding minority interests)	178,409	167,899
Net assets per share (RMB/share)	2.058	1.937
Adjusted net assets per share (RMB/share)	2.033	1.908

2.2.3 Major differences between the PRC Accounting Rules and Regulations and IFRS on net profit and shareholders' funds for the first half of 2004

|x| applicable |_| inapplicable

2.2.3.1 Analysis of the effects of major differences between the PRC Accounting Rules and Regulations and IFRS on net profit:

Item	Six-month periods ended 2004 RMB millions
Net profit under the PRC Accounting Rules and Regulations	15,039
Adjustments:	
Disposal of oil and gas properties (net of depreciation effect)	879
Impairment losses on revaluated assets	439
Depreciation of oil and gas properties	370
Capitalization of general borrowing costs	247
Acquisition of Sinopec National Star	58
Acquisition of Sinopec Maoming, Xi'an Petrochemical and Tahe Petrochemical	-
Revaluation of land use rights	9
Unrecognized losses of subsidiaries	(236)
Pre-operating expenditures	(95)
Impairment losses on long-lived assets	-
Effects of the above adjustments on taxation	(559)
Net profit under IFRS	16,151

2.2.3.2 Analysis of the effects of major differences between the PRC Accounting Rules and Regulations and IFRS on shareholders' funds:

At 30 June
2004

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RMB millions

Shareholders' funds under the PRC Accounting Rules and Regulations	172,276
Adjustments:	
Disposal of oil and gas properties	2,139
Depreciation of oil and gas properties	11,255
Capitalization of general borrowing costs	1,372
Acquisition of Sinopec National Star	(2,754)
Revaluation of land use rights	(861)
Effect of minority interests on unrecognized losses of subsidiaries	332
Pre-operating expenditures	(264)
Impairment losses on long-lived assets	(113)
Government grants	(326)
Effects of the above adjustments on taxation	(4,647)
Shareholders' funds under IFRS	178,409

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

3.1 Statement of changes in share capital

applicable inapplicable

3.2 Top ten shareholders and holders of tradable shares

Total number of shareholders at the end of the reporting period Total number of shareholders: 302,856 (of which: domestic holders of A shares: 291,585, overseas holders of H shares: 11,271)

Top ten shareholders as at 30 June 2004

Name of shareholders	Increase/decrease during the reporting period (1,000 shares)	Number of shares held (1,000 shares)	Percentage at the end of the reporting period	
			Among total share-holdings %	Nature of Shareholders
China Petrochemical Corporation ("Sinopec Group Company")	0	47,742,561	55.06	State-owned shares
HKSCC (Nominees) Limited	5,036,626	16,676,244	19.23	H shares
China Development Bank	0	8,775,570	10.12	State-owned shares
China Cinda Asset Management Corp.	0	8,720,650	10.06	State-owned shares
China Orient Asset Management Corp.	0	1,296,410	1.50	State-owned shares

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Guo Tai Jun An Corp.	(10,428)*	586,760	0.68	State-owned shares
Qingdao Port Authority	0	60,000	0.07	A Shares
EFUND 50 Securities Investment Fund	51,906	51,906	0.06	A Shares
Xinghua Securities Investment Fund	33,190	48,190	0.06	A Shares
Xinghe Securities Investment Fund	(15,799)	46,149	0.05	A Shares
CITIC Securities Co.,Ltd.	40,985	44,485	0.05	A Shares

Top ten shareholders with tradable shares as at 30 June 2004

Name of shareholders	Number of shares held (1,000 shares)
HKSCC (Nominees) Limited	16,676,244
Qingdao Port Authority	60,000
EFUND 50 Securities Investment Fund	51,906
Xinghua Securities Investment Fund	48,190
Xinghe Securities Investment Fund	46,149
CITIC Securities Co.,Ltd.	44,485
China Southern Principal Protected Fund	40,144
China Southern Sustaining Growth Fund	39,153
Harvest Service Sector Fund	39,087
Tian Yuan Securities Investment Fund	37,030

Explanation for the relationships among the above shareholders or activities in concert:

Except for Xinghua Securities Investment Fund and Xinghe Securities Investment Fund both of which belong to Huaxia Fund Management Co.,Ltd. and China Southern Principal Protected Fund, China Southern Sustaining Growth Fund and Tian Yuan Securities Investment Fund which belong to China Southern Fund Management Co., Sinopec Corp. is not aware of any connections among the above corporate shareholders. Sinopec Corp. is not aware of any connections or activities in concert between other shareholders of shares in circulation and is not aware of any pledges, lock-ups or trust of shareholdings of H Shares.

* The shares sold by Guo Tai Jun An Corp. were A shares previously

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purchased on the stock exchanges by Guo Tai Jun An Corp.

Name of
shareholders

Lock-up periods on strategic investors or
legal person subscribers of placement of new shares

-

3.3 Changes of the controlling shareholders and the actual
controllers in the reporting period

applicable inapplicable

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

4.1 Information about the terms of office of the directors,
supervisors and senior management

Since Mr. Liu Keguo, the previous director of Sinopec Corp., resigned from the Board of Directors of Sinopec Corp., the China Development Bank, which held 10.12% of Sinopec Corp.'s total share capital, nominated Mr. Gao Jian as the candidate of Sinopec Corp.'s director on 29 April 2004. At the Annual General Meeting for the Year 2003 held on 18 May 2004, Mr. Gao Jian was elected as the member of the Second Session of the Board of Directors of Sinopec Corp.

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

applicable inapplicable

As at 30 June 2004, none of the directors, supervisors or senior management of Sinopec Corp. had any interest in any shares of Sinopec Corp.

As at 30 June 2004, none of the directors, supervisors and senior management of Sinopec Corp. had any interests or short positions in the shares, underlying shares of the Sinopec Corp. or any associated corporations (as defined in Part XV of the Securities and Futures Ordinance) which was recorded in the register required to be kept under section 352 of the SFO or otherwise notified to Sinopec Corp. and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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

5.1 Business Review

In the first half of 2004, the Chinese government adopted a series of macro-economic control measures, and achieved good results. The national economy maintained an upward momentum of steady growth and GDP rose by 9.7%. Demands for petroleum and petrochemical products continued to grow accordingly. According to the Company's statistics, the apparent domestic

consumption of refined oil products (gasoline, diesel and kerosene including jet fuel) in the first half of this year increased by 24.6% over the same period last year whilst the apparent consumption of petrochemical products (in term of ethylene) increased by 15.59%.

In the first half of 2004, prices of international crude oil fluctuated at a high level. Refining margin was improved and the chemical industries were in the rising trend of a new cycle. The Company closely monitored the changes in the domestic and overseas market of crude oil and petrochemical products, and responsively adopted effective operation measures, actively explored the market, optimised resources, rationalised structures, and maximised operation volume. As a result, the oil and gas production increased steadily, oil refining and petrochemical facilities operated at a high utilisation rate, the sales of refined oil products increased significantly and marketing structures were further optimised. At the same time, the Company further enhanced the internal reform, streamlised the assets portfolio and reinforced internal control. As a result of the joint efforts made by all the employees together with the Company, the Company achieved remarkable operating results.

According to the PRC Accounting Rules and Regulations, the Company's income from principal operations was RMB 265.71billion, up by 36.4% over the first half of 2003. The Company's net profit was RMB 15.04 billion, up by 54.0% over the first half of 2003. Based on the number of shares outstanding at the end of the reporting period, earnings per share were RMB 0.17. According to the International Financial Reporting Standards, turnover and other operating revenues amounted to RMB 275.44 billion, up by 34.1% over the first half of 2003. Profit attributable to shareholders was RMB 16.15 billion, up by 50.6% over the first half of 2003. Based on the number of shares outstanding at the end of the reporting period, earnings per share were RMB 0.19.

The Board of Directors has decided to distribute an interim dividend of RMB 0.04 per share for the first half of 2004, which is equivalent to RMB 4.00 per ADS.

5.1.1 Production and Operation

(1) Exploration and production segment

In the first half of 2004, the average international crude oil price increased significantly compared with the same period last year. The Platt's global Brent spot price averaged USD 33.65 per barrel, up by 16.9% over the first half of 2003. Domestic prices of crude oil generally followed the trend in the international market. However, as there is a one-month time lag of domestic crude oil prices behind the international crude oil prices and the increase in international benchmarked prices for the Company's self-produced oil was not significant, the average crude price realised by the Company during the first half of 2004 was USD 29.62 per barrel, up by 2.5% over the same period last year.

In the first half of 2004, the Company achieved good results in exploration, development and production of crude oil and

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natural gas.

In exploration, the Company optimised exploration plan and profile of oil and gas reserves by taking the zone exploration as the main objective and the discovery of qualified proven reserves as the primary goal. New blocks in Tahe oilfield and deep layers in Jiyang trough demonstrated good indications of oil and gas reserves, and sound results were achieved in exploration in mature fields in eastern China. Important progress was achieved in the natural gas exploration blocks such as in northeastern Sichuan. Exploration wells in 6 key blocks in Ordos, Shengli, Zhongyuan, etc. obtained commercial oil and gas flow. In addition, oil and gas were discovered in a number of major exploration wells in the new blocks in western China. In the first half of 2004, the newly added proved geological reserves of crude oil amounted to approximately 133 million tonnes, whilst the newly added geological reserves of natural gas was approximately 62.3 billion cubic meters.

In development, the Company aimed to optimise its development plans and improve the quality of production capacity build-up. In the first half of 2004, newly developed production capacity of crude oil and natural gas reached 2.29 million tonnes per year and 415 million cubic meters per year, respectively.

In production, the Company seized the opportunity of high crude oil prices and carefully arranged oil and gas production. The Company exercised comprehensive management over its existing oilfields and consolidated its foundation for stable output, and the production of oil and gas increased steadily.

Summary of Operations of Exploration and Production Segment

	Six-month periods ended 30 June	
	2004	2003
Crude oil production (million barrels)	135.85	133.72
Natural gas production (billion cubic feet)	100.06	90.71
Newly added proved oil reserves (million barrels)	124.40	115.80
Newly added proved gas reserves (billion cubic feet)	872.74	276.80
Proved oil reserves at the end of the reporting period (million barrels)	3,245.73	3,302.00
Proved gas reserves at the end of the reporting period (billion cubic feet)	3,660.30	3,515.00

Note: Crude oil production is converted at 1 tonne = 7.1 barrels, and natural gas production is converted at 1 cubic meter = 35.31 cubic feet.

(2) Refining segment

In the first half of 2004, in response to the significant growth of demand in the domestic market, the Company made careful arrangement so as to ensure a safe, stable, sustained, optimal and full load operation of its facilities. The Company also made serious effects in increasing the processing volume of crude oil. In addition, the Company optimised the allocation of crude oil resources, further increased the processing volume of sour crude, optimised logistics and reduced production costs. The Company also optimised product mix, increased production of diesel and high value-added products and improved profitability. Furthermore, the Company enhanced its management over the operation of production facilities, and further improved major economic and technical indicators for oil refining, such as light product yield and refining yield.

Summary of Operations of Refining Segment

	Six-month periods ended 30 June		
	2004	2003	
Crude processing volume (million tonnes)	64.98	54.70	
Of which: Sour crude processing volume (million tonnes)	13.39	10.64	
Refinery utilisation (%)	91.57	83.30	8.
Gasoline, diesel oil and kerosene (including jet fuel) production (million tonnes)	39.17	32.59	
Of which: Gasoline (million tonnes)	11.42	10.25	
Diesel oil (million tonnes)	24.72	19.89	
Kerosene (including jet fuel) (million tonnes)	3.03	2.45	
Chemical feedstock (million tonnes)	8.92	8.23	
Light product yield (%)	74.06	73.97	0.
Refining yield (%)	93.10	93.07	0.

Notes:

- The data of the first half of 2003 and the first half of 2004 in this table includes that of Xi'an Petrochemical and Tahe Petrochemical
- Crude processing volume is converted at 1 tonne = 7.35 barrels.

(3) Marketing and distribution segment

In the first half of 2004, the Company closely monitored the changes of the market, optimised logistics and marketing structure. Sales volume of refined oil products increased significantly together with a steady expansion of market share. The Company actively expanded and optimised the marketing network of refined oil products, and rationalised network layout and product logistics. In the first half of 2004, the Company's total domestic sales volume of refined oil products was up by 29.09% over the same period last year, and the volumes of retail and direct sales were up by 40.89% and 38.15%, respectively, over the same period last year. Retail and direct sales volume, as a percentage of the Company's total domestic sales volume of refined oil products increased to 76.2% from 70.2% in the same period last year. In order to meet the domestic demand for refined oil products and to maintain a balance in product mix, the Company reduced the export volume of its refined oil products. In the first half of 2004, total export volume of refined oil products was 1.85 million tonnes, representing a decrease of 43.5% from the first half of 2003.

Summary of Operations of Marketing and Distribution Segment

	Six-month periods ended 30 June	
	2004	2003
Total domestic sales of refined oil products (million tonnes)	45.49	35.24
Of which: Retail volume (million tonnes)	25.12	17.83
Direct sales volume (million tonnes)	9.56	6.92
Wholesale volume (million tonnes)	10.81	10.49
Average annual throughput per petrol station (tonne/station)	1,986	1,612
Total number of petrol stations	30,682	29,425
Of which: Number of self-operated petrol stations	25,306	24,128
Number of franchised petrol stations	5,376	5,297

In March 2004, Sinopec won the exclusive entitlement of Sinopec Formula 1 Grand Prix China, which is another initiative of the Company's international branding strategy. The Company will make the best use of the cooperation with Formula 1 to promote the overall value of Sinopec's branding.

(4) Chemicals segment

In the first half of 2004, the global chemicals sector was in a new round of an upturn cycle. Prices of chemical products

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increased significantly, and demand in the domestic chemical market continued to grow. The Company's average price of synthetic resin, synthetic rubber, synthetic fiber, and monomers and polymers for synthetic fiber increased by 27.7%, 15.9%, 16.2% and 21.3% respectively over the first half of 2003. The Company seized the favorable opportunities and maintained operation of its chemical facilities at full load. As a result, production of major chemical products increased significantly, among which, production of synthetic resin, synthetic fiber, and synthetic rubber were up by 10.95%, 7.19%, and 13.79% respectively over the first half of 2003. In addition, the chemical product mix was improved and the portion of high value-added products such as performance compound of synthetic resin and differential fiber was further increased. The marketing model of the newly established Acrylic Fibre Sales Company achieved good results.

Production of Major Petrochemical Products

	Unit: thousand metric tons	
	Six-month periods ended 30 June	
	2004	2003
Ethylene	1,863	1,724
Synthetic resin	2,806	2,529
Of which: Performance compound resins	1,478	1,246
Synthetic fiber	641	598
Of which: Differential fiber	289	241
Synthetic fiber monomers and polymers	2,443	2,133
Synthetic rubber	297	261
Urea	1,322	1,154

Note: The production of chemical products in the first half of 2003 and the first half of 2004 includes that of Maoming Ethylene.

5.1.2 Cost-reduction

In the first half of 2004, the Company adopted a series of measures to reduce costs: optimising the allocation of resources and logistics to reduce transportation costs, increasing the processing volume of sour crude to reduce procurement costs of crude oil, and further optimising the operation of facilities to cut down material and energy consumption. In the first half of 2004, the Company reduced its costs by a total of RMB 1.43 billion. The breakdown is as follows: RMB 250 million from the Exploration and Production Segment, RMB 380 million from the Refining Segment, RMB 400 million from the Marketing and Distribution Segment and RMB 400 million from the Chemicals Segment. In addition, the Company further carried out measures aiming at improving efficiencies through staff reduction during the first half of

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this year, and a total of about 8,000 employees were voluntarily terminated.

5.1.3 Capital expenditure

In the first half of 2004, the Company's total capital expenditure was RMB 25.82 billion. The capital expenditure in the Exploration and Production Segment totaled RMB 10.07 billion. The layout of the addition of oil and gas reserves and production and the profile of oil and gas has been adjusted, and the sequence structure of the three class reserves of crude oil and gas was improved. The newly added production capacity of crude oil was 2.29 million tonnes per year, while the newly added production capacity of natural gas reached 415 million cubic meters per year. The capital expenditure in the Refining Segment was RMB 4.10 billion. A number of major projects were ahead of schedule: Ningbo-Shanghai-Nanjing crude oil pipeline and Tianjin-Yanshan crude oil pipeline were put into operation, revamping projects in Gaoqiao Petrochemical, Jinling Petrochemical, Yangzi Petrochemical, Xi'an Petrochemical and Tahe Petrochemical proceeded smoothly. The capital expenditure for the Chemicals Segment was RMB 2.94 billion, the second round of ethylene facility revamping project in Qilu Petrochemical will be commissioned in the second half of this year. The capital expenditure for the Marketing and Distribution Segment was RMB 8.61 billion, the construction of refined oil product pipeline in southwest China is progressing smoothly, the construction and acquisition of petrol stations in key areas achieved remarkable results, which consolidated the Company's marketing and distribution network. The capital expenditure for Corporate and Others amounted to RMB 94 million.

In addition, the joint venture projects such as Shanghai Secco proceeded smoothly and the total capital expenditure incurred by the Company for these joint ventures was RMB 3.37 billion.

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

The following table shows the principal operations categorized by business segments and the details of the connected transactions, including income from principal operations and cost of principal operations for each business segment which are extracted from Sinopec Corp.'s financial statements prepared under the PRC Accounting Rules and Regulations:

Categorised by business segments	Income from principal operations	Cost of principal operations	Gross profit ratio*	Increase/decrease of income from principal operations compared to the same period of preceding	Increase/decrease of income from principal operations compared to the same period of preceding

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	RMB millions	RMB millions	(%)	year (%)	ye
Exploration and production	33,692	15,574	47.96	5.08	(
Refining	158,890	145,154	8.52	24.52	2
Chemicals	55,740	45,398	18.55	42.40	2
Marketing and distribution	157,873	138,640	12.18	41.13	4
Others	35,108	34,763	0.98	23.34	2
Elimination of inter-segment sales	(175,594)	(173,431)	N/A	N/A	
Total	265,709	206,098	22.43	36.37	3
Of which: connected transactions	22,001	19,525	11.25	71.77	8
Pricing policy for connected transactions	(1)	Government-prescribed prices and government-guided for products or projects if such prices are available			
	(2)	Where there is no government-prescribed price or government price for products or projects, the market price (or bidding price) will apply;			
	(3)	Where none of the above is applicable, the price will be based on the reasonable cost incurred plus sales tax and reasonable profit. Reasonable cost means the average cost of products by the same type of enterprises within the same proximity using the same kind of raw materials. Reasonable profit means profit margin of not more than 6% of the cost. The current interest rate level set by the government			

Of which: during the reporting period, the total amount of connected transactions of the principal products sold from the Company to Sinopec Group Company was RMB 12.878 billion.

* Gross profit ratio = profit from principal operations/income from principal operations

- 5.3 Principal operations in different regions
 applicable inapplicable
- 5.4 Other operating activities with major influences on net profit
 applicable inapplicable
- 5.5 Operations of equity subsidiaries (applicable to circumstances when the return on investment is more than 10% of the listed company's net profit)
 applicable inapplicable
- 5.6 Reasons of material changes in the principal operations and their structure
 applicable inapplicable
- 5.7 Reasons of material changes in the principal operations' earning power (gross profit ratio) as compared to the preceding year

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applicable inapplicable

Please refer to section 5.8.

- 5.8 Reasons of changes in profit composition as compared to that in the preceding year

applicable inapplicable

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

In the first half of 2004, the Company's turnover and other operating revenues were RMB 275.4 billion and operating profit was RMB 27.3 billion, respectively, representing an increase of 34.1% and 47.2%, respectively, over those in the first half of 2003. These changes are largely attributable to the fact that the Company timely took the opportunities of the rapid growth of domestic GDP and high prices of petrochemical products, further expanded resources and market, increased processing volume of crude oil and production of ethylene, reinforced management, deepened corporate reforms, rationalised asset portfolio, and realised satisfactory results.

- 5.8.1 Turnover and other operating revenues

In the first half of 2004, the Company's turnover and other operating revenues were RMB 275.4 billion. Of which, turnover was RMB 265.7 billion, up by 34.5% from that in the first half of 2003. This was mainly due to the fact that in the first half of 2004, prices of crude oil, petroleum products and chemical products all increased in the global market, and the Company seized the market opportunity to increase its refining throughput and sales volume of its refined products. As a result, the Company's sales volume of major petrochemical products increased significantly. The Company's other operating revenues was RMB 9.7 billion, up by 26.1% from that in the first half of 2003. This was mainly due to the increase of sales revenue from its sale of raw and auxiliary materials and other products and services to China Petrochemical Corporation and its subsidiaries (excluding the Company) ("Sinopec Group") and to third parties.

The following table lists the Company's principal external sales volume and average realised prices, and changes between the first half of 2004 and the first half of 2003:

	Sales Volume (thousand tonnes)			Changes (%)	Average (RMB/tonne, RM)	
	Six-month periods ended 30 June				Six-month pe ended 30 J	
	2004	2003		2004	2003	
Crude oil	3,019	3,304	(8.6)	1,679	1,679	

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Natural gas (million cubic meters)	1,767	1,617	9.3	601	3
Gasoline	13,266	10,779	23.1	3,580	2
Diesel	29,096	22,025	32.1	3,044	2
Kerosene	2,633	2,118	24.3	2,710	6
Synthetic fiber monomer and polymer	1,203	1,038	15.9	7,489	5
Synthetic resin	2,376	2,238	6.2	7,360	9
Synthetic fiber	679	629	7.9	10,728	8
Synthetic rubber	299	261	14.6	9,301	1
Chemical fertilizer	1,287	1,040	23.8	1,327	

Most of crude oil and a small portion of natural gas produced by the Company were internally used for its refining and chemical production. The remaining was sold to the refineries owned by Sinopec Group and other customers. In the first half of 2004, external sales revenues of crude oil and natural gas amounted to RMB 7.4 billion, up by 4.1% over the first half of 2003, accounting for 2.7% of the Company's turnover and other operating revenues.

The Company's Refining Segment and Marketing and Distribution Segment sell petroleum products (mainly consisting of refined oil products and other refined petroleum products) to third parties. In the first half of 2004, the aggregate external sales revenues of petroleum products by these two segments were RMB 188.5 billion, up by 38.1% over in the first half of 2003 and accounting for 68.4% of the Company's turnover and other operating revenues. The sales revenues of gasoline and diesel increased by 39.0% from that in the first half of 2003 to RMB 136.1 billion, accounting for 72.2% of the total sales revenues of petroleum products.

In the first half of 2004, the Company's external sales revenues of chemical products were RMB 50.9 billion, up by 33.6% over the first half of 2003, accounting for 18.4% of its turnover and other operating revenues.

5.8.2 Operating expenses

In the first half of 2004, the Company's operating expenses were RMB 248.1 billion, up by 32.8% over the first half of 2003. The operating expenses mainly consisted of the following:

Purchased crude oil, products, and operating supplies and expenses

The Company's purchase of crude oil, products and operating supplies and expenses were RMB 197.1 billion, up by 36.5% over the first half of 2003, accounting for 79.5% of the operating expenses, of which:

Purchase of crude oil was RMB 102.8 billion, up by 35.1% over the first half of 2003, accounting for 41.5% of the total operating expenses.

To meet the increasing demands resulting from the rapid growth of the Chinese economy, the Company increased its refining throughput. In the first half of 2004, the Company's refining throughput was 63.26 million tonnes

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(excluding amounts processed for third parties), representing an increase of 15.67%, compared with that in the first half of 2003. The Company's average cost for crude oil was RMB 2,098 per tonne, representing an increase of 10.8% compared with that in the first half of 2003.

In the first half of 2004, the Company's other purchasing expenses were RMB 94.3 billion, up by 38.1% over the first half of 2003, accounting for 38.0% of the total operating expenses. This increase was mainly due to the increased costs of outsourced refined oil products and chemical feedstock.

Selling, general and administrative expenses

In the first half of 2004, the Company's selling, general and administrative expenses were RMB 14.2 billion, up by 24.4% over the first half of 2003. This increase was mainly due to:

- o Sales expenses, such as the costs of transportation, and other service charges, supporting units etc. increased by RMB 1.2 billion, as a result of the increase in the sales volume of refined oil products and the increased proportion of retail and direct sales in total sales volume of refined oil products.
- o Expenses in maintenance increased by RMB 400 million.
- o Operating lease rentals increased by (inclusive land lease expenses) RMB 400 million.
- o Expenses in advertising increased by RMB 300 million.
- o Expenses in research and development increased by RMB 200 million.

Depreciation, depletion and amortization

In the first half of 2004, the Company's depreciation, depletion and amortization were RMB 14.8 billion, up by 14.1% over the first half of 2003. The increase was mainly due to the addition of property, plant and equipment as a result of capital expenditure.

Exploration expenses

In the first half of 2004, the Company's exploration expenses were RMB 2.5 billion, representing a decrease of 11.1% compared with that in the first half of 2003.

Personnel expenses

In the first half of 2004, the Company's personnel expenses were RMB 8.3 billion, which was flat with that in the first half of 2003

Employee reduction expenses

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The Company incurred approximately RMB 412 million of staff reduction expenses for approximately 8,000 employees who voluntarily left the Company in the first half of 2004.

Taxes other than income tax

In the first half of 2004, the Company's taxes other than income tax were RMB 7.8 billion, up by 25.6% over the first half of 2003. The increase was mainly attributable to the increase of consumption tax and surcharges as a result of the increase in sales volume of gasoline and diesel of the Company.

Other operating expenses, net

In the first half of 2004, the Company's other operating expenses (net) were RMB 3.0 billion, up by RMB 2.3 billion over the first half of 2003. The increase was mainly due to the fact that in order to allocate its internal resources more efficiently, the Company adjusted the production and operation plans for certain less efficient facilities in Chemicals and Marketing and Distribution segments, and accordingly made a provision for impairment of long-lived assets of RMB 2.3 billion representing the difference between the expected recoverable value and the net book value of these assets, up by RMB 2.1 billion over that in the first half of 2003.

Personnel expenses

In the first half of 2004, the Company's personnel expenses were RMB 8.3 billion, which was flat with that in the first half of 2003.

Employee reduction expenses

The Company incurred approximately RMB 412 million of staff reduction expenses for approximately 8,000 employees who voluntarily left the Company in the first half of 2004.

Taxes other than income tax

In the first half of 2004, the Company's taxes other than income tax were RMB 7.8 billion, up by 25.6% over the first half of 2003. The increase was mainly attributable to the increase of consumption tax and surcharges as a result of the increase in sales volume of gasoline and diesel of the Company.

Other operating expenses, net

In the first half of 2004, the Company's other operating expenses (net) were RMB 3.0 billion, up by RMB 2.3 billion over the first half of 2003. The increase was mainly due to the fact that in order to allocate its internal resources more efficiently, the Company adjusted the production and operation plans for certain less efficient facilities in Chemicals and Marketing and Distribution segments, and accordingly made a provision for impairment of long-lived assets of RMB 2.3 billion representing the difference between the expected recoverable value and the net book value of these assets, up by RMB 2.1 billion over the first

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half of 2003.

5.8.3 Operating profit

In the first half of 2004, the Company's operating profit was RMB 27.3 billion, up by 47.2% over the first half of 2003.

5.8.4 Net finance costs

In the first half of 2004, the Company's net finance costs were RMB 1.8 billion, down by 13.1% compared with that in the first half of 2003.

5.8.5 Profit from ordinary activities before taxation

In the first half of 2004, the Company's profit from ordinary activities before taxation was RMB 26.0 billion, up by 55.2% over the first half of 2003.

5.8.6 Taxation

In the first half of 2004, the Company's income tax was RMB 7.7 billion, up by 46.5% over the first half of 2003.

5.8.7 Minority interests

In the first half of 2004, the Company's minority interests were RMB 2.2 billion, up by 178.2% over the first half of 2003, mainly due to the significant increase in the profits from the Company's subsidiaries.

5.8.8 Profit attributable to shareholders

In the first half of 2004, the Company's profit attributable to shareholders was RMB 16.2 billion, up by 50.6% over the first half of 2003.

5.9 During this reporting period, there was no significant difference in terms of cash flow, source of funds and capital structure compared with the same period last year.

5.10 Use of the proceeds from share issue

5.10.1 Use of the proceeds from share issue

|x| applicable |_| inapplicable

5.10.1.1 Use of the proceeds from the issue of A share

Unit: RMB100 millions

Total proceeds from share issue	116.48
Total amount of proceeds used in this reporting period	1.9
Total amount of proceeds already used	101.66

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During the reporting period

Projects under commitment	Proposed investment	Any change	Actual investment	Amount of generated revenue
southwest refined oil products pipeline project	1.9	No	1.9	--
Total	1.9		1.9	
* Reasons of inability to satisfy the planned progress and expected return	Through optimization and adjustment for southwest refined oil products pipeline project, the State Council has approved the feasibility study report on 27 May 2003. The total investment is RMB3.54 billion. The pipeline is 1,691 km long and is expected to be completed and put into operation in 2005.			
Reasons of changes and reasons of changes of procedures	No			

5.10.1.2 Change of projects

applicable inapplicable

5.11 Business prospects and operating plan for the second half of 2004

applicable inapplicable

Looking into the second half of 2004 for the international market, the global economy continues to maintain a good momentum of recovery. Asia will maintain its position as the most robust economy in the world, and its economy will keep growing at a high rate. The Company expects that global demand for crude oil will continue to grow in the second half of this year, with crude oil prices fluctuating at a relatively high level. Refining business will remain in a good shape and chemical industries will remain in a new round of upturn cycle. In the domestic market, as the Chinese government takes measures to adjust and optimise economic structure, the national economy will continue to grow rapidly driving the growth of the demand for petroleum and petrochemical products.

At the same time, according to the undertakings made by the Chinese government for entering the World Trade Organization, the retail market of refined oil products will open to foreign players by the end of this year, and the domestic competition in the marketing of refined oil products may be more severe.

By following the changes in the market, the Company will take a proactive approach, in production and management and minimize operational risks. In addition, the Company will capture the opportunities in the market and invest in and expedite the construction of major projects. Additionally, the Company will deepen reform, reinforce internal management, expand resources and market, improve

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efficiencies through staff reduction and ensure sustainable and effective growth.

In Exploration and Production Segment, the Company intends to implement its resources strategy to accelerate the exploration and development, to seek for the addition of oil reserves in mature blocks in eastern China, breakthrough in new exploration blocks in western China and discoveries in marine phase blocks in southern China, as well as to speed up the construction of oil and gas production capacity through developing newly found reserve in the existing mature blocks and building auxiliary facilities for production capacity in the new blocks while reinforcing the production and operation management to reduce the production costs of oil and gas. In the second half of 2004, the Company plans to produce 138.2 million barrels of crude oil and 104.9 billion cubic feet of natural gas.

In Refining Segment, the Company will closely monitor the changes of international oil market, continue to optimise allocation of crude oil resources, increase the processing volume of sour crude to reduce the purchasing costs of crude oil. The Company intends to fully leverage the Ningbo-Shanghai-Nanjing crude oil pipeline, optimise the allocation of crude oil to reduce transportation costs. The Company will timely adjust product mix in accordance with the market demand, reinforce operation management and ensure safe, stable, sustainable, optimal and full-load operations. In addition, the Company will proactively implement reform of marketing system of refined oil products other than gasoline, diesel and jet fuel. The Company plans to process 67.46 million tonnes of crude oil in the second half of this year.

In Marketing and Distribution Segment, the Company intends to enhance the distribution network of refined oil products by accelerating the construction of refined oil product pipeline, optimising and adjusting the layout of oil depots, as well as expanding the retail network. Following the principle of achieving regional and professional management and flattening of the management hierarchy, the Company intends to further carry out reform of its marketing system of refined oil products. The Company will further improve service quality and its corporate image. In the second half of 2004, the Company will target its total domestic sales volume of refined oil products at 45.5 million tonnes, including a retail volume of 25.37 million tonnes and a direct sales volume of 9.5 million tonnes.

In Chemicals Segment, the Company will focus on the full load operation of major chemical facilities and revamping of some facilities as well as optimisation of feedstock and resources allocation to reduce the material and energy consumption and increase product yield. The Company will rationalise its product mix and increase the output of high value-added products. The Company will continue to carry out the reform of marketing system of chemical products. The Company plans to produce 1.7 million tonnes of ethylene in the second half of this year.

In respect of capital expenditure, the original planned capital expenditure for 2004 was RMB 50.2 billion. According

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to the current market supply-demand situation and the projected market analysis in the future, the Company decided to seize the opportunities, increase investment and accelerate the construction progress of key projects. The Company intends to increase the capital expenditure by RMB 6.12 billion to RMB 56.32 billion. The breakdown of increases by segments is as follows: the expenditure for Exploration and Production Segment is RMB 1.24 billion, Refining Segment RMB 1.68 billion, Chemicals Segment RMB 1.15 billion, Marketing and Distribution Segment RMB 1.95 billion. The expenditure will be mainly used for the construction of natural gas and crude oil pipelines and the speeding up of the refining renovation in Guangzhou Petrochemical, Yanshan Petrochemical, Shanghai Petrochemical, chemical renovation of PTA in Yangzi Petrochemical, polyester project in Yizheng Chemical Fiber, and the construction and acquisition of petrol stations, etc.

In the second half of 2004, by following the operating guidelines featuring "reform, rationalisation, innovation and development", the Company will actively adopt flexible operating tactics, realise the production and operation objectives for 2004, and continue to maintain sound operation results.

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

applicable inapplicable

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

applicable inapplicable

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

applicable inapplicable

Section 6 Significant events

- 6.1 Acquisition, sale of assets and assets reorganisation

- 6.1.1 Acquisition and purchase of assets

applicable inapplicable

Acquisition of shares of Jinzhi Company

The other

Net profits
contributed
to the Company

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party to the transaction and its assets acquired or invested	Date of purchase	Transaction price	during the period from the purchase day to the end of the reporting day
100% of the shares of Tianjian Lubricant & Grease Company Limited held by Sinopec Group Company	30 June 2004	RMB 230 million	Nil

At the seventh meeting of the Second Session of the Board of Directors of Sinopec Corp. held on 26 March 2004, the Board reviewed and approved to acquire 100% of the shares of Yanhua Group Tianjin Lubricant & Grease Company Limited (Jinzhi Company) (which was owned by Sinopec Group Beijing Yanshan Petrochemical Company Limited which is, in turn, a wholly-owned subsidiary of China Petrochemical Corp.) at a consideration for RMB 230 million in cash. The two parties signed the acquisition agreement. For details, please refer to Sinopec Corp.'s relevant announcement published in China Securities, Shanghai Securities and Securities Times in China and South China Morning Post and Hong Kong Economic Times in Hong Kong on 29 March 2004. The acquisition was completed on 30 June 2004.

- 6.1.2 Acquisition and purchase of assets
 applicable inapplicable
- 6.1.3 Progress and impact on financial position and operating results of the relevant event after the issue of asset reorganization report or announcement of acquisition and sale of assets
 applicable inapplicable
- 6.2 Guarantees
 applicable inapplicable

Obligors	Date of occurrence (date of execution of agreement)	Amount RMB millions	Type
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Shanghai Secco Petrochemical Co., Ltd.	9.2.2002	2,930	Joint and several liability	9.2.
Shanghai Secco Petro- chemical Co., Ltd.	9.2.2002	4,062	Joint and several liability	9.2.
BASF-YPC Co., Ltd.	7.3.2003	4,680	Joint and several liability	7.3.
Yueyang Sinopec Shell Coal Gasification Co., Ltd.	10.12.2003	377	Joint and several liability	10.12.
Others	N/A	315	Joint and several liability	

Total amount of guarantee provided during the reporting period

Total amount of guarantee outstanding*

Of which: total outstanding amount of guarantee provided to connected parties

Total amount of guarantee provided by Sinopec Corp. for its controlling subsidiaries

Total amount of guarantee provided by Sinopec Corp. not in compliance with the requirements of (Zheng Jian Fa [2003] No.56)**

Total amount of guarantee as a percentage of the Company's net assets

* Pursuant to "Notice on the Preparation of Interim Report of 2004 of the Listed Company" issued by Shanghai Stock Exchange, "the total amount of guarantee outstanding" and "the total outstanding amount of guarantee provided to connected parties" do not include the guarantee provided by Sinopec Corp. to its controlling subsidiaries.

** These guarantees were granted to subsidiaries and associates of Sinopec Corp. and were formally approved by the Board of Directors according to relative procedures. Pursuant to "Notice on Certain Issues Relating to Regulating Fund Transfers between a Listed Company and Connected Parties and External Guarantees of List Company" (Zheng Jian Fa [2003] No.56) promulgated by the China Securities Regulatory Commission (CSRC) and the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) published on 28 March 2003, as the total liabilities to total assets ratios of this subsidiary and associate were over 70%, the provision of these guarantees is subject to restrictions.

6.3 Provision of fund to and fund provided by connected party

applicable inapplicable

Unit: RMB mil

Funds p

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Connected party	Provision of funds to connected party Net occurrence	Balance	connect the Net occur
Sinopec Group Company and other principal connected parties	(2,063)	7,162	(3,723)
Total	(2,063)	7,162	(3,723)

Of which: during the reporting period, the net occurrence of the fund provided by the Company for Sinopec Group Company amounted to a negative amount of RMB 2.026 billion, and the balance was RMB 6.868 billion.

6.4 Material litigation and arbitration

applicable inapplicable

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

applicable inapplicable

6.5.1 Transfer of State-owned Legal Person Shares in China Phoenix Held by Sinopec Corp.

At the ninth meeting of the Second Session of the Board of Directors of Sinopec Corp. held on 6 July 2004, the Board reviewed and approved to transfer 211,423,651 state-owned legal person shares held by Sinopec Corp. in Sinopec Wuhan Phoenix Company Limited ("China Phoenix") (representing 40.72% of the total issued share capital of China Phoenix) to Hubei Qingjiang Water Power Investment Limited ("Qingjiang Investment") and China Guodian (Group) Corporation ("Guodian Group"). The total consideration payable was RMB 620,954,100. The Board also approved the Share Transfer Agreement and its related documents to be entered into between Sinopec Corp., Qingjiang Investment and Guodian Group. On 6 July 2004, Sinopec Corp. signed the Share Transfer Agreement with Qingjiang Investment and Guodian Group. Meanwhile, the Board reviewed and approved the proposed acquisition by Sinopec Corp. from Qingjiang Investment and Guodian Group of petrochemical assets (including production facilities, inventories and corresponding accounts receivables) which they had obtained by way of assets swap from China Phoenix (the Petrochemical Assets). The total consideration payable in respect of the acquisition was RMB 548,040,500 in cash. The Board of Directors authorized the Chairman, Mr. Chen Tonghai, to sign the Asset Acquisition Agreement and related documents on behalf of Sinopec Corp. after SASAC approved the share transfer and CSRC approved the Petrochemical Assets swap. For relevant details, please refer to Sinopec Corp.'s announcement published in China Securities, Shanghai Securities, and Securities Times in Mainland China, and South China Morning Post and Hong Kong Economic Times in Hong Kong on 6 July 2004.

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6.5.2 The Payment of Interest, Redemption and Delist of Mao Lian Convertible Bonds for 2004

Approved by CSRC (refer to Zheng Jian Fa [1999] No.90), Sinopec Mao Ming Refining and Chemical Company Limited (Maoming Oil Refinery) issued RMB 1.5 billion convertible bonds ("Mao Lian Convertible Bonds") with 5-year term through Shenzhen Stock Exchange on 28 July 1999 and listed on Shenzhen Stock Exchange on 17 August 1999. In accordance with Provisional Rules on the Management of Convertible Corporate Bonds, Convertible Corporate Bonds Prospectus prepared by Maoming Oil Refinery, the resolution of its Board of Directors on 7 July 2003 and the resolution of its General Meeting of Shareholders on 23 March 2004, trading of Mao Lian Convertible Bonds had been terminated on 28 July 2004, and on the same day they were delisted. For those convertible bonds which were not yet sold to Maoming Oil Refinery, they were redeemed with the redemption price of RMB 118.5/piece (tax exempted).

6.5.3 Qingdao Refining Project

On 22 July 2004, the Report of Feasibility study on Qingdao Refining Project was approved by National Development and Reform Commission ("NDRC"). The capacity of the refinery is expected to be 10 million tonnes per year. Total investment of the project is estimated to be RMB 9.7 billion. Construction of the project is expected to be completed at the beginning of 2007.

6.5.4 The Establishment of Sinopec-Shell (Jiang Su) Petroleum Sales Ltd.

On 13 July 2004, Ministry of Commerce approved the establishment of Sinopec-Shell (Jiangsu) Petroleum Sales Co. Ltd. jointly invested by Sinopec Corp., Royal Dutch/Shell (China) Holding BV and Shell (China) Ltd. and granted the joint venture contract and the Articles of Association signed by each party on 11 May 2004. The total investment amounts to RMB 1.55154 billion and the registered capital amounts to RMB 0.83 billion. The investment proportion is 60%, 30% and 10% by Sinopec Corp., Royal Dutch/Shell (China) Holding BV and Shell (China) Ltd. respectively.

6.5.5 Issuance of Corporate Bonds

At Sinopec Corp.'s second Extraordinary General Meeting of Shareholders for Year 2003 held on 15 Oct. 2003, the shareholders considered and approved "the Proposal Concerning the Issuance of Domestic Corporate Bonds Amounting to RMB 3.5 billion". On 16 January 2004, Sinopec Corp. obtained the approval from the NDRC to issue 10-year term domestic corporate bonds of RMB 3.5 billion. On 23 February 2004, the sixth meeting of Sinopec Corp.'s Second Session of the Board of Directors and the NDRC determined the coupon rate of the corporate bonds to be 4.61%. As of the date of 8 March 2004, the corporate bonds of Sinopec Corp. have been issued mainland successfully. For relevant details, please refer to Sinopec Corp.'s announcement published in China Securities, Shanghai Securities, and Securities Times in Mainland China, and South China Morning Post and Hong Kong Economic Times in Hong Kong, respectively

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on 25 August 2003, 16 October 2003, 30 January 2004, 9 February 2004, and 24 February 2004.

6.6 Dividend Distribution for the year ended 31 December 2003

As approved at the Annual General Meeting for the Year 2003 of Sinopec Corp., a final cash dividend of RMB 0.06 (inclusive of tax) per share for the year ended 31 December 2003 was distributed, with a total amount of RMB 5.202 billion. Shareholders whose names appeared on the register of members of Sinopec Corp. on 4 June 2004 had already received the final dividend on 28 June 2004.

For the year of 2003, the annual cash dividend of RMB 0.09 (inclusive of tax) per share was distributed and the total cash dividend amounted to RMB 7.803 billion

6.7 Interim Dividend Distribution Plan for the six-month period ended 30 June 2004

According to the provision of the Articles of Association of Sinopec Corp., the Board approved the Interim Dividend Distribution Plan for the period ended 30 June 2004 at the tenth meeting of the Second Session of the Board of Directors. An interim cash dividend of RMB 0.04 (inclusive of tax) per share is to be distributed, based on the total number of shares of 86,702.439 million as at 30 June 2004, which amounts to a total cash dividend of approximately RMB 3.468 billion.

The interim dividend will be distributed on or before 30 September 2004 (Thursday) to the shareholders whose names appear on the register of members of Sinopec Corp. on Monday, 20 September 2004.

Section 7 Financial Statements

7.1 Auditors' opinion

Financial statements Unaudited Audited

Auditors' opinion Standard unqualified opinion Not Standard opi

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

7.2.1 Financial statements prepared in accordance with the PRC Accounting Rules and Regulations

The Group's and the Company's balance sheets

At 30 June 2004

At 31 December 2004

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	The Group RMB millions	The Company RMB millions	The Group RMB millions	The Co RMB
Current assets				
Cash at bank and in hand	17,028	7,328	17,405	
Bills receivable	8,009	2,070	5,953	
Trade accounts receivable	13,621	9,678	9,284	
Other receivables	12,166	19,418	15,457	
Advance payments	7,248	5,486	3,904	
Inventories	58,990	31,864	44,915	
Total current assets	117,062	75,844	96,918	
Long-term equity investments (Including the Group's and the Company's equity investment differences of RMB 425 million and RMB 415 million respectively (2003: RMB 400 million and 395 million))	12,106	106,673	11,150	
Fixed assets				
Fixed assets, at cost	466,212	226,100	461,128	2
Less: Accumulated depreciation	222,732	95,673	213,804	
	243,480	130,427	247,324	1
Less: Provision for impairment losses on fixed assets	4,094	2,505	1,331	
Net book value of fixed assets	239,386	127,922	245,993	1
Construction materials	1,659	603	1,226	
Construction in progress	44,498	27,124	28,513	
Total fixed assets	285,543	155,649	275,732	1
Intangible assets and other assets				
Intangible assets	4,526	3,701	4,564	
Long-term deferred expenses	573	154	97	
Total intangible assets and other assets	5,099	3,855	4,661	
Deferred taxation:				
Deferred tax assets	3,115	2,391	1,752	
Total assets	422,925	344,412	390,213	3
Current liabilities:				
Short-term loans	26,445	14,277	20,904	
Bills payable	28,531	21,630	23,958	

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Trade accounts payable	26,277	21,656	22,704	
Receipts in advance	5,610	4,275	5,908	
Wages payable	2,463	920	1,850	
Staff welfare payable	1,093	442	1,230	
Taxes payable	6,025	1,482	6,986	
Other payables	1,490	470	1,237	
Other creditors	25,334	24,080	27,537	
Accrued expenses	2,151	850	303	
Current portion of long-term liabilities	10,895	6,268	8,175	
Total current liabilities	136,314	96,350	120,792	
Long-term liabilities				
Long-term loans	82,038	71,300	79,221	
Bonds payable	3,500	3,500	--	
Other long-term payables	649	220	888	
Total long-term liabilities	86,187	75,020	80,109	
Deferred taxation:				
Deferred tax liabilities	238	16	289	
Total liabilities	222,739	171,386	201,190	1
Minority interests	27,910	--	26,077	
Shareholders' funds				
Share capital	86,702	86,702	86,702	
Capital reserve	36,852	36,852	36,852	
Surplus reserves (Including statutory public welfare fund of RMB 7,834 million (2003: RMB 6,330 million))	22,668	22,668	19,660	
Unrecognised investment losses	(750)	--	(243)	
Undistributed profits (Including dividend declared after the balance sheet date of RMB 3,468 million (2003: RMB 2,601 million))	26,804	26,804	19,975	
Total shareholders' funds	172,276	173,026	162,946	1
Total liabilities and shareholders' funds	422,925	344,412	390,213	3

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The Group's and the Company's income statements and profit appropriation statements

	Six-month periods ended 30 June 2004		Six-month ended 30
	The Group RMB millions	The Company RMB millions	The Group RMB millions
Income from principal operations	265,709	183,836	194,842
Less: Cost of sales	206,098	154,678	152,303
Sales taxes and surcharges	7,776	4,661	6,141
Profit from principal operations	51,835	24,497	36,398
Add: Profit from other operations	616	29	583
Less: Selling expenses	8,664	5,590	6,692
Administrative expenses	10,865	7,204	9,646
Financial expenses	2,094	1,287	2,234
Exploration expenses, including dry holes	2,475	1,831	2,784
Operating profit	28,353	8,614	15,625
Add: Investment income	516	16,640	341
Non-operating income	181	112	88
Less: Non-operating expenses	4,952	3,552	768
Profit before taxation	24,098	21,814	15,286
Less: Taxation	7,154	6,532	4,762
Minority interests	2,412	--	759
Add: Unrecognised investment losses	507	--	--
Net profit	15,039	15,282	9,765
Add: Undistributed profits at the beginning of the period	19,975	19,732	12,569
Distributable profits	35,014	35,014	22,334
Less: Transfer to statutory surplus reserve	1,504	1,504	977
Transfer to statutory public welfare fund	1,504	1,504	977
Distributable profits to shareholders	32,006	32,006	20,380
Less: Distribution of ordinary shares' dividends	5,202	5,202	5,202
Undistributed profits (Including dividend declared after the balance sheet date of RMB 3,468 million (2003: RMB 2,601 million))	26,804	26,804	15,178

7.2.2 Financial statements prepared in accordance with IFRS

Consolidated income statement

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	Six-month p ended 30 2004 RMB millions
Turnover and other operating revenues	
Turnover	265,709
Other operating revenues	9,733
	275,442
Operating expenses	
Purchased crude oil, products and operating supplies and expenses	(197,123)
Selling, general and administrative expenses	(14,212)
Depreciation, depletion and amortisation	(14,773)
Exploration expenses, including dry holes	(2,475)
Personnel expenses	(8,346)
Employee reduction expenses	(412)
Taxes other than income tax	(7,776)
Other operating expenses, net	(2,986)
Total operating expenses	(248,103)
Operating profit	27,339
Finance costs	
Interest expense	(1,986)
Interest income	169
Foreign exchange losses	(29)
Foreign exchange gains	43
Net finance costs	(1,803)
Investment income/(losses)	30
Share of profits less losses from associates	451
Profit from ordinary activities before taxation	26,017
Taxation	(7,713)
Profit from ordinary activities after taxation	18,304
Minority interests	(2,153)

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Profit attributable to shareholders	16,151	
Basic earnings per share	0.19	
Dividends attributable for the period:		
Interim dividend declared after the balance sheet date	3,468	
Consolidated balance sheet		At 30 June 2004 RMB millions
Non-current assets		
Property, plant and equipment	251,704	
Construction in progress	44,659	
Investments	2,711	
Interests in associates	8,849	
Deferred tax assets	3,506	
Lease prepayments	794	
Other assets	2,612	
Total non-current assets	314,835	
Current assets		
Cash and cash equivalents	14,273	
Time deposits with financial institutions	2,755	
Trade accounts receivable	13,621	
Bills receivable	8,009	
Inventories	60,631	
Prepaid expenses and other current assets	20,813	
Total current assets	120,102	
Current liabilities		
Short-term debts	31,187	
Loans from Sinopec Group Company and fellow subsidiaries	6,153	
Trade accounts payable	26,277	
Bills payable	28,531	
Accrued expenses and other payables	41,419	
Income tax payable	4,146	
Total current liabilities	137,713	

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Net current liabilities	(17,611)
Total assets less current liabilities	297,224
Non-current liabilities	
Long-term debts	49,078
Loans from Sinopec Group Company and fellow subsidiaries	36,460
Deferred tax liabilities	5,106
Other liabilities	731
Total non-current liabilities	91,375
Minority interests	27,440
Net assets	178,409
Shareholders' funds	
Share capital	86,702
Reserves	91,707
Total shareholder's funds	178,409

7.3 Notes to the financial statements

7.3.1 Segmental reporting prepared in accordance with IFRS

Information on the Group's business segments is as follows:

	Six-month ended 3 2004 RMB millions
Turnover	
Exploration and production	
External sales	7,376
Inter-segment sales	26,316
	33,692
Refining	
External sales	31,986
Inter-segment sales	126,904
	158,890

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Marketing and distribution		
External sales		156,539
Inter-segment sales		1,334
		157,873
Chemicals		
External sales		50,946
Inter-segment sales		4,794
		55,740
Corporate and others		
External sales		18,862
Inter-segment sales		16,246
		35,108
Elimination of inter-segment sales		(175,594)
Turnover		265,709
Other operating revenues		
Exploration and production		3,544
Refining		2,367
Marketing and distribution		362
Chemicals		2,645
Corporate and others		815
Other operating revenues		9,733
Turnover and other operating revenues		275,442
		Six-month ended 3 2004
		RMB millions
Result		
Operating profit		
By segment		
- Exploration and production		10,520
- Refining		4,251
- Marketing and distribution		8,569
- Chemicals		4,924

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- Corporate and others	(925)
Total operating profit	27,339
Share of profits less losses from associates	
- Exploration and production	223
- Refining	29
- Marketing and distribution	177
- Chemicals	(37)
- Corporate and others	59
Aggregate share of profits less losses from associates	451
Finance costs	
Interest expense	(1,986)
Interest income	169
Foreign exchange losses	(29)
Foreign exchange gains	43
Net finance costs	(1,803)
Investment income/(losses)	30
Profit from ordinary activities before taxation	26,017
Taxation	(7,713)
Profit from ordinary activities after taxation	18,304
Minority interests	(2,153)
Profit attributable to shareholders	16,151

7.3.2 Taxation

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

7.3.3 Cost of inventories

The cost of inventories recognised as an expense in the consolidated income statement prepared in accordance with IFRS amounted to RMB 211,548 million for the six-month period ended 30 June 2004 (2003: RMB 157,853 million).

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- 7.3.4 During the reporting period, there are no changes in the scope of consolidation of the financial statements prepared under the PRC Accounting Rules and Regulations and IFRS.

Section 8 Repurchase, Sales and Redemption of shares

During this reporting period, the Company did not repurchase, sell or redeem any securities of Sinopec Corp.

Section 9 Compliance with the Code of Best Practice

The Board of Directors of Sinopec Corp. is not aware of any information which reasonably indicates that Sinopec Corp. fails/has failed to, currently or at any time within the six-month period ended 30 June 2004, comply with those requirements as set out under the Code of Best Practice in Appendix 14 to the Listing Rules stipulated by Hong Kong Stock Exchange.

Section 10 Application of the Model Code

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

- Section 11 A detailed results announcement containing all the information required by paragraphs 46(1) to (6) of Appendix 16 to the Listing Rules of the Stock Exchange will be published on the website of the Hong Kong Stock Exchange in due course.

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

By Order of the Board

Chen Tonghai

Chairman

Beijing, the PRC, 27 August 2004

As at the date of this announcement, the directors of the Company are: Messrs. Chen Tonghai, Wang Jiming, Mou Shuling, Zhang Jiaren, Cao Xianghong, Liu Genyuan, Gao Jian and Fan Yifei; the independent directors are: Messrs. Chen Qingtai, Ho Tsu Kwok Charles, Shi Wanpeng and Zhang Youcai; and the employee representative director is: Mr Cao Yaofeng.